

# 2018

## Annual

# REPORT



**Rappahannock Electric Cooperative**

A Touchstone Energy® Cooperative



# MESSAGE TO OUR MEMBER-OWNERS:



2018 was quite a year for REC! We value the opportunity to support your community in many ways beyond just providing safe, reliable and affordable power. As a member-owned Cooperative, all of you played an important role in making REC and our communities stronger. Along with the successes, there were many challenges last year that we had to overcome. Our area endured six major weather events that caused mass power outages throughout much of the service territory. We are proud of our crews who worked around the clock to restore power as quickly and safely as possible, and we are appreciative of your patience during those periods of storm recovery. From the hand-written thank you notes to the cookies for the crews, you showed that, together, "We are REC."

Each year we highlight our annual accomplishments. It is part of our effort to keep you informed about your Cooperative and to show what we are doing to connect our members with safe, reliable power. We ensure that our efforts mirror the goals and aspirations of the communities we serve. This is particularly true in our work on sustainability and affordability.



Our progress in these important areas is shown in the facts and figures on the pages that follow. We had a strong financial year and this allowed us to return \$7.5 million in Capital Credits back to you in the form of credits on your bills last year. But numbers and statistics don't tell the full story. Some of our most important successes this past year are not measured in dollars or kilowatts, but in lives changed.

- **We're taking steps to help Virginia go green!** Through our new Cooperative Sunshare program,

you can now support solar without having to install panels at your home or business. Due to our partnership with Old Dominion Electric Cooperative, solar energy is produced by Virginia facilities in Clarke County and the Eastern Shore.

- **We celebrated with 25 employees who entered retirement**, and welcomed many new employees to ensure a continuation of excellent service. This included adding employees to prepare our deployment of a fiber utility network. As we bring new employees into the REC workforce, we are participating in the "Serve Our Co-op; Serve Our Country" program, helping veterans translate the skills they learned in the military into a job with REC.
- **You showed no limit to your generosity by contributing a record amount to The Power of Change program**, helping to positively impact the communities of our member-owners. Over 21,000 REC members have committed to the program which helped over 17 organizations support your communities in 2018.
- **We launched a multi-year initiative to install an 800-mile fiber network** to improve communications with our utility facilities. Space on the fiber will be made available to third parties to help bring broadband service to rural Virginia.



Each of these successes has many member-owner stories behind it. It is the result of working together to set a shared vision for our Cooperative and taking the steps necessary to carry out that vision. When that serves as the basis for what we do, good things happen.

2019 is off to a great start for REC and we will continue to share with you the milestones and successes that you and our employees play a part in. As always, we appreciate the support of our member-owners and welcome feedback from you on how we are doing. We look forward to continuing to serve you, and hope you will embrace the "We are REC" philosophy and be an active part of your cooperative.

**Christopher G. Shipe**  
Board Chairman

**Kent D. Farmer**  
President & CEO



**\$5.5 MILLION**

Money spent to repair storm-related damage, and restoring power to member-owners

**169,000**

Connections supported by approximately 17,000 miles of power lines operated and maintained throughout the service territory spanning 22 counties

**4 BILLION**

Kilowatt Hours delivered to homes and businesses

**50,854**

Member-owners enrolled in paperless billing, saving REC members more than \$378,000 in printing and mailing costs annually

**62,618**

Total member-owners enrolled in My REC SmartHub

**327,764**

Pounds of recycled material collected at REC facilities



**\$90,000**

Donated by member-owners to The Power of Change to support 17 organizations in their communities

**\$50 MILLION**

Money spent on improving the grid, including 180 miles of new or upgraded power lines, new substations, automation of systems, new equipment and other information technology

**300**

Community events in which REC participated

**7,390**

Cumulative amount of LED outdoor lights installed system-wide, which use less energy and promote dark skies

**2,580**

New service connections in 2018

**623**

Cumulative number of member-owners we have helped connect solar panels or wind mills at home for power generation

**93%**

Member service calls answered within 30 seconds

# 2018 FINANCIALS

## Balance Sheets

	<b>2018</b> <i>(in thousands)</i>	<b>2017</b> <i>(in thousands)</i>
<b>Assets</b>		
Total Utility Plant	\$ 1,095,878	\$ 1,066,148
Accumulated Provision for Depreciation	(415,131)	(394,383)
Net Utility Plant	<u>680,747</u>	<u>671,765</u>
Investments	139,237	134,857
Current Assets	102,647	75,994
Deferred Charges	13,367	15,304
Total Assets	<u><u>\$ 935,998</u></u>	<u><u>\$ 897,920</u></u>
<b>Equity and Liabilities</b>		
Total Equity	\$ 406,204	\$ 391,688
Long-Term Debt	443,717	420,852
Current Liabilities	63,517	64,952
Other Liabilities	22,560	20,428
Total Equities and Liabilities	<u><u>\$ 935,998</u></u>	<u><u>\$ 897,920</u></u>

## Statement of Operations & Patronage Capital

	<b>2018</b> <i>(in thousands)</i>	<b>2017</b> <i>(in thousands)</i>
Operating Revenue	\$ 446,656	\$ 373,837
Operating Expenses		
Cost of Power/Cost of Goods Sold	293,833	243,983
Transmission	589	786
Distribution – Operations	14,796	16,224
Distribution – Maintenance	32,345	24,574
Consumer Accounts	13,863	13,611
Consumer Service	2,958	3,044
Administrative and General	17,014	16,666
Total Operating Expenses	<u>375,398</u>	<u>318,888</u>
Other Expenses		
Depreciation	37,120	30,704
Interest on Long-term Debt	17,638	17,572
Other	1,173	597
Total Other Expenses	<u>55,931</u>	<u>48,873</u>
Total Expenses	<u>431,329</u>	<u>367,761</u>
Operating Margins	15,327	6,076
Non-operating Margins		
Patronage Capital Assigned	5,705	10,000
Interest Income	1,171	592
Other	(868)	1,095
Total Non-Operating Margins	<u>6,008</u>	<u>11,687</u>
Net Margins	<u>\$ 21,335</u>	<u>\$ 17,763</u>
Time Interest Earned Ratio	2.2	2.0
Debt Service Coverage Ratio	2.4	2.1
Patronage Capital - Beginning of Year	\$ 391,670	\$ 379,767
Net Margins	21,335	17,763
Net Retired Patronage Capital	(6,376)	(5,860)
Patronage Capital - End of Year	<u><u>\$ 406,629</u></u>	<u><u>\$ 391,670</u></u>