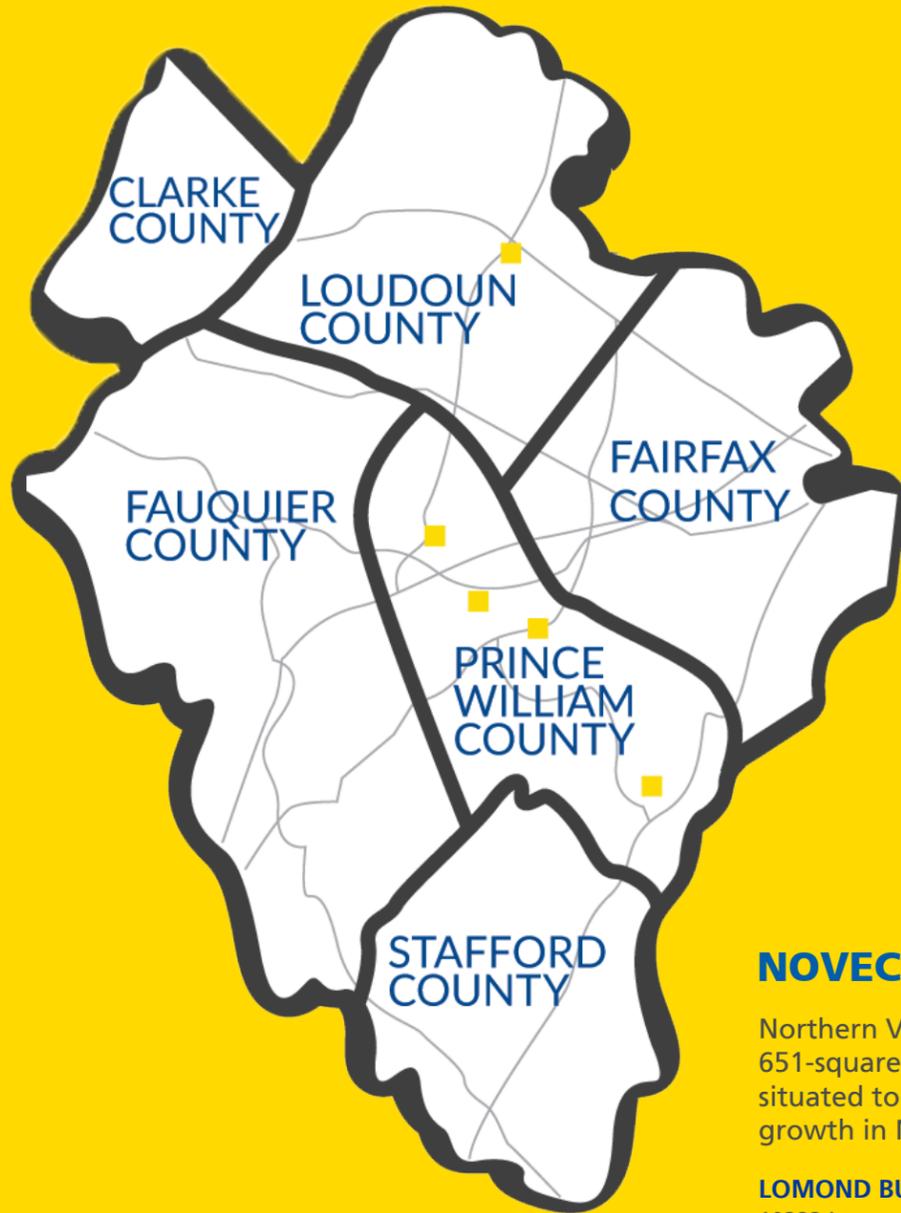


RAISING THE BAR FOR EXCELLENCE

2016 Annual Report





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



Standing

MICHAEL RAGAN, SECRETARY

District 6, southern Prince William County, City of Manassas Park

BRENT GEORGE

At-Large Director

SKIP ALBRITE

District 8, Fauquier and Stafford counties, southern Montclair

CYNTHIA GILBRIDE

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

JAMES CHESLEY, VICE CHAIRMAN

District 3, Fairfax County, Centreville/Clifton

Seated

ANN WHEELER, TREASURER

District 4, northwestern Prince William County, Sudley/Bull Run Mt.

WADE HOUSE, CHAIRMAN

District 5, Prince William County, south of Rt. 29 to Rt. 234

J. MANLEY GARBER

District 7, Prince William County, Dale City, northern Montclair

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“Excellence is not a destination; it is a continuous journey that never ends,” says Brian Tracy, a motivational speaker and top-selling author. Simply stated and true — to achieve excellence requires an intensive, on-going effort. Maintaining such a high-level focus is a challenge, but as we at NOVEC have seen, the results are worth the effort.



Technicians set pole in 1940.

NOVEC began its journey in 1983 when two small, rural electric cooperatives consolidated to form a new company. It was apparent that the new cooperative with its service territory in close proximity to the nation’s capital was ideally situated for growth. Indeed, within the first decade NOVEC was delivering electricity to nearly 78,000 meters, more than double the number it served at its beginning. While the organization had performed well, it was clearly time to fashion a more structured approach to meeting the expectations of its rapidly growing customer base.

Baseball Hall-of-Famer and occasional philosopher Yogi Berra once said, “If you don’t know where you are going, you’ll end up somewhere else.” Faced with a rapidly changing electric-utility landscape, we took that sage advice to heart and developed NOVEC’s first strategic plan in the mid-1990s. Thanks to participation and buy-in from across the company, that initial plan, with periodic updates, has served us well as a roadmap to sustained success for more than 20 years.

Each year, we set aggressive goals and develop corresponding measures, based on the strategic plan, to improve performance. This approach has encouraged performance excellence as evidenced by NOVEC’s top-six ranking among the largest electric utilities in the nation for seven consecutive years in the annual J.D. Power and

Associates Electric Utility Residential Customer Satisfaction StudySM. In 2015, NOVEC had the second-highest overall customer satisfaction score among the 140 largest electric-utility brands included, with results that ranked in the top four in all six components of customer satisfaction: *Power Quality and Reliability; Price/Value; Billing and Payment; Corporate Citizenship; Communications; and Customer Service*. Our truly outstanding 2015 outcomes were eclipsed only in 2012 when NOVEC received the highest overall customer satisfaction score in the nation.

Not surprisingly, the most influential component of customer satisfaction is keeping the power on, as well as avoiding blinks and voltage fluctuations. Few utilities have done it as well as NOVEC. As a result, the Cooperative has consistently been rated by its customers among the very best in the nation. Since 2009, NOVEC has received scores in *Power Quality and Reliability* that placed it among the top three in the J.D. Power study. We earned the highest PQ & R score in the study in 2012 and again last year. Such results can only be achieved through excellence in planning, design, construction, maintenance, preparation and performance by the entire NOVEC team.

When NOVEC assumed full responsibility for power supply in 2009, the primary goal was to purchase wholesale power at favorable rates that would drive down the unit cost of electricity for our customer-owners. Thanks to the power-supply team’s diligent efforts, NOVEC customers are currently paying about 13 percent less for their electricity than they were in 2009. Few other product or service providers actually *reduce* their prices. NOVEC customer-owners appreciated the power-supply team’s outstanding results by awarding scores in *Price/Value* that have placed the Cooperative in the top three in the nation for the past four years.

NOVEC offers a wide variety of billing and payment options for its customers’ convenience. While current options provide a good fit for the lifestyles and preferences of most customers, we pay close attention to technology improvements and customer feedback to ensure that NOVEC’s bill-and-payment options make the process as easy and convenient as possible. Again, consistent top-tier performance in *Billing and Payment* validates our efforts.

Community involvement, i.e. *Corporate Citizenship*, is a fundamental tenant for all cooperatives. NOVEC wholeheartedly believes in meaningful investments that add to the quality of life for everyone in the communities we serve. As a result, NOVEC and NOVEC HELPS, an employee-driven 501 (c)(3) organization, support our communities either financially or through volunteer work. Last year, HELPS donated time and money to a record number of charitable and civic causes. NOVEC customers have taken notice of NOVEC and NOVEC HELPS' community work. They awarded us the second-highest score in the nation in *Corporate Citizenship* in the 2015 J.D. Power and Associates study.

Communications also contributes significantly to customer satisfaction. While we still use traditional means of communications, we are incorporating newer methods that appeal to our tech-savvy customer base. As a result, we have replaced much of our print advertising with digital ads, provided *Cooperative Living* magazine and our bill insert online, and increased our interaction with customers on social media. This effort is a work in progress, as the technology landscape is in a constant state of change. Customer-owners recognized the effectiveness of our communications strategy by providing NOVEC with the highest score in the nation in *Communications* in the 2015 survey study.

Customer service, the sixth component of the J.D. Power study, measures satisfaction with telephone and online business experiences. In our call centers, customer service representatives answer phones promptly and provide world-class service. Their skills and training make the NOVEC call centers a one-stop destination for most callers. Our goal is to answer every question, or resolve every issue, with just one phone call or email.

To facilitate better online service, we totally redesigned NOVEC's website and launched the new version in June 2016. We incorporated best practices and customer feedback to make our website at www.novec.com more intuitive and responsive to customers' needs and their preferred technology from home or on the go.



Stan Feuerberg, President/CEO

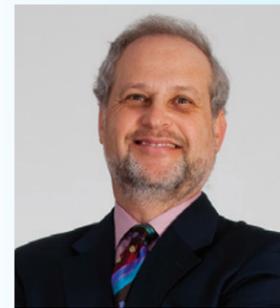
Wade House, Chairman

Raising the Bar for Excellence is far more than a catchy annual report theme. It reflects our unwavering commitment to providing superior service to NOVEC's customer-owners. While we are pleased with our past accomplishments, we're focused on raising the excellence bar today and raising it even higher tomorrow. We trust that our customers appreciate our efforts to remain the gold standard in our industry.

On behalf of the NOVEC team, we're proud to be your electric energy provider — governed by a customer-elected board of directors, managed and operated by our team of professionals, and above all else, owned by the people we serve.

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



PATRICK TOULME
Vice President and Corporate
Counsel



DIANE JOHNSON
Vice President,
Customer Service



BOB BISSON
Vice President,
Electric System Development



JIM MOXLEY
Senior Vice President,
Administration, Substations and
Telecommunications



DAN SWINGLE
Interim Vice President,
Electric System Operations



MICHAEL J. DAILEY
Vice President,
Energy and Business Development



VICKI JONES
Manager,
Organizational Development

“ We’re proud of **17 successive years** as the best in the region, perhaps the most **challenging marketplace** in the entire U.S. ”

- Stan Feuerberg, President/CEO



Americans want electricity, especially Northern Virginians. That's because — according to surveys — they use more electronic gadgets, gizmos, and gigabytes than most Americans. Just look around Dulles International Airport and Reagan National and see almost every traveler holding a smartphone, laptop computer or tablet. Once through security, travelers huddle in seats around electric charging stations or sprawl out on the floor near wall outlets while typing and texting. What would these tech-savvy people do if they couldn't recharge their devices? They would be lost in cyberspace.

NOVEC understands customers' expectations for keeping electricity on for their electronic devices, as well as for their appliances, lights, and heating and cooling systems. To reach expectations and exceed them, NOVEC kept power flowing 99.99 percent of the time in 2015 to 162,000 homes, businesses, schools, and government buildings. And when outages occurred, NOVEC's workers used their skills and the Co-op's advanced technology to restore power in short order. This excellent record made NOVEC the most reliable electric utility among all seven in the Washington, D.C., region for the 17th consecutive year.

NOVEC President/CEO Stan Feuerberg said, "We're proud of 17 successive years as the best in the region, perhaps the most challenging marketplace in the entire U.S. This achievement is the result of

our constant focus on reducing outage frequency and duration, investing in reliability improvements, rigorous maintenance of our overhead rights-of-way corridors, preventive maintenance, and a little help from Mother Nature."

Long-time NOVEC members may remember the Joy Boys of radio. Willard Scott and the late Ed Walker kept Washington, D.C.-area listeners laughing through rush hours from 1955 to 1972. They opened their show by singing, "We are the Joy Boys of radio. We chase electrons to and fro," set to John Klover's "Billboard March."

Although NOVEC employees are not known for singing this rousing song, they "chase electrons to and fro" every day through power lines and cables. As a result of excellent chasing, NOVEC customers ranked the Co-op second overall among the 140 largest cooperative, investor-owned, and municipal electric utilities in the United States in the J.D. Power and Associates 2015 Electric Utility Residential Customer Satisfaction StudySM. (See the Executive Summary for details.) Customers gave NOVEC the highest overall score it has ever received — 746 points — just three points shy of the top score.

Keeping power on 99.99 percent of the time and scoring at or near the top in the nation in overall customer satisfaction is *raising the bar on excellence*.



NOVEC's smart-grid technology, ongoing distribution-line and substation-infrastructure improvements, and effective maintenance programs contribute to an outstanding reliability record. But according to President/CEO Feuerberg, NOVEC's employee teamwork provides the crucial element: "I credit our entire corporate team — one of the finest in the entire USA — for NOVEC's outstanding results every year."

Excellent Power-Outage Teamwork

Nothing requires electric-utility teamwork more than major power outages. Year after year, NOVEC's teams have responded so quickly — and safely — to outages that they have often restored service to all Co-op customers before other utilities have their customers back online. For example: When high winds and powerful thunderstorms ripped through the region on June 20, 2015, more than 13,000 NOVEC customers lost power. So did thousands of customers served by other regional utilities. Even though it was a Saturday night, and outages occurred in 47

locations throughout NOVEC's 651-square-mile territory, NOVEC teams restored power to all but three of its customers by 11 a.m. Sunday morning.

From the WTOP Radio Website

WASHINGTON — Many area residents were in the dark Saturday night as severe thunderstorms pounded the WTOP listening area.

UPDATE: 11 a.m., Sunday, June 21, 2015

- Pepco: 500
- Dominion Power: 1,900
- Baltimore Gas and Electric: 170
- SMECO: 450
- NOVEC: 3
- Rappahannock: 1,461
- Potomac Edison: 143

NOVEC teams also went into action in January 2016 as soon as satellites and radar detected frigid air, moisture, and wind near the East Coast. When the fronts collided, the molecule mix created a powerful snowstorm heading straight for Washington, D.C. Electric cooperatives in Alabama, North Carolina, South Carolina, and



Pennsylvania sent crews and utility equipment to Northern Virginia to assist NOVEC crews in case major power outages occurred.

As snow covered not just the D.C. region but 14 states on Saturday, Jan. 23, high-velocity winds howled. Line-tech and tree crews worked in knee-deep snow until every customer was back on the grid. Snowstorm Jonas blew north after dumping more than 29 inches on Dulles International Airport.

On Sunday morning, Larry Shaffer, System Operations vice president, wrote, "Snowstorm Jonas has come and gone, leaving a very thick blanket of snow behind. It has left NOVEC's electric system, with the exception of a few minor problems, intact."



Excellence at the Lineman's Gaff-n-Go Rodeo and a Life Saved

At the annual Lineman's Gaff-n-Go rodeo, judges score competitors on how quickly and safely they complete required skills. (The rodeo gets its name from the metal gaff linemen attach to their boots to help them climb wooden utility poles.) Competitors come from cooperative, municipal, and investor-owned electric utilities.

NOVEC's journeyman teams won in the 2012 and 2015 rodeos. The 2015 team and a high-scoring apprentice qualified for the International Lineman's Rodeo & Expo in October 2015. Among 1,000 competitors from the U.S., Canada and Jamaica, NOVEC's journeymen placed eighth overall in the Rural Electric Association Division. NOVEC's apprentice placed first out of 303 apprentices in the Hurt-Man Rescue event.

In June 2016, eight NOVEC line techs tested their skills against 110 linemen from Virginia and five other states at the rodeo. NOVEC's competitors came in first place in the Hurt-Man Rescue and Climbing Skills competitions and did well in the other events.

"Our Gaff-n-Go champions and all of our line techs deserve much of the credit for NOVEC's excellent reliability," says Mason "Skip" Hollcroft, manager, Construction. "These incredibly dedicated men are physically strong and mentally tough enough to concentrate on dangerous tasks even when confronted with extreme weather conditions. Despite the challenges they face, they have an outstanding safety record."

Remarkably, one of NOVEC's journeyman competitors, Nicholas Reckmeyer, used his CPR skills two weeks after the competition when he stopped to help an unresponsive man on the side of the road. After calling 911 and not finding a pulse, Reckmeyer performed CPR and revived the man just before emergency medical technicians arrived.



Journeymen Jesse Taylor, Justin Bettis, and Nicholas Reckmeyer placed first in both the Hurt-Man Rescue and Climbing Skills events, and third in the Recloser Change-Out event.

Kyle Sarvis placed first in the apprentice Climbing Skills and Hurt-Man rescue events.



2016 NOVEC Gaff-n-Go Team

Reliable “Smart” Technology

The nation’s power grid became a hot topic for some politicians and journalists in this election year. Knowing the grid needs to be updated and protected, the U.S. Department of Energy launched in January 2016 the Grid Modernization Multi-Year Program Plan for “reducing carbon emissions, creating safeguards against attacks on our infrastructure, and keeping the lights on.”

NOVEC took a leadership role a decade ago when it started modernizing its grid. DOE accelerated the Co-op’s efforts when it awarded NOVEC a \$5 million matching grant in 2009.

“DOE’s grant allowed us to install remote-controlled devices at substations at a much faster pace and add more distribution-line devices than we had originally planned,” explains Jim Moxley, NOVEC’s senior vice president in charge of the \$10 million smart-grid project. “Today, the devices continuously monitor power transformers, battery systems, protection controls, voltage, and power quality. They send data updates to system operators every five seconds, 365 days a year. They also send alerts that can help avoid power outages — often in time for system operators to avert outages by switching to alternate power feeds.”

One feature alone, the independent phase trip, has reduced annual average outage time by nearly 6 percent. It can reduce the number of customers affected by a power-line fault by two-thirds.

To measure overall reliability, electric utilities use the System Average Interruption Duration Index to provide the annual average number of minutes power is off per customer. The fewer SAIDI minutes the better. NOVEC’s SAIDI minutes from 2005 through 2010 averaged 74 minutes. Dan Swingle, interim System Operations vice president, says, “That was an exceptional average in our industry, but our five-year SAIDI average from 2011 through 2015 was even better. It dropped to 57 minutes — nearly a 23-percent reliability improvement.” Swingle gives the smart-grid devices much of the credit.

NOVEC’s 260-mile fiber-optic network enhances the Co-op’s reliability. NOVEC is the only electric cooperative in Virginia with its own fiber-optic network.

“We were a fiber-optic pioneer in the utility industry when we started developing our network in 1995,” notes Moxley. “Today it’s an integral part of our smart grid.”

Learn more about NOVEC’s technology at www.novec.com/technology.



Corporate Service and Reliability Objectives

As part of NOVEC’s corporate objectives in 2015, NOVEC expanded its overhead and underground power-distribution infrastructure; added 10 miles to its fiber-optic network; completed four new substations; and added 11 new substation transformers — a record for a single year — to meet the power needs of 3,000 new customers who joined the system, including new computer data centers.

Many new Co-op members live in Loudoun County, one of the fastest-growing counties in the nation. To better serve this expanding customer base, NOVEC broke ground in 2015 for the Loudoun Service Center. It’s being built next to the Co-op’s Brambleton substation. When the new center is completed, NOVEC will retire the Leesburg service office.

Loudoun County Service Center construction site.



Paradise Substation

Since taking control of wholesale power purchasing in 2009, the Co-op's power-supply team has succeeded in lowering power costs for NOVEC customers. In 2015, the power-supply team reduced power costs even more. Lower power costs, combined with more operating efficiency and increased revenues, benefit all NOVEC members.

Amended Power-Purchase Agreements

In January 2015, NOVEC amended its power-purchase agreements with two power-generation facilities in Virginia. As a result, capacity savings alone totaled \$3.92 million by the end of 2015.

Power-Cost-Adjustment (PCA) Credits

In addition to contract restructuring, the power-supply team made a number of astute energy-block purchases in 2015 — so much so that NOVEC is returning a 1.2¢ credit to customers on their 2016 monthly bills for every kilowatt-hour of electricity they use. This PCA credit, approved by the Virginia State Corporation Commission, is projected to reduce the average monthly residential energy bill by about \$15 and save customers \$44 million overall. Thanks to the ongoing efforts of the power-supply team, NOVEC customers have received a PCA credit for the past five years.

\$6.7 Million in CashBack



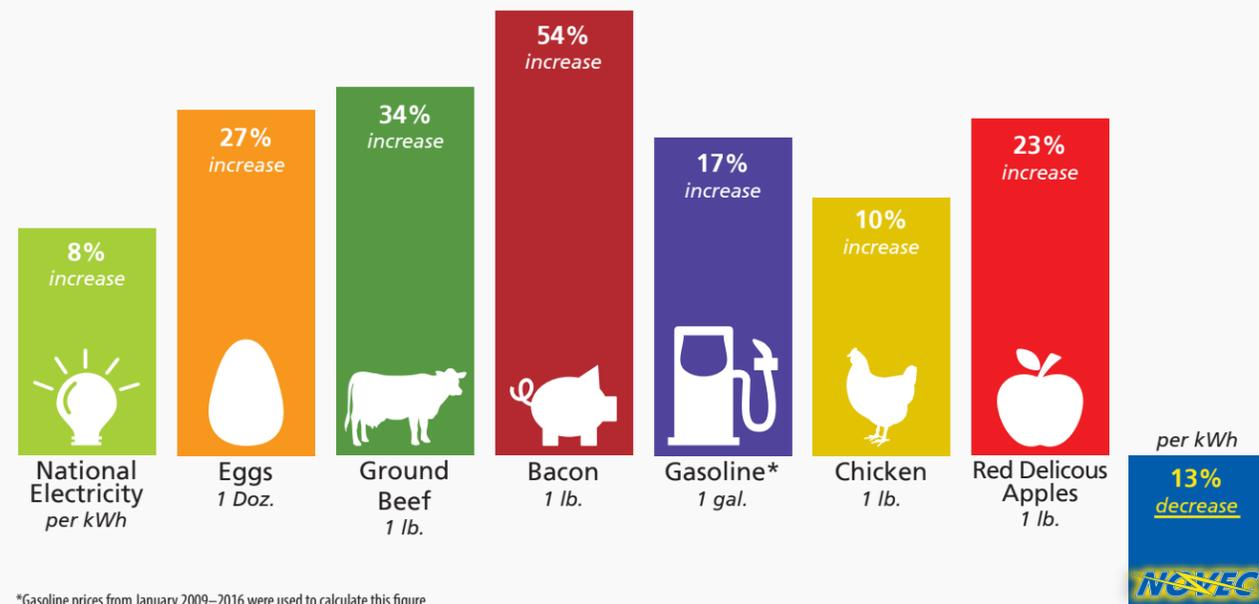
As a member-owned, not-for-profit business, NOVEC returns money to its members instead of outside investors when the company does well financially. Periodically, the NOVEC Board of Directors votes to "retire" some of the company's margins (profits) to members after assigning funds for power-system maintenance, improvement, and expansion. NOVEC returns money in the form of CashBack. When the board votes to retire margins, current members see CashBack credits on their bills. Former members receive checks in the mail for individual returns of \$5 or more.

In 2015, the board voted to retire \$6.7 million. Since 2000, NOVEC has returned to current and former members almost \$300 million in CashBack.

As a result of lower wholesale power costs, and PCA and CashBack credits, members are paying about 13 percent less for electricity than they were before 2009.

Cost of Common Goods

Average price increase of expenses from 2008 to 2016, in comparison to your cost of electricity.



Communication Specialist Priscilla Knight receives blood pressure check.



Employee Wellness Center Opens

As a major cost-saving move, the Co-op went to a "self-insured" employee healthcare plan in 2012 to stop double-digit premium increases each year. Under the new plan, premiums have remained steady since 2011.

"This is an outstanding accomplishment," says President/CEO Feuerberg. "I challenge anyone to compare the quality and cost of NOVEC's health plan to any other plan offered by a nearby employer or anything provided through the Affordable Care Act exchanges."

Knowing that healthy workers have better morale and are more productive, the Co-op added a new employee benefit in 2015: It reconfigured space in its Balls Ford office into the NOVEC Employee Wellness

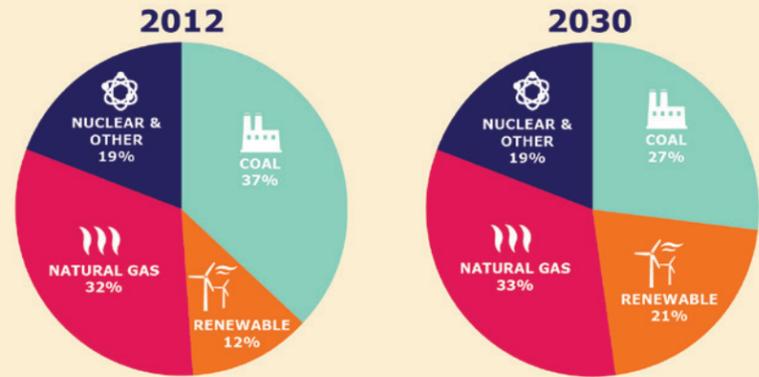
Center. Today, employees can choose to see a primary care physician at the center and be back to work in as little as 30 minutes.

"The feedback from employees and spouses has been overwhelmingly positive," reports Vicki Jones, NOVEC manager of Organizational Development. "Besides offering medical attention from an award-winning, board-certified physician and a nurse, the center provides other services, including smoking-cessation and weight-loss programs. Employees who have participated in the center's weight-loss challenges this year have lost hundreds of pounds altogether."



The EPA's new plan would reduce coal and increase renewables to generate electricity

The charts below show the most recent figures for the fuels used to generate electricity in the U.S., compared with what the Environmental Protection Agency projects will be the mix under its Clean Power Plan. The plan calls for a 32 percent reduction in carbon dioxide emissions from all power plants by 2030. Renewables include hydroelectric power.



Source: Environmental Protection Agency

The U.S. Environmental Protection Agency issued its final Clean Power Plan (CPP) in 2015 in an effort to reduce the nation's carbon-dioxide emissions. The CPP calls for states to reduce carbon-dioxide emissions by a specified amount. Since burning fossil fuels emits CO2 into the atmosphere, many coal-power plants will need to be shut down, brought up to EPA standards, or converted to plants that use other power sources.

Legal challenges from a coalition of energy organizations and almost 30 states put the plan before U.S. courts, including the Supreme Court. In the meantime, Virginia Gov. Terry McAuliffe tasked the Department of Environmental Quality and a group of stakeholders to develop the Commonwealth's compliance plan.

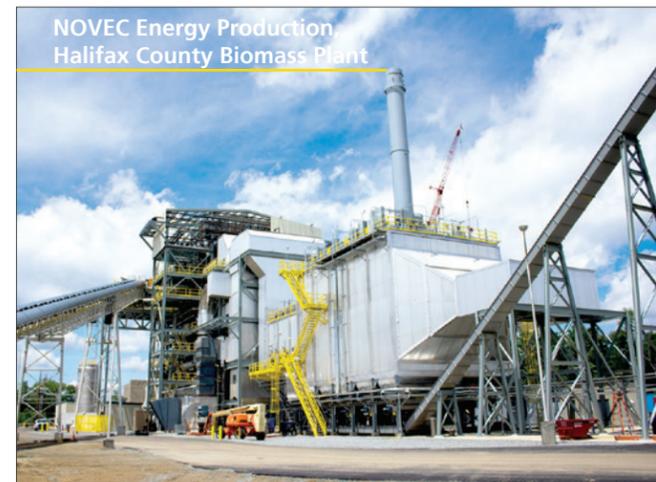
While the debate has raged, NOVEC has stayed focused on delivering safe, reliable, economically priced power to its customer-owners, including clean, green power from its Halifax County Biomass Plant and other renewable-energy sources.

NOVEC Energy Production Halifax County Biomass Plant

Distribution electric utilities such as NOVEC distribute electricity generated by other energy companies. NOVEC broke that mold when it built its first power plant near South Boston, Virginia, and opened it commercially in 2013.

"Our customer-owners wanted more renewable energy," explains John Rainey, NOVEC director of origination and plant operations. "To obtain economically priced green power, we ran the numbers and decided to build our own biomass plant. Among renewable-energy sources in Virginia, biomass energy is one of the most dependable and economical. We constructed our plant in Virginia's Southside region where there's an abundance of wood waste left over from commercial logging. We designed it with the environment in mind. The facility has an electrostatic precipitator that traps particulates in the exhaust stream and reduces them to a permitted level. An ash-reinjection system captures particulates and injects them back into the combustion chamber to burn. We give the fly ash to local farmers who use it to enrich the soil with much-needed potassium."

captures particulates and injects them back into the combustion chamber to burn. We give the fly ash to local farmers who use it to enrich the soil with much-needed potassium."



As another environmental benefit, the plant is cooled by water reclaimed from a nearby wastewater treatment facility.



The 49.9-megawatt NOVEC Energy Production Halifax County Biomass Plant has the capability of generating enough electricity to power about 16,000 homes.

Landfill Gas-to-Energy



NOVEC customers receive renewable energy from the Prince William County Landfill's five generators, which capture gas from decaying trash and use it to generate approximately 6.7 megawatts of electricity.



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 2015, NOVEC had supplied 127 net meters.

Helping Customers Save Energy and Costs

NOVEC has been helping members save energy and costs for decades. It launched in 1979 one of the nation's first load-management programs. Through load management, NOVEC can better manage power demand thanks to almost 33,000 load-management customers who let NOVEC remotely cycle on and off 50,200 electric water heaters and/or central air-conditioner compressors for short periods when power demand soars on the hottest and coldest days of the year. In exchange for participating, members go to the head of the line for a free service call from a heating-and-cooling contractor for repairs or analysis. Members with the water-heater switch receive a service call and necessary replacement parts at no charge.

HomeEnergySuite

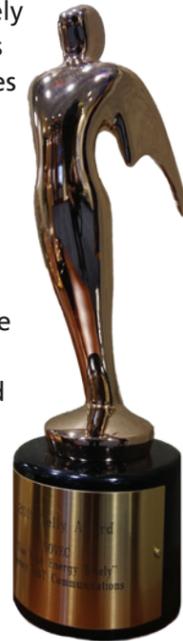
NOVEC's HomeEnergySuite on www.novec.com lets customers receive online home-energy analyses customized for their houses and lifestyles. It also provides a wealth of cost-effective energy-savings information that helps customers manage and reduce their energy consumption. In addition, the suite's Billing Insights calculator helps explain each customer's bill based on weather data and the number of days in the billing cycle — factors that affect power consumption and costs.

NOVEC customers ranked the Co-op's communications first in the nation in J.D. Power and Associates' 2015 survey. Customers said they appreciate timely outage information, energy-conservation tips, electrical-safety cautions, and other news.

In the past year, NOVEC's Public Relations division communicated information through the "Keeping Current" section in *Cooperative Living* magazine, bill inserts, NOVEC's website, news releases, social media posts, text messages, phone calls, the annual report, and print and television advertisements.

In June 2016, the Co-op launched a completely new website to help customers pay their bills more quickly and navigate through webpages more intuitively. The new responsive design allows customers to access their account securely anywhere on any device.

In 2015 and 2016, P.R. won Award for Publication Excellence (APEX) awards for a television ad, the 2015 annual report, feature articles in *Cooperative Living* magazine and NOVEC's Facebook page. It also won a Grand Award for an article on the Clean Power Plan. Spotlight on Excellence presented awards for "Keeping Current" in *Cooperative Living* and two TV ads. P.R. also won in 2015 an eighth prestigious Telly Award for a TV ad.



NOVEC established NOVEC HOLDINGS as a transparent umbrella owner of its affiliate operations: NOVEC Energy Solutions (NES), NOVEC Solutions (NS), and NOVEC Energy Production (NEP). These for-profit companies provide energy, high-speed internet, home repair-and-replacement products, and fiber-optic accessibility. When these businesses make a profit, as they did in 2015, they contribute to the overall financial health of the Cooperative and benefit all NOVEC members.

NOVEC Energy Solutions



In 2015, NES provided natural gas to approximately 20,000 customers in Maryland, Virginia, Washington, D.C., Kentucky and Pennsylvania. Total sales for the year exceeded \$18 million. NES also provided NOVECnet high-speed internet access for consumers throughout Virginia who want broadband service. NES recorded its 11th consecutive profitable year in 2015.

Consumers can learn more about NES and its services by calling 703-392-1677 or 1-888-627-7283; or by emailing nes@novec.com.

NOVEC Solutions



NS offers residential, commercial and government customers: water heaters, whole-house generators, wide-area-network (WAN) data transport service,

www.NOVEC.com

and home-protection replace-and-repair products for water lines, sewers, in-home electric lines, home electronics, and water heaters.

Consumers can learn more about NS products and services by calling 703-392-1503, 703-392-1589, or 1-888-335-0500; or by emailing novecsolutions@novec.com.

NOVEC Energy Production Halifax County Biomass



See page 18 for more information on the Halifax County Biomass Plant.





"Mr. Speaker," said U.S. Rep. Gerry Connolly before the House of Representatives last spring. "I rise today to commend Northern Virginia Electric Cooperative ... for its commitment to the residents of Northern Virginia."

On March 11, 2016, at the recommendation of Delegate Richard Anderson, the Virginia General Assembly said, in part, "Resolved by the House of Delegates, that the Northern Virginia Electric Cooperative hereby be commended for 33 years of exceptional service to the residents of Northern Virginia."

Rep. Connolly's praise for NOVEC and the House of Delegate's resolution came in response to the Hylton Performing Arts Center announcing it would bestow on the Cooperative an award at its April 30 gala held at the center in Manassas. The award said:

NOVEC is a shining example of an organization that has made a firm and lasting commitment to make a positive impact on its customers and community on a daily basis. Its mission is to improve the communities it serves by providing the highest quality energy services and striving to continually exceed its customers' expectations. Beyond the services it provides, NOVEC works to inspire and empower the people it serves to take an active role in their community.

As a founding champion of the Hylton Center, NOVEC has greatly supported and enhanced the arts in our community. NOVEC has been an instrumental partner to the Hylton Center, and through its leadership, the Hylton Center's initiatives and the artists that call the center home have not only grown, but thrived.

The Hylton Performing Arts Center, U.S. House of Representatives, and Virginia House of Delegates recognized NOVEC for its community service because the Co-op has always considered Concern for Community, one of the Seven Cooperative Principles, important. NOVEC's commitment to its communities continued in 2015 and 2016 through its programs and its employees' volunteer work.

NOVEC HELPS

NOVEC HELPS, Hands Engaged in Local Public Service, is a non-profit, 501 (c)(3) organization of NOVEC employees who volunteer in the community. The HELPS board of directors votes on projects and events to support, whether with financial donations or with feet on the ground.

To raise money, HELPS organizes an annual golf tournament and poker tournament. Proceeds from both tournaments, along with metal recycling and tax-deductible donations from Co-op members and employees, allowed HELPS to donate almost \$22,000 in 2015 to 51 organizations. These organizations included, among many others, the American Red Cross, Easter Seals, Project Mend-A-House, Rainbow Therapeutic Riding Center, Special Olympics, and Serve Our Willing Warriors.

HELPS also encouraged Co-op members and employees to participate in events that benefited the March of Dimes, Northern Virginia Family Service, ACTS, Our Daily Bread, Fauquier Family Shelter Services, Operation Turkey, and Toys for Tots.

More information about NOVEC HELPS can be found at www.novechelps.org.

Operation Round Up®

To help low-income people stay warm in winter, NOVEC asks fellow Co-op members to help by authorizing NOVEC to round up their monthly electric bills to the nearest dollar. Thanks to Operation Round Up participants, local social-service agencies distributed approximately \$44,000 to people who qualified for bill-paying assistance last winter.

School and Educational Programs

NOVEC believes an educated population benefits all society. Therefore, employees go to area schools

to: explain how electricity works and how to be safe around it; and provide career guidance. Among NOVEC HELPS' many forms of support for children in 2015 and 2016, the group helped robotics teams in two schools travel to competitions.

Youth Tour

Each spring, the Co-op selects five high-school students to participate in an all-expenses-paid tour of Washington, D.C., and Richmond, Virginia, to see how government works. As part of the Rural Electric Cooperative Youth Tour, the teenagers join approximately 1,700 other students from electric co-ops across the country to meet U.S. congressional representatives on Capitol Hill and tour historic sites. In February, the students travel to Richmond to meet their Virginia General Assembly representatives.

College and Higher-Learning Scholarships

NOVEC's Student Scholarship Program awards \$1,500 college scholarships to outstanding high school applicants who live in the Co-op's territory. In addition, NOVEC contributes to the Virginia, Maryland & Delaware Association of Electric Cooperatives' higher-education scholarship program for co-op students in the three states.

Learn more about NOVEC's community service at www.novec.com/community.





Total Services
161,107



Monthly Average Residential Cost At 1,000 kWh
\$119.06



Full-Time Employees
298
Total Service-to-Employee Ratio
540.6:1



Miles of Line
7,065.6
Meters Served Per Mile of Line
22.8



Peak Demand (July)
942.2 Megawatts



Kilowatt-Hours (kWhs) Sold
4.22 Billion



Average System Reliability
99.9910%



Cost of Power
\$365.3 Million



Operating Revenue
\$468.3 Million



Purchased Power Cost
82.16%



Net Operating Margins
\$23.7 Million



Long-Term Debt
\$141.53 Million



Assets
\$860.6 Million

Dec. 31, 2015 and 2014 (in thousands)

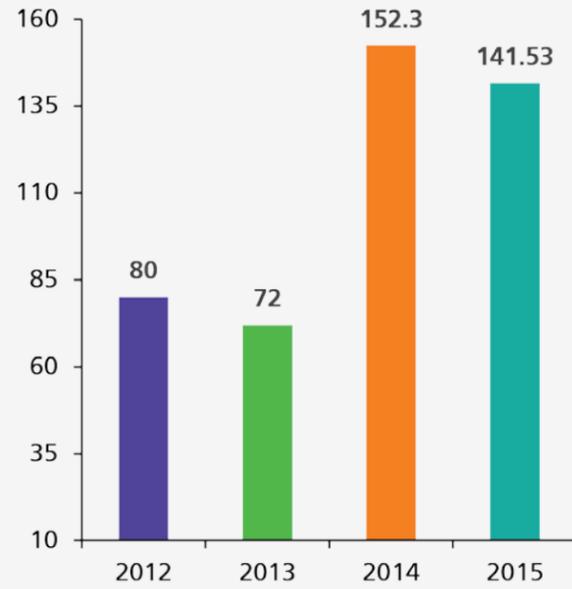
| | 2015 | 2014 |
|--|------------------|------------------|
| Assets | | |
| Utility plant, net of accumulated depreciation and amortization | \$629,964 | \$596,036 |
| Investments | | |
| Associated organizations | 7,150 | 7,336 |
| Other | 3,309 | 2,967 |
| Total investments | \$10,459 | \$10,303 |
| Deferred income taxes | \$15,875 | \$16,064 |
| Current assets: | | |
| Cash and cash equivalents | 61,159 | 45,474 |
| Investment securities | 50,126 | 52,581 |
| Accounts receivable, less allowance for doubtful accounts of \$724 and \$1,102, respectively | 33,376 | 37,778 |
| Materials and supplies inventories | 20,581 | 20,365 |
| Collateral deposit | 6,811 | 11,236 |
| Other current assets | 30,691 | 35,912 |
| Total current assets | \$202,744 | \$203,346 |
| Deferred charges | \$2,337 | \$9,900 |
| Asset for post-retirement benefits | 6,132 | 6,115 |
| Total assets | \$867,511 | \$841,764 |
| Liabilities and Equities | | |
| Equities and Margins: | | |
| Membership fees | \$884 | \$932 |
| Patronage capital | 620,618 | 600,332 |
| Other equities | 21,025 | 19,333 |
| Accumulated other comprehensive income (loss) | 3,642 | 5,351 |
| Total equities and margins | \$646,169 | \$625,948 |
| Commitments and contingencies | | |
| Long-term debt, excluding current installments | \$130,823 | \$141,710 |
| Current liabilities: | | |
| Borrowings under lines of credit | 2,029 | 6,493 |
| Current installments of long-term debt | 10,705 | 10,622 |
| Accounts payable | 29,213 | 34,295 |
| Consumer deposits | 8,624 | 8,815 |
| Accrued expenses and other current liabilities | 9,222 | 7,311 |
| Total current liabilities | \$59,793 | \$67,536 |
| Deferred credits | \$27,958 | \$3,819 |
| Accrued post-retirement benefit costs | 2,768 | 2,751 |
| Total liabilities and equities | \$867,511 | \$841,764 |

| Dec. 31, 2015 and 2014 (in thousands) | | | Dec. 31, 2015 and 2014 (in thousands) | | |
|--|------------------|------------------|--|-------------------|-------------------|
| | 2015 | 2014 | | 2015 | 2014 |
| Operating revenues | \$487,957 | \$452,959 | Cash flows from operating activities: | | |
| Operating expenses: | | | Cash received from consumers | \$494,731 | \$441,061 |
| Cost of power | 375,175 | 338,716 | Cash paid to suppliers and employees | (411,970) | (429,544) |
| Administrative and general | 25,880 | 25,539 | Dividends, interest, and other non-operating income | 5,329 | 4,411 |
| Depreciation and amortization | 26,760 | 26,282 | Interest paid | (5,502) | (5,796) |
| Distribution expense — maintenance | 14,291 | 16,223 | Income taxes received (paid) | (557) | 24 |
| Distribution expense — operations | 11,327 | 11,313 | | | |
| Consumer accounts | 5,136 | 5,099 | Net cash provided by operating activities | \$82,031 | \$10,156 |
| Customer service and information expense | 2,109 | 2,036 | | | |
| Other expense, net | 424 | 248 | Cash flows from investing activities: | | |
| Total operating expenses | \$461,102 | \$425,456 | Purchases of utility plant and non-utility plant | (\$73,396) | (\$43,800) |
| Net operating margins before interest expense | \$26,855 | \$27,503 | Contributions in aid of construction of utility plant | 20,330 | 8,682 |
| Interest expense | \$5,261 | \$5,551 | Proceeds from sale of utility plant | 1,647 | 940 |
| Net operating margins after interest expense | \$21,594 | \$21,952 | Proceeds from ARRA 1603 Grant | — | 44,089 |
| Non-operating margins: | | | Purchases of investment securities available-for-sale | (11,568) | (14,328) |
| Patronage capital assigned from associated organizations | \$236 | \$1,102 | Purchases of other investments and changes in collateral deposits | 4,425 | (1,886) |
| Dividends and interest income | 3,264 | 2,955 | Proceeds from sale or maturity of investment securities available-for-sale | 12,343 | 12,570 |
| Other non-operating income | 2,083 | 1,716 | Retirements of patronage capital by associated organizations | 608 | 636 |
| Total non-operating margins | \$5,583 | \$5,773 | Net cash provided by (used in) investing activities | (\$45,611) | \$6,903 |
| Net margin before income tax benefits | \$27,177 | \$27,725 | Cash flows from financing activities: | | |
| Income tax benefit (expense) | 220 | (430) | Principal proceeds from long-term debt | — | \$84,569 |
| Net margins | \$27,397 | \$27,295 | Principal payments on long-term debt | (15,268) | (106,000) |
| Patronage capital at beginning of year | \$600,332 | \$579,793 | Membership fee receipts | (48) | (52) |
| Net margins | 27,397 | 27,295 | Retirement of patronage capital | (7,111) | (6,756) |
| Retirements of patronage capital | (7,111) | (6,756) | Unclaimed retirement of patronage capital | 1,692 | (77) |
| Patronage capital at end of year | \$620,618 | \$600,332 | Net cash used in financing activities | (\$20,735) | (\$28,316) |
| | | | Net increase (decrease) in cash and cash equivalents | \$15,685 | (\$11,257) |
| | | | Cash and cash equivalents at beginning of year | \$45,474 | \$56,731 |
| | | | Cash and cash equivalents at end of year | \$61,159 | \$45,474 |

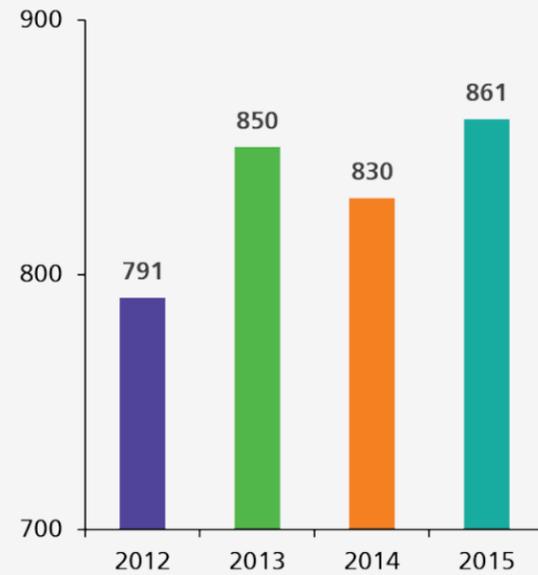
| Dec. 31, 2015 (in thousands) | NOVEC | NOVEC Holdings Inc. | Eliminating entries | Consolidated totals |
|---|------------------|---------------------|---------------------|---------------------|
| Assets: | | | | |
| Utility plant, net of accumulated depreciation and amortization | \$526,793 | \$101,187 | — | \$627,980 |
| Non-utility plant, net of accumulated depreciation and amortization | 1,632 | 352 | — | 1,984 |
| Total plant | \$528,425 | \$101,539 | — | \$629,964 |
| Deferred income taxes | — | \$15,875 | — | \$15,875 |
| Investments: | | | | |
| Associated organizations | \$7,150 | — | — | — |
| Other | 56,142 | — | (52,833) | 3,309 |
| Total investments | \$63,292 | — | (\$52,833) | \$10,459 |
| Current assets: | | | | |
| Cash and cash equivalents | \$45,965 | \$15,194 | — | \$61,159 |
| Investment securities | 50,126 | — | — | 50,126 |
| Notes receivable | 88,061 | — | (88,061) | — |
| Accounts receivable, less allowance for doubtful accounts | 30,265 | 3,294 | (183) | 33,376 |
| Materials and supplies inventories | 12,577 | 8,004 | — | 20,581 |
| Collateral deposit | 6,811 | — | — | 6,811 |
| Other current assets | 27,692 | 2,999 | — | 30,691 |
| Total current assets | \$261,497 | \$29,491 | (\$88,244) | \$202,744 |
| Deferred charges | \$1,214 | \$1,123 | — | \$2,337 |
| Asset for postretirement benefits | \$6,132 | — | — | \$6,132 |
| Total assets | \$860,560 | \$148,028 | (\$141,077) | \$867,511 |
| Liabilities and Equities: | | | | |
| Equities (deficit) and margins: | | | | |
| Membership fees | \$884 | — | — | \$884 |
| Patronage capital and accumulated earnings | 620,618 | (1,268) | 1,268 | 620,618 |
| Other equities | 21,025 | 54,101 | (54,101) | 21,025 |
| Accumulated other comprehensive income | 3,642 | — | — | 3,642 |
| Total equities and margins | \$646,169 | \$52,833 | (\$52,833) | \$646,169 |
| Commitments and contingencies: | | | | |
| Long-term debt, excluding current installments | \$130,823 | — | — | \$130,823 |
| Current liabilities: | | | | |
| Borrowings under lines of credit | — | 2,029 | — | 2,029 |
| Notes payable | — | 88,061 | (88,061) | — |
| Current installments of long-term debt | 10,705 | — | — | 10,705 |
| Accounts payable | 27,264 | 2,132 | (183) | 29,213 |
| Consumer deposits | 8,624 | — | — | 8,624 |
| Accrued expenses and other current liabilities | 7,002 | 2,220 | — | 9,222 |
| Total current liabilities | \$53,595 | \$94,442 | (\$88,244) | \$59,793 |
| Deferred credits | \$27,205 | \$753 | — | \$27,958 |
| Accrued post retirement benefits | 2,768 | — | — | 2,768 |
| Total liabilities and equities | \$860,560 | \$148,028 | (\$141,077) | \$867,511 |

| Dec. 31, 2015 (in thousands) | NOVEC | NOVEC Holdings Inc. | Eliminating entries | Consolidated totals |
|--|------------------|---------------------|---------------------|---------------------|
| Operating revenues: | | | | |
| Cost of goods | \$468,291 | \$40,541 | (\$20,875) | \$487,957 |
| Administrative and general | 365,745 | 30,305 | (20,875) | 375,175 |
| Depreciation and amortization | 19,898 | 5,982 | — | 25,880 |
| Distribution expense – maintenance | 23,170 | 3,590 | — | 26,760 |
| Distribution expense – operations | 14,291 | — | — | 14,291 |
| Consumer accounts | 11,327 | — | — | 11,327 |
| Customer service and information expense | 5,136 | — | — | 5,136 |
| Other expense (income), net | 2,109 | — | — | 2,109 |
| | 430 | (6) | — | 424 |
| Total operating expenses | \$442,106 | \$39,871 | (\$20,875) | \$461,102 |
| Net operating margins before interest expense | \$26,185 | \$670 | — | \$26,855 |
| Interest expense | 2,457 | 2,804 | — | 5,261 |
| Net operating margins after interest expense | \$23,728 | (\$2,134) | — | \$21,594 |
| Non-operating margins: | | | | |
| Patronage capital assigned from associated organizations | \$236 | — | — | \$236 |
| Dividends and interest income | 3,264 | — | — | 3,264 |
| Other non-operating income | 169 | 1,844 | 70 | 2,083 |
| Total non-operating margins | \$3,669 | \$1,844 | \$70 | \$5,583 |
| Net margin before income tax benefits | \$27,397 | (\$290) | \$70 | \$27,177 |
| Income tax benefit (expense) | — | (\$220) | — | (\$220) |
| Net margins | \$27,397 | (\$70) | \$70 | \$27,177 |
| Patronage capital at beginning of year | \$600,332 | (\$611) | \$611 | \$600,332 |
| Retirements of patronage capital | (7,111) | — | — | (7,111) |
| Other | — | (587) | 587 | — |
| Patronage capital at end of year | \$620,618 | (\$1,268) | \$1,268 | \$620,618 |

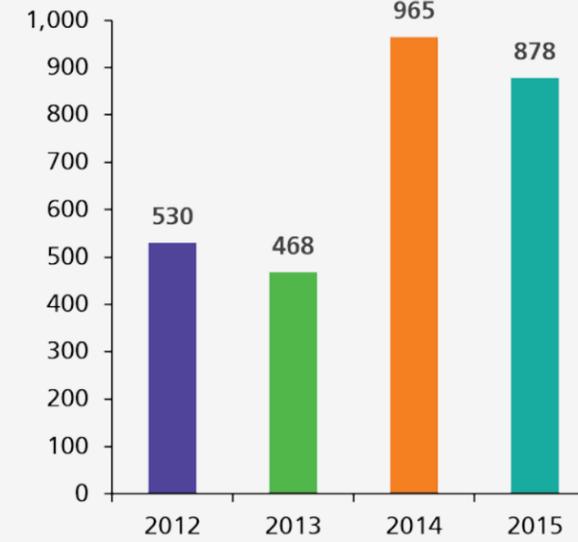
Long-Term Debt (millions of dollars)



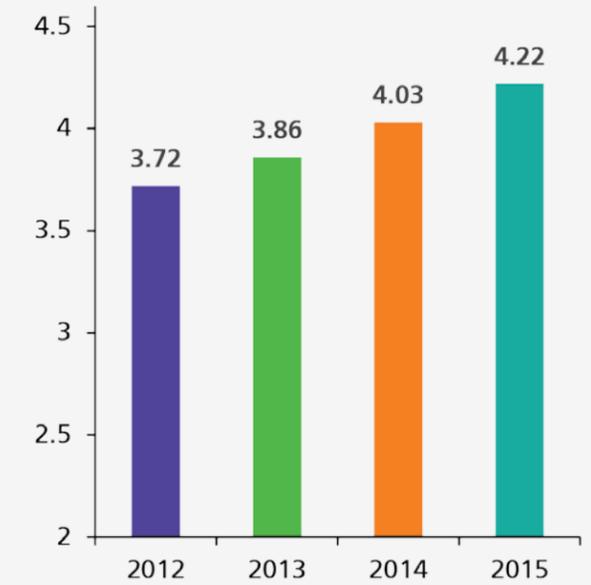
Assets (millions of dollars)



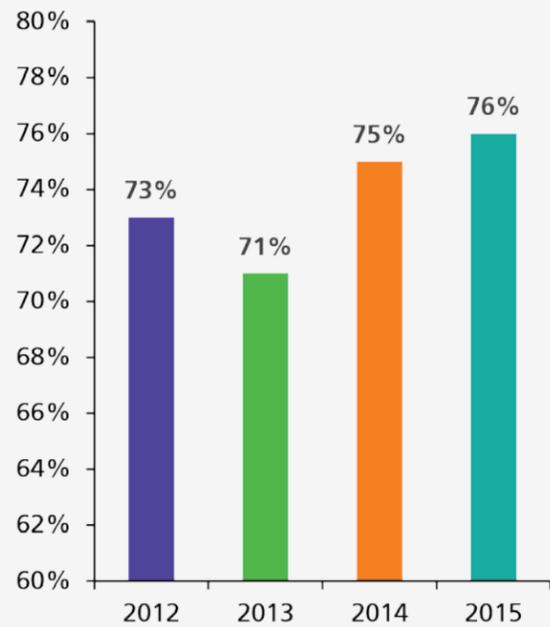
Average Debt Per Meter (dollars)



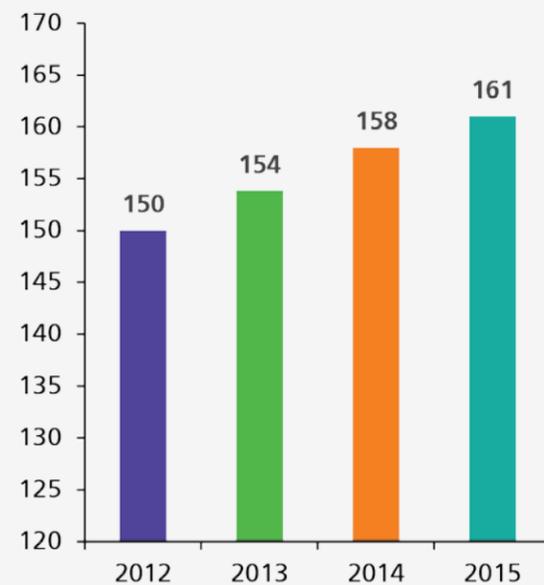
Kilowatt-Hours Sold (billions)



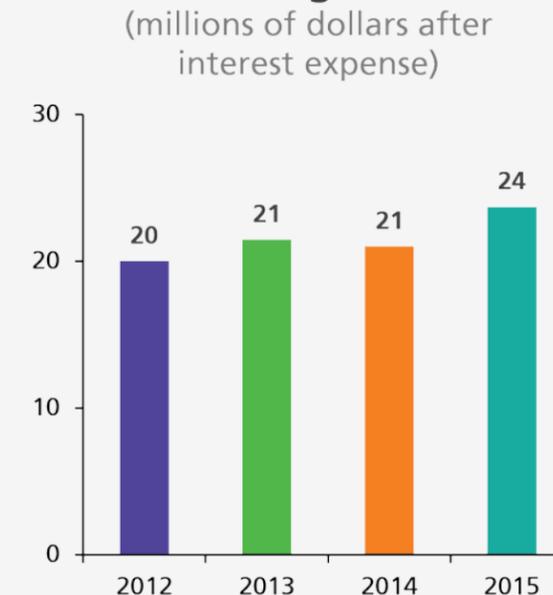
Equity to Assets



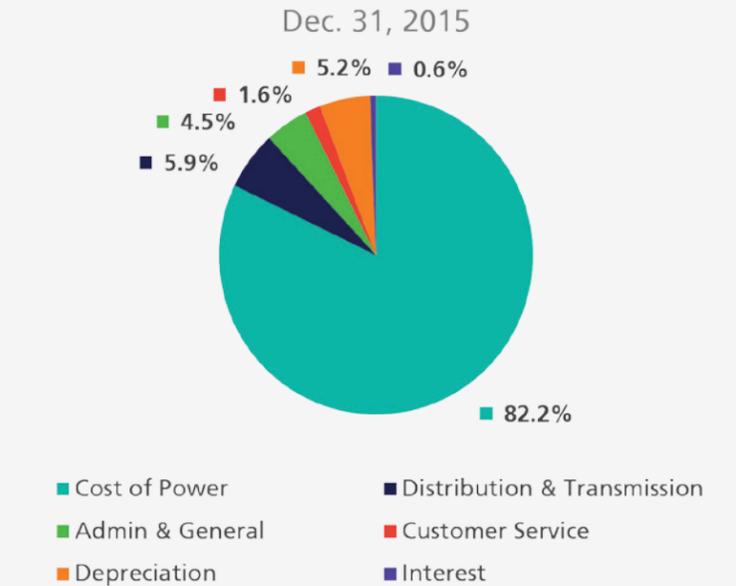
Total Meters (thousands)



Net Operating Margins (millions of dollars after interest expense)

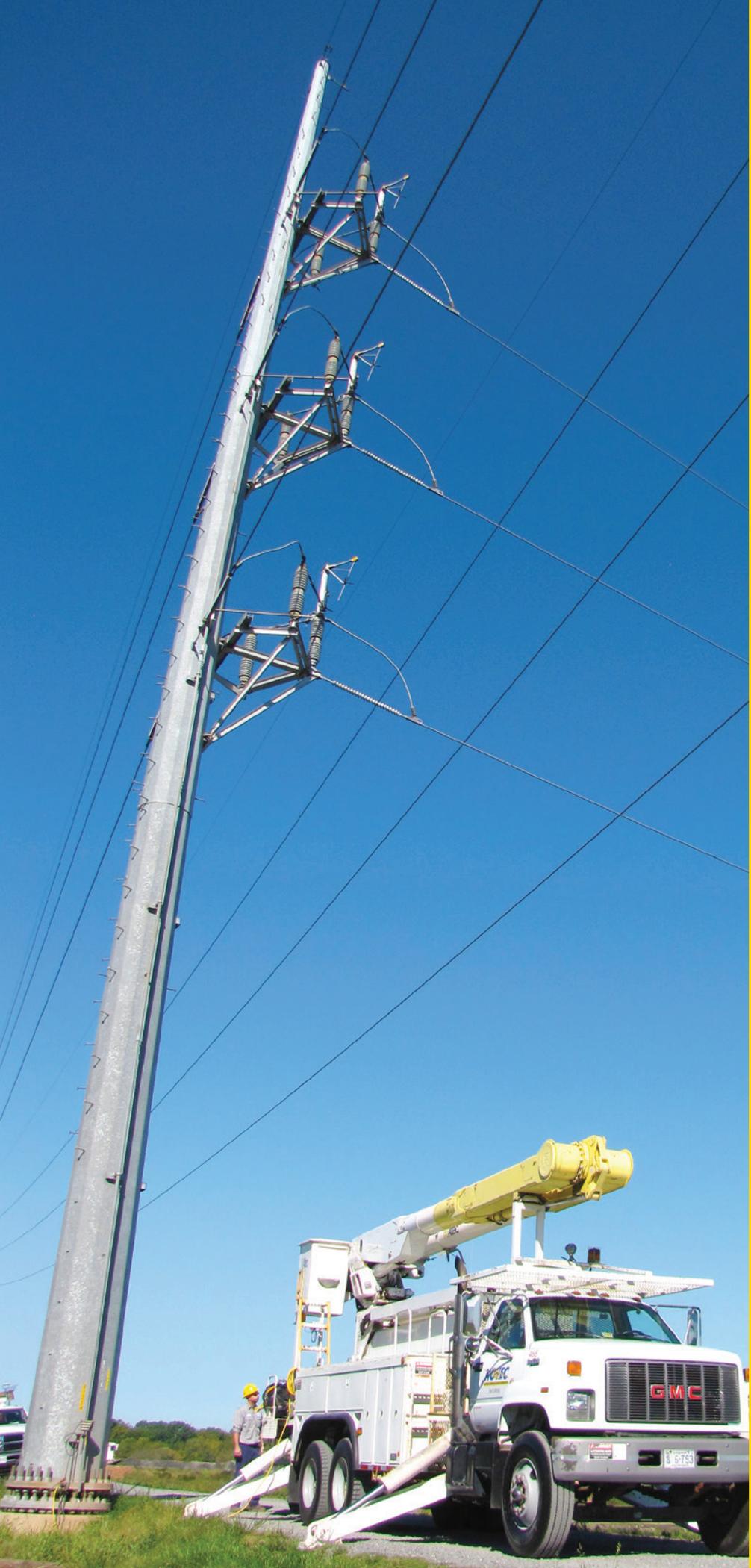


Allocation of Cost of Electric Service Dec. 31, 2015



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, or at any USDA office, or call 1-866-632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter by mail to U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax 202-690-7442, or email at program.intake@usda.gov.





CONTACT INFORMATION:

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

NOVEC



www.novec.com