

CENTRAL ALABAMA ELECTRIC COOPERATIVE

A Touchstone Energy® Cooperative 

IT'S ALL ABOUT

You



Central Alabama Electric Cooperative (CAEC) was created “of, by and for our members.” That’s one of the things that makes CAEC truly unique. We work hard at putting you first, and we’ve been doing it the same way since our doors opened in 1939. After all, it’s all about you.

As an electric cooperative, our job is to deliver reliable electric service to the homes and businesses in our 10-county service area in central Alabama. But without you, we cannot deliver the first kilowatt. Local people founded CAEC.

Local people now decide what is best for our community. And local people measure our performance. This business is your business.

Because CAEC is owned and locally-run by member-owners, you provide the power — the strength, might, force and energy — that enables us to deliver that electricity. *It’s all about you.*

You will notice throughout this 2005 Annual Report — as with all we do — that the focus is on you. Rest assured we know that the power of membership is in your hands.

It seems like such a simple thing – flip the switch and the lights come on. Drop in a slice of bread, and the toaster makes your breakfast. Push the TV remote, and watch the evening news. Ordinary, everyday events. All made possible by electricity.

Employees at CAEC work hard to make sure you continue to enjoy the conveniences of a dependable supply of electric energy. They dedicate their workdays to ensure you receive reliable, quality service that provides value and a higher standard of living. These employees are committed to you. After all, for member-owned cooperatives, it's all about you.

In 2005, we weathered another year of major hurricanes and addressed rising wholesale power costs. However, we continue to move forward, understanding where we are and visualizing where we need to be.

CAEC developed a strategic plan in 2004 and adopted focus areas that would measure progress. We wanted an approach that balanced how well we delivered service (quality), what you received for what you paid (value) and how your organization would remain financially stable in the future (sustainability).

Within each of these three areas are activities and statistics that were our concentration in 2005 and will continue to be for the next four years.

YOUR OWNERSHIP OF CAEC

Member equity is that portion of CAEC's assets you own. CAEC's equity goal is 34 percent by 2009. At the end of 2005, your equity in CAEC was 33.7 percent. Equity is increased when all bills are paid and margins remaining at the end of the year are invested in the company. Your share of those margins becomes your capital credits. Equity is decreased when these capital credits are returned to you. In December 2005, \$350,000 in capital credits was returned to members. Since 1994, \$4.65 million has been paid back to the members.

HERE'S WHAT YOU TOLD US

Through member attitude surveys, you told us about our performance and your level of satisfaction. With this information, we were benchmarked with 190 of the leading corporations in America through the American Customer Satisfaction Index (ACSI). CAEC scored 86, while Touchstone Energy cooperatives nationwide as a group scored 80. A group of top investor-owned utilities had an average score of 79. The electric utility industry average was just 73. Your feedback showed us that CAEC met your expectations when compared to other groups by a statistically significant margin. Your input through random

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◀ EXECUTIVE REPORT ▶

Value. When you experience it, you know it.

Value means paying a fair price for something that provides us with benefits we need or appreciate.

CAEC strives to deliver value by providing electric service at a fair price, while maintaining quality and the sustainability of the co-op. The benefits you receive are comfort and convenience, even though electricity often works for you silently, and unnoticed.

And we want to do more by making sure we provide reliable service, exceptional customer care, helpful ideas on how to save energy and a commitment to making communities better places to live and work.

As you review this annual report, keep in

mind that our values – *accountability, integrity, innovation, commitment to community* – are driven by the core, you the member-owners of the cooperative. You are our focus.

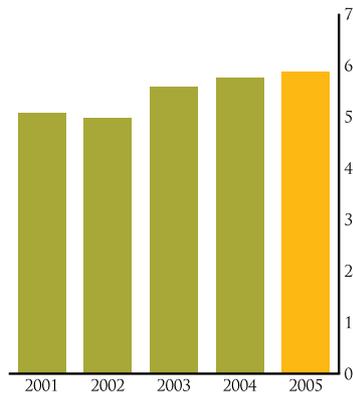


TOM STACKHOUSE
PRESIDENT/CEO

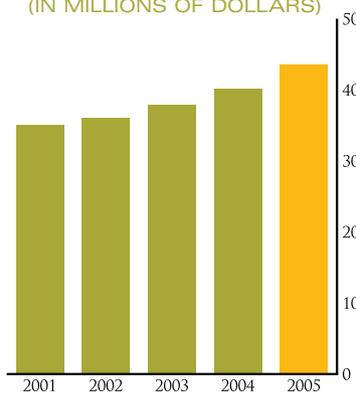
CHASE RIDDLE
CHAIRMAN/BOARD
OF TRUSTEES

It's all about you.

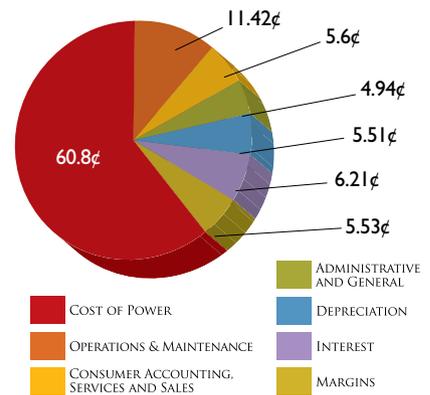
WHOLESALE POWER COST (IN CENTS PER KWH)



EQUITY/OWNERSHIP OF CAEC (IN MILLIONS OF DOLLARS)



WHERE YOUR DOLLAR GOES



quarterly surveys will help us keep improving.

YOU EXPECT RELIABLE ELECTRICITY

For the last several years, your cooperative has conducted aggressive maintenance and vegetation management programs, which have resulted in better reliability of your power quality. In our strategic plan, we set a goal of having your power on 99.989 percent of the time. However, our chance of reaching that goal was diminished by two hurricanes in 2005. Not counting the hurricanes, CAEC's outage duration was only one and a half hours per member, or 99.983 percent. Even with the hurricanes, the average outage

time was less than seven hours per member for the year.

DIVERSITY OF LOAD MEANS LOWER COST FOR WHOLESALE POWER

Our goal is to increase commercial/industrial sales, which helps stabilize wholesale power costs. In 2005, 14.39 percent of sales were to businesses. Our goal for 2009 is 18 percent.

YOUR POWER GENERATION

Load factor is a measurement of the efficiency at which we are using our power generated at Alabama Electric Cooperative. CAEC can have a positive effect on its wholesale power costs by improving load factor.

PEOPLE WITH SOLUTIONS

Being customer-focused is a hallmark of being a member-owned cooperative. You are not just a customer. You are the people we work for – the reason we are here.

Customer service representatives (CSRs) like Kim



CSR Kim Bavar, like all CAEC employees, is committed to providing excellent customer care.

Bavar are efficient, customer-focused employees. She, like all CAEC employees, is trained on every aspect of customer care.

She and her fellow CSRs handle a multitude of jobs each month, including:

- Creating 39,000 bills;
- Answering 7,000 phone calls;
- Processing 5,500 service order requests;
- And providing information to help members be wise energy users.

“One of the keys to our organization’s success is having excellent CSRs on the frontline,” said Manager of Customer Service Chuck Billings. “We are fortunate to have such a dedicated group of CSRs serving our members on a daily basis. Many times, our members’ transactions begin with our CSRs, whether it’s signing up for service, paying a bill or calling for information on how to save money each month. Being customer-focused means listening to member needs and working to meet those needs every day.”

Increasing sales to businesses is one method. Also, with you in mind, CAEC has residential marketing programs, such as Dual Fuel, aimed at preserving sales while providing members the most efficient use of both energies. This improves our load factor and decreases costs.

SAFETY IS OUR WAY OF LIFE

The number one goal of CAEC and its employees is to work safely and go home to our families in the same condition we arrived. Our goal will always be to maintain a record of zero lost-time accidents.

All of our benchmarks and goals are aimed at measuring the reliability and quality of our service, as well as the financial stability of the company you own.

PEOPLE WITH PLANS

Planning and building a modern electric distribution system for some of the fastest growing counties in Alabama is no easy task. Just ask CAEC's Vice President of Engineering and Operations Jimmy Gray.

"It takes about three years from start to finish a substation from planning, acquiring land, securing right-of-way and the actual construction," Gray said. "We have to stay on top of our load forecasts and plan ahead so our customers get the kind of service they deserve."

Since 1995, CAEC has seen the demand for electricity increase by 63 percent. This growth in electric use means CAEC must constantly plan for building or upgrading its substations and lines. CAEC's planning ensures that you have a reliable power supply.

CAEC forecasts such growth in a 20-year work plan that is updated every 10 years and operates from a four-year construction plan.

The current plan forecasted the need for new substations in 2006 and 2007 in the Thorsby and Millbrook areas – bringing the number of CAEC substations to 22.



PEOPLE PROVIDING EFFICIENCY

Efficiency, comfort and savings are the things Stephen and Tammy Lewis of Deatsville looked at when they built their 2,417 square-foot-home in Richfield in 2005. With that in mind, they chose a Dual Fuel heat pump.

This is the Lewis' third home in Richfield. The two previous homes, which were under 1,900 square feet, had air-to-air heat pumps. This time, they asked CAEC Energy Advisor Alice Bradshaw about Dual Fuel.



CAEC Energy Advisor Alice Bradshaw (far right) helps members, like Tammy and Stephen Lewis of Deatsville (shown with son, Dillon), make wise energy choices.

"After talking to Mrs. Bradshaw and builder Harold Wilson, I knew putting a Dual Fuel system in our home was the best choice," said Stephen. "The quality of service we have received from the cooperative has been wonderful."

"A Dual Fuel system uses a heat pump to cool in the summer and heat during moderately cold weather in the winter," said Bradshaw. "When the temperature dips below freezing, a gas unit added to the heat pump takes over. With Dual Fuel, you get the best of both types of energy sources when they are most efficient – electricity and gas."

CAEC also has provided energy advice to Stephen's parents, Larry and Janet Lewis, who live in Cedar Gates in Autauga County. "They love their Dual Fuel system," Stephen said.

STATEMENT OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2005

ASSETS

Total Utility Plant	\$129,537,393
Less Accumulated Depreciation	< 27,386,280 >
Net Utility Plant Book Value	\$102,151,113
Equity in Associated Organizations	14,195,250
Cash	723,114
Accounts Receivable	10,176,139
Material in Inventory	699,528
Other Current and Accrued Assets	9,600
Deferred Charges	1,229,381
Total Assets	<u>\$129,184,125</u>

LIABILITIES AND MEMBER EQUITY

Membership, Equities and Deposits	\$43,492,726
Long-term Debt	74,736,217
Notes and Accounts Payable	7,100,759
Other Current & Accrued Liabilities	3,688,917
Deferred Credits	165,506
Total Liabilities and Member Equity	<u>\$129,184,125</u>

STATEMENT OF OPERATIONS

REVENUE

Electric Revenue	\$61,723,396
Other Operating Revenue	2,039,909
Total Revenue	<u>\$63,763,305</u>

EXPENSES

Cost of Purchased Power	\$39,441,540
Operations and Maintenance Expense	7,407,798
Consumer Accounting, Service & Sales	3,631,594
Administrative & General	3,201,222
Total Operations & Maintenance Expense	<u>\$53,682,154</u>

Depreciation Expense	\$3,573,669
Interest Expense	4,007,731
Other Deductions	17,779
Total Cost of Electric Service	<u>\$61,281,333</u>

Interest Income	135,427
Capital Credits from Associated Organizations	967,478

Patronage Capital	<u>\$3,584,877</u>
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NOTE: These unaudited figures came from the close of CAEC's 2005 books. The Official Audit Report for fiscal year ending April 30, 2006, will be available for review after the annual meeting.



BOARD OF TRUSTEES

(SEATED, LEFT TO RIGHT)

Ruby J. Neeley - Secretary/Treasurer, Jemison

Patsy M. Holmes - Wetumpka

(SECOND ROW, LEFT TO RIGHT)

Don Whorton - Wetumpka

Jimmie Harrison Jr. - Vice Chairman, Maplesville

Terry Mitchell - Stewartville

Chase Riddle - Chairman, Prattville

(THIRD ROW, LEFT TO RIGHT)

Van Smith - Billingsley

C. Milton Johnson - Statesville

David Kelley Sr. - Rockford

Charles Byrd - Deatsville

MANAGEMENT TEAM

Tom Stackhouse - President/CEO

Arnelle Adcock - Vice President, Customer Service
and Business Development

Jimmy Gray - Vice President, Engineering
and Operations

David Loe - Vice President, Finance and
Corporate Services

Julie Young - Vice President, Administrative Services