

# EXECUTIVE REPORT

Prominent in our 2008 work at CAEC were issues regarding the future of electricity, specifically:

- how we can help you understand the changes affecting your electricity usage and provide information on personal energy management;
- how the cooperative is utilizing technology to deliver quality power and gain economic and workforce efficiencies; and
- how the vast network of co-ops across our country can interact with and influence our national policymakers to consider cost for the end-user as they formulate energy legislation.

These are the pieces of our industry puzzle which keep us focused on achieving more specific goals and objectives within a proactive culture.

In 2008, we brought a multi-year strategic plan to an end while laying the groundwork for the next five-year plan. Looking into the future is difficult at best, but trying to align plans within an industry that is changing at a rapid pace is critically challenging. We had good help, though, because we enlisted ideas and feedback from many of you, our member-owners, in community focus group meetings and surveys. Through employee teams we researched issues involving energy efficiency measures that would benefit consumers as well as the co-op; renewable fuel sources, such as wind and solar; cost-saving technologies; best practices that would help us monitor and measure our efforts by industry standards; and member interaction programs.

Partnering with you, the member-owner, is how we feel we can best serve you. Through software enhancements and member programs in 2008, we were able to offer you tools to help you understand and take control of your energy usage.



As costs associated with the generation of electricity escalate and as households increase their consumption (due to added electronics and appliances), it is even more important for you to make informed choices about your electricity use.

Industry awareness tells us that major infrastructure improvements are needed with our national transmission grid and to prepare for these future changes, your cooperative completed its proactive program in 2008 with the installation of a smart metering system. This new technology benefits members now— by allowing enhanced customer service. In the future, it will also allow your co-op to more easily integrate with the new grid. As experience has shown us, technology optimizes our collective ability to work in the most productive and cost-efficient manner.

Major energy discussions occurred on the national level during 2008, and we felt that our responsibility was to keep you informed about the issues. We also encouraged you to become engaged and provided the avenues for dialogue.

In 2008, we accomplished a number of initiatives that have led to opportunities for you and your cooperative. We hope this annual report will help you understand how the actions we take now— all of us— will prepare us for the future of energy. We are confident that CAEC is on the right path to ensure our ability to provide reliable power at the most affordable cost. Please, join us in the quest.

Tom Stackhouse  
President/CEO

Chase Riddle  
Chairman  
Board of Trustees

# PIECING TOGETHER OUR ENERGY FUTURE

As we prepare for a new era of energy needs, we must look at all the pieces of the puzzle: increased consumption, regulation of carbon emissions and renewable energy alternatives to name a few. Our 2008 Annual Report discusses some of the ways your co-op has prepared for the future of energy, one piece at a time. As you read, keep in mind that no matter what may lie ahead, we are dedicated to you, the membership, as well as providing affordable, reliable power.

## CUSTOMER SERVICE



CAEC is continually seeking innovative ways to improve service to our more than 40,000 members.

On April 1, 2008, we introduced an enhanced version of our Web site, making it easier to navigate with new features such as

Member Education, Just Announced Headlines and Green Solutions.

Shortly after, we implemented our Interactive Voice Response (IVR) system, allowing members to pay their bill by phone, 24/7, without the assistance of a CSR. In 2008, between 2,100 and 2,200 payments were made each month using the IVR system.

And in the fourth quarter, we launched a pilot program to begin testing for prepay billing to give members another option to manage their energy consumption.

As you can see, last year offered our members new options when it came to doing business with CAEC.

In addition, our members gave us a high American Customer Satisfaction Index (ACSI) score of 86, compared to the utility industry average of 81. We realize we are in business to serve you, and our future plans will always include ways to enhance that relationship.

## GRASSROOTS ADVOCACY

With the electric utility industry facing many changes, grassroots advocacy plays a more important role than ever.

Through the Our Energy, Our Future™ campaign, your voice can be heard on a national level to educate elected officials on the need to craft energy policies that will support a diverse mix of power generation while keeping energy affordable. Last year, co-ops in Alabama sent 8,098 messages to Congress, of which 5,967 were from CAEC. We should thank our Alabama Congressional delegation for supporting us as end-users of electricity as they have unanimously stated their opposition to passing along additional costs in pending legislation.

The Action Committee for Rural Electrification (ACRE) gives you, the member-owner, an opportunity to have your views heard by your state and national elected officials on energy issues that are important to you. In 2008, there were 185 CAEC members and employees participating in ACRE. Each year, electric co-op leaders from around the country gather for the National Rural Electric Cooperative Association (NRECA) Legislative Conference in Washington, D.C., where face-to-face meetings are held with every senator and congressman. In 2008, more than 3,000 representatives from rural communities across the nation attended.

Through meetings such as these, we can continue to work together and stay engaged with the issues to ensure a balanced debate occurs about our energy future.



## TECHNOLOGY

CAEC's commitment to the reliability of our system is evident through our ongoing maintenance, planning and use of technology.

In 2008, we accomplished our two-year goal of installing 41,000 smart meters, eliminating nearly 12,000 miles of monthly driving. This advanced two-way automated communications system helps manage customer data and reduces costs while providing superior customer service. By providing daily member usage data, peak usage times and power status information, the result is better efficiencies in time, manpower and fuel costs. Smart meters also position your co-op as a leader in preparation for future improvements to the national energy grid.

We also began installing a Supervisory Control and Data Acquisition (SCADA) system in 2008. SCADA allows us to monitor and control devices in the field from the office (i.e. switches, open/close of breakers). This will save time and labor dollars by allowing crews to be dispatched less often. Technology is critical to the future of energy – as costs outside of our control continue to rise, we'll utilize technology to make our processes as efficient and cost effective as possible.



## SAFETY

No matter what your co-op accomplished in 2008, none took precedence over employees going home to their families at the end of each day in the same safe condition as they arrived.



Last year, we reached three years without experiencing any loss-time accidents. Through continuous skills training, online safety classes, partnerships with our state and national associations and other cooperatives, our work force has become proactive in their commitment in creating a safe and healthy working environment.

Also in 2008, the employees earned CAEC the Certificate of Excellence for Safety from the Rural Electric Safety Accreditation Program (RESAP) for the fourth consecutive time. This re-accreditation recognizes the emphasis that CAEC places on the well-being of its members and employees. The accreditation is effective for a period of three years.

We'll continue to implement programs designed to help maintain a safety culture at CAEC as well as to promote safety in the community.

## OPERATIONS

We are committed to maintaining and upgrading our existing infrastructure as growth requires and as improvements in technology come along. Last year we invested approximately \$3.3 million in system improvements, which included line upgrades, pole change outs, reliability and substation improvements.

Maintenance of our system is key for reliability. In 2008, through our vegetation management program, foliage was trimmed along 820 miles of line, herbicide was applied along 1,791 miles and 10,336 trees (mostly dead ones) were removed.

Because of these efforts, our members' power remained on 99.94 percent of the time.

As we continue our operational plans for the immediate future, they include upgrading three substations (Wetumpka, Statesville and Kingston) over the next three to five years, which will increase our capacity and reliability in those service areas.

All of these investments, along with our dedicated employees and operational policies, have given you the system reliability you have come to expect from your cooperative.

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



## COMMUNITY INVOLVEMENT

Commitment to community is one of the seven cooperative principles and as such, no matter what the future for energy holds, that commitment will not waver. Two ways your co-op exemplifies this principle is through the Youth Tour/Youth Leadership and Bright Ideas Grant Programs.

CAEC develops and promotes leadership skills for our youth through the Youth Tour Program, which selects high school juniors to tour the state's capital and learn the qualities of a leader and also attend a leadership camp in Columbiana. Four of these students are then selected to represent CAEC on the Washington Youth Tour where the students learn about electric co-ops, American history and how their government works.

The Bright Ideas Grant Program helps fund innovative, interesting and effective education initiatives that are not typically covered by traditional school funding. Grants are intended to help teachers in public, private and home schools in CACE's service area. In 2008, the cooperative awarded \$16,000 to 23 local teachers, benefiting 7,000 students. To date, more than 63,000 students have benefited from this program.

You can be assured that our energy future will require educated and informed leaders, and your co-op is preparing by investing in our future leaders now.

## ENERGY EFFICIENCY

While the costs of providing reliable electricity continue to rise, your co-op has been working to find the best ways to ease the burden of those costs through energy efficiency programs that can help you make the most of your energy dollars.

Our Peak Shaving Program, which currently targets electric water heaters, began in October 2007 and with your help, we exceeded our goal of having 1,000 Peak Shaving Devices (PSD) installed by the end of 2008. With the 1,157 installed PSDs, our peak was offset by 1,967 kilowatts – the equivalent of turning off 32,782 60-watt incandescent light bulbs at our peak times for the entire year.

The Dual Fuel program was implemented in 2004 targeting new and existing homes where gas is available. At the end of 2008, 868 dual fuel units have been installed.

The more we can reduce our system-wide use of energy generated by peaking plants, the more influence we will have on our future wholesale power rate.

In addition to efficiency measures, renewable energy fuel sources are important to our future. For three years, the Green Power Choice program has been available to our consumers for \$2 per 100-kilowatt-hour block. By year-end 2008, 72 members have chosen to go green, purchasing a total of 176 blocks. Your cooperative is doing its part by operating on 7,050 Green Power blocks annually, to power all of our offices and service centers served by CAEC.

As new pieces of the puzzle are added, the picture of our energy future will change; however, your co-op is committed to providing you with the high level of service you expect and deserve. And through advances in technology, efficiency programs and action on a grassroots level, we can all work together for a bright energy future for generations to come.

# STATEMENT OF FINANCIAL CONDITION

AS OF DEC. 31, 2008

## ASSETS

Total Utility Plant	\$158,450,424
Less Accumulated Depreciation	<u>28,519,745</u>
Net Utility Plant Book Value	\$129,930,679
Equity in Associated Organizations	20,631,757
Cash	2,442,830
Accounts Receivable	14,089,902
Material in Inventory	919,338
Other Current and Accrued Assets	470,259
Deferred Charges	830,967
Total Assets	<u>\$169,315,732</u>

## LIABILITIES AND MEMBER EQUITY

Membership, Equities and Deposits	\$61,782,646
Long-term Debt	95,183,013
Non Current Liabilities	2,067,511
Notes and Accounts Payable	5,410,602
Other Current & Accrued Liabilities	4,332,659
Deferred Credits	<u>539,301</u>
Total Liabilities and Member Equity	<u>\$169,315,732</u>

Note: These unaudited figures came from the close of CAEC's 2008 books. The Official Audit Report for fiscal year ending April 30, 2009, will be available for review after the annual meeting.

## STATEMENT OF OPERATIONS

### REVENUE

Electric Revenue	\$82,254,689
Other Operating Revenue	<u>2,685,601</u>
Total Revenue	\$84,940,290

### EXPENSES

Cost of Purchased Power	\$55,810,551
Operations and Maintenance Expense	8,398,262
Consumer Accounting, Service and Sales	4,107,081
Administrative & General	<u>3,625,516</u>
Total Operations & Maintenance Expense	\$71,941,410
Depreciation Expense	\$4,350,265
Interest Expense	4,724,360
Other Deductions	<u>17,609</u>
Total Cost of Electric Service	\$81,033,644
Interest Income	89,064
Income from Equity Investments	318,513
Capital Credits from Associated Organizations	<u>3,346,040</u>
Patronage Capital	<u>7,660,263</u>

## BOARD OF TRUSTEES

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



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...

**F**or 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 

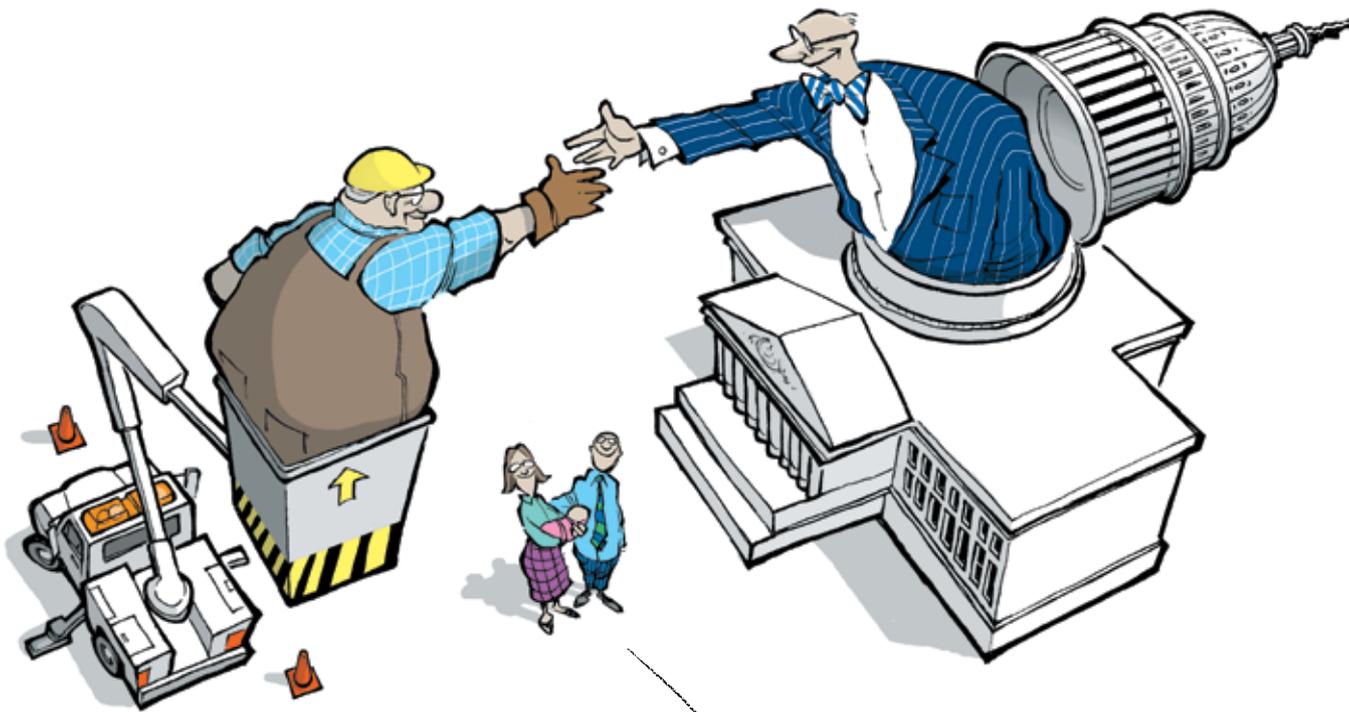
Complete form and mail to: CAEC P.O. Box 681570 Prattville, AL 36068

**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 \_\_\_\_\_



"This is the kind of connection we need."

## CO-OPS AND CONGRESS, TOGETHER WE CAN KEEP ELECTRICITY AFFORDABLE.

These are hard economic times for America's families. Many are struggling to afford the basics: food, housing, and energy.

In fact, the cost of electricity is up 40 percent since 2002 and projected to go even higher—and today's electricity supplies won't be able to keep pace with future demand.

We need an answer right now to keep our electricity affordable.

The solutions won't be easy—but America's electric cooperatives are ready to work with Congress toward an energy plan we can all afford.

Ask your elected officials to work with America's consumer-owned, not-for-profit electric cooperatives. Together we can face these hard times with resolve to build a brighter future.

Visit [www.ourenergy.coop](http://www.ourenergy.coop) and get started.



**Our Energy, Our Future™**  
A Dialogue With America



**Central Alabama  
Electric Cooperative**

A Touchstone Energy® Cooperative 