



A BRIGHT FUTURE



ANNUAL
REPORT

2019



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A handwritten signature in black ink, appearing to read "Stan Feuerberg".

STAN FEUERBERG
President and CEO

A handwritten signature in black ink, appearing to read "Wade C. House".

WADE C. HOUSE
Chairman of the Board

A MESSAGE TO OUR MEMBERS

A big commitment to solar energy. A remarkable reliability record. A robust electric system. Rock-solid finances. These and other NOVEC successes are detailed in the following pages. We are pleased to point out noteworthy highlights of another productive year at your electric cooperative.

Strong Finances

Financial highlights central to NOVEC's 2018 success include increases in the sale of kilowatt-hours of electricity and operating revenues. The Co-op's assets also are approaching a momentous milestone: \$1 billion. NOVEC's outside auditor gave the Co-op a clean audit, while the credit rating agency FITCH affirmed NOVEC's A+ rating.

Such prudent financial management directly benefits members. Since 1991, the Cooperative's electric rates have remained unchanged. In 2018, members collectively received \$4.1 million in CashBack, and more than \$304 million cumulatively since 2000.

Committed to Solar

NOVEC will purchase 300 megawatts of solar-generated energy through an agreement with D.E. Shaw Renewable Investments. Solar will be the Cooperative's largest renewable resource when the multiple sites are operational by 2023.

Acquisition of this competitively priced solar energy demonstrates how NOVEC successfully manages its own power supply. Since separating from its former power supplier 10 years ago, NOVEC's wholesale energy expenses have dropped considerably. Members have benefited from a power-cost-adjustment credit on their electric bills since 2012.

Customer Satisfaction

NOVEC is again ranked as one of the top 10 electric utilities in the country, according to the 2019 J.D. Power Electric Utility Residential Customer Satisfaction Study. Among the 142 largest electric utilities, the Co-op placed eighth nationally, fifth among cooperatives and first regionally in overall customer satisfaction.

Best Regional Reliability

For the 20th consecutive year, NOVEC was the most reliable electric utility in the metropolitan Washington, D.C., region. The average NOVEC customer was without electricity only one hour out of 8,760 hours in 2018, as measured by a standard industry benchmark. Our reliability results are particularly exceptional given that 2018's record rainfall of 66.28 inches was nearly 5 inches more than the previous record set in 1889.

A Well-Built Electric System

That outstanding reliability record is largely attributable to NOVEC's state-of-the-art electric system. New substations, major system upgrades, and miles of new electric line are in place to handle growing electric loads. Extensions to NOVEC's proprietary fiber-optic network also increase the Co-op's ability to remotely monitor, assess, and take corrective action to address adverse field conditions.

A resilient electric system and technical expertise are necessary to meet the large power needs of data centers located in NOVEC's service territory. The Co-op provides power to 22 data centers, and another 17 are in various stages of construction.

While the Cooperative is pleased to report such positive results, NOVEC is not a company that rests on its laurels. We regularly review customer satisfaction survey results and members' comments for ideas on how to better serve you. We pay close attention to financial and power-supply markets to ensure an equitable return. We research new technologies to determine those that may be a good fit.

Building on today's achievements, while taking into account what comes next, helps to ensure A Bright Future for NOVEC.

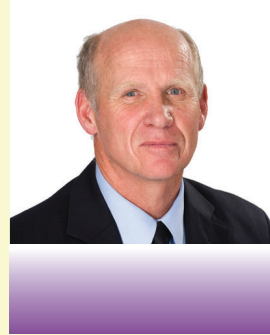
BOARD OF DIRECTORS AND DISTRICT MAP



DISTRICT 5
Wade House
Chairman



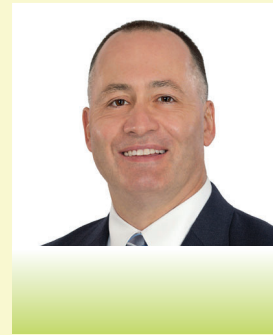
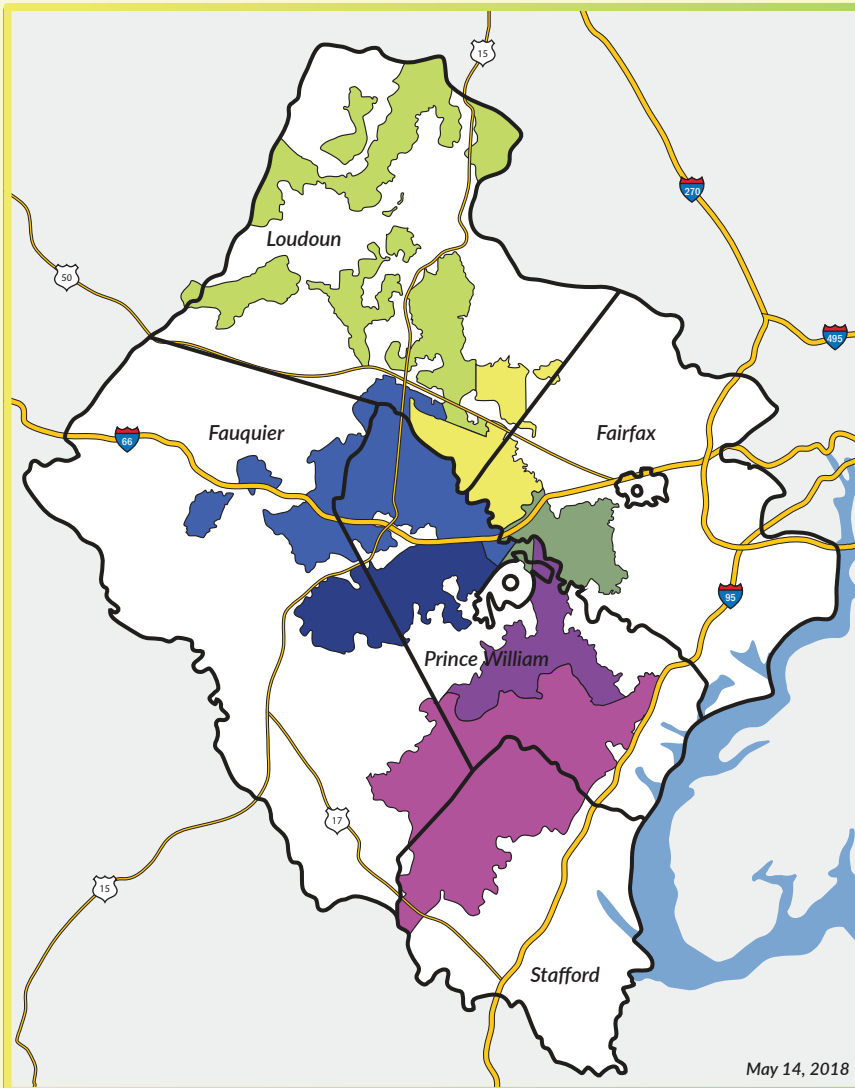
DISTRICT 3
James Chesley
Vice Chairman



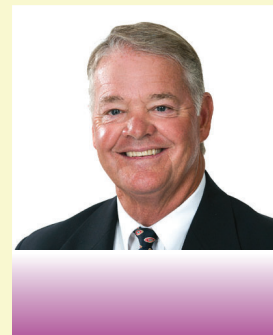
DISTRICT 6
Michael Ragan
Secretary



DISTRICT 1
Cindy Gilbride
Treasurer



DISTRICT 2
Brent George



DISTRICT 7
Skip Albrite

DISTRICT 4
Open

POTOMAC RIVER

COUNTY LINE

May 14, 2018



Stan Feuerberg
President and CEO

LEADERSHIP TEAM



Wilbur Rollins
Senior Vice President,
Finance and Asset
Development



Bob Bisson
Vice President,
Electric System
Development



Michael Dailey
Vice President,
Energy and Business
Development



Lisa Hooker
Vice President,
Public Relations



David Schleicher
Vice President,
Administration,
Substations, and
Telecommunications



Dan Swingle
Vice President,
Electric System
Operations



Patrick Toulme
Vice President and
Corporate Counsel



Tong Thomas
Manager,
Customer Care



NOBODY DOES IT BETTER

Northern Virginia experienced a number of thunderstorms in the last year that caused widespread power outages and kept power crews busy restoring service. The record rainfall soaked the ground and caused numerous trees outside of right-of-way corridors to fall on power lines.

Despite the unprecedented weather, NOVEC's quick responses to power outages, along with its dedicated employees and high-tech equipment, kept electricity flowing to customers 99.9% of the time. As a result,

the Co-op was the most reliable electric utility in the Washington, D.C., region in 2018. It's a record NOVEC has held for 20 consecutive years.

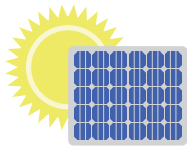
The electric utility industry measures reliability with the System Average Interruption Duration Index (SAIDI) — the average number of minutes a customer is without power annually, excluding major storms and events. The fewer the SAIDI minutes, the better. NOVEC's SAIDI was 60.65 minutes in 2018 — about half the national average.

“Our outstanding SAIDI score is almost unheard of in the electric utility industry. We’re the most reliable electric utility in the region because we focus on reducing outage frequency and duration. We upgrade equipment with the latest technology, perform preventive maintenance, and manage trees near power lines in our right-of-way corridors.”

— STAN FEUERBERG, NOVEC PRESIDENT AND CEO

ADDING RENEWABLE ENERGY

In 2019, NOVEC added significantly to its renewable-energy resources when it entered into an agreement with D.E. Shaw Renewable Investments to purchase 300 megawatts (MW) of solar power. Planning of the solar facilities is underway, and D.E. Shaw expects to complete construction by 2023.



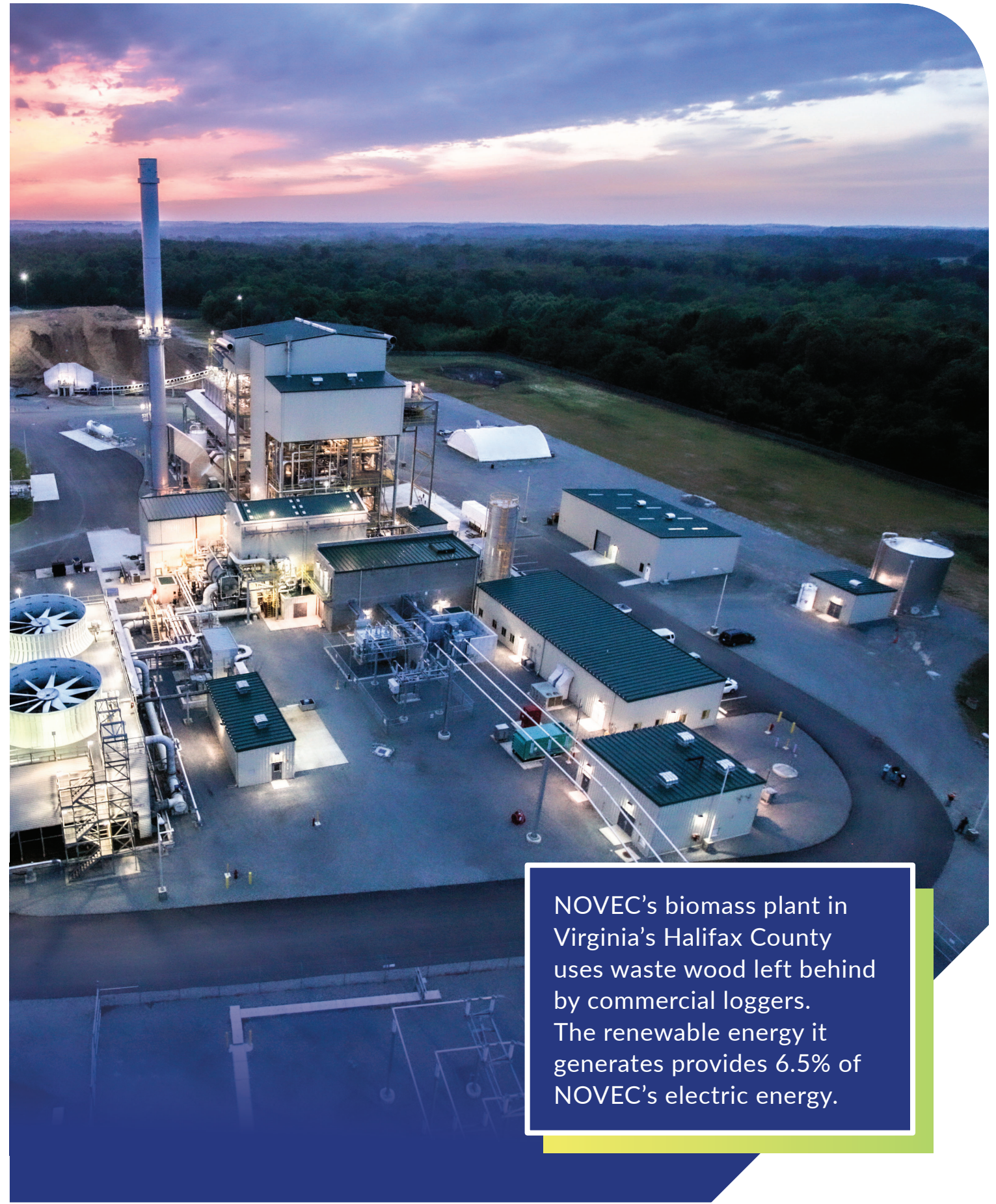
Solar will be NOVEC's largest renewable energy resource by 2023.

“The solar farms will become NOVEC’s largest source of renewable energy,” explains Gil Jaramillo, manager, portfolio optimization and business development.” As an added economic bonus, the project will create 250 new construction jobs.”

NOVEC’s existing renewable resources include the Cooperative’s Halifax County Biomass Plant. It generates 49.9 MW of electricity from waste wood. The Co-op also purchases all the electricity generated by gas emitted from decomposing trash at the Prince William County Landfill, as well as solar power generated at the Fauquier County Livestock Exchange.

In a few years, Jaramillo estimates that electricity generated by NOVEC’s solar, biomass, and landfill renewable resources will power nearly 90,000 homes.





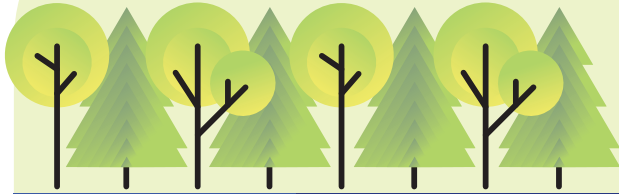
NOVEC's biomass plant in Virginia's Halifax County uses waste wood left behind by commercial loggers. The renewable energy it generates provides 6.5% of NOVEC's electric energy.



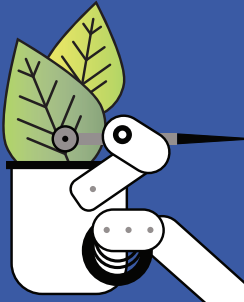
HELPING THE ENVIRONMENT

From eco-friendly vehicles to innovative construction techniques to energy-efficient buildings, NOVEC strives to protect the environment as it increases the efficiency of its day-to-day operations.

NOVEC'S ONGOING EFFORTS



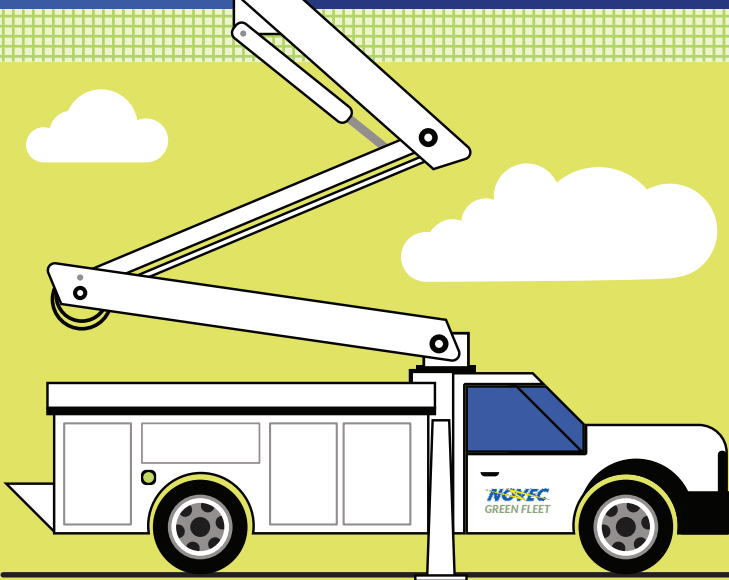
Uses environmentally safe herbicides to inhibit trees from growing into overhead power lines.



Purchased hybrid utility bucket trucks equipped with the electric Jobsite Energy Management System. The Green Fleet trucks use energy from rechargeable batteries to raise and lower the bucket without running truck engines.

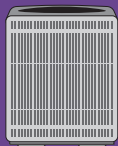


Repurposes used transformer and motor oil to heat transportation buildings.

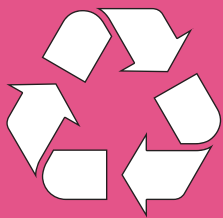


Installed highly efficient and flexible HVAC systems at the Loudoun Service Center.

Shreds post-holiday Christmas trees into garden mulch.



Replaced heat pumps and air conditioners with higher-efficiency models in several of the Co-op office buildings.



Recycles paper, scrap metal, wood cable reels, and outdated computers.

Installed energy-saving LED lights at NOVEC's office complexes — inside and outside — and replaced more street and security lights with LED fixtures at the request of homeowner associations and individual members.



The number of metered customers increased from almost 142,000 at the end of 2008 to more than 170,000 at the end of 2018 – a 20% increase.

BUILDING FOR TOMORROW

More Members from Migration

Northern Virginia attracts job seekers migrating from around the country and the world. According to the University of Virginia's Weldon Cooper Center for Public Service, more than 60% of the Commonwealth's growth is concentrated in Northern Virginia. The region is home to three of the state's four largest localities. By 2040, the Center projects that half of Virginia's population will live north of Fredericksburg. NOVEC's membership reflects this growth.

Serving Data Centers

It's not just homes, schools, and commercial buildings relying on NOVEC power – so are more and more data centers. According to a Feb. 15, 2019, article on *Data Center Knowledge*, "Northern Virginia continues to smash it as the world's largest data center market" based on the number of megawatts

required. The article said wholesale leases for data centers in 2018 "shattered" the 2017 record and was about two and a half times the leasing volume of all other U.S. markets combined. *Data Center Frontier* says cloud and social media companies are driving the growth and power demand, especially in Loudoun County's "data center alley" in Ashburn.

NOVEC is one of the electricity suppliers to this growing industry. Of the 60 substations the Co-op currently operates, five serve data centers primarily. "We have three additional substations under construction in Loudoun and Prince William counties. All three will serve data centers exclusively," says Dave Schleicher, vice president, administration, substations, and telecommunications. Because NOVEC is locating the new substations adjacent to existing transmission corridors, Schleicher says, "No significant transmission line construction will be involved."

Meeting Growing Demand

NOVEC expanded its infrastructure to meet members' growing demand for electricity. In 2018 and 2019, the Co-op:

- **Installed six large power transformers to increase capacity at four existing substations.**
- **Added 113 miles of power line, most of it underground. NOVEC's 7,365 miles of line could stretch to San Francisco and back, then west again to San Francisco.**
- **Started construction on three new substations that will serve data centers.**
- **Extended its proprietary fiber-optic network eight miles to connect two more substations. System operators rely on the 282-mile fiber network to monitor control center activity and substation operations, as well as to restore power faster when outages occur.**
- **Moved more staff to the state-of-the-art Loudoun Service Center in Aldie to better serve Loudoun County's rapid growth.**



PROVIDING MORE THAN POWER

NOVEC Solutions and Its Industry-Changing Invention

Just as the telegraph, radio, and TV revolutionized telecommunications decades ago, fiber-optic technology is revolutionizing telecommunications today. NOVEC Solutions (NS) is playing a role with NOVEC's new patented NS ONE-net Dense Wave Division Multiplexing (DWDM)™.

“With the NS ONE-net DWDM, enterprises that have always needed two fibers can send the same amount of data on only one because the data can travel in two directions on that single fiber,” explains Marvin Ward, NS's principal network architect and NS ONE-net inventor. “Our multiplexer can reduce data-transport costs by almost 50%. Therefore, businesses that own a fiber-optic network or lease network space not only save money by needing just one fiber, they also save on network hardware and the space needed to house it.”

In 2019, NS is deploying NS ONE-net across its fiber network on behalf of its government, IT and healthcare customers.

“It's not every day an electric co-op develops and secures a patent of any kind, much less for leading-edge technology that could revolutionize the high-speed broadband industry,” states Stan Feuerberg, NOVEC president and CEO. “NOVEC and NS customers expect reliable service. NS ONE-net is helping us meet and exceed their expectations.”

In addition to fiber-optic services, NS offers highly efficient electric and natural-gas water heaters, whole-house generators, and solar photovoltaic systems. It also provides home protection programs for heating and cooling systems, water lines, sewer lines, power surges, kitchen and laundry appliances, and in-home electrical repair.



Marvin Ward, NS principal network architect, stands before his invention, the NS ONE-net.



NOVEC Energy Solutions

NOVEC Energy Solutions (NES) sells natural gas to customers in the Mid-Atlantic region, and offers a fixed-rate option that keeps natural gas prices steady during market fluctuations.

NOVECnet high-speed internet access brings together a high-capacity satellite, state-of-the-art ground equipment, and breakthrough web-acceleration technology – all optimized to bring customers fast, high-quality streaming.

Customers also benefit from FilterEasy, a service that sends heating, ventilation, and air conditioning (HVAC) filters – free of delivery charge – to customers' homes on a pre-arranged schedule. Changing filters regularly saves money by helping HVAC systems run more efficiently and last longer.



CARING FOR CUSTOMERS

As a trusted energy resource, NOVEC's members count on the Co-op to provide information that will help them pay their bills, use less energy to reduce those bills, and answer questions.

Payment Options and Assistance

Members have seven different ways to pay their NOVEC bills — all described online at novec.com/paymentoptions. The website also lists social service agencies that offer payment assistance to members who qualify.

NOVEC offers levelized billing to help members budget. Levelized billing keeps electric bills approximately the same month-to-month, even in the coldest and hottest months.

During the 2018-2019 partial government shutdown, NOVEC deferred electric disconnections and suspended late fees for directly affected members who were federal employees.

¿Cómo podemos ayudarle? (How can we help you?)

In the past year, NOVEC hired additional customer care representatives who speak fluent Spanish.

NOVEC also is pleased to support the Hispanic community through its sponsorship of *Panorama Latino*, a Spanish-speaking TV show that airs in Prince William County. In 2019, *Panorama Latino* recognized NOVEC for its generous support since the show's inception in 2000.

“Having more customer care representatives who speak Spanish goes a long way to providing excellent service and meeting the needs of the area’s growing Hispanic community.”

— TONG THOMAS, CUSTOMER CARE MANAGER



Panorama Latino's co-host Suzanne Alvarez Przygoda, left, with NOVEC Vice President of Public Relations Lisa Hooker on the show's 19th anniversary episode.



Helping Members Use Less Energy

To help members manage their energy use and reduce costs in the past year, NOVEC:

- Offered one-on-one advice from energy experts in the Customer Care Center.
- Provided energy-saving tips and tools on the Energy Resource Center at novec.com/waystosave, and in news releases, advertisements, and Co-op publications.
- Offered free LED light bulbs to members at NOVEC's annual meeting in September.
- Informed readers about electric vehicles (EVs) in its pages in *Cooperative Living* magazine and added more EV information on the website.

SUPPORTING THE COMMUNITY

A Co-op not only serves local residents and businesses, it also supports communities. Learn more about NOVEC's charitable and civic activities at novec.com/community.



Camp Easterseals UCP (United Cerebral Palsy) recognized NOVEC President and CEO Stan Feuerberg, his wife, Robyn, and their daughter, Amy. Since 2001, they've raised enough money to fund more than 600 scholarships. Their efforts allow children and adults with special needs to attend the camp near Roanoke, Virginia.



NOVEC HELPS – Hands Engaged in Local Public Service – is a 501(c)(3) organization of employees who volunteer and raise funds for people in need. In 2018, money raised from two tournaments, employee payroll deductions, and customer contributions allowed NOVEC HELPS to donate nearly \$33,000 to 60 local charitable, health, shelter, youth, and veterans' organizations. NOVEC HELPS also collected holiday food and gifts for people in need.

NOVEC ranked as a finalist in the mid-size business category for the Northern Virginia Chamber of Commerce's Greater Washington Good Business Award. The award recognizes "the leadership of individuals, businesses, and nonprofits that are powerful champions for good in the community."



The Co-op supported education by: awarding college scholarships, sponsoring Youth Tour students to see government in action in Washington, D.C., and Richmond, providing career counseling, co-sponsoring a youth art contest, co-funding robotics and athletic teams, hiring interns, and providing school supplies for homeless children.

NOVEC administers Operation Round Up®, which helps low-income NOVEC customers pay their electric bills. Participating members voluntarily round up their electric bills to the nearest dollar. In 2018, those additional cents cumulatively totaled more than \$47,000. Visit novec.com/oru to learn more and participate.



The Co-op encouraged employees to participate in A Day of Caring at Haymarket's Warrior Retreat at Bull Run, which serves military veterans with post-war conditions. In all, employees gave almost 700 volunteer hours to their communities in 2018.

NOVEC awarded \$1,500 college scholarships to 10 high school seniors last spring. Judges reviewed applicants' academic records, community involvement, work experience, recommendations, essays, and demonstrated leadership. From the 10 students, the judges selected the most outstanding student to receive the additional \$1,500 J. Manley Garber scholarship, named for NOVEC's director emeritus.



Line techs attended community fairs and functions, including National Night Out events, to demonstrate how electricity works and how to be safe around it.



Loudoun County Public Schools (LCPS) honored NOVEC for its Job for a Day participation and contributions to the Career and Transitions Lab. Vice President Bob Bisson, who serves on the School-Business Partnership's Executive Council, accepts the "Award of Excellence for Service" from LCPS representative Janet Clarke. The Virginia School Boards Association also added NOVEC to its 2019 Business Honor Roll.

LISTENING AND RESPONDING

Award-winning Customer Communications

Building strong customer relationships has always been a priority of the Co-op. Today, NOVEC uses the latest tools and technologies to connect with customers and provide communications tailored to their needs. Customers' letters, emails, survey responses

and social media messages are carefully reviewed and feedback is used to guide future efforts. NOVEC's staff is also appreciative of the kind words its customers often share. Below are a few of the compliments the Co-op received on social media:

“NOVEC consistently provides information about what they are doing in our area, provides information on their contributions to the environment and community, [provides] information about billing updates and ways to reduce costs. They do a very good job keeping their customers and community informed.”

“We love NOVEC! Always pleased with our service and promptness when power is out. We seem to have fewer outages than neighboring services. NOVEC is truly there to serve their customers.”

“Thank you to all the workers and tree removal people out making sure power is restored. You all were out at my apartment complex into the late night and still there early this morning when I left for work.”

“Was pleased with the power co. Getting work done faster than predicted. They even called to verify the power was restored. Way to go NOVEC!”

“Y'all are restoration rock stars!”

In recognition of its communications to members in 2018-2019, NOVEC received these awards:



ADVANCING SAFETY AND SECURITY

NOVEC's cybersecurity experts work around the clock to provide the highest level of protection for the Co-op's computers and interconnected network of transmission lines, substations, and distribution equipment. The cybersecurity team uses best practices to guard corporate information and operational technology networks by encrypting and continuously backing up sensitive data.

"NOVEC uses various techniques to train our employees to protect the confidentiality, integrity, and availability of the Co-op's data and customer information," explains Sai Krovi, NOVEC cybersecurity program manager. "We continuously evaluate and adjust our techniques to protect against cyberattacks and reduce vulnerability."

NOVEC works to safeguard its offices, substations, and other physical assets. When necessary, it coordinates with law-enforcement organizations and federal government agencies.

The Co-op is committed to a safe working environment. Vehicles and equipment are regularly inspected. Flame resistant uniforms and personal protective equipment are supplied, as appropriate. All employees receive ongoing safety training, including instruction in first aid and CPR.

"Whether it's cyberattacks, securing our facilities, working directly with electric current, or just walking down the hall, we want to keep everyone and everything safe and secure," explains Patrick Toulme, vice president and corporate counsel. "Providing energy is our business, but safety is our first priority."



NOVEC IN WHOLE NUMBERS

All figures on or before Dec. 31, 2018, except Peak Demand.

EMAILS RECEIVED
& RESOLVED

10,431

emails

INCOMING CALLS

161,838

calls answered

PEAK DEMAND

1,205

megawatts

2019

JULY

KILOWATT-HOURS SOLD

5.355

billion

OPERATING REVENUE

\$534

million

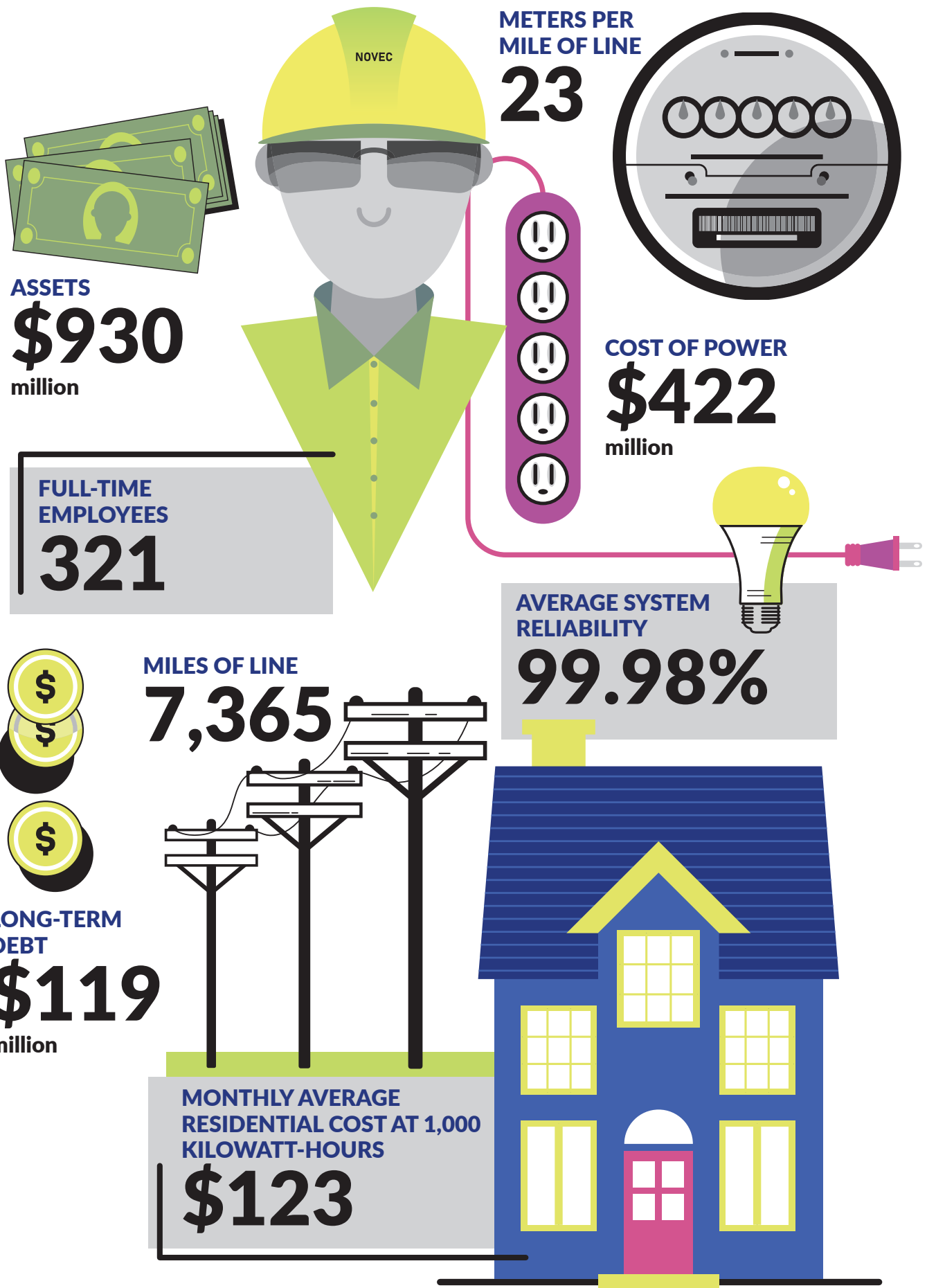
POWER SUPPLY
COST

82%

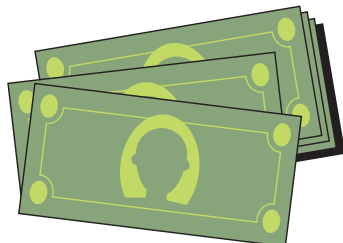
TOTAL
SERVICE-TO-EMPLOYEE
RATIO

530:1





METERS PER MILE OF LINE
23

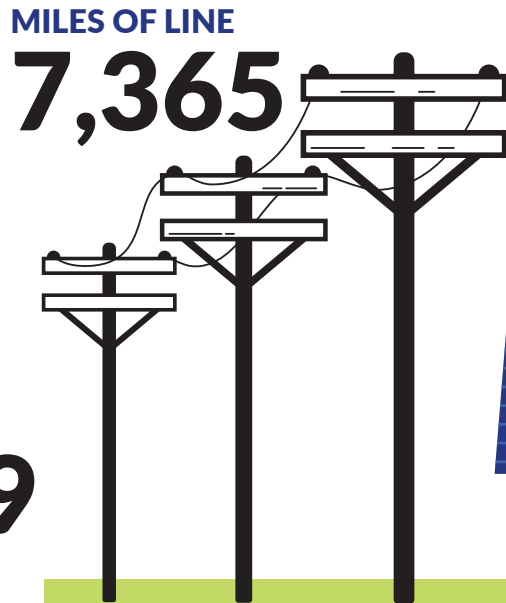


ASSETS
\$930
million

COST OF POWER
\$422
million

FULL-TIME EMPLOYEES
321

AVERAGE SYSTEM RELIABILITY
99.98%



MILES OF LINE
7,365

LONG-TERM DEBT
\$119
million

MONTHLY AVERAGE RESIDENTIAL COST AT 1,000 KILOWATT-HOURS
\$123

FINANCIALS



Consolidated Balance Sheets

Dec. 31, 2018 and 2017 (in thousands)

Assets	2018	2017
Utility plant, net of accumulated depreciation and amortization	\$684,038	\$647,495
Nonutility plant, net of accumulated depreciation and amortization	1,878	1,781
Total plant	685,916	649,276
Investments:		
Associated organizations	7,065	7,114
Other	4,498	4,275
Total investments	\$11,563	\$11,389
Deferred income taxes, net	\$9,243	\$8,956
Current assets:		
Cash and cash equivalents	40,258	61,453
Investment securities	52,958	51,576
Accounts receivable, less allowance for doubtful accounts of \$750 in 2018 and \$637 in 2017	44,157	43,621
Materials and supplies inventories	19,559	18,178
Collateral deposit	6,325	1,504
Other current assets	33,855	38,575
Held for sale	499	—
Total current assets	\$197,611	\$214,907
Deferred charges	\$15,493	\$4,802
Assets for postretirement benefits	12,658	13,115
Total assets	\$932,484	\$902,445
Liabilities and Equities		
Equities and margins:		
Membership fees	\$767	\$802
Patronage capital	692,789	674,299
Other equities	23,875	22,880
Accumulated other comprehensive income	5,232	9,126
Total equities and margins	\$722,663	\$707,107
Commitments and contingencies		
Long-term debt, excluding current installments	\$107,618	\$108,788
Current liabilities:		
Borrowings under lines of credit	11,000	845
Current installments of long-term debt	11,160	11,177
Accounts payable	24,859	28,757
Consumer deposits	9,241	9,267
Accrued expenses and other current liabilities	8,511	8,194
Total current liabilities	\$64,771	\$58,240
Deferred credits	\$33,811	\$24,623
Accrued retirement benefits	3,621	3,687
Total liabilities	\$209,821	\$195,338
Total liabilities and equities	\$932,484	\$902,445

Consolidated Statements of Operations and Patronage Capital

Years ended Dec. 31, 2018 and 2017 (in thousands)

	2018	2017
Operating revenue:	\$548,466	\$472,473
Operating expenses:		
Cost of power	\$431,117	\$355,953
Administrative and general	27,875	26,425
Depreciation and amortization	29,978	28,652
Distribution expense — maintenance	18,471	15,672
Distribution expense — operations	13,300	12,258
Consumer accounts	6,294	6,229
Customer service and information expense	2,321	2,193
Other expense, net	253	(313)
Total operating expenses	\$529,609	\$447,069
Net operating margins before interest expense	\$18,857	\$25,404
Interest expense	(\$4,698)	(\$4,575)
Net operating margins after interest expense	\$14,159	\$20,829
Nonoperating margins:		
Patronage capital assigned from associated organizations	\$399	\$464
Dividends and interest income	4,461	3,595
Other nonoperating income	3,752	12,579
Total nonoperating margins	\$8,612	\$16,638
Net margins before income tax expense	\$22,771	\$37,467
Income tax benefit (expense)	\$284	(\$5,348)
Net margins	\$23,055	\$32,119
Patronage capital at beginning of year	\$674,299	\$646,650
Net margins	23,055	32,119
Retirements of patronage capital	(4,565)	(4,470)
Patronage capital at end of year	\$692,789	\$674,299

Consolidated Statements of Operations and Cash Flows

Years ended Dec. 31, 2018 and 2017 (in thousands)

	2018	2017
Cash flows from operating activities:		
Cash received from consumers	\$541,481	\$465,092
Cash paid to suppliers and employees	(510,998)	(423,881)
Dividends, interest, and other nonoperating income	8,187	7,088
Interest paid	(4,708)	(4,466)
Taxes paid	(55)	262
Net cash provided by operating activities	\$33,907	\$44,095

Consolidated Statements of Operations and Cash Flows (Continued) Years ended Dec. 31, 2018 and 2017 (in thousands)

	2018	2017
Cash flows from investing activities:		
Purchases of utility plant and nonutility plant	(\$90,145)	(\$83,935)
Contributions in aid of construction of utility plant	37,426	46,539
Proceeds from sale of utility plant	—	12,198
Purchases of investment securities available-for-sale	(15,659)	(21,523)
Proceeds of other investments and changes in collateral deposits	(4,821)	5,307
Proceeds from sale or maturity of investment securities:		
Available-for-sale	\$12,483	\$15,980
Retirements of patronage capital by associated organizations	251	300
Net cash used in investing activities	(\$60,465)	(\$25,134)
Cash flows from financing activities:		
Principal payments on debt	(\$2,032)	(\$11,025)
Principal proceeds from borrowing on line of credit	11,000	—
Membership fee receipts	(35)	(39)
Retirement of patronage capital	(4,565)	(4,470)
Unclaimed retirement of patronage capital	995	1,119
Net cash used in financing activities	\$5,363	(\$14,415)
Net increase (decrease) in cash and cash equivalents	(\$21,195)	\$4,546
Cash and cash equivalents at beginning of year	\$61,453	\$56,907
Cash and cash equivalents at end of year	\$40,258	\$61,453

Consolidating Schedule/Balance Sheet

Dec. 31, 2018 (in thousands)

	NOVEC	NOVEC Holdings Inc.	Eliminating Entries	Consolidated Totals
Assets				
Utility plant, net of accumulated depreciation and amortization	\$589,402	\$94,636	—	\$684,038
Nonutility plant, net of accumulated depreciation and amortization	1,407	471	—	1,878
Total plant	\$590,809	\$95,107	—	\$685,916
Deferred income taxes	—	\$9,243	—	\$9,243
Investments:				
Associated organizations	7,065	—	—	7,065
Other	56,318	—	(51,820)	4,498
Total investments	\$63,383	—	(\$51,820)	\$11,563

Consolidating Schedule/Balance Sheet (Continued)

Dec. 31, 2018 (in thousands)

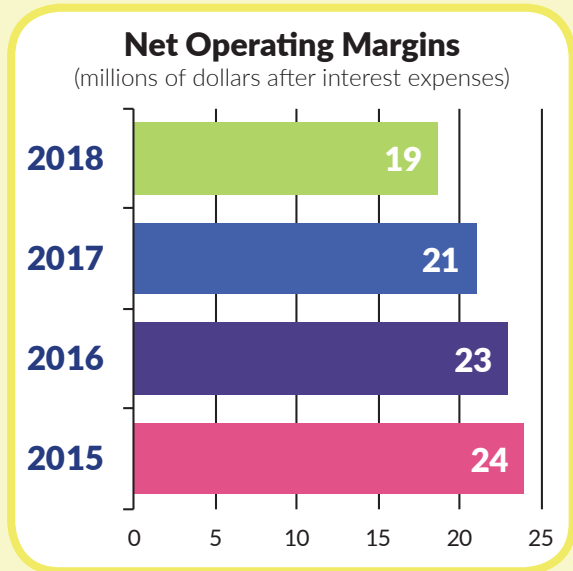
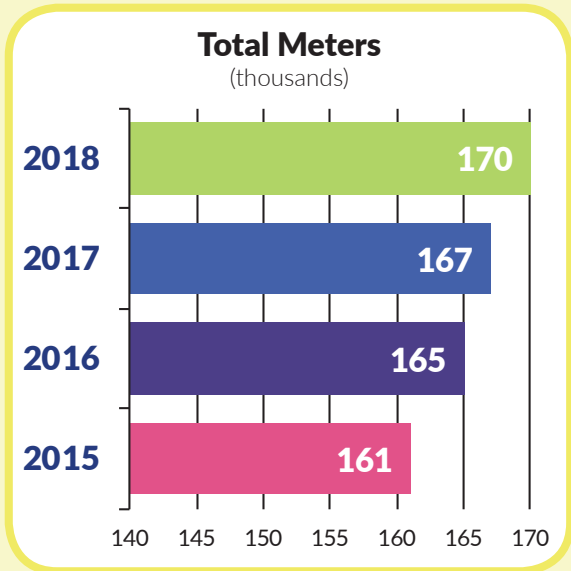
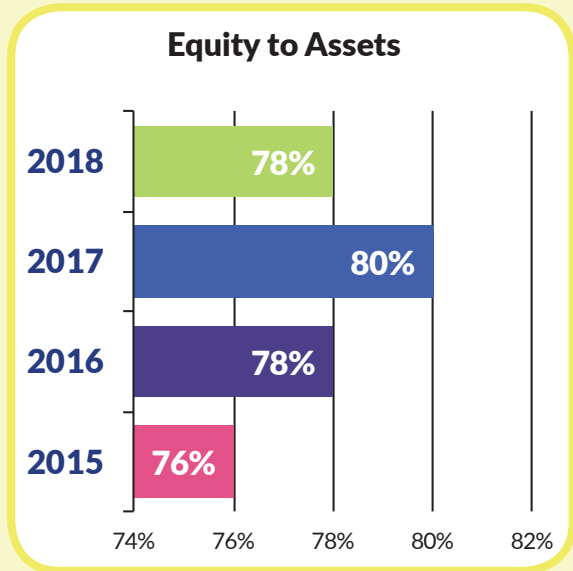
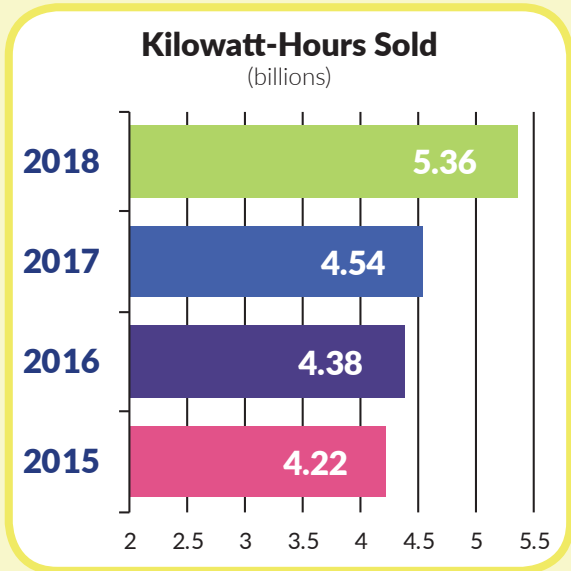
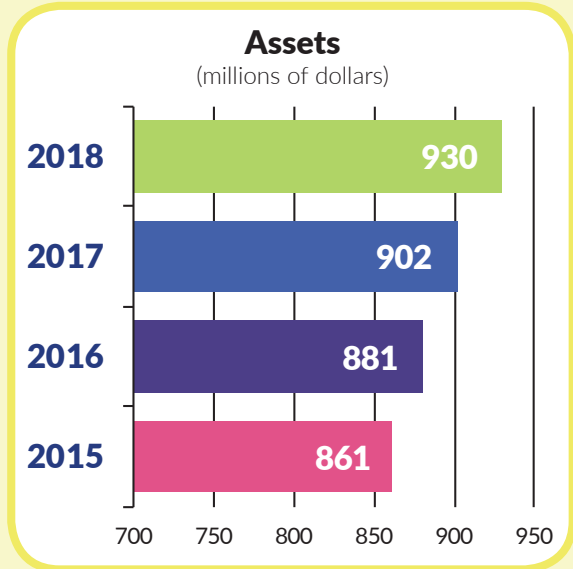
	NOVEC	NOVEC Holdings Inc.	Eliminating Entries	Consolidated Totals
Current assets:				
Cash and cash equivalents	\$17,172	\$23,086	—	\$40,258
Investment securities	52,958	—	—	52,958
Notes receivable	82,776	—	(82,776)	—
Accounts receivable, less allowance for doubtful accounts	42,944	2,779	(1,566)	44,157
Materials and supplies inventories	13,876	5,683	—	19,559
Collateral deposit	6,325	—	—	6,325
Other current assets	31,878	2,399	(422)	33,855
Held for sale	499	—	—	499
Total current assets	\$248,428	\$33,947	(\$84,764)	\$197,611
Deferred changes	\$15,054	\$439	—	\$15,493
Asset for postretirement benefits	12,658	—	—	12,658
Total assets	\$930,332	\$138,736	(\$136,584)	\$932,484
Liabilities and Equities				
Equities and margins:				
Membership fees	\$767	—	—	\$767
Patronage capital and accumulated earnings	692,789	(2,281)	2,281	692,789
Other equities	23,875	54,101	(54,101)	23,875
Accumulated other comprehensive income	5,232	—	—	5,232
Total equities and margins	\$722,663	\$51,820	(\$51,820)	\$722,663
Commitments and contingencies:				
Long-term debt, excluding current installments	\$107,618	—	—	\$107,618
Current liabilities:				
Borrowings under lines of credit	11,000	80,551	(80,551)	11,000
Current installments of long-term debt	11,160	1,908	(1,908)	11,160
Accounts payable	24,443	2,429	(2,013)	24,859
Consumer deposits	9,241	—	—	9,241
Accrued expenses and other current liabilities	7,372	1,431	(292)	8,511
Total current liabilities	\$63,216	\$86,319	(\$84,764)	\$64,771
Deferred credits	\$33,214	\$597	—	\$33,811
Accrued retirement benefits	3,621	—	—	3,621
Total liabilities and equities	\$930,332	\$138,736	(\$136,584)	\$932,484

**Consolidating Schedule/Statement of Operations and
Patronage Capital Information** Years ended Dec. 31, 2018 and 2017 (in thousands)

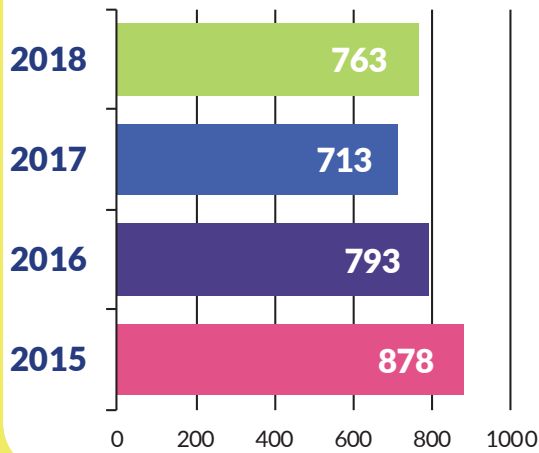
	NOVEC	NOVEC Holdings Inc.	Eliminating Entries	Consolidated Totals
Operating revenue:	\$534,440	\$32,525	(\$18,499)	\$548,466
Operating expenses:				
Cost of goods	422,534	27,005	(18,422)	431,117
Administrative and general	24,170	4,063	(358)	27,875
Depreciation and amortization	26,219	3,759	—	29,978
Distribution expense — maintenance	18,471	—	—	18,471
Distribution expense — operations	13,300	—	—	13,300
Consumer accounts	6,294	—	—	6,294
Customer service and information expense	2,321	—	—	2,321
Other expense (income), net	253	—	—	253
Total operating expenses	\$513,562	\$34,827	(\$18,780)	\$529,609
Net operating margins before interest expense	\$20,878	(\$2,302)	\$281	\$18,857
Interest expense	(\$2,146)	(\$2,552)	—	(\$4,698)
Net operating margins after interest expense	\$18,732	(\$4,854)	\$281	\$14,159
Nonoperating expenses:				
Patronage capital assigned from associated organizations	(\$581)	—	\$980	\$399
Dividends and interest income	4,416	45	—	4,461
Other nonoperating income (loss)	488	3,545	(281)	3,752
Total nonoperating margins	\$4,323	\$3,590	\$699	\$8,612
Net operating margins before income tax benefit	\$23,055	(\$1,264)	\$980	\$22,771
Income tax benefit	—	(\$284)	—	(\$284)
Net margins	\$23,055	(\$980)	\$980	\$23,055
Patronage capital at beginning of the year	\$674,299	(\$1,301)	\$1,301	\$674,299
Retirements of patronage capital	(4,565)	—	—	(4,565)
Patronage capital at end of year	\$692,789	(\$2,281)	\$2,281	\$692,789

FINANCES AT A GLANCE

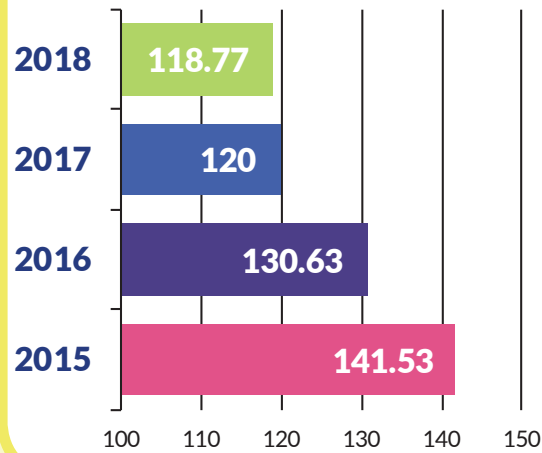
Year ended Dec. 31, 2018



Average Debt Per Meter (dollars)

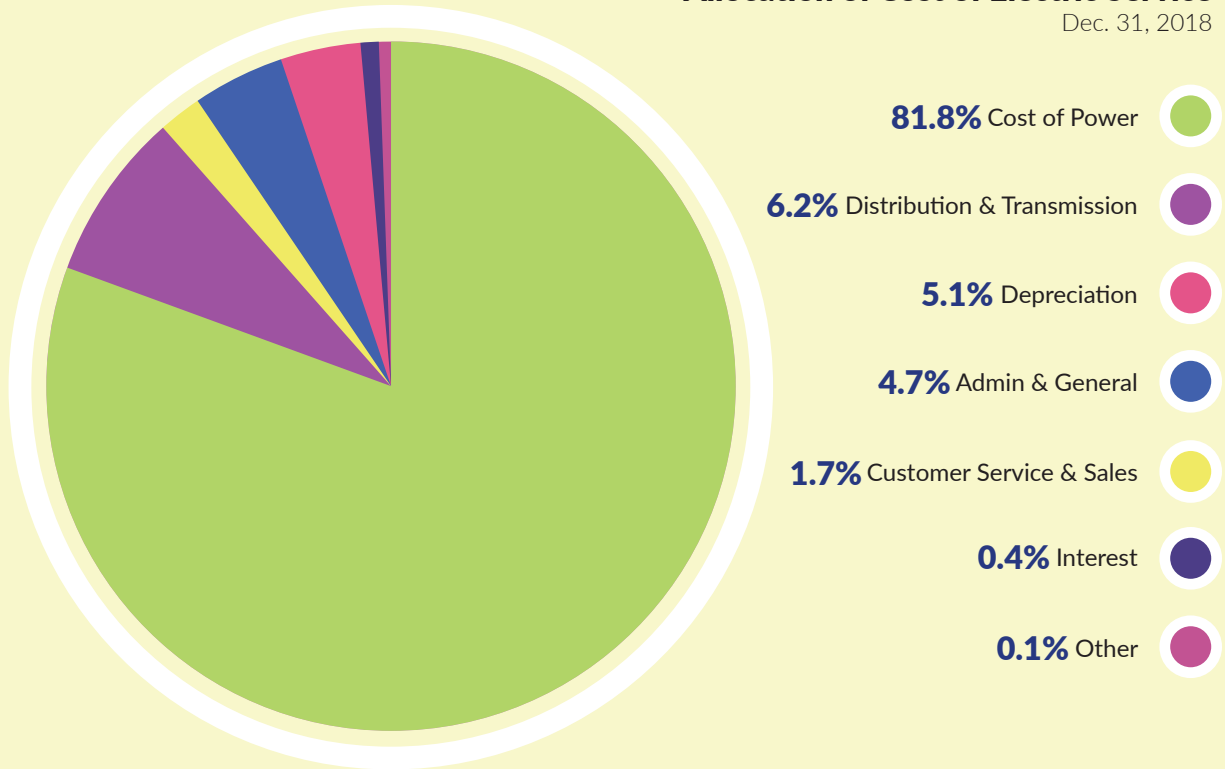


Long-Term Debt (millions of dollars)



Allocation of Cost of Electric Service

Dec. 31, 2018



VALUES

Integrity · Accountability · Safety · Commitment · Excellence

VISION

NOVEC is the best performing electric provider.

MISSION

NOVEC creates value for its members, employees and communities by providing safe, reliable electricity & quality products at competitive prices.





Nondiscrimination Statement

NOVEC is an equal opportunity provider and employer. If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form found online at ascr.usda.gov/complaint-filing-cust.html, or at any USDA office, or call 1-866-632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter by mail to U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax 202-690-7442, or email at program.intake@usda.gov.

Contact Information

For questions concerning your NOVEC account, to apply for electric service, or for general information about the Cooperative, you may call NOVEC's Customer Care Center, 703-335-0500 or toll-free 1-888-335-0500, Monday through Friday, from 7 a.m. to 6 p.m.

NOVEC



www.novec.com