

Central Alabama Electric Cooperative 2002 Annual Report



Equipment for setting electric poles has been modernized over the years. In the early days of rural electrification, holes were dug by hand, and poles were hoisted to an upright position manually.

Lighting The Way With Our Communities

Take a drive in the evening, and if you can ignore (well, that's just about impossible) the gold, red and purple hues of the sunset, you might notice the stark silhouette of an electric pole at the top of the hill.

This silent servant was once a sign of progress in rural areas. Today, we take power lines and electricity for granted, but 65 years ago, rural Alabamans lived a far different life. Whether it was cooking over wood stoves, pumping water by hand or suffering summer's heat without even a fan, life was work. Hard work.

Today, those poles and electric lines that connect Central Alabama Electric Cooperative to its members also connect our members to a better quality of life. CAEC's 65th anniversary theme, "Lighting The Way With Our Communities," is a reflection of our commitment to serving our members

and region as a leader in improving the lives of its people.

Our members and the people of central Alabama view CAEC as a reliable partner in building communities – whether we're providing quality electrical service, outstanding customer service or leadership in strengthening our region.

You can count on CAEC not only to keep the power on, but also to deliver service, satisfaction and neighborly help. We're locally owned, by you, and we're proud of our reputation, integrity and accountability, two of our core values. You can depend upon CAEC to live up to two other core values — commitment to community and innovation – by partnering with others to improve our quality of life and constantly seeking ways to enhance our service to benefit our members.

Engineering and Operations

The primary function of engineering and operations is to plan, construct, operate and maintain our electrical system so that you receive reliable, quality power in a cost-effective manner.

The past two years, the average customer had power on 99.998 percent of the time. Outage times have been reduced significantly in number and length by refining our line maintenance and finding ways to locate and repair problems.

One of the major factors for ensuring reliability is vegetation management. Trees and animals are major culprits in causing outages. In 2002, CAEC cleared 1,800 miles of line, trimming trees and keeping our right of ways cleared.

While trees and kudzu seem to grow steadily every year, CAEC experienced reduced home construction in 2002 due to the economy. At year-end, CAEC had 36,391 active services for a net growth of 2 percent. While this is





Before the days of computers and even calculators, bills were produced and posted by hand.

average growth for some utilities, it was a slower rate than in the past decade for CAEC. We anticipate revitalized growth the remainder of this decade, however. CAEC connected 1,537 new services in 2002. We're proud of our relationship with developers and builders who rely on your cooperative for responsive service from our engineering, operations and marketing departments.

Financials

Our growth and the need to rebuild facilities increased our investment in total utility plant from \$102 million in 2001 to \$108 million at the end of 2002.

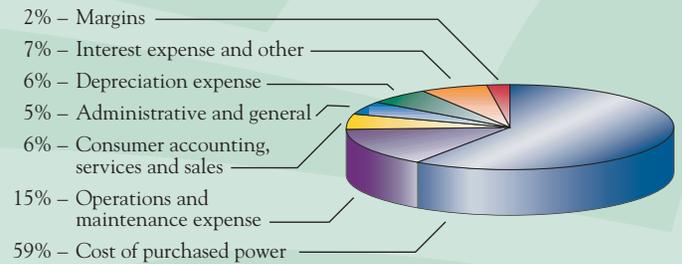
Average wholesale power cost in 2001 and 2002 was 4.6 cents per kilowatt-hour vs. 4.3 cents in 2000. Wholesale power costs have been increasing principally because of rising natural gas prices incurred by our supplier, Alabama Electric Cooperative. Unfortunately, natural gas supplies lag behind demand nationwide, and higher prices are forecast for the remainder of 2003.

CAEC's operating margins for 2002 were \$1.04 million. In a cooperative, margins are owned by the membership, so this becomes part of your ownership in CAEC. As of December 31, 2002, members had \$36 million invested in the cooperative. Periodically the cooperative retires a portion of this patronage capital. CAEC has returned \$3.8 million in patronage capital to its members.

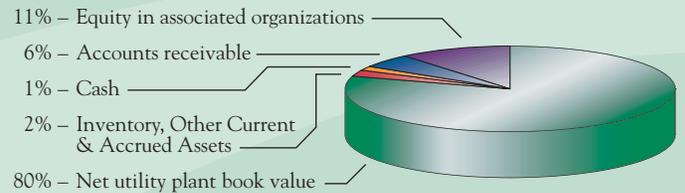
Consumer Service

The hallmark of great companies is an ability to exceed customer expectations. We strive to make your contacts with CAEC efficient, friendly and convenient. Our members are individuals with personal preferences. Many like face-to-face interaction, while others opt to pay their bills with automatic bank drafts or over the Internet. The key is that CAEC offers several options, again demonstrating that you can rely on us to be responsive to changing member needs. *continued on next page*

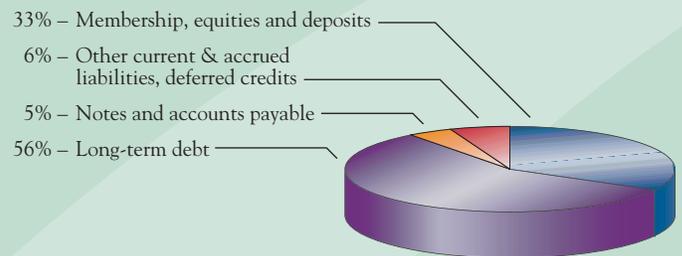
What Makes a KWH



Assets



Liabilities and Member Equity



Central Alabama Electric Cooperative 2002 Annual Report (cont'd)

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Our outage reporting system has been improved over the years, including an upgrade in 2002. It allows our members

to be assured that they will be able to report an outage or reach our office rather than hear a busy signal.



Central Alabama Electric Cooperative's office formerly was in downtown Prattville. It was common in those days, and still is for some folks, to call us "the REA". The Rural Electrification Administration (REA) served as the co-op's source of low-interest loans.

Energy Efficiency and Safety

CAEC members also count on their cooperative for assistance with energy efficiency and home electrical questions. CAEC continues to offer members incentives for building energy efficient homes, as well as day-to-day advice on saving money on their electric bills. CAEC also assists members in protecting appliances, electronics and computers with its lightning protection devices.

Your cooperative not only provides extensive safety training for its employees, but also offers education to the public. We supply speakers for organizations and publish printed materials targeted for specific audiences. A tabletop electrical demonstration shows the potential dangers of electricity and is used extensively with community groups and schools.

Community and Economic Development

Just as CAEC improved the quality of life in rural central Alabama 65 years ago, today's cooperative leadership is investing in communities in new ways.

We are investing in economic development organizations, education, leadership classes, youth programs and

grassroots community action groups. CAEC strives to form partnerships with organizations that build the infrastructure that support our communities' quality of life. These partnerships will continue to be vital to our future as we work together to "light the way with our communities."

The Future

Tomorrow will bring new challenges; it always does. CAEC has adapted to changing member needs, regulations and energy issues. One constant has been our devotion to being a reliable

service provider and energy partner. As a member-owned cooperative, our focus is on you, and we remain committed to meeting your needs.



Management Letter

Lighting The Way With Our Communities

For 65 years, Central Alabama Electric Cooperative has endeavored to be a highly valued service company, as well as a committed partner with our members and their communities.

CAEC members have been able to depend upon their cooperative for reliable, efficient, friendly service. We believe this is attributed to the excellent leadership that went before us and to the dedicated employees who worked and continue to work within the philosophy of the cooperative principles.

As a partner with our members and working with the leadership of our communities, counties and the state, we have been able to participate in improving the quality of life for this area. After all, the formation of CAEC was a partnership among neighbors to bring electricity and a better way of life to rural areas. By nurturing and growing that partnership over time members have been able to purchase power at competitive rates with good, dependable service.

That philosophy extends to the present as we continue to partner with today's business, community and elected leadership in the areas we serve. Our communities, whether rural or more urban, are interdependent on one another. We're trying to help them continue to improve the quality of life, just as it has been done for 65 years.

We have had a strong history to work from and because of the special, on-going commitment to outstanding electric service and the overall well-being of the region we serve, we selected "Lighting the Way With Our Communities" as the theme for our 65th anniversary.

Please join us in renewing our commitment to improving the lives of CAEC members and the communities in which we all live. Set aside Friday evening, Aug. 8, and come to Central Alabama Electric Cooperative's annual meeting. See old friends, learn about your cooperative and enjoy the fun.



Chase Riddle
Chairman, Board of Trustees



Tom Stackhouse
President and CEO



Statement of Financial Condition

as of Dec. 31, 2002

Assets	2002
Total utility plant	\$108,241,016
Less accumulated depreciation	20,366,797
Net utility plant book value	\$87,874,219
Equity in associated organizations	11,814,705
Cash	1,297,517
Accounts receivable	6,459,949
Material in inventory	816,466
Other current and accrued assets	140,534
Deferred charges	1,296,899
Total Assets	<u>\$109,700,289</u>

Liabilities and Member Equity

Membership, equities and deposits	\$35,999,204
Long-term debt	62,161,200
Notes and accounts payable	5,256,074
Other current & accrued liabilities	3,653,214
Deferred credits	2,630,597
Total Liabilities and Member Equity	<u>\$109,700,289</u>

Statement of Operations

Revenue

Electric revenue	\$46,762,343
Other operating revenue	1,755,632
Total revenue	<u>\$48,517,975</u>

Expenses

Cost of purchased power	\$28,822,651
Operations and maintenance expense	7,209,624
Consumer accounting, services and sales	2,825,728
Administrative and general	2,445,811
Total operations and maintenance expense	<u>\$41,303,814</u>

Depreciation expense	\$2,965,699
Interest expense	3,205,171
Other deductions	7,217
Total cost of electric service	<u>47,481,901</u>

Interest income	80,472
Capital credits from associated organizations	<u>471,250</u>

Patronage capital	<u>1,587,796</u>
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Note: These unaudited figures came from the close of CAEC's 2002 books.
Copies of the Official Audit Report are available for inspection upon request.

Board of Trustees

Chase Riddle, *Chairman*
Prattville

Jimmie Harrison, Jr., *Vice-Chairman*
Maplesville

Ruby Neeley, *Secretary-Treasurer*
Jemison

C. Milton Johnson, *Past Chairman*
Statesville

Patsy M. Holmes
Wetumpka

Charles McEwen
Rockford

Terry Mitchell
Stewartville

Van Smith
Billingsley

Don Whorton
Wetumpka

Management Team

Tom Stackhouse, *President/CEO*

Bill Scanlan, *Vice President*
Engineering and Operations

David Loe, *Vice President*
Finance and Corporate Services

Arnelle Adcock, *Vice President*
Customer Service and
Business Development

Julie Young, *Coordinator*
Administrative Services

Stop lightning inside



and outside your home!

When storms rumble across Alabama, lightning is looking for a place to strike. Now you can protect yourself from the cost and inconvenience of losing appliances and electronics that can be damaged by surges from both inside and outside your home.

Lightning can enter your home at least three ways:

Electric Lines ● Telephone Lines ● TV/Cable/Satellite

Central Alabama Electric Cooperative offers members protection on all three sources.

CAEC's lease program allows you to have complete protection for just \$5 to \$10 per month for most homes. The equipment is high quality, and the warranty program is excellent.

Lightning damage is not only expensive but also inconvenient. First, you must track down estimates for repair. Also, you lose the use of your appliances (air conditioning, stove, refrigerator etc.) or electronics, such as a television or computer.

Call CAEC, and we will suggest a personalized package of protection that fits your needs.



**Central Alabama
Electric Cooperative**

A Touchstone Energy® Cooperative



Phone: (800) 545-5735 or stop in weekdays

Prattville: 7 a.m.-5 p.m.

Clanton: 7:30 a.m.-4:30 p.m.

Wetumpka: 7:30 a.m.-4:30 p.m.

Rockford: 7 a.m.-4 p.m.

WETLANDS...



OUR MOST PRECIOUS NATURAL RESOURCE

Wetlands were once considered mosquito-infested swamps with little value to humans. Today, we understand that wetlands are vital to the health of our planet. Home to hundreds of wildlife species, wetlands are our most productive ecosystems. They serve as natural filters, purifying our water sources. Wetlands also help control flooding and provide recreation areas for millions of Americans.

But today we're losing wetlands at an alarming rate. The United States has lost more than half of its original wetlands and continues to lose more than 100,000 wetland acres every year.

For more than 65 years, Ducks Unlimited has been restoring, protecting and managing North America's wetlands and other wildlife habitats. Help us continue to conserve our most precious wild places. Join Ducks Unlimited today.



Call 800-45-DUCKS
or visit DU's
Website at
www.ducks.org
to see how you
can help.