

Executive Report

The year 2009 began with a new federal administration and many new Congressional representatives who quickly started to address issues relating to our nation's energy policy. Some of the administration's energy and environmental positions addressed greenhouse gas reductions, which include clean energy projects, carbon capture and storage, a cap and trade system and renewable energy credits.

Throughout the last year, *Alabama Living* magazine provided information about these matters so that you could form an opinion, and through a grassroots initiative, you engaged in the national dialogue. Many of you took advantage of the opportunity to participate in the Our Energy, Our Future campaign, and contacted your delegates in Washington. Through your involvement you strengthened the request to Congress to maintain power reliability and affordable rates. We thank you, our members, for your active participation in this legislative process. To stay involved, visit www.ourenergy.coop for more information.

In addition to keeping costs balanced on a national level, our challenge as an electric industry is to make sure we cover all the costs

needed to keep our cooperatives in good financial standing, while providing you with reliable service. In 2009, your cooperative returned \$600,000 to members in the form of retired capital credits for a portion of the years 1982 and 1983. The release of capital credits is a member benefit unique to cooperatives and also serves as an indicator of sound financial planning and the wise utilization of member funds.

In the fall of 2009, CAEC members benefited from a drop in the power cost adjustment (PCA), which translated into a six percent bill decrease for an average home. The reduced power cost adjustment is directly related to the decrease in fuel costs (natural gas and coal) for PowerSouth to generate power as well as sufficient retail sales. In addition, the projected lower fuel cost allowed us to give a credit to the members through the end of 2009.

Each year brings unique challenges that are very important to the sustainability of your co-op and 2009 was no different. As we move forward to another year, we intend to continue being good stewards of our members' investment in the cooperative, as well as keeping you informed of the legislative issues that affect the future of electricity.



Tom Stackhouse
President/CEO

Chase Riddle
Chairman
Board of Trustees

The year 2009 was full of momentous change; and as you read this Annual Report, we trust you will feel satisfied that it was a financially stable year for the cooperative, and that CAEC is positioned well for the future. In addition to providing a year-end financial statement, we have summarized a few of the highlights of the past year. While this report takes a look back, it also reflects our efforts to plan for what is ahead by working to ensure our members continue to receive reliable, quality and affordable electric service. It was our focus on the future that has undoubtedly shaped and defined 2009.

ENERGY EFFICIENCY--A VALUE OF SAVINGS

CAEC is committed to helping members become more energy efficient. As part of that commitment, our Peak Shaving Program, which targets electric water heaters, was implemented in October 2007 with a goal of installing 1,000 Peak Shaving Devices (PSDs) per year. High peak demand affects the wholesale price of electricity and can require higher costs associated with investments in transmission lines and generators to keep our electric system reliable. With this program, a peak shaving device is installed on your electric water heater (at no cost to you) to delay the reheating process to off peak times. At 2009's year-end, 2,120 PSDs had been installed, achieving our annual goal.

In 2009 we introduced a new feature in *Alabama Living* magazine called Recipe for Efficiency. In these "how-to" articles, we suggested a variety of ways you can help



lower your home's energy usage. Some of these efficiency measures included sealing leaks around windows and doors, installing attic insulation and cleaning refrigerator coils and dryer vents. The instructions on how to perform these home projects included the supplies and tools needed, and most of the projects required little to no cost.

For more information on these projects, visit our website www.caec.coop.

MAINTAINING OUR POLITICAL EDGE

Legislative advocacy involves taking an active role in ensuring that electric cooperatives like CAEC and their members are protected in legislation and regulation.

The Our Energy, Our Future grassroots campaign



Our Energy, Our Future™

A Dialogue With America

allows consumers to challenge Congress to meet environmental goals while maintaining affordable electricity rates.

Last year, 14,000 messages were sent from co-ops in Alabama, of which 8,799 (63 percent) were members and employees of CAEC, giving our elected officials the support they need to debate the issues that may cause electricity bills to significantly rise in cost.

The Action Committee for Rural Electrification (ACRE) shares public policy goals that are consistent with the mission of

member-owned electric cooperatives. Last year, 138 CAEC members and employees were



involved in ACRE, an increase of 6.15 percentage over the previous year. Participation in the National Rural Electric Cooperative Association (NRECA) Legislative Conference in Washington, D.C. is another opportunity that allows face-to-face discussions with our members of Congress and their staffs. Each year, more than 3,000 representatives from rural communities across the country attend this event.

Understanding that co-op consumers will bear the brunt of climate change-related energy price increases is what motivates your Trustees and staff to stay engaged with members of Congress. And with your participation, we will continue to send a strong message to Washington D.C. as a reminder of who is paying attention to their actions.

TECHNOLOGY: INCREASING EFFICIENCY EVERYDAY

Today's technology helps us achieve a higher level of service reliability for the members. Tools such as Supervisory Control and Data Acquisition (SCADA) enable us to monitor, coordinate, control and operate distribution components, equipment and devices in a real-time mode from the office.

Ultimately, SCADA will help us by providing valuable information that is needed to address potential problems before they happen. This system directly leads to increased reliability for you and lowers operating costs for your co-op. Seventy-five percent of the installation of SCADA was completed in 2009.

Another technology helping to increase efficiency and reliability is the installation of Automated Vehicle Locators (AVLs) in our field vehicles. This system permits the co-op to see exactly where our crews are working at any given time, even in remote areas, allowing us to dispatch our field crews in the most resourceful and economical way. Installation of AVLs in our trucks began in 2009 with a scheduled completion date for the end of 2010.

CAEC is dedicated to improving the performance of your co-op by focusing reliability enhancement tools and resources where they provide the most return on investment and service to our members.

THE POWER OF COMMUNITY CONNECTION

Your co-op believes in building strong communities, improving quality of life and making a positive difference in our service area.

Since 1982, CAEC has developed and promoted leadership skills for our youth through the Youth Tour Program, which selects high school juniors to tour the state's capital and attend a leadership camp in Columbiana. In 2009, eight students were chosen to participate in the program. Four of these students were then selected to represent CAEC on the Washington Youth Tour where they learned about electric co-ops, American history and how their government works.

The Bright Ideas Grant Program helps fund innovative and effective education initiatives not typically covered by traditional school sources. Grants are intended to help teachers in public, private and home schools in our service area. In 2009, the co-op awarded \$16,000 to 25 local

teachers, assisting more than 6,300 students. To date, more than 63,000 students in all grade levels have benefited from this program.



OPERATIONS: DELIVERING POWER TO YOU

The primary function of operations is to plan, construct, manage and maintain our distribution system so you receive safe and reliable power in a cost-effective manner.



In 2009, the members' power stayed on 99.95 percent of the time. One of the major factors contributing to that percentage is our vegetation management program. Last year CAEC trimmed 781 miles of right of way (ROW) corridor, covered 1,749 miles of ROW through our spraying program, cut down 4,202 dead or danger trees and completed 684 tree maintenance orders. CAEC spent approximately \$2.8 million last year cutting and spraying the rights of way.

In addition, we invested approximately \$1.5 million in system improvements, which included substation and line maintenance, infrared inspections and pole inspections. The planning process for upgrading substations in Statesville and Kingston areas was completed and the construction phase began in 2010.

Each year, CAEC commits to maintaining and upgrading our existing infrastructure to sustain the reliable service that the members in our 10-county service area have come to expect.

SAFETY IS NO ACCIDENT

Safety is a process, not a program, and it is integrated as a core value in the work culture at your cooperative. Many hours are dedicated to safety training, as well as safety audits. Comprehensive safety training has initiated processes and procedures which are designed to keep our employees and our members safe.



As a result, CAEC employees achieved four years with no loss time accidents in 2009. This was accomplished through relentless attention given to scrutinizing potentially hazardous situations, using the right tools and equipment for the job and completing required online and hands-on safety training.

Also in 2009, the co-op invested in new pole-climbing harnesses with a built-in fall restraint system. Although this life-saving equipment is not yet required by OSHA, we have incorporated it as a standard part of operational procedure.

Promoting safety in the community is also very important to CAEC. Employees perform electrical safety demonstrations for community and school groups as well as emergency organizations, helping the public to understand the importance of safety when near electricity.

Every day CAEC renews its commitment to cultivating a strong safety culture through training, safety programs and public education for the welfare of our members, employees and the community.

MEMBER EDUCATION

On June 26, 2009, Congress began the process to set a course of action regarding our nation's energy policy by narrowly passing The American Clean Energy and Security Act of 2009 (the Waxman-Markey bill) in the U.S. House of Representatives. Since it has moved to the Senate floor, consumers must continue to remind their members of Congress that affordability and reliability of power are critical needs for our nation.

Last year we presented a series in *Alabama Living* magazine discussing the entire process of what it takes to have electricity available. We covered the generation process, transmission and distribution grid; the processing of fuel sources (coal, natural gas, hydro, nuclear and renewables) used to produce electricity; and the national grid.

The goal of this series was to give you a better understanding of the many steps and processes it takes to have power delivered to your home when you flip a light switch or turn on your television, as well as more insight into the energy discussions taking place in Washington.

It is our commitment to educate our members about these important matters because the outcome of this legislation will affect how much we will pay for electricity in the near future and the cost of power for generations.

CUSTOMER SERVICE TO MEET ALL YOUR NEEDS

CAEC members were given a new way to manage and purchase their electricity with Prepay. Implemented Feb. 1, 2009, the Prepay program involves paying for electricity prior to using it. Some customers who use this service have seen their consumption decrease up to 12 percent. This reduction can be achieved because usage is being monitored on a daily basis. Visit www.caec.coop to learn more, or to sign up.

Another convenience, introduced May 2009 was the Web site www.MyUsage.com, which permits CAEC members to view their energy usage online 24-7. This unique program gives members the ability to receive alerts (via text or email) when usage goes above an amount specified by the user.



Working for better efficiency and convenience are our top priorities when it comes to customer service.

Affordable, Reliable...

Statement of Financial Condition

AS OF DEC. 31, 2009

ASSETS

Total Utility Plant	\$168,674,940
Less Accumulated Depreciation	<u>(31,555,853)</u>
Net Utility Plant Book Value	137,119,087
Equity in Associated Organizations	24,848,423
Cash	61,410
Cash in RUS Cushion of Credit	5,244,034
Temporary Investments	5,351,883
Accounts Receivable	12,698,522
Material in Inventory	681,944
Other Current and Accrued Assets	571,049
Deferred Charges	<u>824,346</u>
Total Assets	<u>\$187,400,698</u>

LIABILITIES AND MEMBER EQUITY

Membership, Equities and Deposits	\$ 66,094,017
Long-term Debt	106,416,869
Non Current Liabilities	2,073,531
Notes and Accounts Payable	5,590,997
Other Current & Accrued Liabilities	7,091,818
Deferred Credits	<u>133,466</u>
Total Liabilities and Member Equity	<u>\$187,400,698</u>

Note: These unaudited figures came from the close of CAEC's 2009 books. The Official Audit Report for fiscal year ending April 30, 2010, will be available for review after the annual meeting.

STATEMENT OF OPERATIONS

REVENUE

Electric Revenue	\$84,646,866
Other Operating Revenue	<u>2,787,276</u>
Total Revenue	<u>\$87,434,142</u>

EXPENSES

Cost of Purchased Power	\$59,482,251
Operations and Maintenance Expense	8,270,950
Consumer Accounting, Service and Sales	4,450,051
Administrative & General	3,671,308
Total Operations & Maintenance Expense	75,874,560
Depreciation Expense	4,629,204
Interest Expense	5,073,841
Other Deductions	<u>16,525</u>
Total Cost of Electric Service	<u>\$85,594,130</u>
Interest Income	231,219
Income from Equity Investments	88,080
Capital Credits from Associated Organizations	2,485,302
Patronage Capital	4,644,613

BOARD OF TRUSTEES

(PICTURED FROM LEFT TO RIGHT)

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



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

Remembering Trustee Don Whorton

CAEC lost a great leader and dear friend on Oct. 26, 2009, when Trustee Don Whorton passed away. He was 65.

Whorton was appointed to serve as a member of the Board of Trustees for CAEC in Sept. 1994, representing District 2 in the co-op's service area. He was first elected to the seat in Aug. 1995, and served a total of 15 years.

Survivors include his wife, Janice; two daughters, Carol and Beth, and five grandchildren.

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 

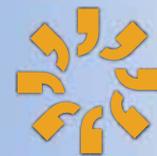
Complete form and mail to: CAEC P.O. Box 681570 Prattville, AL 36068

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 _____



WE NEED YOUR HELP.

Our Energy, Our Future™
A Dialogue With America

Senators are drafting climate change legislation NOW, and you can impact the outcome. Climate change legislation should be:

 **Fair.** Climate change legislation needs to recognize regional differences in how electricity is produced.

 **Affordable.** Any climate change plan must keep electricity affordable for all Americans.

 **Achievable.** Climate change goals must be realistic to ensure long-term success.

Go to www.ourenergy.coop to make your voice heard.



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