



**NOVEC**

# POWERFUL PURPOSE

2021 Annual Report

## A Message to Our Members

Electricity touches our lives in just about every way imaginable, and it became an even more critical resource as the coronavirus pandemic unfolded. As more

time was spent at home, NOVEC powered online videoconferencing, remote classroom instruction, and virtual visits that kept families and friends connected.

NOVEC quickly adapted our office and field work environments to COVID-19 safety protocols. We successfully weathered the pandemic's effects with prudent financial management and technological investments. Our employees' resilience kept NOVEC's offices open for business every day.

While coronavirus might have grabbed headlines, other notable events occurred at NOVEC in 2020. You'll read more in the following pages, but we're pleased to share these highlights.

### Milestones

The Cooperative surpassed 175,000 metered accounts, reflecting the service territory's growth. NOVEC also became the eighth electric co-op to have the value of its assets exceed \$1 billion. With more than 900 co-ops nationwide, that's quite an achievement. We joined another elite group of utilities when the credit rating agency FITCH upgraded our rating from A+ to AA-. The upgrade confirms our financial strength, as NOVEC is the only AA- rated electric utility in Virginia.

### Sound Finances

Energy sales and operating revenue increased in 2020. We again earned a clean audit from our outside accounting firm, validating that our internal financial controls are sound.

The 2020 power cost adjustment reduced the typical residential monthly bill by 8.5%. The PCA has been a bill credit since 2012, and reflects the successful energy purchasing strategies of our power supply team. NOVEC members also benefit from stable electric rates. It's been 30 years since our last base rate increase, and, in 2011, we decreased base rates. With today's rising prices for other commodities, we can't think of another company that can make a similar claim.

### Record Reliability

Our customers, on average, experienced one outage of about 55 minutes in 2020. That result once again makes NOVEC the most reliable electric utility in the metropolitan Washington, D.C., region. Using the industry's most stringent standard, NOVEC has earned this distinction for more

than two decades. We attribute that phenomenal record to system upgrades and expansions, technological innovation, and our skilled workforce.

### In Memoriam

Our colleague and friend J. Manley Garber passed away in 2020. The farmer and entrepreneur oversaw Prince William Electric Cooperative's 1983 consolidation with Tri-County Electric Cooperative to establish NOVEC. He was elected as NOVEC's first board chairman — a role he retained until 2008. He retired in 2018 as director emeritus. Manley's 68 years of dedicated service made him the longest-serving electric cooperative board director in U.S. history.

### Powerful Purpose

Northern Virginia is adapting to COVID-19 and NOVEC is resuming more normal operations. The coronavirus may have changed our lives in previously unimagined ways; however, it did not alter our ability, our commitment, or our determination to keep your lights on, regardless of the challenges.



**Stan Feuerberg**

President and CEO

**Wade C. House**

Chairman Of The Board

## Leadership Team

**Stan Feuerberg**  
President and CEO

**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

**Allison Kane**  
Manager, Organizational  
Development

**Tong Thomas**  
Manager, Customer Care

## Board of Directors



**DISTRICT 5**  
Chairman, Wade House



**DISTRICT 3**  
Vice Chairman, James Chesley



**DISTRICT 6**  
Secretary, Michael Ragan



**DISTRICT 1**  
Treasurer, Cindy Gilbride



**DISTRICT 2**  
Brent George



**DISTRICT 4**  
Mark Bruno



**DISTRICT 7**  
Skip Albrite

## Table of Contents

**4** Providing Dependable Power

**5** Keeping the Price of Power Low

**6** Expanding the Infrastructure

**7** Setting Records

**8** Protecting the Environment

**10** Offering Products and Services

**12** Weathering COVID-19

**12** Delivering Broadband

**13** Supporting the Community

**15** Values, Vision, Mission

**16** A Year in Review

**18** Financials



**NOVEC kept the lights on 99.99% of the time in 2020.**

### Providing Dependable Power

For the 23rd consecutive year, NOVEC retained the best reliability record among Washington, D.C., regional electric utilities as measured by the most stringent industry standard. In 2020, the Cooperative kept the lights on 99.99% of the time.

Each year, NOVEC identifies and prioritizes the necessary work to reduce outage frequency and duration. Regular system maintenance, upgrades, and a three-year tree trimming cycle for overhead electric line right-of-way corridors also contribute to fewer outages.



NOVEC customers appreciate their Co-op's reliable power:

*"Thank your BRAVE service people very much. Had an outage during a severe thunderstorm. Reported outage. Wind, lightning, and rain still going on. Power was restored within 40 minutes of outage. Super service. Thanks again." - Lawrence, Nokesville*

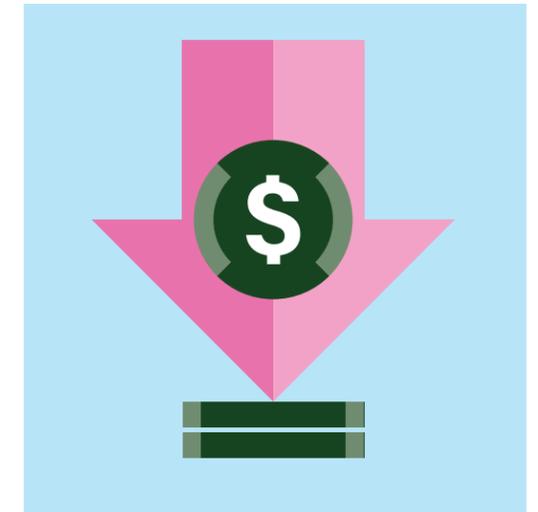
*"Just wanted to say thank you to the folks working last night, on Christmas Eve, in pouring rain, to restore power to Hunters Grove neighborhood". - Sharon, Manassas*

### Keeping the Price of Power Low

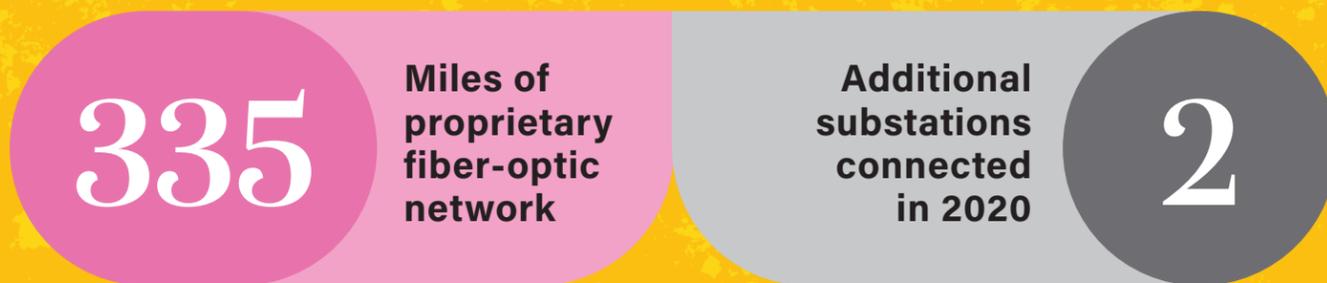
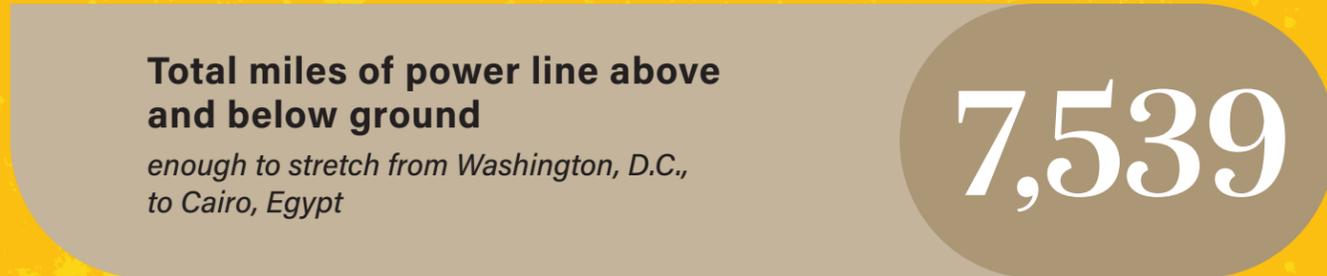
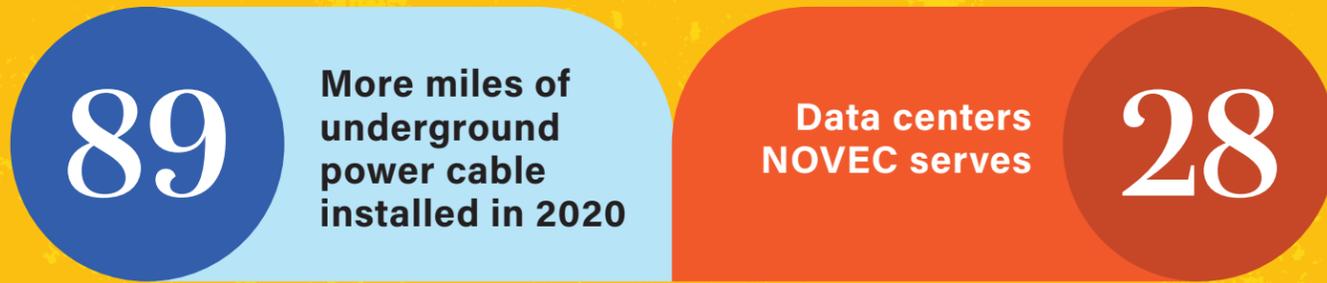
Every day, NOVEC's power supply team studies industry, financial, and weather data to assess conditions and predict customers' short-term and long-term energy use. Their skillful forecasts and strategic power-purchase agreements have led to stable base electric rates. NOVEC customers have not experienced a base rate increase since 1991.

U.S. Energy Information Administration's 2020 data show NOVEC's price compared favorably with what other electric utilities charge. The Co-op's average residential price per kilowatt-hour was less than the national average, the District of Columbia's average, and the average among the 14 other electric cooperatives in Virginia, Maryland, and Delaware.

Customers also benefited from NOVEC's monthly power cost adjustment credit. It saved the typical residential customer approximately \$190 in 2020.



# Expanding the Infrastructure



*The fiber-optic network allows the System Control Center to monitor and access substation equipment remotely, and restore power quickly when outages occur.*

## Setting Records

### More Customers, More Power Demand

NOVEC's service territory is seeing the effects of Northern Virginia's population growth. By welcoming 2,201 new members in 2020, the Cooperative surpassed 175,000 metered customers — that's 75,000 more since the turn of the century.

### Assets Top \$1 Billion

The Cooperative's assets are many and varied. The value of the electric distribution system, substations, fiber-optic infrastructure, microwave network, vehicle fleet, computer equipment, office buildings, real estate, and the biomass electric generating facility surpassed \$1 billion.

This milestone reflects the Co-op's commitment to technology investments, system upgrades, and expansions that satisfy Northern Virginia's ever-increasing demand for electricity.

### Made NCB Co-op 100® List

NOVEC's revenues put it on the National Cooperative Bank's Co-op 100 list in 2019, 2020, and 2021. The annual list highlights the business activity and economic power of "America's Top 100" member-owned and member-controlled businesses. The list includes household brands such as Land O'Lakes, Navy Federal Credit Union, and ACE Hardware.

- ✓ Surpassed 175,000 metered customers
- ✓ Topped \$1 billion in assets
- ✓ Included in the National Cooperative Bank's Co-op 100 list



**"Earning a spot on NCB's Co-op 100 list reflects our growing revenue generated by an economically thriving service territory."**

*- Stan Feuerberg, NOVEC President and CEO*



## Protecting the Environment

The Co-op distributed more electricity from renewable sources in 2020 and 2021, recycled everything from Christmas trees to computers, illuminated with energy-saving lighting, and managed vegetation with environmentally safe herbicides.

Learn more at [novec.com/renewableenergy](https://novec.com/renewableenergy).

### BIOMASS

NOVEC's Halifax County biomass electric generating facility is the Co-op's primary source of renewable energy. The plant uses wood waste left behind by commercial loggers to generate nearly 50 megawatts of electricity. By providing a market for wood waste, the biomass plant gives landowners an alternative to open burning, landfill dumping, or leaving wood waste to decay on the forest floor.

### LANDFILL

Decaying trash emits methane gas. Instead of allowing methane to be released into the atmosphere, the Prince William County Landfill captures and pipes it underground to fuel five electricity generators. NOVEC purchases and distributes the electricity the generators create.

### HYDROPOWER

NOVEC receives an allocation of federal hydropower generated by the Southeastern Power Administration.

### SOLAR

Homeowners can purchase residential solar-photovoltaic systems through NOVEC Solutions and its partner, Prospect Solar. Through 2020, more than 750 customers have connected their solar-energy systems to the grid, accounting for nearly 7.6 megawatts of power. The Co-op also purchases and distributes solar energy generated at the Fauquier County Livestock Exchange. By 2023, an additional 300 megawatts of utility-scale solar power is expected to be in place. When the new solar facilities are operational, NOVEC will provide enough renewable energy to power approximately 100,000 homes — about 60% of the Co-op's customers.



### ELECTRIC VEHICLE

In 2021, NOVEC added an electric vehicle to its fleet. The Tesla Model 3 joins the Co-op's three "green" utility trucks, which use electric power instead of fuel to lift their booms and buckets.



**“It’s truly an all light-to-light, worldwide adaptable transport network.”**

*- Marvin Ward, the NS ONE-net inventor*



## Offering Products and Services

NOVEC’s subsidiaries offer energy-related products that customers can trust.

### NOVEC Solutions (NS)

Local governments, businesses, and hospitals use NS TELECOMM’s fiber-optic network to transport data across circuits of 100 gigabits per second. NOVEC owns the patent to NS ONE-net, a dense-wave-division multiplexer (DWDM). The Co-op received its fourth U.S. patent in July 2021 for a refinement of NS ONE-net. The DWDM transports data locally and around the world seamlessly and with low latency, or minimal delay, across a single fiber instead of two.

The DWDM reduces data-transport costs by almost 50%. It also reduces the expense of network hardware, fibers, and space required to house equipment.

For residential customers, NS offers electric and natural gas water heaters, whole-house power generators, and solar photovoltaic systems through its contractors.



### NOVEC Energy Solutions (NES)

#### ////// NATURAL GAS

Mid-Atlantic customers who buy natural gas from NES can choose between variable-rate or fixed-rate plans of up to three years. The winter fixed-rate option allows customers to lock in their prices during the heating season — when they use the most gas. For customers who prefer the best price program, NES will match any lower price.

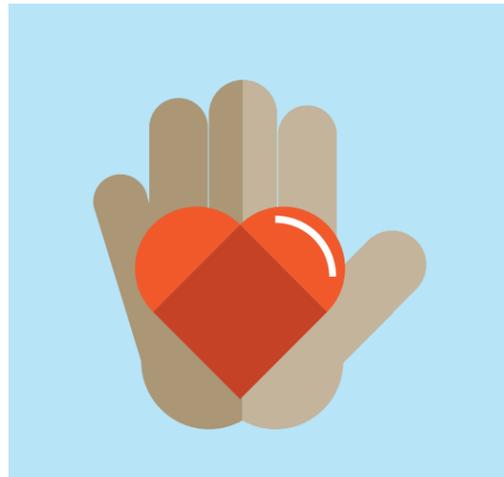
#### ////// HVAC FILTER SERVICE

NES offers a heating, ventilation, and air-conditioning (HVAC) filter service through Second Nature. By receiving filters on a set schedule — free of delivery charge — and changing filters regularly, customers’ HVAC equipment runs more efficiently.

#### ////// HOME PROTECTION COVERAGE

NS and NES partner with HomeServe to offer a variety of home-protection plans to help cover out-of-pocket costs. Customers may choose coverage for heating and cooling systems; exterior water, sewer, and septic lines; power surges; in-home electrical repair; water heaters; interior plumbing; and electric vehicle home charging.





**In 2021, NOVEC distributed nearly \$3.1 million in federal bill payment assistance to eligible customers.**

## Weathering COVID-19

NOVEC's energy management resources help customers save energy and money. They have been especially helpful during the pandemic when customers spent more time at home. NOVEC provides free virtual home energy assessments and savings calculators in its Energy Resource Center on [novec.com](http://novec.com). The Co-op also provides energy-saving tips in its emails, social media posts, and publications. In addition, customers may enroll in levelized billing to help keep their bills approximately the same each month.

## Delivering Broadband

The vast numbers of employees and students working and learning from home during the pandemic highlighted the lack of high-speed internet service in some areas. As a result, NOVEC and All Points Broadband began collaborating in 2020 to extend fiber-optic broadband to some unserved areas of western and northern Loudoun County. Using available capacity on NOVEC's proprietary fiber-optic network as middle-mile service, All Points, a Loudoun County-based business, will build the last-mile fiber network to serve homeowners.



In 2020, All Points Broadband CEO Jimmy Carr and NOVEC President and CEO Stan Feuerberg announced a project to bring internet service to an unserved area of Loudoun County.

## Supporting the Community

### Education Support

NOVEC awarded \$16,500 in college scholarships to 11 high school students whose families receive electricity from the Co-op. The Virginia, Maryland & Delaware Association of Electric Cooperatives Educational Scholarship Foundation awarded an additional \$2,000 in scholarship grants to students living within NOVEC's territory. The Cooperative also awarded educational grants to the 2020 Youth Tour students, who could not participate because of the COVID-19 pandemic. Electric cooperatives hope to resume trips to Washington, D.C., and Richmond in 2022.

### Operation Round Up®

More than 19,000 NOVEC customers voluntarily rounded up their monthly electric bills to the next dollar to help fellow customers keep the power on. Those additional cents allowed Operation Round Up to contribute about \$131,000 to nonprofit social agencies from March 2020 to February 2021. The agencies assisted eligible NOVEC customers who struggled to pay their electric bills.



**NOVEC's 2020 Garber Scholar, Erin Davisson, from Patriot High School in Prince William County, received a \$3,000 scholarship for her outstanding academics and community service.**

### NOVEC HELPS | Hands Engaged in Local Public Service

Participants in this employee-run 501(c)(3) organization volunteer and raise funds for the community. NOVEC HELPS donated more than \$37,000 to 37 local charitable, health, shelter, youth, and veterans' organizations in 2020. NOVEC HELPS also partnered with NOVEC to donate a record \$22,000 to food banks and other social services to help families in need during the pandemic.





Gary Cubbage, Northern Virginia Therapeutic Riding Program board vice chairman and Building Committee chairman, presents NOVEC President and CEO Stan Feuerberg, Public Relations Vice President Lisa Hooker, and Board of Directors Vice Chairman James Chesley with the Community Champion Award for NOVEC's role in bringing electric service to its new riding arena. Photo by Sydney Sawyer.



**(Top right)** NOVEC Community Relations Representative Ashley Arnold (left) and Public Relations Vice President Lisa Hooker hold a check representing the \$4,000 the Co-op donated to the Prince William County Library Foundation's summer reading program.

**(Left)** Workers at the House of Mercy restock the thrift store's food pantry. NOVEC and NOVEC HELPS donated money to support the pantry.

**(Bottom right)** Shelia Bradley (right), NOVEC community and government liaison, presents a check to South Boston Elementary School librarian Amanda Shepperd to help replace school books.



## Values:

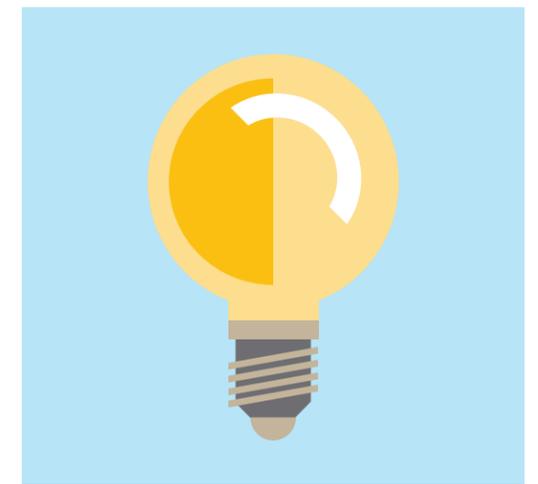
- ✓ Integrity
- ✓ Accountability
- ✓ Safety
- ✓ Commitment
- ✓ Excellence

## Vision:

NOVEC is the best performing electric provider.

## Mission:

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



### Nondiscrimination Statement

In accordance with Federal civil rights law and U.S. Department of Agriculture civil rights regulations and policies, the USDA, its agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

- (1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights 1400 Independence Avenue, SW Washington, D.C. 20250-9410
- (2) fax: (202) 690-7442
- (3) email: [program.intake@usda.gov](mailto:program.intake@usda.gov)

USDA is an equal opportunity provider, employer, and lender.

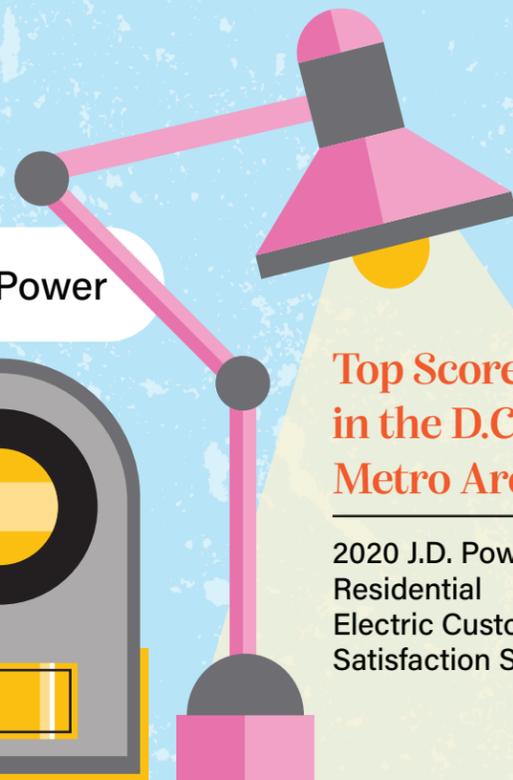
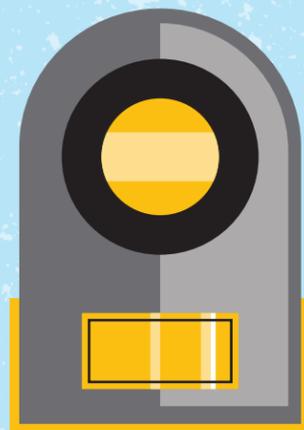
# A Year in Review

All figures are through Dec. 31, 2020, except peak demand.

**\$400 million** | Cost of Power

**6.21 billion**

Kilowatt-hours sold



**Top Score in the D.C. Metro Area**

2020 J.D. Power Residential Electric Customer Satisfaction Study

**\$117**

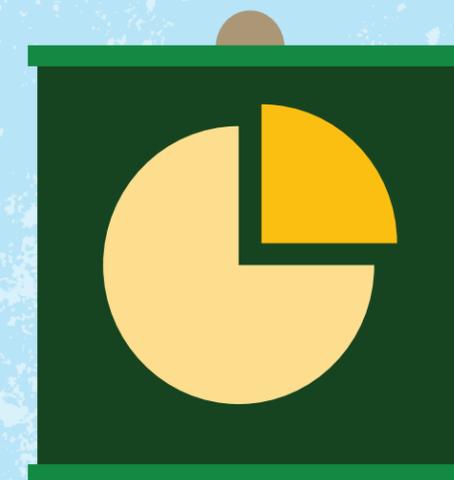
Monthly average residential cost of 1,000 kilowatt-hours



**\$517 million** | Operating Revenue

**544:1**

Total meter-to-employee ratio



**99.99%**

Average System Reliability



**7,539**

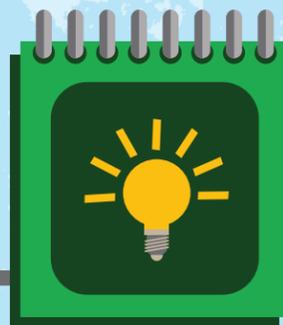
Miles of line

**175,598** | Number of meters

**1,431 Megawatts**

August 2021

Peak Demand



**323** | Full-time employees



**\$1 billion** | Assets

**\$117 million** | Long-Term Debt

**23**

Meters per mile of line



## Financials

NOVEC is a good steward of its customers' finances. The hallmarks of the Cooperative's financial strength are prudent management and aggressive cost containment. As a result, NOVEC has strong financial ratios with an industry-leading balance sheet.

## CONSOLIDATED BALANCE SHEETS

Dec. 31, 2020, and 2019 (in thousands)

| Assets   | 2020               | 2019             |
|--|--------------------|------------------|
| Utility plant, net of accumulated depreciation and amortization                                | \$733,767          | \$714,674        |
| Nonutility plant, net of accumulated depreciation and amortization                             | 5,887              | 6,286            |
| <b>Total plant</b>   | <b>\$739,654</b>   | <b>\$720,960</b> |
| Investments:   |                    |                  |
| Associated organizations   | \$6,889            | \$7,035          |
| Other  | 5,206              | 5,518            |
| <b>Total investments</b>   | <b>\$12,095</b>    | <b>\$12,553</b>  |
| Deferred income taxes, net   | \$8,276            | \$8,627          |
| <b>Current assets:</b>   |                    |                  |
| Cash and cash equivalents  | 76,552             | 64,214           |
| Investment securities  | 62,346             | 59,072           |
| Accounts receivable, less allowance for doubtful accounts of \$2,856 in 2020 and \$746 in 2019 | 39,687             | 48,490           |
| Materials and supplies inventories   | 21,976             | 19,262           |
| Collateral deposit   | 6,479              | 6,455            |
| Other current assets   | 33,087             | 30,062           |
| <b>Total current assets</b>  | <b>\$240,127</b>   | <b>\$227,555</b> |
| Restricted cash  | 3,000              | 3,000            |
| Deferred charges   | 3,120              | 2,632            |
| Assets for post-retirement benefits  | 19,247             | 17,157           |
| <b>Total assets</b>  | <b>\$1,025,519</b> | <b>\$992,484</b> |
|  |                    |                  |
| <b>Liabilities and Equities</b>  |                    |                  |
| <b>Equities and margins:</b>   |                    |                  |
| Membership fees  | \$706              | \$736            |
| Patronage capital  | 740,666            | 718,267          |
| Other equities   | 25,312             | 25,282           |
| Accumulated other comprehensive income   | 14,368             | 11,964           |
| <b>Total equities and margins</b>  | <b>\$781,052</b>   | <b>\$756,249</b> |
| Commitments and contingencies  |                    |                  |
| Long-term debt, excluding current installments   | \$98,917           | \$110,015        |
| <b>Current liabilities:</b>  |                    |                  |
| Current installments of long-term debt   | 18,181             | 11,511           |
| Accounts payable   | 33,529             | 29,807           |
| Consumer deposits  | 10,059             | 9,606            |
| Accrued expenses and other current liabilities   | 7,896              | 6,763            |
| <b>Total current liabilities</b>   | <b>69,665</b>      | <b>\$57,687</b>  |
| Deferred credits   | 70,872             | 64,057           |
| Accrued retirement benefits  | 5,013              | 4,476            |
| <b>Total liabilities</b>   | <b>\$244,467</b>   | <b>\$236,235</b> |
| <b>Total liabilities and equities</b>  | <b>\$1,025,519</b> | <b>\$992,484</b> |

**CONSOLIDATED STATEMENTS OF OPERATIONS AND PATRONAGE**

Years Ended Dec. 31, 2020, and 2019 (in thousands)

|  | 2020             | 2019             |
|--|------------------|------------------|
| <b>Operating revenue:</b>                                | \$527,879        | \$577,103        |
| <b>Operating expenses:</b>                               |                  |                  |
| Cost of power  | 400,711          | 452,695          |
| Administrative and general                               | 31,960           | 31,990           |
| Depreciation and amortization                            | 31,599           | 30,668           |
| Distribution expense – maintenance                       | 19,896           | 17,343           |
| Distribution expense – operations                        | 15,024           | 14,216           |
| Consumer accounts  | 7,719            | 5,616            |
| Customer service and information expense                 | 2,225            | 2,237            |
| Other expense, net                                       | (320)            | 244              |
| <b>Total operating expenses</b>                          | <b>\$508,814</b> | <b>\$555,009</b> |
| <b>Net operating margins before interest expense</b>     | <b>\$19,065</b>  | <b>\$22,094</b>  |
| Interest expense   | (4,333)          | (4,861)          |
| <b>Net operating margins after interest expense</b>      | <b>\$14,732</b>  | <b>\$17,233</b>  |
| <b>Nonoperating margins:</b>                             |                  |                  |
| Patronage capital assigned from associated organizations | \$639            | \$488            |
| Dividends and interest income                            | 6,624            | 6,760            |
| Other nonoperating income                                | 1,311            | 6,311            |
| <b>Total nonoperating margins</b>                        | <b>\$8,574</b>   | <b>\$13,559</b>  |
| <b>Net margins before income tax expense</b>             | <b>\$23,306</b>  | <b>\$30,792</b>  |
| Income tax expense                                       | (351)            | (616)            |
| <b>Net margins</b>                                       | <b>\$22,955</b>  | <b>\$30,176</b>  |
| Patronage capital at beginning of year                   | \$718,267        | \$692,789        |
| Net margins  | 22,955           | 30,176           |
| Retirements of patronage capital                         | (556)            | (4,698)          |
| <b>Patronage capital at end of year</b>                  | <b>\$740,666</b> | <b>\$718,267</b> |

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended Dec. 31, 2020, and 2019 (in thousands)

|  | 2020            | 2019            |
|--|-----------------|-----------------|
| <b>Cash flows from operating activities:</b>       |                 |                 |
| Cash received from consumers                       | \$537,135       | \$580,994       |
| Cash paid to suppliers and employees               | (472,517)       | (507,798)       |
| Dividends, interest, and other nonoperating income | 8,574           | 13,292          |
| Interest paid                                      | (4,292)         | (4,869)         |
| <b>Net cash provided by operating activities</b>   | <b>\$68,900</b> | <b>\$81,619</b> |

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

Years Ended Dec. 31, 2020, and 2019 (in thousands)

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| <b>Cash flows from investing activities:</b>                            |                   |                   |
| Purchases of utility plant and nonutility plant                         | (\$84,885)        | (\$92,073)        |
| Contributions in aid of construction of utility plant                   | 28,274            | 49,167            |
| Proceeds from sale of utility plant                                     | 6,318             | 1,850             |
| Purchases of investment securities                                      | (18,671)          | (17,113)          |
| Purchases of other investments and changes in collateral deposits       | (24)              | 369               |
| Proceeds from sale or maturity of investment securities                 | 17,074            | 14,407            |
| Retirements of patronage capital by associated organizations            | 336               | 304               |
| <b>Net cash used in investing activities</b>                            | <b>(\$51,578)</b> | <b>(\$43,089)</b> |
| <b>Cash flows from financing activities:</b>                            |                   |                   |
| Principal payments on debt  | (\$11,359)        | (\$12,752)        |
| Principal payments on line of credit                                    | —                 | (11,000)          |
| Principal proceeds from borrowing on line of credit                     | 6,931             | 15,500            |
| Membership fee receipts   | (30)              | (31)              |
| Retirement of patronage capital   | (556)             | (4,698)           |
| Unclaimed retirement of patronage capital                               | 30                | 1,407             |
| <b>Net cash used in financing activities</b>                            | <b>(\$4,984)</b>  | <b>(\$11,574)</b> |
| <b>Net increase in cash, cash equivalents, and restricted cash</b>      | <b>\$12,338</b>   | <b>\$26,956</b>   |
| <b>Cash, cash equivalents, and restricted cash at beginning of year</b> | <b>\$67,214</b>   | <b>\$40,258</b>   |
| <b>Cash, cash equivalents, and restricted cash at end of year</b>       | <b>\$79,552</b>   | <b>\$67,214</b>   |

**CONSOLIDATING SCHEDULE/BALANCE SHEET**

Dec. 31, 2020 (in thousands)

|  | NOVEC            | NOVEC Holdings Inc. | Eliminating Entries | Consolidated Totals |
|--|------------------|---------------------|---------------------|---------------------|
| <b>Assets</b>  |                  |                     |                     |                     |
| Utility plant, net of accumulated depreciation and amortization    | \$645,348        | \$88,419            | —                   | \$733,767           |
| Nonutility plant, net of accumulated depreciation and amortization | 5,439            | 448                 | —                   | 5,887               |
| <b>Total plant</b>   | <b>\$650,787</b> | <b>\$88,867</b>     | <b>—</b>            | <b>\$739,654</b>    |
| Deferred income taxes  | —                | \$8,276             | —                   | \$8,276             |
| <b>Investments:</b>  |                  |                     |                     |                     |
| Associated organizations   | \$6,889          | —                   | —                   | \$6,889             |
| Other  | 59,417           | —                   | (54,211)            | 5,206               |
| <b>Total investments</b>   | <b>\$66,306</b>  | <b>—</b>            | <b>(\$54,211)</b>   | <b>\$12,095</b>     |

**CONSOLIDATING SCHEDULE/BALANCE SHEET (CONTINUED)**

Dec. 31, 2020 (in thousands)

|   | NOVEC              | NOVEC Holdings Inc. | Eliminating Entries | Consolidated Totals |
|---|--------------------|---------------------|---------------------|---------------------|
| <b>Current Assets:</b>                                    |                    |                     |                     |                     |
| Cash and cash equivalents                                 | \$47,570           | \$28,982            | —                   | \$76,552            |
| Investment securities                                     | 62,346             | —                   | —                   | 62,346              |
| Notes receivable  | 78,876             | —                   | (78,876)            | —                   |
| Accounts receivable, less allowance for doubtful accounts | 38,838             | 2,127               | (1,278)             | 39,687              |
| Materials and supplies inventories                        | 16,951             | 5,025               | —                   | 21,976              |
| Collateral deposit  | 6,479              | —                   | —                   | 6,479               |
| Other current assets                                      | 31,080             | 2,413               | (406)               | 33,087              |
| <b>Total current assets</b>                               | <b>\$282,140</b>   | <b>\$38,547</b>     | <b>(\$80,560)</b>   | <b>\$240,127</b>    |
| Restricted cash   | \$3,000            | —                   | —                   | \$3,000             |
| Deferred changes  | 2,264              | \$856               | —                   | 3,120               |
| Asset for post-retirement benefits                        | 19,247             | —                   | —                   | 19,247              |
| <b>Total assets</b>                                       | <b>\$1,023,744</b> | <b>\$136,546</b>    | <b>(\$134,771)</b>  | <b>\$1,025,519</b>  |
| <b>Liabilities and Equities</b>                           |                    |                     |                     |                     |
| <b>Equities and margins:</b>                              |                    |                     |                     |                     |
| Membership fees   | \$706              | —                   | —                   | \$706               |
| Patronage capital and accumulated earnings                | 740,666            | 110                 | (110)               | 740,666             |
| Other equities  | 25,312             | 54,101              | (54,101)            | 25,312              |
| Accumulated other comprehensive income                    | 14,368             | —                   | —                   | 14,368              |
| <b>Total equities and margins</b>                         | <b>\$781,052</b>   | <b>\$54,211</b>     | <b>(\$54,211)</b>   | <b>\$781,052</b>    |
| <b>Commitments and contingencies:</b>                     |                    |                     |                     |                     |
| Long-term debt, excluding current installments            | \$98,831           | \$76,602            | (\$76,516)          | \$98,917            |
| <b>Current liabilities:</b>                               |                    |                     |                     |                     |
| Current installments of long-term debt                    | 18,181             | 2,027               | (2,027)             | 18,181              |
| Accounts payable  | 32,744             | 2,599               | (1,814)             | 33,529              |
| Consumer deposits   | 10,059             | —                   | —                   | 10,059              |
| Accrued expenses and other current liabilities            | 7,486              | 613                 | (203)               | 7,896               |
| <b>Total current liabilities</b>                          | <b>\$68,470</b>    | <b>\$5,239</b>      | <b>(\$4,044)</b>    | <b>\$69,665</b>     |
| Deferred credits  | 70,378             | 494                 | —                   | 70,872              |
| Accrued retirement benefits                               | 5,013              | —                   | —                   | 5,013               |
| <b>Total liabilities and equities</b>                     | <b>\$1,023,744</b> | <b>\$136,546</b>    | <b>(\$134,771)</b>  | <b>\$1,025,519</b>  |

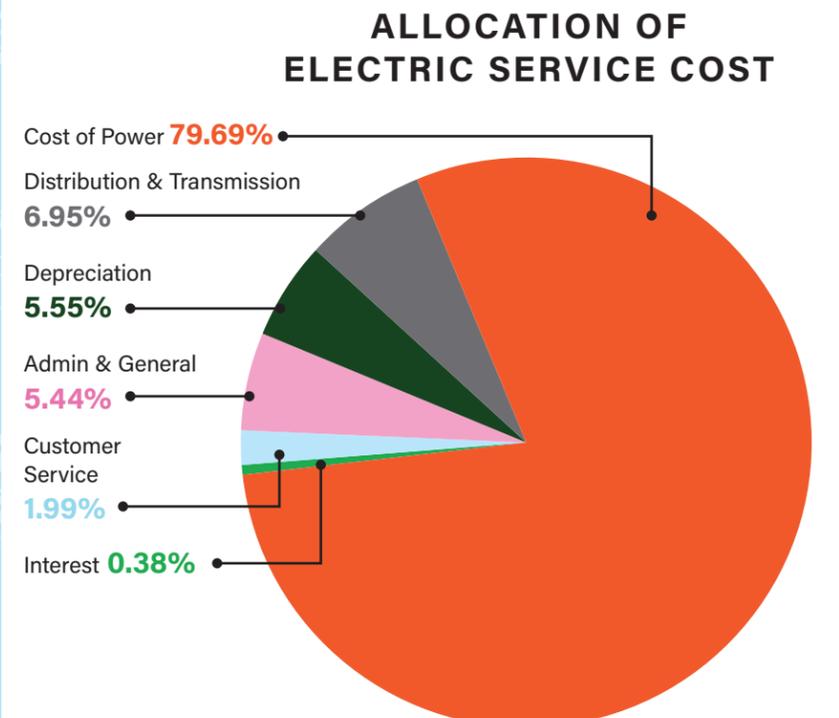
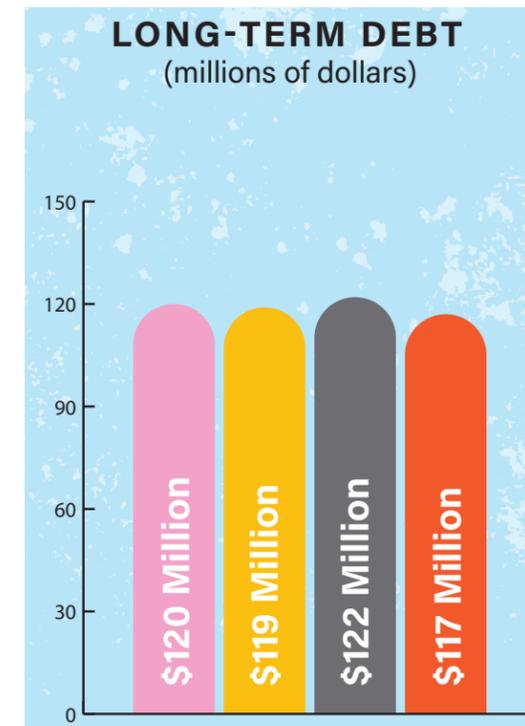
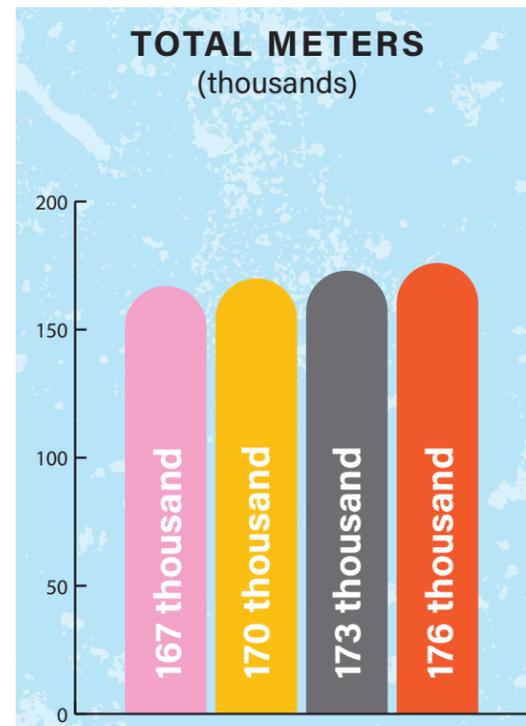
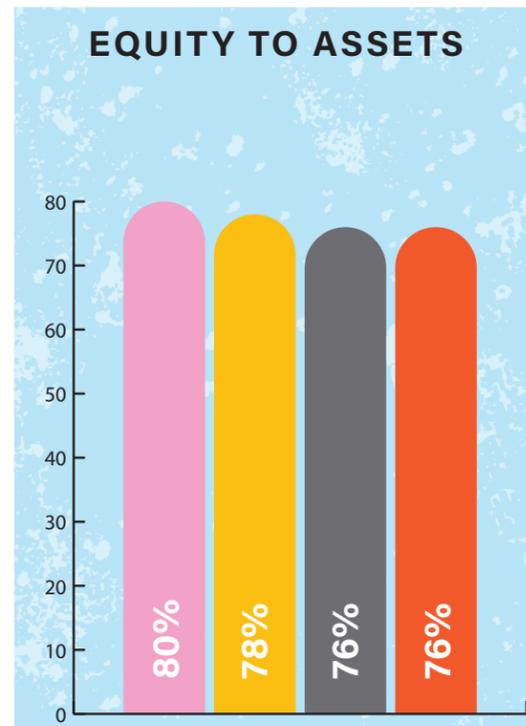
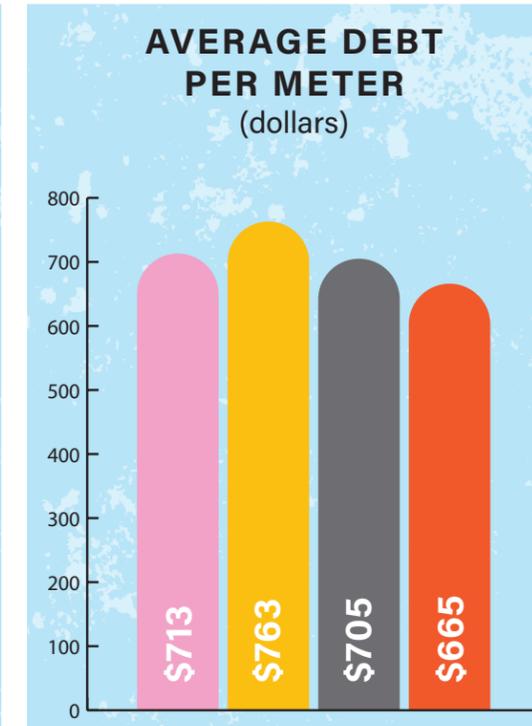
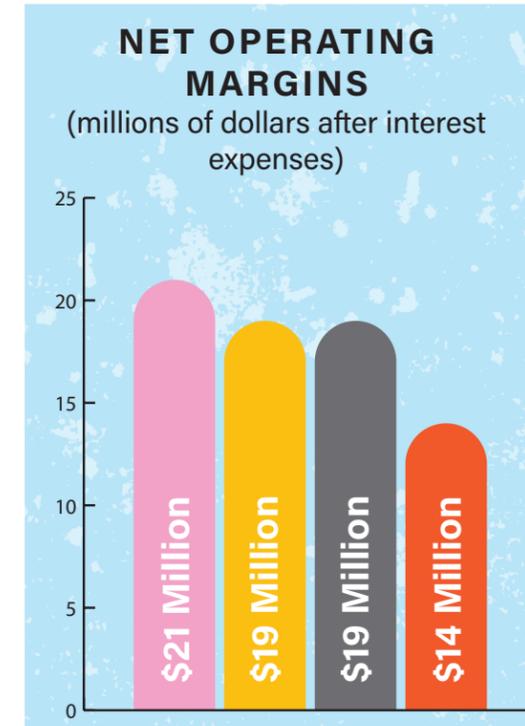
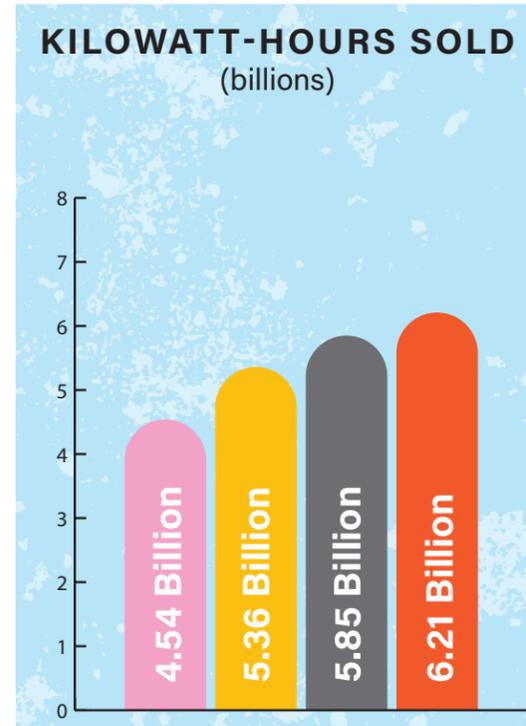
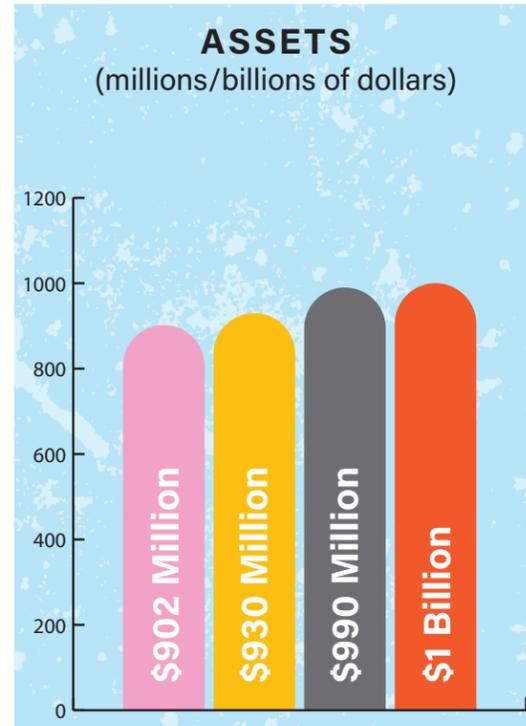
**CONSOLIDATING SCHEDULE/STATEMENT OF OPERATIONS AND PATRONAGE CAPITAL INFORMATION**

Year Ended Dec. 31, 2020 (in thousands)

|  | NOVEC            | NOVEC Holdings Inc. | Eliminating Entries | Consolidated Totals |
|--|------------------|---------------------|---------------------|---------------------|
| <b>Operating revenue:</b>                                | \$516,671        | \$28,669            | (\$17,461)          | \$527,879           |
| <b>Operating expenses:</b>                               |                  |                     |                     |                     |
| Cost of goods  | 400,233          | 17,939              | (17,461)            | 400,711             |
| Administrative and general                               | 27,677           | 4,542               | (259)               | 31,960              |
| Depreciation and amortization                            | 27,859           | 3,740               | —                   | 31,599              |
| Distribution expense — maintenance                       | 19,896           | —                   | —                   | 19,896              |
| Distribution expense — operations                        | 15,024           | —                   | —                   | 15,024              |
| Consumer accounts  | 7,719            | —                   | —                   | 7,719               |
| Customer service and information expense                 | 2,225            | —                   | —                   | 2,225               |
| Other expense (income), net                              | (290)            | (30)                | —                   | (320)               |
| <b>Total operating expenses</b>                          | <b>\$500,343</b> | <b>\$26,191</b>     | <b>(\$17,720)</b>   | <b>\$508,814</b>    |
| <b>Net operating margins before interest expense</b>     | <b>\$16,328</b>  | <b>\$2,478</b>      | <b>\$259</b>        | <b>\$19,065</b>     |
| Interest expense   | 1,888            | 2,445               | —                   | 4,333               |
| <b>Net operating margins after interest expense</b>      | <b>\$14,440</b>  | <b>\$33</b>         | <b>\$259</b>        | <b>\$14,732</b>     |
| <b>Nonoperating expenses:</b>                            |                  |                     |                     |                     |
| Patronage capital assigned from associated organizations | \$1,649          | —                   | (\$1,010)           | \$639               |
| Dividends and interest income                            | 6,373            | 251                 | —                   | 6,624               |
| Other nonoperating income (loss)                         | 493              | 1,077               | (259)               | 1,311               |
| <b>Total nonoperating margins</b>                        | <b>\$8,515</b>   | <b>\$1,328</b>      | <b>(\$1,269)</b>    | <b>\$8,574</b>      |
| <b>Net operating margins before income tax benefit</b>   | <b>\$22,955</b>  | <b>\$1,361</b>      | <b>(\$1,010)</b>    | <b>\$23,306</b>     |
| Income tax benefit                                       | —                | (351)               | —                   | (351)               |
| <b>Net margins</b>                                       | <b>\$22,955</b>  | <b>\$1,010</b>      | <b>(\$1,010)</b>    | <b>\$22,955</b>     |
| <b>Patronage capital at beginning of the year</b>        | <b>\$718,267</b> | <b>(\$900)</b>      | <b>\$900</b>        | <b>\$718,267</b>    |
| <b>Retirements of patronage capital</b>                  | <b>(556)</b>     | <b>—</b>            | <b>—</b>            | <b>(556)</b>        |
| <b>Patronage capital at end of year</b>                  | <b>\$740,666</b> | <b>\$110</b>        | <b>(\$110)</b>      | <b>\$740,666</b>    |

# Finances at-a-Glance

Year Ended Dec. 31, 2020





NOVEC, headquartered in Manassas, Virginia, is a not-for-profit electric utility corporation that supplies and distributes electricity and energy-related services to more than 175,000 metered customers in Fairfax, Fauquier, Loudoun, Prince William, Stafford, and Clarke counties, the Town of Clifton, and the City of Manassas Park. It is one of the largest electric companies of its kind in the nation. For questions concerning the Cooperative: call NOVEC's Customer Care Center at 703-335-0500 or toll-free 1-888-335-0500, Monday through Friday, from 7:30 a.m. to 6 p.m.; visit [novec.com](http://novec.com); or send mail to NOVEC, P.O. Box 2710, Manassas, VA 20108.