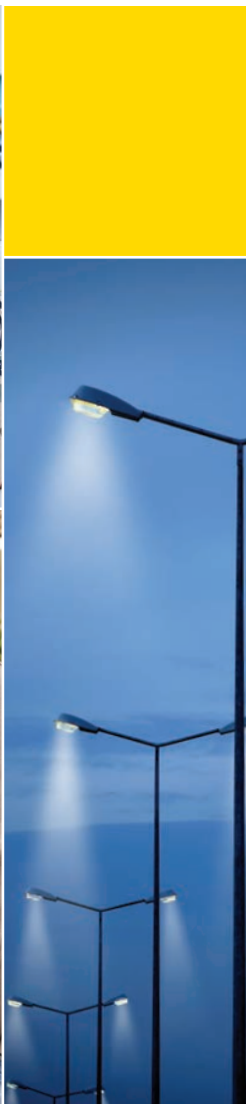




# Powering Your Life

2015 ANNUAL REPORT





Anthony Franchini, Line Technician 1st Class.

**NOVEC TERRITORY**

Northern Virginia Electric Cooperative's 651-square-mile service territory is well situated to benefit from economic growth in Northern Virginia.

**LOMOND BUSINESS CENTER**

10323 Lomond Drive  
Manassas, VA 20109

**BALLS FORD CORPORATE CENTER**

10432 Balls Ford Road, Ste. 220  
Manassas, VA 20109

**LEESBURG OFFICE**

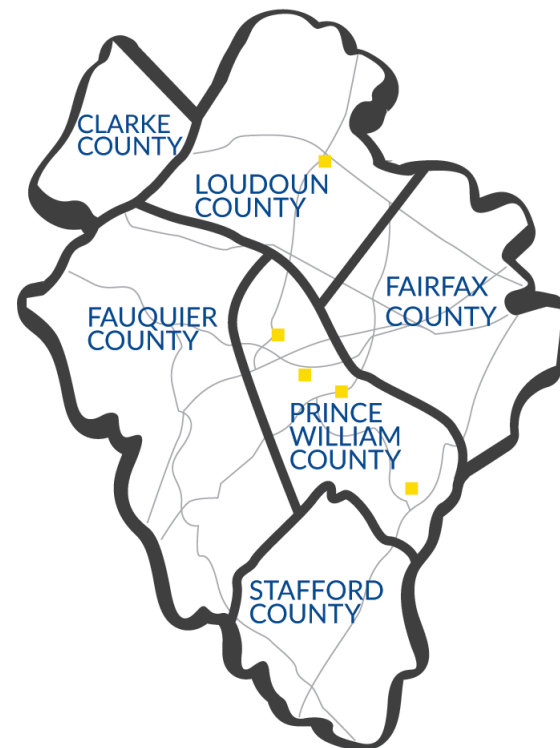
349 East Market Street  
Leesburg, VA 20176

**GAINESVILLE TECHNICAL CENTER**

5399 Wellington Branch Drive  
Gainesville, VA 20155

**MINNIEVILLE OFFICE**

14500 Minnieville Road  
Woodbridge, VA 22193



**WADE HOUSE, CHAIRMAN**  
District 5, Prince William County, south of Rt. 29 to Rt. 234



**JAMES CHESLEY, VICE CHAIRMAN**  
District 3, Fairfax County, Centreville/Clifton



**MICHAEL RAGAN, SECRETARY**  
District 6, southern Prince William County, City of Manassas Park



**ANN WHEELER, TREASURER**  
District 4, northwestern Prince William County, Sudley/Bull Run Mt.



**WILLIAM ZILLIOTT**  
At-Large Director



**CYNTHIA GILBRIDE**  
District 1, Fairfax County, north of Centreville and Loudoun County, South Riding



**HARRY HARRIS**  
District 2, Loudoun County, except South Riding



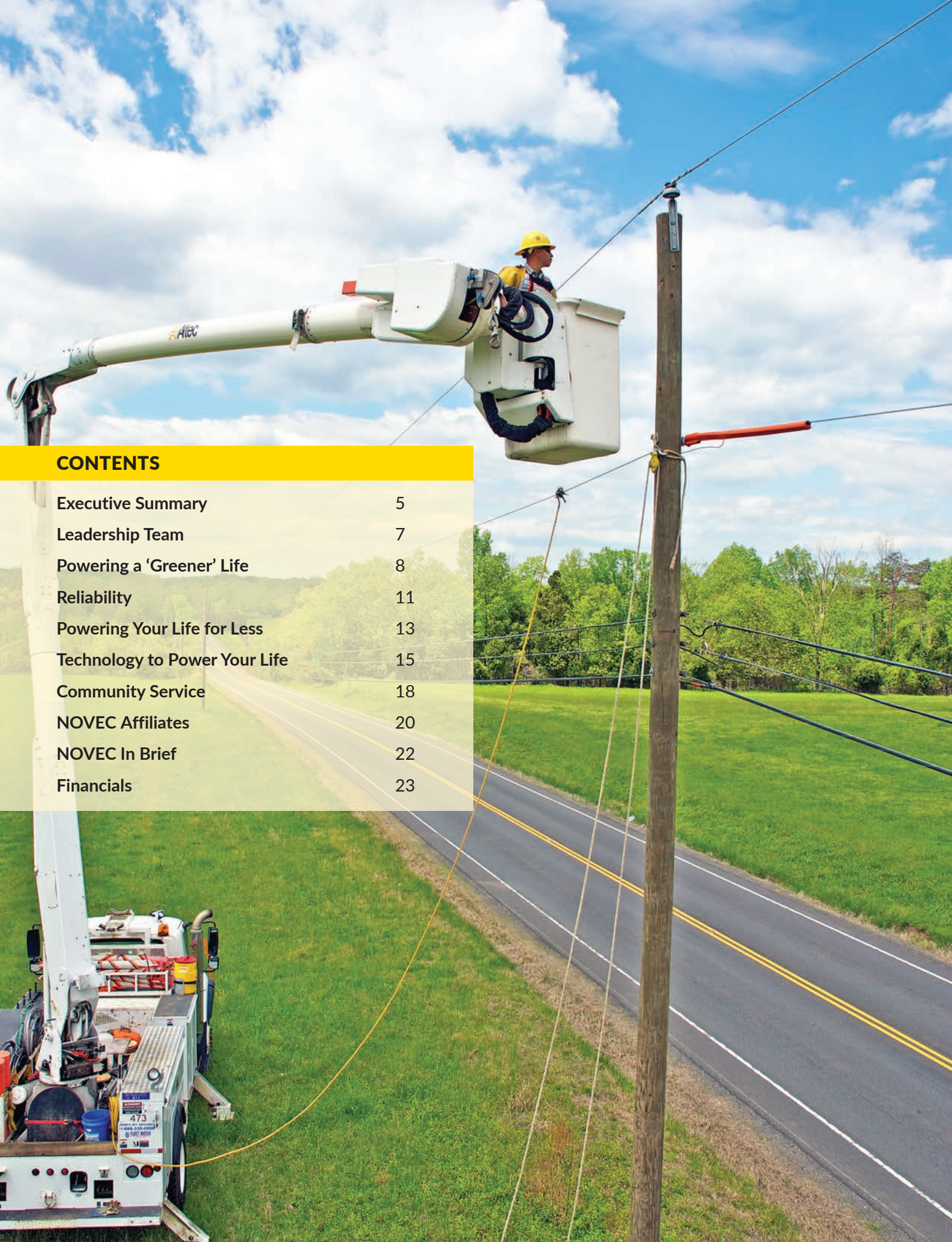
**J. MANLEY GARBER**  
District 7, Prince William County, Dale City, northern Montclair



**SKIP ALBRITE**  
District 8, Fauquier and Stafford counties, southern Montclair



**STAN FEUERBERG**  
President/CEO



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Stan Feuerberg, President/CEO

Wade House, Chairman

Electricity powers our lives as nothing else does. We rely on it 24/7/365 for a myriad of tasks, great and small, that are far too numerous to mention. As essential as it is to our everyday lives, electricity is frequently taken for granted. Plug in the cord, flip a switch, turn a knob, and it's always there — a dependable and powerful partner. We're proud that you can count on NOVEC's reliable service. In fact, we have been the most reliable electric utility in the metropolitan Washington, D.C., area for **16 consecutive years**. Rest assured that we know what it takes to keep the power flowing. We trust that as you read this annual report you will gain a better understanding of just how seriously we take the responsibility of *Powering Your Life*.

First and foremost, we never forget that NOVEC is a customer-owned business. We operate the company in a manner that protects your ownership interest, and take great care of the Cooperative's assets. One example is our ongoing efforts to ensure that telecom companies using our overhead infrastructure (poles) to deliver their products pay a price that recovers the cost associated with that use. While we support broadband expansion in underserved portions of our service area, we do not believe you should be required to subsidize such an expansion. In 2014, the Virginia State Corporation Commission found in our favor in a rate dispute with Comcast. Despite the SCC's ruling, we found ourselves working to defeat yet another "pole-attachment bill" during the 2015 General Assembly session. We will

remain vigilant to ensure full cost recovery for use of the facilities you own by telecommunications companies.

The delivery of reliable and competitively priced electricity is our core business, and NOVEC's power-supply team does an incredible job in managing our power supply. Thanks to their stellar performance, you are still paying less per kilowatt-hour for electricity than you were six years ago when NOVEC assumed full responsibility for power supply. Despite wholesale-power-pricing challenges that resulted from the extremely cold weather during the winters of 2014 and 2015, the 4.5 percent rate decrease implemented in 2011 is meeting our needs, and the monthly power-cost adjustment remains a small credit.

Increasing the distribution of clean energy to our customers at a competitive price is a corporate priority. Our 50-megawatt biomass plant met its operating objectives in 2014 — its first full year of operation — and is performing extremely well in 2015. In addition, we distribute all of the renewable energy from the Prince William County Landfill's 6.7-megawatt methane-recovery/power-production facility, as well as the available hydroelectric power we purchase from the Southeastern Power Administration. We are currently exploring the costs and benefits of adding a NOVEC-owned, natural-gas-fired generation plant to our power-supply portfolio.

NOVEC powers your life by providing electricity and other energy services. Powering your life also means helping you use electricity more efficiently. We not only encourage you to manage your consumption, but provide you with practical information to help you do so. Our website and energy-use professionals are great resources for low-cost measures that can provide significant savings. We recommend that you logon or give us a call to take full advantage of them. Improvements you make in energy efficiency directly benefit you, and all NOVEC customer-owners.

Modern technology plays a key role in powering your life. The judicious use of proven technologies allows us to find and fix problems on the NOVEC system faster than ever before. Even better news is that these tools often enable us to identify and resolve operational issues before they result in outages. Technology also improves the productivity of our workforce. We have about the same number of full-time employees today that we had 20 years ago, and they typically accomplish far more in a day than even the best performers were able to achieve a decade ago. Fewer outages, faster service restoration, and increased productivity are all attributable to the deployment of improved technologies.

The key ingredient to powering your life is the professional, well-trained NOVEC team. They are the heart and soul of our success, fully committed to the fulfillment of our mission statement — exceeding the expectations of our customers. Their ability to consistently do so is borne out in customer-satisfaction studies by J.D. Power and Associates and other well-respected research companies, where results have consistently placed NOVEC among the top performers — not just among cooperatives, but among the entire electric utility industry.

NOVEC placed second in the midsize south region and second among all 140 electric co-ops, investor-owned utilities, and publicly owned systems in the 2015 J.D. Power and Associates Electric Utility Residential Customer Satisfaction Study<sup>SM</sup>. The scoring of NOVEC customer-owners placed the Cooperative in the Top-5 in all six components of customer satisfaction — the first time this has happened since we began participating in the study more than a decade ago. While it doesn't quite equal the achievement of having the highest score in the 2012 study, there's a lot of satisfaction in seeing the daily focus of the NOVEC team on providing excellent customer service validated by such outstanding results.

When the weather forecast is grim, highways are treacherous, and other businesses are closed, NOVEC employees are hard at work keeping the lights on. We appreciate our field forces for the dangerous work they do so well. They are first-responders in every sense of the word. But equally important are the other employees and contractors who provide necessary support in countless ways. Every member of the NOVEC team plays an important role in consistently delivering world-class service to our customers.

Though it is gratifying to be recognized as one of the best in our industry, our target is always to be the best. With that in mind, our performance goals and measures are set intentionally high. Never satisfied, we constantly look for innovation that will improve business processes and performance. That's the driving force behind the ongoing NOVEC success story — a force that keeps us well-positioned for powering your life.



**STAN FEUERBERG**  
President/CEO



**WADE HOUSE**  
Chairman



**STAN FEUERBERG**  
President/CEO



**WILBUR ROLLINS**  
Senior Vice President,  
Finance and Asset Development



**MIKE CURTIS**  
Vice President,  
Public Relations



**DIANE JOHNSON**  
Vice President,  
Customer Service



**PATRICK TOULME**  
Vice President and Corporate Counsel



**JIM MOXLEY**  
Senior Vice President,  
Administration, Substations and  
Telecommunications



**BOB BISSON**  
Vice President,  
Electric System Development



**MICHAEL J. DAILEY**  
Vice President,  
Energy and Business Development



**LARRY SHAFFER**  
Vice President,  
Electric System Operations

Extracting coal economically and using it to make electric power “was a madness” to D.H. Lawrence’s fictional Clifford Chatterley in the 1920s. Today, the passionate debate about coal could be described in similar terms as states, politicians, constitutional lawyers, environmental groups, scientists, utilities, and the coal industry argue about how much coal-powered generation should be allowed and who has the legal authority to regulate it. The controversy is about coal’s role in climate change.

The Environmental Protection Agency shot a major volley into the so-called “war on coal” when it proposed its Clean Power Plan (CPP) in 2014 and issued the final rules in August 2015. The plan requires states to cut carbon dioxide emissions 32 percent overall below 2005 levels by 2030, with the first major deadline in 2022. Since coal burning emits more carbon dioxide than other power-plant fuel sources, many old coal plants will need to be shut down or converted so that they can use other fuel sources. The EPA is encouraging power generators to use more solar and wind energy.

Throughout the year, electric utility executives, engineers, and regulatory organizations expressed their concerns about the plan, mainly: the intermittent nature of solar and wind renewable-energy sources; higher costs for utilities and consumers, who would have to pay for new power-generating stations as well as the debt due on shuttered coal plants; and the short

timetable. They noted that many states do not have the necessary natural-gas infrastructure for switching from coal to natural-gas generation. Furthermore, building gas pipelines is very expensive and controversial. Equally expensive and controversial is the permitting, land acquisition, and construction of new transmission lines needed to carry electricity from new solar-energy and wind-power stations.

While the debate has raged, NOVEC has stayed focused on delivering safe, reliable, economically priced power to its customer-owners. With the addition of power from its Halifax County Biomass Plant and other renewable-energy sources, NOVEC is distributing more “green” power today than ever before. And it is using energy more efficiently and helping customers to do the same.

### **NOVEC Energy Production Halifax County Biomass Plant**

Among renewable-energy sources in Virginia, biomass-power production is one of the most dependable, economical, and environmentally friendly alternatives available. This is especially true in Virginia’s Southside region where acres of forests and commercial logging create abundant wood waste. This region is where NOVEC built its first power plant: the NOVEC Energy Production Halifax County Biomass Plant.



NOVEC Energy Production, Halifax County Biomass Plant

The plant’s 49.9-megawatt capacity is capable of providing enough renewable energy to power the equivalent of 16,000 NOVEC homes.

“We designed the plant with the environment in mind,” says John Rainey, NOVEC’s senior energy contracts originator. “The combustion of any fuel produces some level of particulates, but the Halifax County Biomass facility has an electro-static precipitator that traps particulates in the exhaust stream and reduces them to a permitted level. We also have an ash-reinjection system that captures particulates and injects them back into the combustion chamber to burn. We distribute the final collected matter, also known as fly ash, to local farmers as a liming agent.”

The plant uses water reclaimed from a nearby wastewater treatment facility for cooling. Rainey says, “Using reclaimed water significantly reduces the need for potable water.”

The plant does more than recycle water: Last December Michael Davis, the plant’s fuel manager, began working

with the South Boston Department of Public Utilities to recycle trees and brush. The plant provided a wood-chipping contractor to process and deliver approximately 10 tractor-trailer loads of wood chips to the biomass plant instead of burning them at the landfill.

Fred Mistal, NOVEC’s plant consultant, came up with the idea. He said, “I thought burning trees and brush in the open was not the most environmentally sound way to dispose of it.”

As a renewable resource, the biomass plant will help the Commonwealth of Virginia meet environmental standards set by the Environmental Protection Agency.

### **Prince William County Landfill Gas-To-Energy Project**

The Prince William County Landfill operates five generators that use gas captured from decaying trash to generate electricity. The generators convert landfill gas into approximately 6.7 megawatts of electric output each year for NOVEC customers.

*“He was a great deal at the pits, and wrestling in spirit with the almost hopeless problems of getting out his coal in the most economical fashion and then selling it when he’d got it out ... But if he made electric power, could he sell that or use it? ... It was a madness.”*

**D.H. Lawrence**

## Solar Energy

NOVEC distributes 290 kilowatts of solar energy from the Fauquier County Livestock Exchange. In addition, NOVEC supplies — free of charge — net meters to customers who want to connect their solar systems to the grid. By the end of 2014, NOVEC had supplied net meters to 93 solar installations.

## NOVEC helps customers save energy and costs

The EPA's CPP calls on Americans to use energy more efficiently. NOVEC has been helping its members do that for decades.

## Load-Management Program

In 1979, the Co-op launched one of the nation's first load-management programs designed to control power costs for all Co-op members. As a benefit, the program helps participants reduce energy consumption. Load management helps NOVEC manage peak-power demand thanks to almost 33,000 load-management customer-volunteers who agree to let NOVEC cycle on and off 50,200 electric water heaters and/or central air-conditioner compressors for short periods when demand for power soars on the hottest and the coldest days of the year. NOVEC handles cycling remotely. In exchange for participating, members receive — at no cost — a priority response for electric-water-heater repairs and/or air-conditioner service evaluations when needed.

## HomeEnergySuite

NOVEC stepped up its efforts to help customers save energy when it added the HomeEnergySuite to its website in 2009. The suite, chock-full of energy-saving information, lets a customer take an easy online home-energy analysis customized for his or her house and lifestyle. In 2014, NOVEC added the Billing Insights calculator that provides data that helps explain each customer's bill. The tool provides weather data as well as the number of days in the billing cycle — factors that affect power consumption.

## NOVEC Publications and Advertisements

NOVEC publications — *Cooperative Living* magazine and the *What's Current* bill insert — provide energy-saving tips and information, as do many of NOVEC's advertisements. NOVEC's 2014 television ad, "Helping You \$ave",

won NOVEC's eighth Telly award. (Telly awards in the advertising industry are comparable to Oscar awards in Hollywood.)

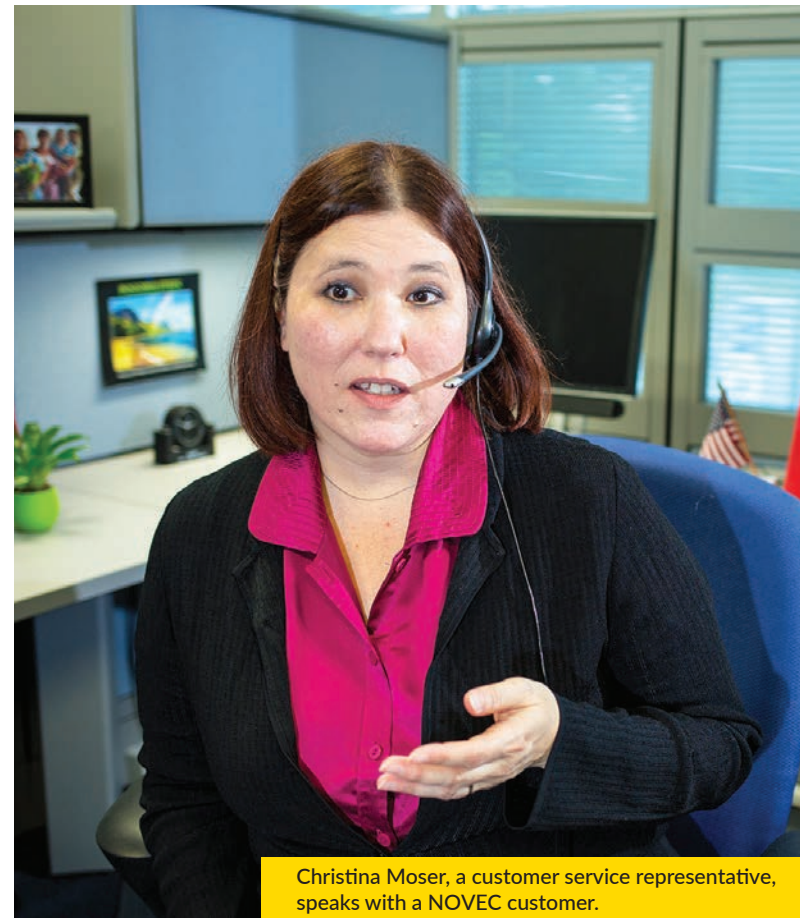
The ad may be seen at [www.novec.com/About\\_NOVEC/Advertising2013.cfm](http://www.novec.com/About_NOVEC/Advertising2013.cfm).

## Customer Service Representatives and Energy Specialists

Co-op members who have questions or concerns about their electric bills may call customer service representatives and energy specialists, who will be happy to help.

NOVEC's renewable energy, along with its energy-conservation tips and tools, are powering a greener life for the Co-op and its members.

Learn more at [www.novec.com/save](http://www.novec.com/save).



Christina Moser, a customer service representative, speaks with a NOVEC customer.



When NOVEC customer-owners flipped or pressed a switch, their lights turned on 99.99 percent of the time in 2014. So did their computers, air conditioners, and the electric appliances and devices that make life more comfortable, productive, and fun. That 99.99 percentage set a new record for NOVEC and made it the most reliable electric utility in the Washington, D.C., metropolitan area for the 16th consecutive year. When power outages did occur, NOVEC crews restored service quickly and safely. That's *Powering Your Life*.

NOVEC President and CEO Stan Feuerberg says, "Being the best in the region, perhaps the most challenging marketplace in the entire nation, is the result of our constant focus on reducing outage durations, keeping overhead right-of-way corridors clear of potentially hazardous trees, improving system design, deploying modern technology, and having an effective equipment-maintenance program."

Co-op members approved of NOVEC's reliability because they ranked it highest among the nation's 140 largest electric utilities in the J.D. Power and Associates 2015 Electric Utility Residential Customer Satisfaction Study in the Power Quality and Reliability performance category.

## Keeping Power Flowing in Frigid February and March's Madness

NOVEC's strong reliability became evident last winter when February 2015 set a record at Ronald Reagan Washington National Airport for being the fourth-coldest valentines month in 100 years. The average temperature at Dulles Airport barely reached 25 degrees — a remarkable 11 degrees below the 30-year norm of 36 degrees.

March wasn't much warmer. Northern Virginians pulled on their boots and grabbed snow shovels when 8 inches of snow coated the region on March 5. The temperature

plunged to a low of 8 degrees on March 6. Except for a few mild days, regional folks continued to bundle up in wool sweaters throughout March's madness.

The first three months of 2015 were colder than the first three months of 2014, the year of the polar vortex. Despite more-than-normal snow and extreme cold, NOVEC customers could rely on their Co-op to keep them warm.

### New Substations and Loudoun Service Center

NOVEC operates 53 substations, but to serve the growing customer base in the Co-op's 651-square-mile territory, NOVEC needs more substations. Therefore, construction is underway in 2015 for four new substations: two in Loudoun County and two in Prince William County.

To better serve the customers in Loudoun County — one of the fastest-growing counties in the United States — construction will begin in 2015 for a service center in the Brambleton area. NOVEC will retire its Leesburg office after the new service center opens.

### NOVEC Linemen Have 'The Right Stuff'

Being reliable means having line technicians with "the right stuff." These first-responders and storm soldiers often head into the worst weather conditions to restore power. It's a dangerous job.

In March 2015, NOVEC line techs proved again that they have what it takes when they took top honors at the 13th Annual Gaff-n-Go Lineman's Rodeo near Ruther Glen, Va. NOVEC's line techs competed with more than 150 other linemen from 14 electric utilities — including investor-owned utilities — in seven states.

The Gaff-n-Go Lineman's Rodeo features three-man journeyman teams and individual apprentice linemen who perform a variety of required skills atop 40-foot utility poles. Judges score the competitors on how quickly they can complete each task correctly and safely.

(The Gaff-n-Go gets its name from the gaff; a metal spike that linemen attach to their boots to assist in climbing wooden utility poles.)

NOVEC's journeyman team of Justin Bettis, Sam Morgan, and Jesse Taylor placed first overall out of 30 teams and took home two coveted awards. NOVEC's apprentices swept their division's Climbing Skills event.



NOVEC journeymen Sam Morgan, Justin Bettis, and Jesse Taylor receiving their awards.



Apprentice winner Kyle Sarvis displays his first-place award.

The journeymen will compete in an International competition in Kansas in October 2015.

"We salute all of our line techs," says Feuerberg. "These are incredibly dedicated employees who often work in the worst possible weather conditions to restore power when outages occur. Working around energized lines can be extremely dangerous, so linemen must be able to concentrate on the task, even when confronted with rain, ice, snow, frigid or stifling temperatures. Despite all of those challenges, NOVEC's line techs have an outstanding safety record."

In recognition of America's linemen, the National Rural Electric Cooperative Association proclaimed April 13, 2015, as its first National Lineman Appreciation Day.



NOVEC provides power for its customer-owners reliably. It also strives to keep costs as low as possible while maintaining a dependable power-distribution system and financially healthy company. In 2015, NOVEC powered customers' lives for less.

"Reliable electric-delivery service, together with a sincere respect for a good price-value relationship, is what makes our member-owned cooperative business model work," says Michael Dailey, vice president, Energy and Business Development.

### Record-Setting Temperatures Meant Higher Energy Bills

NOVEC customer-owners and many other Americans set new winter records for energy consumption on Feb. 20, 2015, when extremely cold temperatures put much of the country east of the Mississippi River into a deep freeze. Although 25-degree days froze Northern Virginia, Bostonians had the worst of it — they had to shovel 108.6 inches of snow during Massachusetts' snowiest winter since 1872.

High-power demand meant higher energy bills. To help control power costs for all Co-op consumers, NOVEC used its load-management switches on customer-volunteers' electric water heaters. On Feb. 20, the load-management program was in full swing.

"Record-breaking cold or hot weather generally means increased electricity use and higher-than-normal power bills for our customer-owners," notes Mike Curtis, vice president, Public Relations. "We provide lots of tips and tools for saving energy and money on our website at [www.novec.com/save](http://www.novec.com/save). We also send this information through news releases, and text and social media messages."

### Lower Rates, PCA Credits, and CashBack Reduce Power Bills

As part of NOVEC's overall efforts to take back control of its customer-owner power-supply needs, the Co-op obtained in 2011 approval from the Virginia State Corporation Commission to lower NOVEC's rates. Not many utilities want to lower their rates.

Additionally, favorable power-market conditions and adroit power-supply-management decisions have allowed the Co-op's power-cost-adjustment factor to be a credit (deduction) on customers' monthly bills since January 2012.

As a not-for-profit cooperative, the members — customers — own the company. Therefore, they benefit in the success of the company when NOVEC allocates margins on a pro-rata basis each year. When the board of directors approves a return of margins, the return appears on customers' bills in the form of CashBack. Directors base CashBack decisions on the Co-op's overall financial condition after revenues are used to maintain, improve, and expand the electricity-distribution system.

The board of directors voted to return a total of \$6.5 million in CashBack in 2014. In April 2015, they authorized a CashBack return of \$2.9 million — just in time to help customers pay the last of their winter power bills. Since 2000, NOVEC has returned to Cooperative members approximately \$289 million in the general retirement of margins and in CashBack.

## Telecom Pole Attachments Affect Power Costs

Public policy permits telecommunications companies to attach their coaxial-cable and fiber-optic equipment to electric utilities' poles for a just and reasonable fee. Since NOVEC and other electric utilities pay for, maintain, and replace their poles at a considerable cost, rental fees are designed to recover the additional costs directly associated with the attachments. But in recent years, Comcast Corporation has promoted legislation in the Virginia General Assembly that would reduce substantially the fee it pays Virginia's electric cooperatives for attaching its equipment. A fee reduction would mean co-op customers would have to make up the difference.

Virginia's electric cooperatives have noted the associated costs of pole attachments to legislators, and pointed out that telecom companies have a history of attaching their equipment to utility poles incorrectly and against electrical safety codes, and thereby putting telecom workers and linemen in danger. Improper telecom attachments have also contributed to major power outages.

The General Assembly debated pole-attachment fees during its 2012 legislative session and agreed to have the Virginia SCC rule on disputes.

Subsequently, Comcast disputed NOVEC's fees in a proceeding before the SCC. The Commission heard Comcast's and NOVEC's positions, and in its October 2014 Final Order, the Commission determined a pole-attachment rental fee that was close to the fee NOVEC requested in the case. The SCC directed NOVEC and Comcast to resume negotiations on a comprehensive pole-attachment agreement. It also set a penalty for future unauthorized attachments.

Comcast did not seek reconsideration from the SCC, nor did it appeal the Commission's decision to the Virginia Supreme Court, but some other telecom companies urged members of the House of Delegates to propose legislation during the 2015 session that would lower the fee. Thanks to the help of delegates who understood the issue and implications for NOVEC customer-owners, the bill remained in committee, where it died for the legislative session.

NOVEC will continue to monitor the pole-attachment issue in an effort to keep co-op customers' bills as low as economically possible.



*"The modernization of the electricity and gas transmission and distribution system known as the Intelligent Grid has been hailed from the West Coast to the White House as the panacea to address a host of issues from climate change to an aging utility infrastructure to giving consumers more control and choice. ... Every board room in America is discussing security and the challenges to modernize a grid in a secure fashion."* ElectricEnergyonline.com, April 2015

Yes, the White House, electric utility executives and engineers today worry about "the aging grid," climate change, and cyber and physical security in a world that continually becomes more and more dependent on energy. They know America's power grid needs to be flexible enough to incorporate distributed energy resources, such as rooftop solar and wind generation, but also secure enough to repel cyber and physical attacks. It needs to lose fewer electrons as electric current travels from generation plants to homes and businesses. And it needs state-of-the-art technology to distribute electricity securely, reliably and safely. In other words, the power grid needs to be modern and intelligent — "smart."

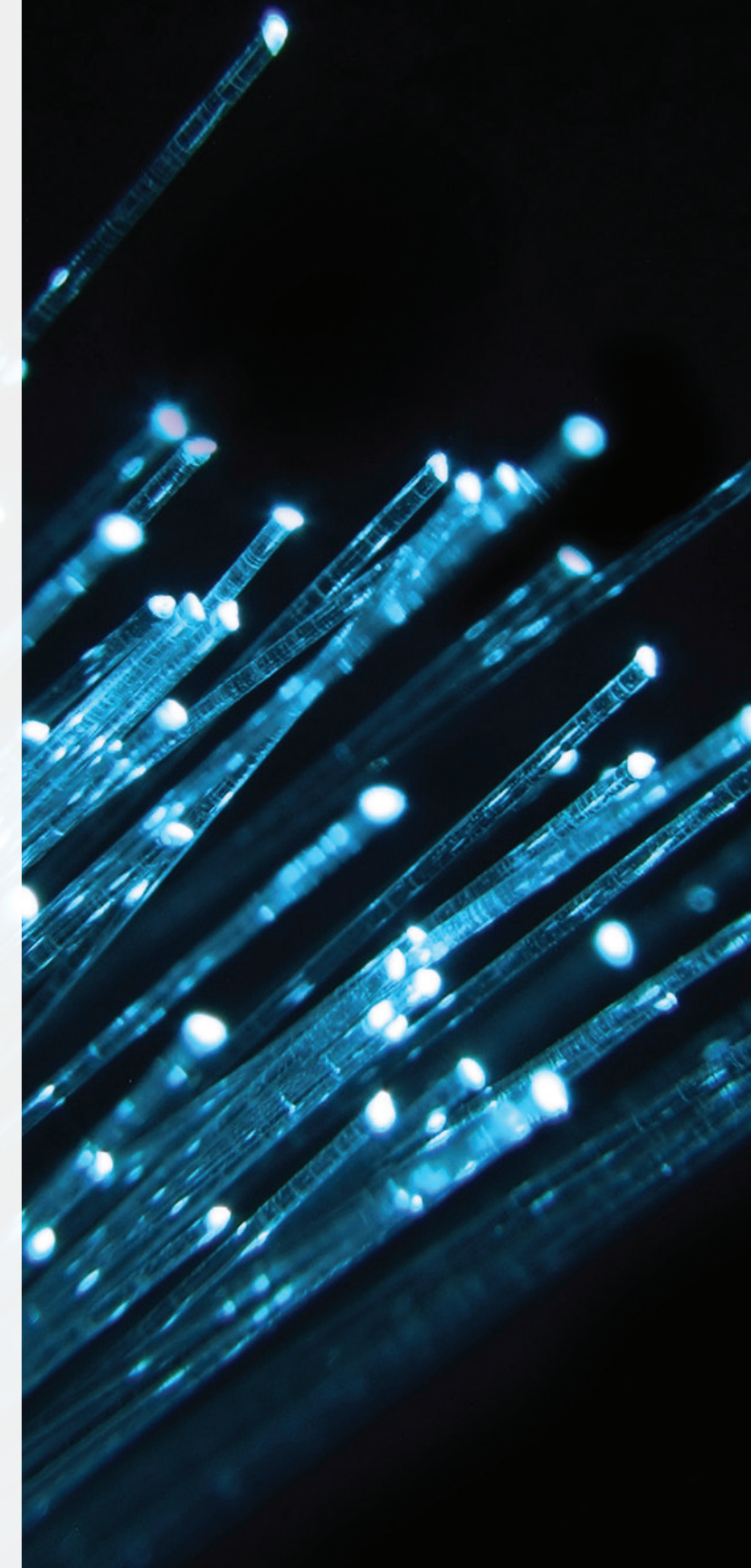
In recognition of power-industry concerns, the White House issued the first-ever Quadrennial Energy Review on April 21, 2015. Among its recommendations, the White House called for billions of dollars over 10 years to modernize the electric grid.

NOVEC leads in the industry with its smart-grid network, cybersecurity, and other high-tech initiatives and deployments. NOVEC is using technology that is *Powering Your Life*.

## NOVEC's Smarter Grid

Thanks in part to a \$5 million matching Department of Energy grant, NOVEC has a smarter grid. According to Jim Moxley, NOVEC's senior vice president in charge of the Co-op's smart-grid project, new digital devices at substations and distribution lines are making power distribution much more efficient and reliable. That's because these devices continuously monitor power transformers, battery systems, protective devices, voltage, and power quality. The new technology has also improved circuit protection.

"The smart-grid devices send data updates to system operators every five seconds, 365 days/year," Moxley explains. "They send alerts about certain types of impending power outages in time for system operators to avert them or, if an outage occurs, to respond much





more quickly. They also are saving the Co-op time and labor costs since technicians no longer need to drive to the field to perform manual-switching tasks because of the remote-control capability. Likewise, substation electricians no longer have to visit each substation to collect equipment readings every month.”

## Fiber Optics

NOVEC is one of a few electric utilities to use fiber-optic technology to connect substations with system-control centers. This fiber-optic network provides highly secure two-way communication links between Intelligent Electronic Devices in 46 of the Co-op’s 53 substations. This capability allows NOVEC to monitor and control more equipment faster and more precisely. For example, system operators can use remote-controlled devices on distribution lines to switch to alternate-power feeds to restore power service in minutes instead of hours when outages occur.

NOVEC’s fiber-optic network grew from six miles in 1995 to more than 250 miles in 2015 when the Co-op extended it to its Minnieville Road office in Woodbridge. In addition to supporting substation and distribution-line operations, the fiber-optic network provides connectivity for NOVEC’s wide-area, corporate-data, and voice-communications networks between Co-op offices.

NOVEC Solutions, a wholly owned NOVEC subsidiary, leases excess fiber, where available, to companies that operate commercial telecommunication businesses. Leasing produces a revenue stream that helps offset NOVEC’s electric operations expenses. (See NOVEC Affiliates on page 20.)

## Cyber and Facility Security

Security has always concerned electric utilities, but that concern escalated in 2013 when unknown gunmen fired shots at a substation in California. Since then, electric utilities nationwide have taken steps to upgrade security.

NOVEC’s smart-grid video-monitoring technology is helping the Co-op be more secure. In addition, NOVEC is participating in the Department of Homeland Security’s “See Something, Say Something” educational program, which asks citizens to report to their utility and the police any suspicious behavior of individuals near electric utility substations and facilities.

To beef up security against cyber-attacks and ensure regulatory compliance, NOVEC established

a cybersecurity department in 2015. Department analysts — along with contractors from Lockheed Martin Corporation — are working together to fortify and protect the Co-op’s cyber and electrical assets. They perform vulnerability assessments and penetration tests. To make cybersecurity awareness part of the electric utility culture, they are training employees to recognize and avoid social engineering and phishing scams.



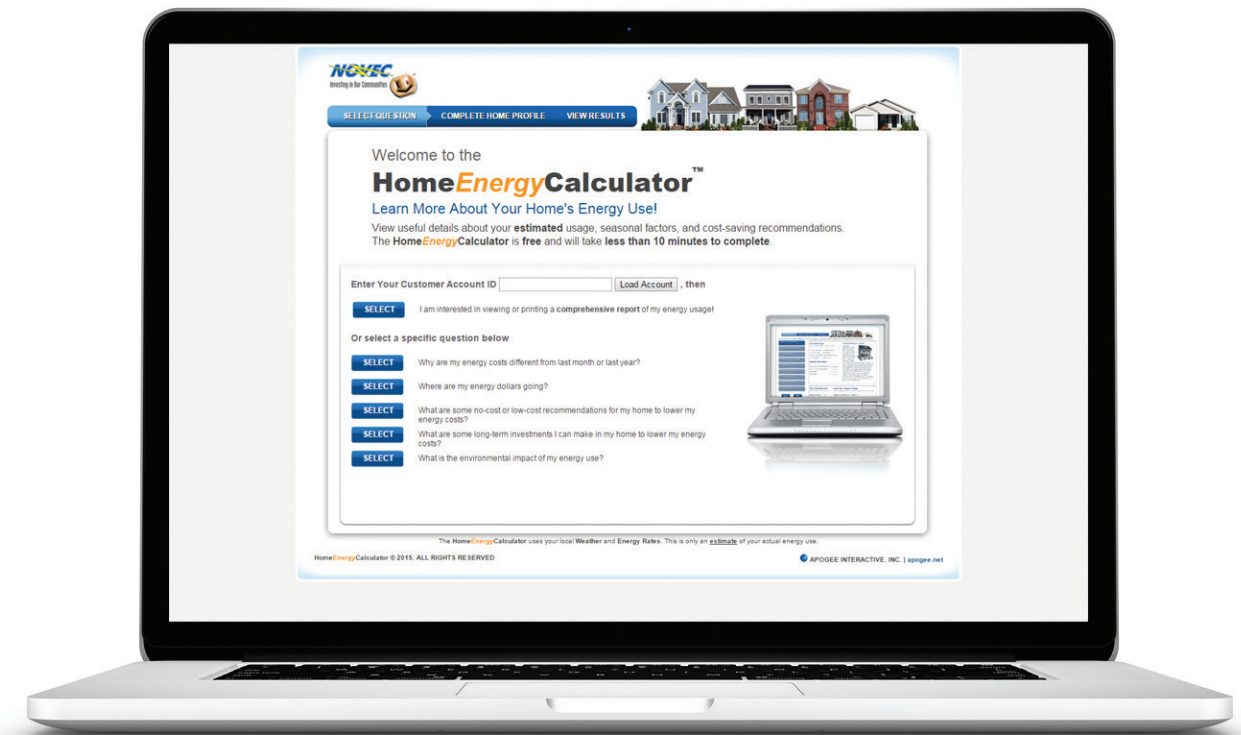
## Giving Customers More Control

Computers, smartphones, programmable thermostats, and home appliances on the high-tech frontier are providing users with more control over their power use. NOVEC is facilitating this advancement in several ways.

The HomeEnergySuite of tools on the Co-op’s website, [www.novec.com](http://www.novec.com), helps customers better understand their energy use. Hundreds of customers use the energy-saving calculators in the suite every month to help show them where their energy dollars are going.

Through a tool called Billing Insights at [www.novec.com/billinginsights](http://www.novec.com/billinginsights), a customer can type in their account number, enter some data about their house and see an analysis of how weather and the number of days in the billing cycle affected their home’s energy use and consequently the bill.

Customers who pay their bills online have had easy, one-click access to this analysis, but NOVEC wanted to give customers who receive paper bills similar access. Therefore, it worked with Apogee and Datamatx, the company that prints NOVEC’s bills, to develop the



behind-the-scenes processes needed for printing a quick response (QR) code on bills. Starting in 2014, residential customers who had received service from NOVEC for at least a year started seeing a QR code on their bills. By scanning the QR code with a smartphone, customers can now see a detailed analysis of their bills as well as recommendations for saving energy and money.

“This is the first time we’ve been able to offer our online products to customers without needing to use a computer,” a representative from Apogee said.

## Mobile Workforce

In 2007, NOVEC launched the Polaris Mobile Workforce Management System to improve field-work efficiency. The system streamlines: marking underground power cables for customers who notify *Call 811 Before You Dig*; connecting and disconnecting services; meter reading; and power-service restoration.

“This mobile workforce technology is providing cost-savings and improved productivity,” says Larry Shaffer, vice president of System Operations. “That’s because electronic dispatching is much faster. And with Automatic Vehicle Locating, emergency dispatches for power outages and other power problems can be assigned to the closest technicians. Most importantly, mobile workforce is making work safer for everyone.”

## Cellphone Facilities

NOVEC leases property surrounding Co-op substations to telecommunications companies that want to install cellphone facilities. The Co-op, along with Milestone Communications, co-locates cellphone facilities on existing structures wherever possible. With the demand for cellular service continuing to grow, NOVEC customer-owners will continue to benefit from the revenue stream that leasing provides.

For more information about NOVEC’s technology, visit [www.novec.com](http://www.novec.com), select “About NOVEC” and click on “Technology.”



Anthony Wise, Meter Technician 1st Class, installs a new meter for a large-power service.



When the nation struggled through the Great Depression, President Franklin D. Roosevelt set wheels in motion to bring electricity to rural America. By the late 1930s, loans from the newly established Rural Electric Administration helped farmers and small businesses form electric cooperatives. By working as communities, millions of co-op members soon had “the electric” in their homes, barns, and businesses for the first time.

Today, as then, electric cooperatives continue to support and work with the communities they serve. Among electric cooperatives, NOVEC has become a leader through its charitable donations, heating assistance, school and educational programs, and community work performed by NOVEC HELPS volunteers.

### Operation Round Up®

Back-to-back winters with record-breaking cold made NOVEC’s Operation Round Up heating-assistance program even more vital for low-income people. By authorizing NOVEC to round up their electric bills to the nearest dollar, customers who donated to ORU gave more than \$48,000 during the winter of 2014-2015. ORU sent the donations to social service agencies, which in turn distributed the money to people who needed help paying their heating bills. Since ORU’s inception in 1997, NOVEC customers have donated approximately \$848,000 for heating assistance.

### School and Educational Programs

#### Youth Tour

Each spring, NOVEC selects five high school students to participate in the Rural Electric Cooperative Youth Tour. NOVEC’s representatives join approximately 1,500 other students from electric co-ops across the country to learn how government works. They meet their U.S. congressional representatives and tour historic sites. In February, the students travel to Richmond to see the Virginia General Assembly in action.

#### College Scholarships

NOVEC’s Student Scholarship Program awards \$1,500 college scholarships to 11 outstanding high school applicants who live in the Co-op’s territory. The most outstanding student also receives the \$1,500 Garber Scholarship, named for J. Manley Garber, who has served on the Co-op’s board of directors since 1950.

#### School Participation

Co-op employees visit schools in its service territory to provide career guidance and explain how to be safe

around electricity. NOVEC also gives fourth graders at Manassas Park Elementary School tree saplings to plant in recognition of Arbor Day.

### NOVEC HELPS

In 2008, NOVEC organized a group of employees who wanted to give their time and talents to a variety of community service groups and projects. The group, named NOVEC HELPS, Hands Engaged in Local Public Service, soon earned a 501(c)(3) status.

In 2014, employees, family, and friends gave more than 635 volunteer hours to community events and projects sponsored or co-sponsored by HELPS.

### Fundraising and Donating \$20,000 to the Community

To raise money, HELPS has held a golf tournament for the last three years at Gainesville’s Stonewall Golf Club and organized fun poker tournaments. HELPS has also raised thousands of dollars more by taking scrap metal to a recycling dealer. Recycling scrap metal has the added benefits of saving on trash-disposal costs and helping the environment.

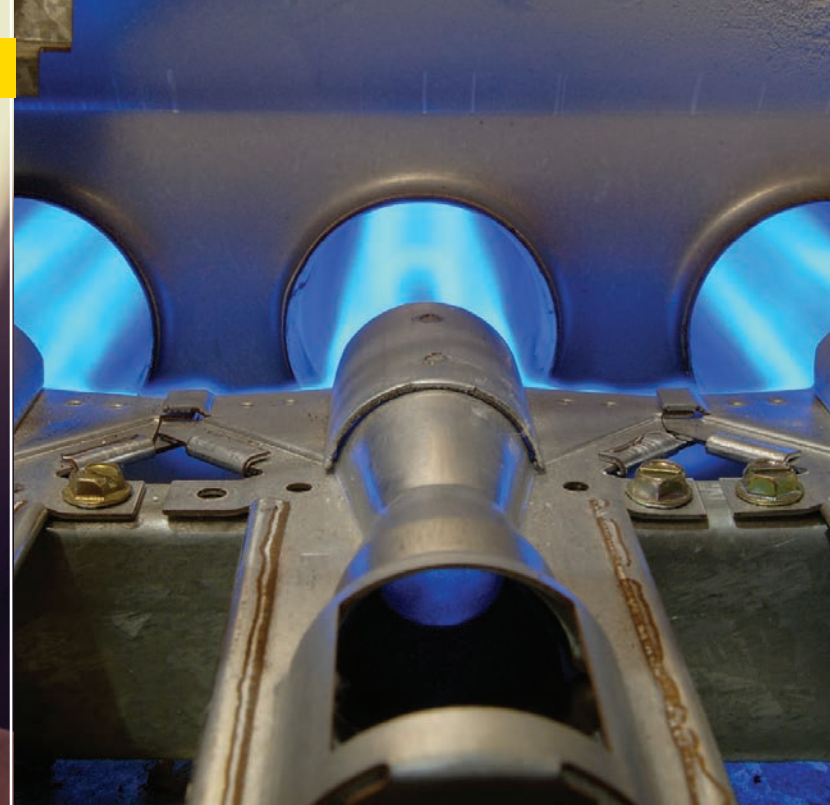
Through these projects, Co-op members and guests helped HELPS donate nearly \$20,000 in 2014 to more than 54 health, school, youth, and community organizations, including Camp Easter Seals UCP Virginia, Special Olympics, food pantries, and the American Red Cross.

By combining HELPS’ desire to help people in need and the environment, the group donated money to Our Willing Warriors for a rooftop solar system. The organization, which offers a retreat for recovering wounded or ill service members and their families, installed the system on the roof of its Bull Run Warrior Retreat.

### Participating in Community Events and Projects

NOVEC employees and members also served the community this year by participating in fundraisers that benefited many organizations, including: the March of Dimes, National Multiple Sclerosis Society, Northern Virginia Family Service, Fauquier Family Shelter Services, and Youth For Tomorrow.

Learn more about NOVEC’s community service at [www.novec.com/Community](http://www.novec.com/Community).



Powering the lives of NOVEC's customers goes beyond distributing electricity. Through NOVEC Energy Solutions (NES) and NOVEC Solutions (NS) — two for-profit affiliated businesses — the Co-op also provides to members and non-members natural gas, high-speed Internet, home warranties, water heaters, back-up generators, and fiber-optic accessibility. Through NOVEC Energy Production (NEP), the Co-op receives renewable energy from its Halifax County Biomass Plant in Southside Virginia. NES, NS, and NEP come under the NOVEC Holdings umbrella.

**NOVEC Energy Solutions**



In 2014, NES provided natural gas to approximately 22,000 customers in Maryland, Virginia, Washington, D.C., and Pennsylvania. Total natural-gas sales for the year exceeded \$25 million.

NES also provides NOVECnet high-speed Internet access for consumers in Virginia who want broadband service. Since its inception, more than 400 customers have enrolled.

NOVECnet provides ViaSat/Exede satellite Internet service. "A Report on Consumer Wireline Broadband Performance in the U.S.," published in 2014 by the Federal Communications Commission, reviewed 16 Internet Service Providers (ISPs). The report said, "Average peak period download speeds per ISP varied from a high of 139 percent of advertised speed (ViaSat/Exede) to a low of 83 percent of advertised speed [another carrier]." The report said, "These results are largely consistent with the February 2013 Reports," which said about ViaSat/Exede's service: "Subscribers get what they pay for and significantly more."

Learn more about NES and its services by calling 703-392-1677 or toll-free at 1-888-627-7283; or by emailing [nes@novec.com](mailto:nes@novec.com).

**NOVEC Solutions**



NS offers these products and services to residential, commercial and government customers:

**Water heaters and whole-house generators**

NS sells three types of energy-efficient electric and

natural-gas water heaters, and whole-house standby generators.

**Home-protection services**

NS launched its Home Protection Program in 2012 to provide consumers with separate home-warranty and home-repair services, including:

- Water-line replacement
- Sewer-line repair
- In-home electric-line repair
- Surge HELP® Home Electronics Loss Protection
- Water-heater repair/replacement service (added in 2014)

To learn more about any of NS services and product lines call 703-392-1503, 703-392-1589, or toll-free 1-888-335-0500; or by email [novecsolutions@novec.com](mailto:novecsolutions@novec.com)

**Wide-Area Network ("WAN") Metro-Ethernet Bandwidth**

NS offers Metro-Ethernet WAN Bandwidth Transport to Northern Virginia customers who have requirements for WAN Layer-2 Metro-Ethernet transport typically ranging from 100 Mbps up to 10 Gbps. NS presently serves healthcare, construction, satellite, and information-system industries, and governments.

**NOVEC Energy Production  
Halifax County Biomass**

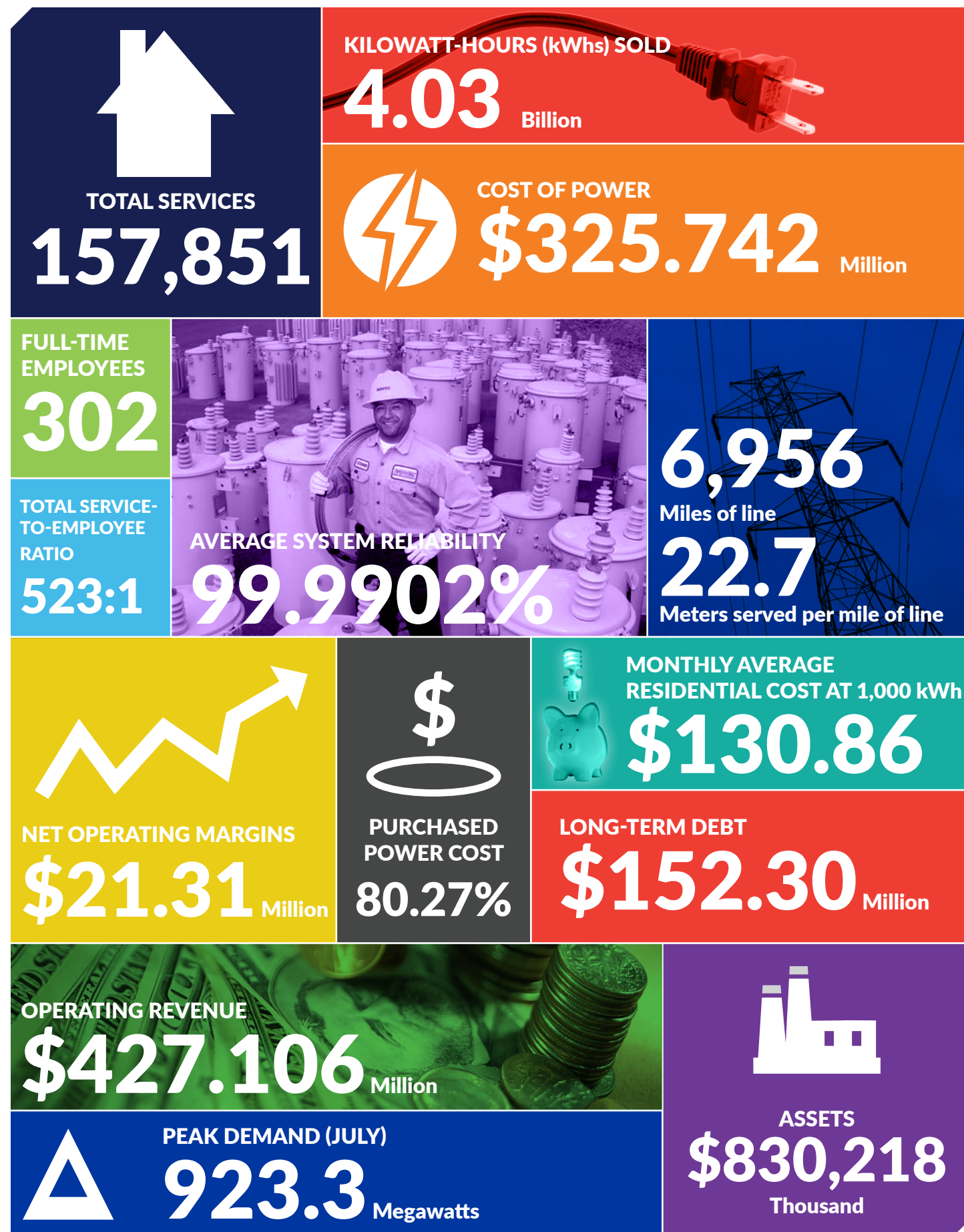


The \$178-million plant near South Boston, Virginia, is benefiting NOVEC customers as well as the economies of Southside Virginia and the Commonwealth. It is adding almost \$600,000 in new property-tax revenue and providing 27 full-time positions. This number does not include the myriad of indirect new and retained jobs needed for collecting, chipping and transporting wood waste to the plant, and new opportunities for local machine shops, eateries, auto-repair shops, gas stations, and more.

"The biomass plant is now operating as expected," says John Rainey, senior energy contracts originator and NOVEC's lead on the plant. "It's generating renewable energy for our Co-op customers, jobs for people in Southside Virginia, and economic development for Halifax County. That kind of goodwill doesn't always come with a power plant."

See page 8 for more information on the biomass plant.

## CONSOLIDATED BALANCE SHEETS



Dec. 31, 2014 and 2013 (in thousands)	2014	2013
<b>Assets</b>		
Utility plant, net of accumulated depreciation and amortization	\$596,036	\$632,228
Investments		
Associated organizations	7,336	7,013
Other	2,967	2,564
<b>Total investments</b>	<b>\$10,303</b>	<b>\$9,577</b>
Deferred income taxes	\$15,890	\$17,141
<b>Current assets:</b>		
Cash and cash equivalents	45,474	56,731
Investment securities	52,581	51,133
Accounts receivable, less allowance for doubtful accounts of \$801 and \$724, respectively	37,778	29,471
Materials and supplies inventories	20,365	15,181
Collateral deposit	11,236	9,350
Deferred income taxes	174	67
Other current assets	35,912	33,625
<b>Total current assets</b>	<b>\$203,520</b>	<b>\$195,558</b>
Deferred charges	\$9,900	\$2,038
Asset for post-retirement benefits	6,115	4,138
<b>Total assets</b>	<b>\$841,764</b>	<b>\$860,680</b>
<b>Liabilities and Equities</b>		
<b>Equities and margins:</b>		
Membership fees	\$932	\$984
Patronage capital	600,332	579,793
Other equities	19,333	19,410
Accumulated other comprehensive income	5,351	4,041
<b>Total equities and margins</b>	<b>\$625,948</b>	<b>\$604,228</b>
Commitments and contingencies		
Long-term debt, excluding current installments	\$141,710	\$63,716
<b>Current liabilities:</b>		
Borrowings under lines of credit	6,493	2,302
Current installments of long-term debt	10,622	8,238
Notes payable	—	106,000
Accounts payable	34,295	29,257
Consumer deposits	8,815	9,093
Accrued expenses and other current liabilities	7,311	6,621
<b>Total current liabilities</b>	<b>\$67,536</b>	<b>\$161,511</b>
Deferred credits	3,819	28,763
Accrued post-retirement benefit costs	2,751	2,462
<b>Total liabilities and equities</b>	<b>\$841,764*</b>	<b>\$860,680*</b>

\* Includes the consolidation of NOVEC's subsidiary companies, of which the net effect is \$11.6M (2014) and \$10.6M (2013).

## CONSOLIDATED STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL

Dec. 31, 2014 and 2013 (in thousands)	2014	2013
<b>Operating revenues</b>	\$452,959	\$407,313
<b>Operating expenses:</b>		
Cost of power	338,716	306,139
Administrative and general	25,539	23,227
Depreciation and amortization	26,282	21,998
Distribution expense — maintenance	16,223	15,416
Distribution expense — operations	11,313	10,338
Consumer accounts	5,099	5,437
Customer service and information expense	2,036	2,108
Other expense, net	248	123
<b>Total operating expenses</b>	<b>\$425,456</b>	<b>\$384,776</b>
<b>Net operating margins before interest expense</b>	<b>\$27,503</b>	<b>\$22,537</b>
Interest expense	\$5,551	\$3,624
<b>Net operating margins after interest expense</b>	<b>\$21,952</b>	<b>\$18,913</b>
<b>Non-operating margins:</b>		
Patronage capital assigned from associated organizations	\$1,102	\$975
Dividends and interest income	2,955	2,678
Other non-operating income	1,716	816
<b>Total non-operating margins</b>	<b>\$5,773</b>	<b>\$4,469</b>
<b>Net margin before income tax benefits</b>	<b>\$27,725</b>	<b>\$23,382</b>
<b>Income tax expense (benefit)</b>	<b>430</b>	<b>(2,434)</b>
<b>Net margins</b>	<b>\$27,295</b>	<b>\$25,816</b>
Patronage capital at beginning of year	579,793	555,896
Net margins	27,295	25,816
Retirements of patronage capital	(6,756)	(1,919)
<b>Patronage capital at end of year</b>	<b>\$600,332</b>	<b>\$579,793</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Dec. 31, 2014 and 2013 (in thousands)	2014	2013
<b>Cash flows from operating activities:</b>		
Cash received from consumers	\$441,061	\$405,909
Cash paid to suppliers and employees	(429,544)	(372,901)
Dividends, interest, and other non-operating income	4,411	2,855
Interest paid	(5,796)	(3,569)
Income taxes received (paid)	24	(1,060)
<b>Net cash provided by operating activities</b>	<b>\$10,156</b>	<b>\$31,234</b>
<b>Cash flows from investing activities:</b>		
Purchases of utility plant and non-utility plant	(43,800)	(76,495)
Contributions in aid of construction of utility plant	8,682	11,959
Proceeds from sale of utility plant	940	497
Proceeds from ARRA 1603 Grant	44,089	—
Purchases of investment securities available-for-sale	(14,328)	(11,425)
Purchases of other investments and changes in collateral deposits	(1,886)	—
Proceeds from sale or maturity of investment securities available for-sale	12,570	9,142
Retirements of patronage capital by associated organizations	636	975
<b>Net cash provided by (used in) investing activities</b>	<b>\$6,903</b>	<b>(65,347)</b>
<b>Cash flows from financing activities:</b>		
Principal proceeds from long-term debt	\$84,569	\$36,000
Principal payments on long-term debt	(106,000)	(8,306)
Membership fee receipts	(52)	(67)
Retirement of patronage capital	(6,756)	(1,919)
Unclaimed retirement of patronage capital	(77)	(109)
<b>Net cash provided by (used in) financing activities</b>	<b>(\$28,316)</b>	<b>\$25,599</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(\$11,257)</b>	<b>(\$8,514)</b>
Cash and cash equivalents at beginning of year	\$56,731	\$65,245
<b>Cash and cash equivalents at end of year</b>	<b>\$45,474</b>	<b>\$56,731</b>

Dec. 31, 2014 (in thousands)	NOVEC	NOVEC Holdings Inc	Eliminating Entries	Consolidated Totals
<b>Assets</b>				
Utility plant, net of accumulated depreciation and amortization	\$489,844	\$103,430	—	\$593,274
Non-utility plant, net of accumulated depreciation and amortization	2,488	274	—	2,762
<b>Total plant</b>	<b>\$492,332</b>	<b>\$103,704</b>	<b>—</b>	<b>\$596,036</b>
Deferred income taxes	—	\$15,890	—	\$15,890
<b>Investments:</b>				
Associated organizations	7,336	—	—	7,336
Other	56,357	—	(53,390)	2,967
<b>Total Investments</b>	<b>\$63,693</b>	<b>—</b>	<b>(53,390)</b>	<b>\$10,303</b>
<b>Current assets:</b>				
Cash and cash equivalents	\$33,260	\$12,214	—	\$45,474
Investment securities	52,581	—	—	52,581
Notes receivable	89,877	—	(89,877)	—
Accounts receivable, less allowance for doubtful accounts	31,765	6,350	(337)	37,778
Materials and supplies inventories	10,954	9,411	—	20,365
Collateral deposit	11,236	—	—	11,236
Deferred income taxes	—	174	—	174
Other current assets	29,533	6,379	—	35,912
<b>Total current assets</b>	<b>\$259,206</b>	<b>\$34,528</b>	<b>(90,214)</b>	<b>\$203,520</b>
Deferred charges	\$8,872	\$1,028	—	\$9,900
Asset for post-retirement benefits	6,115	—	—	6,115
<b>Total assets</b>	<b>\$830,218</b>	<b>\$155,150</b>	<b>(143,604)</b>	<b>\$841,764</b>
<b>Liabilities and Equities</b>				
Equities and margins:				
Membership fees	\$932	—	—	\$932
Patronage capital and accumulated earnings	600,332	(611)	611	600,332
Other equities	19,333	54,001	(54,001)	19,333
Accumulated other comprehensive income	5,351	—	—	5,351
<b>Total equities and margins</b>	<b>\$625,948</b>	<b>\$53,390</b>	<b>(53,390)</b>	<b>\$625,948</b>
<b>Commitments and contingencies:</b>				
Long-term debt, excluding current installments	\$141,710	—	—	\$141,710
Current liabilities:				
Borrowings under lines of credit	—	6,493	—	6,493
Notes payable	—	89,754	(89,754)	—
Current installments of long-term debt	10,622	—	—	10,622
Accounts payable	31,883	2,872	(460)	34,295
Consumer deposits	8,815	—	—	8,815
Accrued expenses and other current liabilities	5,488	1,823	—	7,311
<b>Total current liabilities</b>	<b>\$56,808</b>	<b>\$100,942</b>	<b>(90,214)</b>	<b>\$67,536</b>
Deferred credits	\$3,001	\$818	—	\$3,819
Accrued retirement benefits	2,751	—	—	2,751
<b>Total liabilities and equities</b>	<b>\$830,218</b>	<b>\$155,150</b>	<b>(143,604)</b>	<b>\$841,764</b>

Dec. 31, 2014 (in thousands)	NOVEC	NOVEC Holdings Inc	Eliminating Entries	Consolidated Totals
<b>Operating revenues</b>	\$427,106	\$48,745	(22,892)	\$452,959
Cost of goods	326,241	35,312	(22,837)	338,716
Administrative and general	19,680	5,914	(55)	25,539
Depreciation and amortization	22,296	3,986	—	26,282
Distribution expense — maintenance	16,223	—	—	16,223
Distribution expense — operations	11,313	—	—	11,313
Consumer accounts	5,099	—	—	5,099
Customer service and information expense	2,036	—	—	2,036
Other expense (income), net	121	127	—	248
<b>Total operating expenses</b>	<b>\$403,009</b>	<b>\$45,339</b>	<b>(22,892)</b>	<b>\$425,456</b>
Net operating margins before interest expense	\$24,097	\$3,406	—	\$27,503
Interest expense	2,789	2,762	—	5,551
<b>Net operating margins after interest expense</b>	<b>\$21,308</b>	<b>\$644</b>	<b>—</b>	<b>\$21,952</b>
<b>Non-operating margins:</b>				
Patronage capital assigned from associated organizations	\$1,102	—	—	\$1,102
Dividends and interest income	2,954	1	—	2,955
Other non-operating income	1,931	943	(1,158)	1,716
<b>Total non-operating margins</b>	<b>\$5,987</b>	<b>\$944</b>	<b>(\$1,158)</b>	<b>\$5,773</b>
<b>Net margins before income tax benefit</b>	<b>\$27,295</b>	<b>\$1,588</b>	<b>(\$1,158)</b>	<b>\$27,725</b>
Income tax expense	—	\$430	—	\$430
Net margins	27,295	1,158	(1,158)	27,295
Patronage capital at beginning of year	579,793	(1,769)	1,769	579,793
Retirements of patronage capital	(6,756)	—	—	(6,756)
<b>Patronage capital at end of year</b>	<b>\$600,332</b>	<b>(611)</b>	<b>\$611</b>	<b>\$600,332</b>

Dec. 31, 2014 (in thousands)	NOVEC	NOVEC Holdings Inc	Eliminating Entries	Consolidated Totals
<b>Cash flows from operating activities:</b>				
Cash received from consumers	\$448,607	\$42,639	(50,185)	\$441,061
Cash paid to suppliers and employees	(402,393)	(61,090)	\$33,939	(429,544)
Dividends, interest, and other nonoperating income	3,467	944	—	4,411
Interest paid	(3,034)	(2,762)	—	(5,796)
Income taxes received	—	24	—	24
<b>Net cash provided by (used in) operating activities</b>	<b>\$46,647</b>	<b>(20,245)</b>	<b>(16,246)</b>	<b>\$10,156</b>
<b>Cash flows from investing activities:</b>				
Purchases of utility plant and nonutility plant	(42,135)	(1,665)	—	(43,800)
Contributions in aid of construction of utility plant	8,682	—	—	8,682
Proceeds from sale of utility plant	940	—	—	940
Proceed from ARRA 1603 Grant	—	44,089	—	44,089
Purchases of investment securities:				
Available-for-sale	(14,328)	—	—	(14,328)
Other investments and change in collateral deposits	(1,886)	—	—	(1,886)
Proceeds from sale of investment securities:				
Available-for-sale	12,570	—	—	12,570
Retirements of patronage capital by associated organizations	636	—	—	636
<b>Net cash provided by (used in) investing activities</b>	<b>(35,521)</b>	<b>\$42,424</b>	<b>—</b>	<b>\$6,903</b>
<b>Cash flows from financing activities:</b>				
Principal proceeds from long-term debt	\$80,378	\$4,191	—	\$84,569
Principal payments on long-term debt	(106,000)	(16,246)	\$16,246	(106,000)
Membership fee receipts	(52)	—	—	(52)
Retirement of patronage capital	(6,756)	—	—	(6,756)
Unclaimed retirement of patronage capital	(77)	—	—	(77)
<b>Net cash provided by (used in) financing activities</b>	<b>(32,507)</b>	<b>(12,055)</b>	<b>\$16,246</b>	<b>(28,316)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(21,381)</b>	<b>\$10,124</b>	<b>—</b>	<b>(11,257)</b>
Cash and cash equivalents at beginning of year	\$54,641	\$2,090	—	\$56,731
<b>Cash and cash equivalents at end of year</b>	<b>\$33,260</b>	<b>\$12,214</b>	<b>—</b>	<b>\$45,474</b>

Dec. 31, 2014 (in thousands)	NS*	NES**	SBE, LLC ***	Eliminating Entries	NHI Consolidated Totals
<b>Assets</b>					
Utility plant, net of accumulated depreciation and amortization	—	—	\$103,430	—	\$103,430
Nonutility plant, net of accumulated depreciation and amortization	265	9	—	—	\$274
<b>Total plant</b>	<b>265</b>	<b>\$9</b>	<b>\$103,430</b>	<b>—</b>	<b>\$103,704</b>
Deferred income taxes	—	—	\$17,374	(1,484)	\$15,890
<b>Investments</b>	<b>1,870</b>	<b>—</b>	<b>—</b>	<b>(1,870)</b>	<b>—</b>
<b>Total investments and other assets</b>	<b>\$1,870</b>	<b>—</b>	<b>\$17,374</b>	<b>(3,354)</b>	<b>\$15,890</b>
<b>Current assets:</b>					
Cash and cash equivalents	\$1,132	—	\$11,082	—	\$12,214
Accounts receivable, less allowance for doubtful accounts	105	4,180	2,090	(25)	6,350
Materials and supplies inventories	1,054	4,273	4,084	—	9,411
Deferred income taxes, net	2	—	—	172	174
Other current assets	11	4,858	1,510	—	6,379
<b>Total current assets</b>	<b>\$2,304</b>	<b>\$13,311</b>	<b>\$18,776</b>	<b>\$147</b>	<b>\$34,528</b>
Deferred charges	—	\$795	\$233	—	\$1,028
<b>Total assets</b>	<b>\$4,439</b>	<b>\$14,115</b>	<b>\$139,803</b>	<b>(3,207)</b>	<b>\$155,150</b>
<b>Liabilities and Equities</b>					
Equities and margins:					
Patronage capital and accumulated earnings	\$2,772	\$3,529	(5,142)	(1,770)	(611)
Other equities	100	1,001	53,000	(100)	54,001
<b>Total equities and margins</b>	<b>\$2,872</b>	<b>\$4,530</b>	<b>\$47,858</b>	<b>(1,870)</b>	<b>\$53,390</b>
<b>Commitments and contingencies</b>					
Current liabilities:					
Borrowings under lines of credit	—	\$6,493	—	—	\$6,493
Notes payable	—	—	89,754	—	89,754
Accounts payable	81	1,696	1,120	(25)	2,872
Accrued expenses and other current liabilities	423	595	805	—	1,823
Deferred tax liability	—	21	253	(274)	—
<b>Total current liabilities</b>	<b>\$504</b>	<b>\$8,805</b>	<b>\$91,932</b>	<b>(299)</b>	<b>\$100,942</b>
Deferred credits	\$805	—	\$13	—	\$818
Deferred income taxes, net	101	4	—	(105)	—
Intercompany payable	157	776	—	(933)	—
<b>Total liabilities and equities</b>	<b>\$4,439</b>	<b>\$14,115</b>	<b>\$139,803</b>	<b>(3,207)</b>	<b>\$155,150</b>

\*NOVEC Solutions

\*\*NOVEC Energy Solutions

\*\*\*South Boston Energy/NOVEC Energy Production, Halifax County Biomass

## CONSOLIDATING SCHEDULE – OPERATIONS AND PATRONAGE CAPITAL

Dec. 31, 2014 (in thousands)	NS*	NES**	SBE, LLC ***	Eliminating Entries	NHI Consolidated Totals
<b>Operating revenues</b>	\$1,422	\$24,622	\$22,836	(135)	\$48,745
Cost of goods	722	21,332	\$13,393	(135)	\$35,312
Administrative and general	270	1,848	3,796	—	5,914
Depreciation and amortization	138	2	3,846	—	3,986
Other expense (income), net	20	100	7	—	127
<b>Total operating expenses</b>	<b>\$1,150</b>	<b>\$23,282</b>	<b>\$21,042</b>	<b>(135)</b>	<b>\$45,339</b>
Net operating margins before interest expense	\$272	\$1,340	\$1,794	—	\$3,406
Interest expense	—	105	2,657	—	2,762
<b>Net operating margins after interest expense</b>	<b>\$272</b>	<b>\$1,235</b>	<b>(863)</b>	<b>—</b>	<b>\$644</b>
<b>Non-operating margins:</b>					
Patronage capital assigned from associated organizations	\$582	—	—	(582)	—
Dividends and interest income	1	—	—	—	1
Other non-operating expense	—	338	605	—	943
<b>Total non-operating margins</b>	<b>\$583</b>	<b>\$338</b>	<b>\$605</b>	<b>(582)</b>	<b>\$944</b>
<b>Net margins before income tax expense/benefit</b>	<b>\$855</b>	<b>\$1,573</b>	<b>(258)</b>	<b>(582)</b>	<b>\$1,588</b>
<b>Income tax expense/benefit</b>	<b>\$159</b>	<b>\$535</b>	<b>(264)</b>	<b>—</b>	<b>\$430</b>
<b>Net margins</b>	<b>696</b>	<b>1,038</b>	<b>6</b>	<b>(582)</b>	<b>1,158</b>
Patronage capital (deficit) at beginning of year	2,076	2,491	(5,148)	(1,188)	(1,769)
<b>Patronage capital (deficit) at end of year</b>	<b>\$2,772</b>	<b>\$3,529</b>	<b>(5,142)</b>	<b>(1,770)</b>	<b>(611)</b>

## CONSOLIDATING SCHEDULE – CASH FLOWS

Dec. 31, 2014 (in thousands)	NS*	NES**	SBE, LLC ***	NHI Consolidated Totals
<b>Cash flows from operating activities:</b>				
Cash received from consumers	\$1,394	\$17,316	\$23,929	\$42,639
Cash paid to suppliers and employees	(1,387)	(21,389)	(38,314)	(61,090)
Dividends, interest, and other non-operating income	(172)	(12)	1,128	944
Interest paid	—	(106)	(2,656)	(2,762)
Income taxes received	—	—	24	24
<b>Net cash (used in) provided by operating activities</b>	<b>(165)</b>	<b>(4,191)</b>	<b>(15,889)</b>	<b>(20,245)</b>
<b>Cash flows from investing activities:</b>				
Purchases of utility plant and non-utility plant	(\$169)	—	(\$1,496)	(\$1,665)
Proceeds from ARRA Grant	—	—	44,089	44,089
Contribution in aid of construction of utility plant	—	—	—	—
<b>Net cash (used in) provided by investing activities</b>	<b>(169)</b>	<b>—</b>	<b>\$42,593</b>	<b>\$42,424</b>
<b>Cash flows from financing activities:</b>				
Principal proceeds from long-term debt	—	4,191	—	4,191
Principal payments on long-term debt	—	—	(16,246)	(16,246)
<b>Net cash (used in) provided by financing activities</b>	<b>—</b>	<b>\$4,191</b>	<b>(16,246)</b>	<b>(12,055)</b>
Net increase (decrease) in cash and cash equivalents	(334)	—	\$10,458	\$10,124
Cash and cash equivalents at beginning of year	1,466	—	624	2,090
<b>Cash and cash equivalents at end of year</b>	<b>\$1,132</b>	<b>—</b>	<b>\$11,082</b>	<b>\$12,214</b>

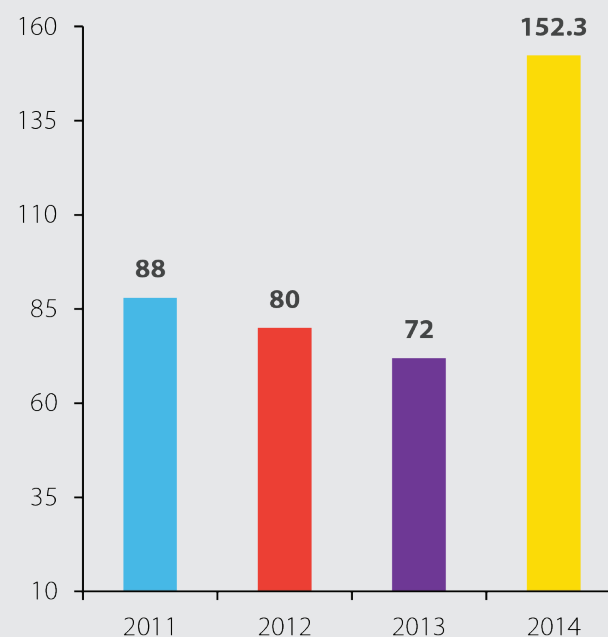
\*NOVEC Solutions

\*\*NOVEC Energy Solutions

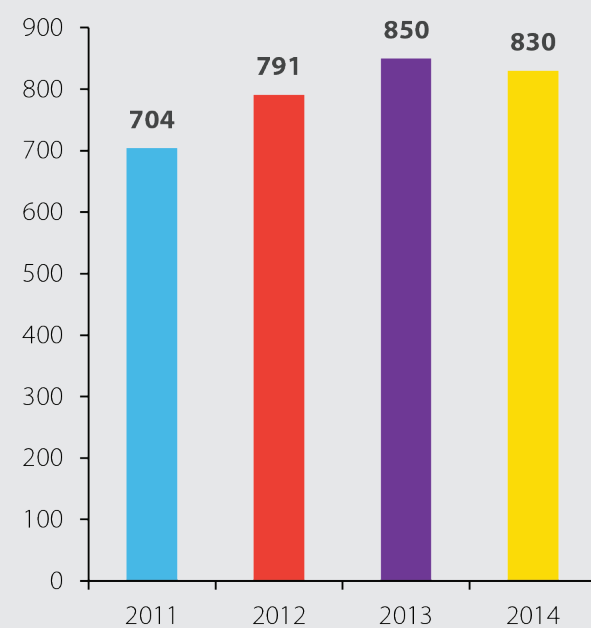
\*\*\*South Boston Energy/NOVEC Energy Production, Halifax County Biomass



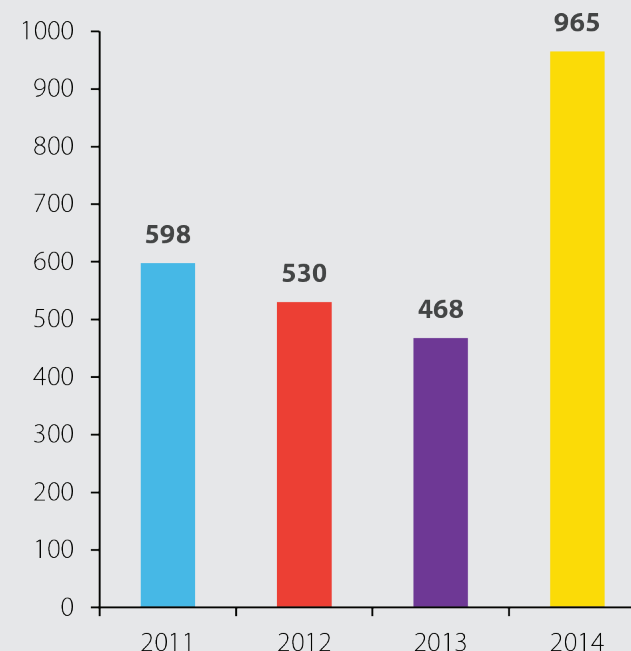
### Long-Term Debt (millions of dollars)



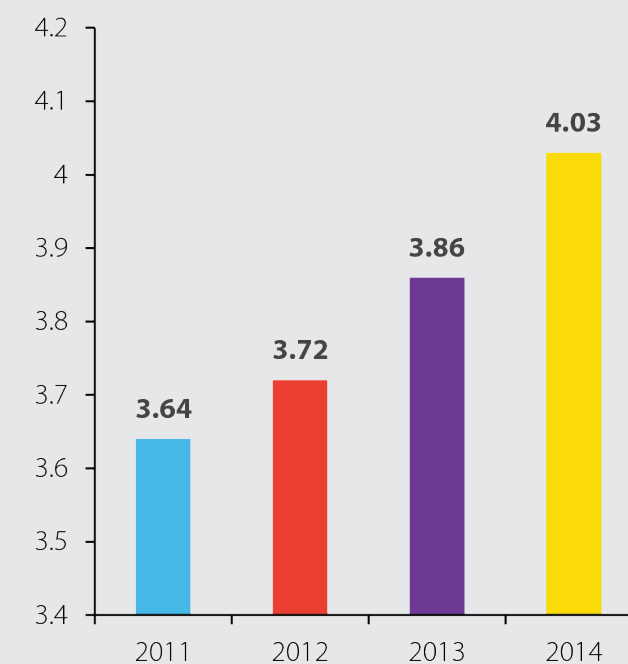
### Assets (millions of dollars)



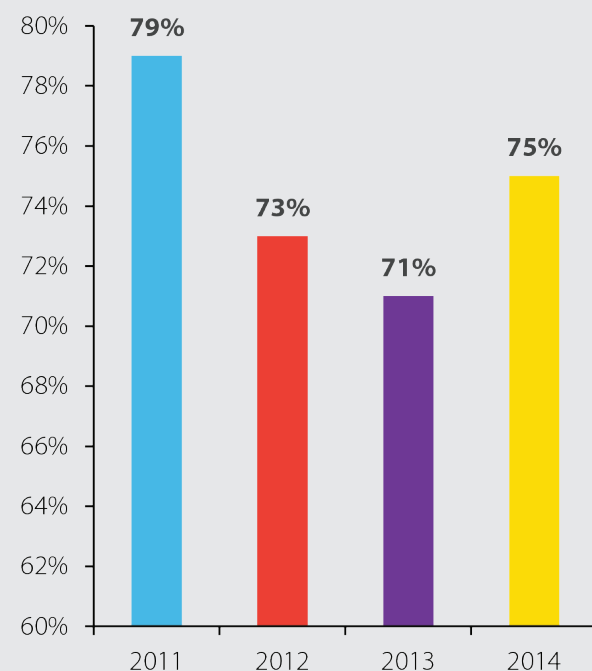
### Average Debt Per Meter (dollars)



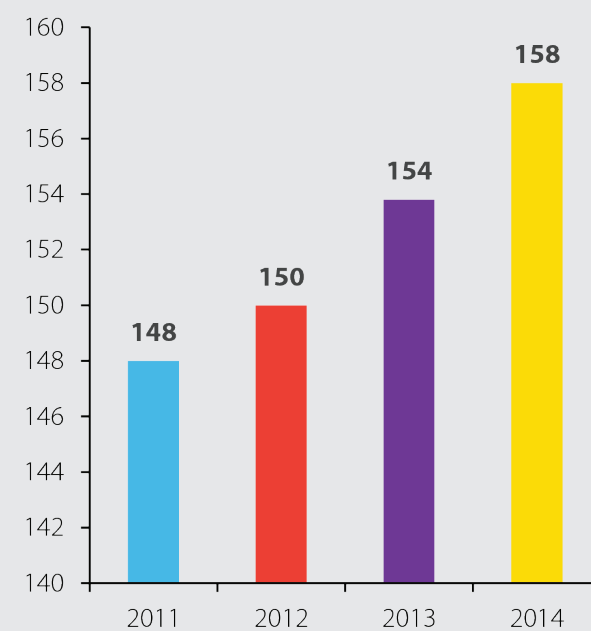
### Kilowatt-Hours Sold (billions)



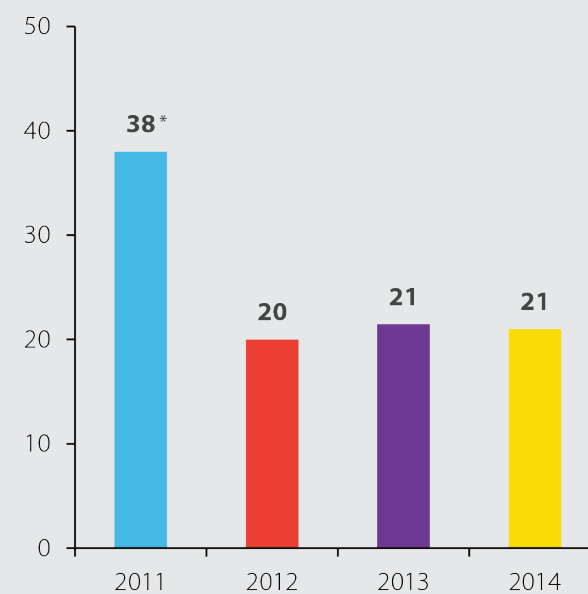
### Equity to Assets



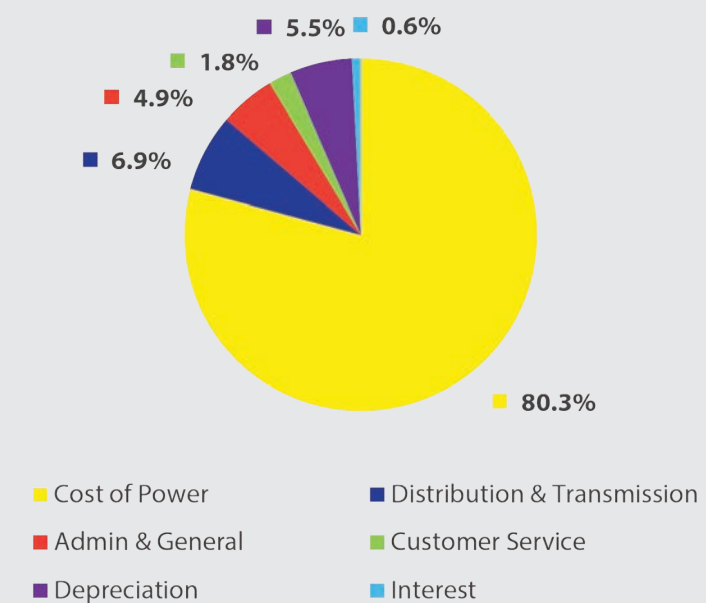
### Total Meters (thousands)



### Net Operating Margins (millions of dollars after interest expense)



### Allocation of Cost of Electric Service Dec. 31, 2014



\* During 2011, NOVEC changed its unbilled estimation process. The impact of this change on 2011 results was approximately \$23.5 million addition to revenue and margins.

**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 [www.ascr.usda.gov/complaint-filing-cust.html](http://www.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](mailto: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 Service Center, 703-335-0500 or toll-free 1-888-335-0500, Monday through Friday, from 7 a.m. to 7 p.m.



[www.novec.com](http://www.novec.com)