Our history as a cooperative—focused on serving our members—has been the vehicle that has carried us to this moment, and the members have benefited. Three quarters of a century is a significant milestone for any company and we want to recognize the events in our history.

Today, the investments we make in new technologies, increased customer services and a solid infrastructure contribute to the reliability and affordability needed to keep the power on for our members. That commitment to you is the driving force behind every decision we make; it has been for 75 years.

The future outlook as an electric cooperative is an increasingly volatile industry, particularly as the current Administration and the Environmental Protection Agency (EPA) attempt to propose stricter regulations on future and existing power plants. Last year, the EPA was scheduled to release proposed regulations aimed at reducing greenhouse gas (GHG) emissions from existing power plants by June 2014. On June 2 of this year, new standards were released. In doing so, the EPA made critical assumptions with limited input from the industry. The new rules require each state to coordinate its own fuel mix by deciding how much coal, natural gas, nuclear and renewable energy it will use. Because the reduction goals are state-specific, Alabama has the daunting mission to achieve a 26.7 percent reduction in CO2 emissions from 2012 levels by 2030. If enforced, this regulation will dramatically affect coal-fired power plants, resulting in higher energy costs and significant rate increases, not to mention an over-reliance on one fuel, natural gas. We believe serious consequences will follow for our communities.

Most studies estimate that this rule will cost the U.S. economy more than $50 billion per year and will take away more than 200,000 jobs per year. Added costs to consumers annually are estimated at $13 billion to $17 billion. A regulation of this magnitude should not be enforced by a regulating agency like the EPA, but should go through the elected body of Congress. The rule is believed to be an effort by the EPA and the current Administration to drive coal from the generation mix through regulation rather than legislation.

And at its best, most scientists, whether they believe humans are changing the environment or not, agree that this rule will have insignificant effects on global CO2 emissions since U.S. coal plants are responsible for only 1.6 percent of global GHG emissions, compared to China and India together producing more than 20 percent of global GHG emissions.

Coal remains the cheapest, most abundant fuel and is used to produce approximately 40 percent of the nation’s electricity, more than any other fuel. It contributes to stable prices for our cooperative and uninterrupted power when demand spikes, as was proven in the case of winter 2013.

As a repercussion of the EPA’s carbon emissions proposal for existing power plants, 41 U.S. Senators – including Alabama’s Jeff Sessions and Richard Shelby – have signed a letter strongly urging the Administration to withdraw the rule. For this round of regulations, which involve existing power plants, a 120-day comment period was called for and has been granted and we will again have the opportunity to help influence this decision. The EPA will accept comments on the rule in public forums through August 1, 2014, and will issue a final rule by June 1, 2015.

There are ways we can speak out—join us and the other half million people who have made comments through the Cooperative Action Network and the website Action.coop. Ask the EPA to stop implementing costly new regulations that have little environmental impact. Request a balanced fuel mix for our nation’s electricity production. No matter what the challenge, the cooperative has remained focused on its mission to deliver safe, reliable energy at an affordable price over the decades. We look forward to serving you for many more years to come.

Tom Stackhouse
President/CEO

Chase Riddle
Chairman, Board of Trustees
Every year, Central Alabama Electric Cooperative issues an Annual Report, informing you, the member, of what was accomplished in the past year in our ongoing endeavor to exceed your expectations. It also serves as a report on our financial standing (page 8) and how we make certain our delivery of power is reliable and cost efficient. As we recognize 75 years of service, the following summary gives highlights of the past year.

CUSTOMER SERVICE

Identifying innovative ways to better serve our membership is at the forefront of CAEC’s strategic plan. All customer service interactions should be seamless, convenient and flexible to meet your busy schedule, whether face-to-face, on our website, or on your smart phone.

The development of technology is perpetual in the world in which we live and CAEC is constantly researching better ways to serve our members. New innovations have allowed CAEC to expand customer service opportunities to 24 hours a day, seven days a week.

In October 2013, CAEC re-opened its Rockford service center in a new facility, which provides our members added conveniences. The full service office offers a front counter for walk-ins, a drive-through and a lighted night drop to accept payments after normal business hours.

Coming soon in 2014 to our Wetumpka and Clanton service centers will be the addition of full service kiosks allowing you to save time. These kiosks will also be available after normal business hours.

Implementing new services and continuously looking for opportunities to improve your experience is only part of our responsibility as your electric cooperative. It’s critical for CAEC to measure your customer service experience on a regular basis. We do this monthly by surveying members who have had interaction with us. These contact surveys, combined with polling our general membership, provide us with the crucial feedback, negative and positive, so we can meet your ever-changing needs. We appreciate your participation and we are proud to say that our American Customer Satisfaction Index (ACSI) scores, based on your responses, are well above the utility industry national average.

OPERATIONS UPGRADES

We are committed to maintaining, constructing and upgrading our existing infrastructure for system reliability and as growth and improvements in technology occur. We have invested $29.7 million in system upgrades over the last five years as part of our long-range work plan. This includes the construction of three substations in the Statesville, Kingston and Wetumpka communities and the completion of five substation upgrades with the Titus, Friendship, Stewartville, Evergreen and Jones substations.

As we look to the future, reliability will always be a top priority.

Photo: Friendship substation
SAFETY

Over the decades, we have cultivated a philosophy of safety, adapting to procedural modifications, equipment improvements and newly recognized hazards.

A few years ago, we were recognized as a High Performing Cooperative (HPC), and as such, we were invited to take part in a safety performance study of the top 20 High Performing Cooperatives in the nation.

In 2012-2013, a similar research project, sponsored by Federated Rural Electric Insurance Exchange, explored the culture of safety in electric cooperatives in Alabama.

Nineteen of the 22 Alabama cooperatives provided their data, which was combined with statistics from 75 Investor Owned Utilities (IOUs) nationwide. As a result, CAEC was ranked as one of the best performing co-ops in Alabama when it comes to safety.

Although extensive safety training is provided for all employees, cooperative personnel also offer education to the public. Employees speak to civic organizations and a tabletop electrical demonstration is utilized with schools and community groups to show the potential dangers of electricity.

Promoting a culture of safety is a continuous process, and CAEC works in conjunction with our statewide organization, Alabama Rural Electric Association, and national affiliate, National Rural Electric Cooperative Association, as well as other cooperatives to investigate related developments that contribute to our improvement process.

MEMBER ENERGY EFFICIENCY

CAEC has promoted energy efficiency measures for many years now and will continue to offer cost control options that help you manage your energy usage.

We continued our Peak Shaving program, allowing members to partner with CAEC in an effort to target our wholesale power costs and help avoid the need to build and operate an additional and expensive peak power plant. Last year, 308 additional members helped to delay water heater demand to off-peak times.

With our Home Energy Audit Program, members can troubleshoot areas that may be wasting energy dollars. Our certified energy auditors conduct audits to help members identify common areas of energy loss, such as insulation, air infiltration and more. Sixty-four members received energy audits in 2013. Some of those members took advantage of our Efficiency Loan Program, which offers a low-interest loan option for home efficiency improvements through a partnership with PowerSouth and Regions Bank.

To learn more about any of these efficiency programs, see the back inside cover of this magazine for more details, visit our website, www.caec.coop or call 1-800-545-5735, ext. 2118.
CAEC PLANS TO BUILD NEW HEADQUARTERS

In addition to our ongoing infrastructure upgrades, we have followed a long-term plan to build new, more efficient buildings for our operations and customer service centers. Now that those facilities have been constructed, it is time to build a new headquarters.

The current structure was built more than 45 years ago and housed 14 staff members. Today 55 employees occupy the building.

In 2013, the CAEC Board of Trustees approved plans for a new headquarters to be located on five acres adjacent to U.S. Highway 31 and owned by CAEC. The headquarters will be the fifth building in the Interstate Business Park.

Total square footage for the two-story structure is 53,470 square feet (36,210 office/meeting space, including a community room and 17,260 square feet for tenant space). The available tenant, or “shell space,” will be available for lease to other businesses with the intent of aiding in job recruitment to the area. After the completion of the new headquarters, projected for mid-year 2015, we plan to finalize the sale of the existing building.

ECONOMIC AND COMMUNITY GROWTH

CAEC is committed to helping our communities grow and progress – and partnering with the business community and local, state and federal government leaders play a key part in the success we collectively accomplished in 2013.

Real estate in the Pine Level community was leased to the Autauga County Recreation Board for the purpose of constructing and operating a recreational complex and walking trails. Currently, the Autauga County Recreation Board is seeking grants and private investment for the park.

In Chilton County, an Advanced Manufacturing Academy will begin this fall at LeCroy Career Technical Center (LCTC). Last year we partnered with the Workforce Development Committee of the Chilton County Chamber, and we will continue with this program.

The Lowndes County Economic Development Commission was formed and we were instrumental in the development of this committee. This is a public and private partnership to attract new business and industry to the county, as well as partner with existing industry to meet their needs. The group represents every town, the county, businesses and utilities of Lowndes County with hopes to generate jobs and tax revenues to help provide better services and more funding for education.
**Statement of Financial Condition** as of Dec. 31, 2013

**Assets**
- Total Utility Plant: $204,362,361
- Less Accumulated Depreciation: (44,547,329)
- Net Utility Plant Value: 159,815,032
- Equity in Associated Organizations: 36,933,449
- Cash: 2,238,189
- Temporary Investments: 211,323
- Accounts Receivable: 11,650,392
- Prepayments: 3,387,946
- Material in Inventory: 795,085
- Other Current and Accrued Assets: 29,788
- Deferred Charges: 5,987,661
- Total Assets: $221,048,865

**Liabilities and Member Equity**
- Membership, Equities and Deposits: $85,795,988
- Long-term Debt: 115,471,031
- Non-current Liabilities: 2,182,319
- Notes and Accounts Payable: 5,320,829
- Other Current & Accrued Liabilities: 9,494,610
- Deferred Credits: 2,784,088
- Total Liabilities and Member Equity: $221,048,865

**Statement of Operations**

**Revenue**
- Electric Revenue: $84,524,191
- Other Operating Revenue: 2,535,170
- Total Revenue: $87,059,361

**Expenses**
- Cost of Purchased Power: $53,747,817
- Distribution & Operation Maintenance: 9,196,564
- Consumer Accounting, Service & Sales: 5,505,889
- Administrative and General: 5,026,047
- Total Operations & Maintenance Expense: $73,476,316
- Depreciation Expense: 5,529,251
- Interest Expense: 5,202,188
- Other Deductions: 16,475
- Total Cost of Electric Service: $84,224,230
- Total Operating Income: $2,835,131
- Interest Income: 596,894
- Income from Equity Investments: 177,857
- Capital Credits from Associated Org.: 2,596,905
- Patronage Capital: $6,206,787

Note: These unaudited figures came from the close of CAEC's 2013 workbooks. The Official Audit Report for fiscal year ending April 30, 2013, will be available for review after the Annual Meeting.

**BOARD OF TRUSTEES**
(Pictured from Left to Right)
- C. Milton Johnson, Statesville
- Jimmie Harrison Jr., Vice-Chairman, Maplesville
- Terry Mitchell, Stewartville
- Patsy M. Holmes, Wetumpka
- Ruby J. Neeley, Secretary/Treasurer, Clanton
- Charles Byrd, Deatsville
- Mark Presnell Sr., Wetumpka
- David Kelley Sr., Rockford
- Chase Riddle, Chairman, Prattville
- Van Smith, Billingsley

**MANAGEMENT TEAM (Not Pictured)**
- Tom Stackhouse, President/CEO
- Julie Young, Vice President, Business and Administrative Services
- Chuck Billings, Vice President, Customer and Energy Services
- Jimmy Gray, Vice President, Engineering and Operations
- David Loe, Vice President, Corporate and Financial Services
For five decades, NRECA International has provided people in developing countries with access to safe, reliable and affordable electricity. Since 2010, CAEC has been an active participant in the program, sending journeyman linemen to the city of Guastatoya, Guatemala, and then to Puerto Barrios, Guatemala, in 2012 and 2013.

In the past year, we donated some much needed equipment, including a used digger derrick truck that was being retired from the cooperative’s service fleet. CAEC journeyman linemen even helped train linemen in Puerto Barrios on how to safely and properly use the donated equipment, including the digger derrick and a bucket truck that another cooperative had contributed.

In July 2013, a small group of CAEC journeyman linemen joined forces with one of AREA’s safety directors and Covington Electric Cooperative linemen for a two-week assignment in Puerto Barrios. The project involved building a seven-mile single phase line from the city up a mountainside to the small villages of Mirador, Tamarindal and Castanal, where 65 families (approximately 300 people) received central station electricity for the first time.

As part of the NRECA International program, the NRECA International Foundation recruits U.S. co-op employees to volunteer for these types of two-week assignments and covers all the costs directly related to the trip. In the last 50 years, these electrification programs have resulted in increased agricultural productivity, millions of new jobs in micro and small enterprises, higher incomes and improved quality of life for people in rural communities around the world.

CAEC will continue efforts with the NRECA International program to help these disadvantaged villages get power and provide proper training for their crews on how to better utilize vehicles and equipment and how to install material safely and correctly.

You can find more information about the NRECA International Program at:
http://www.nreca.coop/what-we-do/international-programs/
How much are you willing to pay for your power???

Decisions are being made in Washington that could affect your power bill...

For the nation’s electric cooperatives, green power is not a new idea. In fact, approximately 700 of the more than 900 co-ops in the country have offered renewable energy options to their memberships for decades.

To hear the current national debate, however, one might think that politicians in Washington, D.C., are the only ones concerned with being green. While they discuss increasing our nation’s green power production, are they keeping its cost in mind? Cooperative members are working together to make sure there’s a balanced approach when it comes to this national debate.

Want to help us keep the cost of energy in front of Congress? You can – by joining the 30,000+ individuals already working together on the Action Committee for Rural Electrification® (ACRE). Membership in ACRE Co-op Owners for Political Action® is easy, and for a couple of dollars a month, you can have a great impact on an important dialogue. Simply give us a call at (800) 545-5735. After you join, your electric bill will display a monthly ACRE membership fee of $2.08.

Yes! Enroll me in ACRE so that MY voice can be heard in our nation’s capital!

I understand a low membership fee of $2.08 will be added to my monthly electric bill.

Name_________________________________ Account Number_____________________

Address_________________________________ Phone Number_____________________

E-mail_________________________________ Signature__________________________

Complete form and mail to: CAEC, P.O. Box 681570 Prattville, AL 36068

You can find more information about the NRECA International Program at: http://www.nreca.coop/what-we-do/international-programs/