

EXECUTIVE

Report

Looking back at the history of Central Alabama Electric Cooperative, we realize it is a rich one. Seventy years ago, local citizens joined together and worked hard so they could have electricity for the first time. It was a huge undertaking, but they got it done. Distributing electricity to everyone who wanted it was the goal. That was the challenge then, and it may become a challenge once again. This time, however, it is a national trial.

With rising fuel cost and potential legislation leading to production and reliability concerns, could electricity once again become a privilege of only a few? There is no doubt that the energy issues of today will affect the way we all use fuel, whether at the pump or in the electricity we purchase. The current national discussions will not only influence the cost of electricity, but the manner in which it is produced and transmitted for the future.

We all know fuel prices are at record highs with no apparent relief in sight. As with the gasoline used by your car, these high costs have an effect on the 12,000 gallons of gas and diesel used by CAEC vehicles each month. Although we have taken action to reduce fuel consumption as much as possible, these vehicles are crucial to the work that keeps power on to consumers who are spread over 5,000 square miles.

In addition to gasoline, all fossil fuels used to generate electricity, specifically coal and natural gas, have significantly increased, forcing your cooperative and all electric utilities to deal with the same pinch as you at the pump. Growing environmental concerns and regulations, combined with already high fuel prices, leave electric utilities grappling

with rising production costs. Even though the kWh cost for wholesale power has nearly doubled, the distribution portion (or CAEC's operating cost) that you pay in your rate has been relatively flat since 2002.

Because there is not just one solution to lowering fuel costs, we understand the significance of keeping you informed. In fact, your cooperative has always strived to be proactive and look out for the interest of its members. While the board and staff continue to provide options that allow total member participation in cooperative business, other important initiatives include educating the membership on energy efficiency, keeping the members' voices heard in Washington, enhancing our use of current technology and developing leaders who can carry on the cooperative way of doing business into the future.

Over the years we have made tremendous efforts to provide dependable service at the lowest cost possible. This was achieved in 2007 as we improved our power delivery to 99.973% and our outage time fell to 1.57 hours/member for the year. In 2007, we further advanced our efforts in taking steps to help you conserve energy and use it more efficiently through technologies, such as the peak shaving device, promoting CFLs and the dual fuel program.

We hope the information in the following report will demonstrate from where we've come, where we are and where we're going. As always, thank you for allowing us the honor to serve you.




Tom Stackhouse
President/CEO


Chase Riddle
Chairman
Board of Trustees

YESTERDAY, TODAY AND TOMORROW...

As we reflect on the winding and successful road of our past and take time to stop and examine the present, we find ourselves considering what the future—perhaps the next seven decades—will bring.

The following pages contain your cooperative's 2007 Annual Report—reflecting on the new and innovative changes 2007 brought to Central Alabama Electric Cooperative. As you read we hope you understand that no matter what changes have occurred in the previous year, or the last 70 years, we have always remained dedicated to you, the member.

GROWTH AND MEMBERSHIP

On Nov. 14, 1939, CAEC's system was energized for a local group of farmers and rural residents. Serving five counties, the system consisted of one substation (Speigner), 478 miles of line and 810 members.

Our present system serves portions of 10 counties, with 22 substations, 5,640 miles of line (544 being underground) and more than 32,000 members (42,000 active meters).

In the first year of operation, CAEC sold 34,924 kilowatt-hours (kWh). Ten years later, the kilowatt-hours increased by 19 percent. By the end of 2007, we sold 668,710,872 kWh-- a substantial increase from 1940.

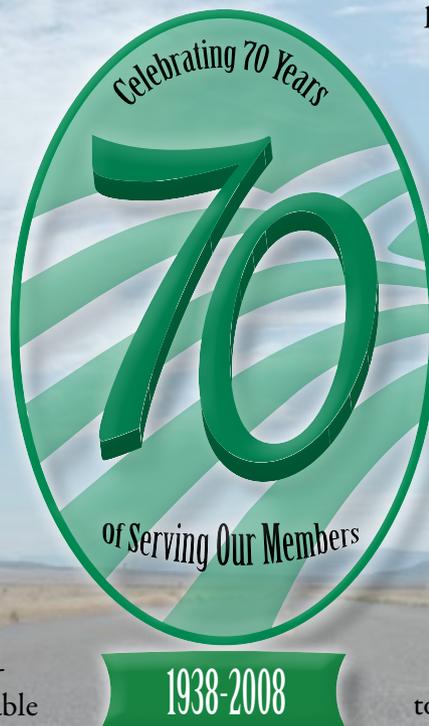
Your cooperative prepares for this type of growth through long-range planning, which is the key to providing sufficient infrastructure and reliable power and service for our members. We will continue to promote the efficient use of electricity and constantly strive for higher standards of electric service while attempting to control cost.

DEMOCRATIC MEMBER CONTROL

For the past 70 years, CAEC has been governed by Cooperative Principle number two: Democratic Member Control. This principle governs the members' right to participate in the cooperative's business by voting on its trustees and any proposed bylaw changes each year at Annual Meeting.

While the month and location for Annual Meeting has changed over the years, the importance of CAEC members coming together and making their voices heard has never wavered. In the 1950s, the meeting was held in October, but in 1962, the date for Annual Meeting was moved to the month of August.

Mail-in ballots, started in 2006, are the newest method of exercising Democratic Member Control. This option allows everyone to have a true voice in the cooperative business, and in 2007, it proved to be a huge success with 2,136 members casting a mail-in ballot. In total, 608 members came to the 2007 Annual Meeting; however, because quorum had already been met through the number of returned mail-in ballots, your cooperative was able to conduct the business meeting, despite record-high temperatures and a smaller attendance.



Yesterday, Today and Tomorrow...

ENERGY EFFICIENCY AND WHOLESALE POWER

CAEC has promoted energy efficiency measures for many years now and is always researching new technologies to benefit members. Even in 2007, the co-op offered several new programs.

The first initiative promoted the use of Compact Fluorescent Lamps (CFLs) to the membership. As the biggest change to the light bulb in more than 120 years, CFLs last longer, use less energy and quickly became a must-have, with CAEC having sold 2,000 CFLs at cost in '07. Now that CFLs are widely available at a reasonable price in discount and home improvement stores, as well as pharmacies, CAEC will no longer sell the bulbs; however, we will continue to take burnt-out or broken CFLs back for recycling at all CAEC offices.

We also introduced the peak shaving device last year. This device works with your electric hot water heater to delay the reheating process to off-peak times. By doing so, we can work to have some control over our wholesale power rates. The program was a huge success despite only being introduced in November, as we had more than 200 members sign up for a peak shaving device in 2007.

Issues affecting your cooperative have changed over the years, but efficiency has long been a top priority. Whether it was looking for measures to save energy in your home or business, 2007 involved some significant developments and there are still more opportunities to come.



A CAEC MEMBER SIGNS UP FOR THE PEAK SHAVING PROGRAM.

STATE OF THE ART TECHNOLOGY

CAEC's use of technology has come a long way. Before computers, a billing clerk hand prepared each member's bill individually on a ledger and dispatching crews required information on paper tickets.

Today's technology allows us to improve customer service by making our processes more efficient. In 2007, we continued to take advantage of technology and enhanced many of our existing computer systems:

- The mapping system was upgraded to a more sophisticated application, allowing us to be more accurate with details of each location on our electrical system.
- In 2003, the "turtle" meter took 24 hours to send a reading to us. The latest automatic meter reading (AMR)

devices are two-way systems providing readings almost instantly. This not only enhances efficiency, it helps pinpoint outages. In 2007, more than half of our system was changed to AMRs.

- Gone are the paper service orders! With the e-Mobile service application, paperless service orders are now transmitted to vehicle computers in the field.

The past year's advancements have improved the way we do business with you, the members. Our challenge is to continually seek ways to utilize technology that enhances efficiency— without losing our human connection...it's a commitment you can count on, 24 hours a day, seven days a week.



CHAIRMAN OF THE BOARD OF TRUSTEES CHASE RIDDLE WATCHES THE STUDENT ACTIVITIES OF 2007 BRIGHT IDEAS RECIPIENT TEACHER CHRISTINA STEELE'S PROJECT.

STRENGTHENING TOMORROW'S LEADERS

Actions taken now have a great impact on our future. That's why we support the youth of today as they prepare to become the leaders of tomorrow.

In 1998, CAEC introduced the Bright Ideas Grant Program to give teachers additional funds to purchase tools for their classrooms that are not covered by traditional funding. In 2007, \$16,000 was given to benefit more than 7,000 students. Since the program's inception, more than 60,000 area students have benefited from \$160,000 in grant monies.

Since 1982, CAEC has also participated in the Youth Tour Program. In 2007, eight high school juniors were selected to tour the state's capital and to attend a leadership camp in Columbiana, Ala. Four of the students were then selected to represent the cooperative on the Washington Youth Tour which took them to the nation's capital to learn about national and cooperative issues.

HISTORY OF GRASS ROOTS ADVOCACY

Electric cooperatives were born through the labor of grassroots efforts—and we continue this tradition by utilizing political action groups and campaigns for our members.

The Action Committee for Rural Electrification (ACRE) was created to represent the interests of the nation's nearly 1,000 not-for-profit electric cooperatives through the National Rural Electric Cooperative Association. Your participation in the ACRE program through Co-op Owners for Political Action ensures that the voice of electric cooperative members remains strong in our nation's capital and state legislatures. 2007 marked CAEC's 42nd year of involvement with ACRE.

The newest grassroots program for electric cooperatives is the Our Energy, Our Future campaign. With the uncertainty of our national energy policy, this campaign allows you, the individual cooperative member, to have a seat at the political table by engaging in a dialogue with your Congressional delegates. Visit www.caec.coop to learn more about these programs and lend your voice through participation.



CAEC LINEMAN WADE COLLIER SHOWS COMMON ELECTRICAL DANGERS WITH AN ELECTRICAL SAFETY DISPLAY.

SAFETY A TIMELESS PRIORITY

At CAEC, safety is a priority at all levels of the organization because an employee going home injured is not an option. To reinforce our commitment to this priority, all employees are required to complete online safety classes each year in addition to hands-on safety training. The benefit of cultivating a safe and healthy work environment contributed in 2007 to CAEC's successful completion of two consecutive years of no loss time accidents.

Another important safety factor is the recognition of achieving high standards in performance and operations—which is why CAEC participates in the Rural Electric Safety Accreditation Program (RESAP). As of 2007, CAEC has been accredited for eight years in this program.

Outside of the co-op, employees perform electrical safety demonstrations for community and school groups as well as emergency organizations to get the message of safety out to the public.

Through skills training, safety accreditation and public education, we will continue to exhibit a strong safety culture when it comes to the well-being of our members, employees and the public.

...We Celebrate 70 Years of Serving You.

Milestones call for celebration, and 70 years of service is definitely worth remembering. CAEC was established when local citizens had a desire to provide a better way of life in rural Alabama by bringing electricity to homes and farms. Although our present lifestyle is vastly different, our basic desires are the same—only today we focus on reliability, availability and efficiency. And tomorrow's goals? We predict they will connect us even closer with our fundamental intent to provide the best service to you—our member owners.

STATEMENT OF FINANCIAL CONDITION

AS OF DEC. 31, 2007

ASSETS

Total Utility Plant	\$149,123,940
Less Accumulated Depreciation	<u>28,049,801</u>
Net Utility Plant Book Value	\$121,074,139
Equity in Associated Organizations	17,384,944
Cash	2,117,610
Accounts Receivable	9,938,107
Material in Inventory	1,123,351
Other Current and Accrued Assets	343,642
Deferred Charges	899,200
Total Assets	<u>\$152,880,993</u>

LIABILITIES AND MEMBER EQUITY

Membership, Equities and Deposits	\$54,100,356
Long-term Debt	88,118,565
Notes and Accounts Payable	6,358,664
Other Current & Accrued Liabilities	4,160,067
Deferred Credits	<u>143,341</u>
Total Liabilities and Member Equity	<u>\$152,880,993</u>

Note: These unaudited figures came from the close of CAEC's 2006 books. The Official Audit Report for fiscal year ending April 30, 2007, will be available for review after the annual meeting.

STATEMENT OF OPERATIONS

REVENUE

Electric Revenue	\$73,096,049
Other Operating Revenue	<u>2,475,707</u>
Total Revenue	\$75,571,756

EXPENSES

Cost of Purchased Power	\$50,070,803
Operations and Maintenance Expense	7,344,028
Consumer Accounting, Service and Sales	3,877,928
Administrative & General	<u>3,418,082</u>
Total Operations & Maintenance Expense	\$64,710,841
Depreciation Expense	\$4,027,564
Interest Expense	4,515,843
Other Deductions	<u>32,558</u>
Total Cost of Electric Service	\$73,286,806
Interest Income	253,524
Capital Credits from Associated Organizations	<u>1,563,951</u>
Patronage Capital	<u>4,102,425</u>

BOARD OF TRUSTEES

BACK ROW, LEFT TO RIGHT: VAN SMITH, BILLINGSLEY; C. MILTON JOHNSON, STATESVILLE; CHARLES BYRD, DEATSVILLE; DAVID KELLEY, ROCKFORD
FRONT ROW, LEFT TO RIGHT: TERRY MITCHELL, STEWARTVILLE; DON WHORTON, WETUMPKA; PATSY HOLMES, WETUMPKA,
RUBY NEELEY, SECRETARY/TREASURER, JEMISON; JIMMIE HARRISON JR., VICE CHAIRMAN, MAPLESVILLE; CHASE RIDDLE, CHAIRMAN, PRATTVILLE



MANAGEMENT TEAM

(NOT PICTURED)

TOM STACKHOUSE, PRESIDENT/CEO

JULIE YOUNG, VICE PRESIDENT CUSTOMER AND BUSINESS SERVICES

JIMMY GRAY, VICE PRESIDENT ENGINEERING AND OPERATIONS

DAVID LOE, VICE PRESIDENT CORPORATE SERVICES

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 the monthly membership fee is reasonable. 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.



Central Alabama
Electric Cooperative

A Touchstone Energy® Cooperative 

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

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 _____

IT'S TIME TO COME TOGETHER AND CHANGE OUR FUTURE.

We have an energy challenge, America.

When it comes to finding solutions, we must meet climate change goals while keeping costs down and electricity available. America needs a plan. Immediately. Because we all know that our energy needs keep on growing—every day.

Now is the time to have a candid conversation with your elected officials. Together, we can find answers and take action.

Start the conversation today at www.ourenergy.coop.



Central Alabama
Electric Cooperative

A Touchstone Energy® Cooperative 



Our Energy, Our Future
A Dialogue With America