

Alabama LIVING

Central Alabama
Electric
COOPERATIVE



CAEC 2018 ANNUAL REPORT

2019 MEMBER APPRECIATION DAY & ANNUAL MEETING:

FRIDAY, AUGUST 9TH

CAEC'S WEST OPERATIONS CENTER

VERBENA, I-65 EXIT 200

REGISTRATION 4 P.M.

EXECUTIVE REPORT

Being Proactive



Central Alabama Electric Cooperative (CAEC) does more than provide you with reliable and affordable electricity; our employees work diligently to enhance members' lives. We take pride in being proactive in our operations, staying focused on the present and future needs of the co-op. Change happens, whether we create it or someone or something else does. Either way, we have to be prepared for those challenges.

Starting in January of this year, the Board adopted new board district lines, adjusting for high growth zones. Districts are reviewed annually with boundaries being altered to correct inequitable factors such as more than two percent disparity between the lowest and highest growth areas. As a cooperative, maintaining equity between districts is required.

On May 30 of this year, an important step forward in expanding technology infrastructure to rural Alabama was attained when Alabama Gov. Kay Ivey signed new legislation. Ivey signed both SB90 and HB400, expanding and improving rural broadband accessibility in ways that are critical to the economic viability of small towns, small businesses, rural hospitals and communities in general. Internet connectivity also prepares the new economy in Alabama to grow and thrive in a technological age that is rapidly developing.

The timing of this push for reliable, high speed internet is very similar to the events more than 80 years ago, when a group of people with like-minds came together to provide electricity to rural areas across the country, improving quality of life, and creating jobs for millions -- broadband will have the same impact. By recognizing this important issue and proactively putting the right measures into place about two years ago, Phase I of CAEC's broadband project is moving along as planned. CAEC's wholly-owned subsidiary, Central Access, is locally operated, allowing our members to do business with people they know and trust.

Last year brought some joyful announcements such as Trustee Patsy Holmes receiving the Alabama Rural Electric Association (AREA) Pathfinder Award for 2018 at the Annual AREA meeting held April 3-5. The award is given to a person whose life has had a profound and lasting effect on the foundations of the rural electrification program in Alabama or the nation. We congratulate her for such an outstanding achievement!

And sometimes the news isn't what you expect. One of your well respected Trustees retired after 15 years of dedicated service on the board. Trustee David Kelley, a dear friend and great supporter of the cooperative, retired from the Board on Aug. 28, 2018. Since he retired in the term, the Board of Trustees conducted a thorough search and selection process. Nicole Law was appointed to the Board of Trustees, representing District 5, beginning her term of service on Nov. 15.

As we continue to place a priority on our youth leadership programs, such as Youth Tour, we're proud to announce that our very own Washington Youth Tour delegate from this year, Hope Johnson, was selected to represent the state of Alabama in 2019-2020 on the national level as a member of the Youth Leadership Council. Congratulations to Hope and all the Youth Tour participants for representing CAEC and our state so well!

Whether it's being proactive in our operations, communities, member programs or economic development initiatives, our goal is to be responsible while enriching the lives of our members.

On the following pages, you'll read about some highlights from 2018 as we remain committed to serving you successfully now and in the future.

A handwritten signature in black ink, appearing to read "Tom".

Tom Stackhouse
President/CEO

A handwritten signature in black ink, appearing to read "Charles".

Charles Byrd
Chairman, Board of Trustees

Anticipating member needs: Broadband



Our service territory has some of the most picturesque and unique areas in the state, but sadly, more than 80 percent of CAEC's membership has inadequate internet coverage. And our members are not alone because as a business, CAEC is also in need of faster connectivity to remote offices, operation centers, substations and line equipment throughout our 10-county service territory.

After conducting a nearly two year feasibility study to assess the viability of the idea and following discussions with other co-ops and grant exploration, we felt there was a worthwhile opportunity to provide internet service using a fiber optic network through a subsidiary (wholly owned by CAEC).

In July of 2018, utilizing the magazine, bill inserts, special mailings, social media and meetings with various community leaders, members and non-members, we conducted a Broadband Access Survey to measure the interest level of bringing high-speed internet to our service territory. Interested members were asked to pay \$25 (refundable if the project was not implemented) to place their names on an interest list. At our Annual Meeting in August, members were presented with additional information regarding the access survey and had their questions answered. This was followed with Q&A community survey meetings in Titus, Verbena and Prattville in September.

After reviewing all the data, the Board of Trustees approved Phase I of a plan to construct a fiber network for broadband in October and a company was selected to conduct the engineering study which began in November. At the board meeting in December, the Board of Trustees approved the construction of Phase I to serve our core facilities by connecting our substations, offices and operation centers, and in turn, allowing us to begin the process of bringing reliable, local, fast internet to thousands of Alabamians.

From all this hard work in 2018, the subsidiary has since been named Central Access with construction beginning this month. This is one of the most exciting times in our cooperative's 80 plus year history--fulfilling the needs of local, rural residents in the modern technological age. By working with our community partners, elected officials and members, we can further improve the lives of countless residents in Central Alabama.



Preventing potential problems: Reliability

Providing reliable power means constantly re-evaluating our system needs and infrastructure and planning for upgrades.

Last year, we replaced 482 poles, inspected 252 miles of overhead primary lines and 966 underground devices, and controlled vegetation along 2,636 miles of line.

In addition to these maintenance measures, we completed the Wallsboro substation upgrade as part of our 20-year long range construction work plan. It was energized on January 30. This substation serves the Wallsboro Community in Elmore County and will help maintain reliability in that area.



Preparing for a brighter future: Community Involvement

We understand the commitment our members have to their local communities because we live here too. The men and women who make up the cooperative, from the Board of Trustees to all the employees who work to provide you with power, can often be seen working with and for their friends and neighbors— including civic involvement, youth leadership programs and even elected office.



This dedication to where we live and serve can also be seen through the actions of your co-op. We held two LifeSouth blood drives and also held our sixth annual Montgomery Area Food Bank drive resulting in over \$2,400 being raised, which equals 15,704 pounds of food. We continued this giving back spirit by partnering with our members in the “CAEC Cares” Autism Awareness campaign where more than \$4,500 was raised for bettering the educational experience and opportunities of autistic students in our 10-county service area.

We reached out with education in the community by providing presentations on efficiency and safety as well as participating in numerous career days, job shadowing and mock interviews for area students. We also continued our long-standing youth education/ leadership program by sending five delegates to participate in Washington Youth Tour where they encountered fellow student leaders and learned valuable lessons on the cooperative business model while seeing politics in action. And four, \$2,500 college scholarships were awarded to High School Seniors residing in a CAEC member home, helping give future leaders a solid foundation to build upon.



Our classroom initiatives continued with our Bright Ideas Grant program, which celebrated 20 years of inspiring teachers by awarding \$16,000 in grants to 21 projects, benefiting more than 3,300 students across multiple counties through CAEC’s service area. Since 1998, CAEC has provided \$304,000 to area schools through the competitive program and more than 118,000 students have benefited from these grants.



Additionally, last year 260 teachers from across Alabama and northwest Florida gathered at an Empower Energy Education Workshop, of which 29 were sponsored by CAEC. Co-hosted by PowerSouth and several co-ops, including CAEC, the annual event provides educational tools and activities about electricity generation and distribution with a focus on energy education. From those 260 attendees, 55,442 students were benefited. Following the workshop, we hosted an inaugural Empower Alumni Luncheon for our educators who had participated in the last two years. Alumni from 2017 and 2018 were able to discuss how to best implement the information and tools while providing valuable feedback on the program.

Avoiding accidents: Safety

Creating a culture of safety takes focus and commitment – it is not something that happens overnight. It's an ongoing process and takes everyone's involvement.

Launched April 2018, we joined the nationwide initiative, ZERO Contacts, to help eliminate accidents and enhance cooperative safety programs through educating and engaging every single employee. The voluntary program, an initiative of National Rural Electric Cooperative Association (NRECA) and Federated Rural Electric Insurance Exchange, was introduced during the 2018 NRECA Safety Leadership Summit.

Federated also introduced a free smartphone app -- S.A.F.E. (Stop And Focus Everyday), accessible to any co-op employee. The app is designed to improve the culture of safety at electric cooperatives by providing tools to assist with job planning, hazard recognition and employee and member safety.



CAEC is also concerned with public safety. In fact, employees gave multiple safety presentations to schools and community groups throughout the year to help remind everyone that safety is no accident.



Responding to disaster: Recovery

We belong to a network of more than 900 electric cooperatives that work together on a local, regional and national level. By combining our resources, we are here for each other and better able to serve more than 42 million members in 47 states. There may be no better example of this cooperation among cooperatives than when our sister co-ops, including CAEC, face outages due to severe weather conditions.

Last year on June 28, high-speed wind gusts upward of 50 miles per hour with intense lightning throughout CAEC's 10-county service area caused widespread power outages. The winds downed hundreds of trees and broke 20 poles. More than 100 linemen worked to restore power, including crews from our network of sister co-ops.

The storm left CAEC with more than 245 outages, affecting approximately 12,865 members in all 10 counties served, and power was restored by Friday, June 29.

Three months later, Hurricane Florence dealt a heavy blow to Carteret-Craven Electric Co-op's (CCEC) system in Havelock, N.C., on Sept. 13. CCEC suffered a system-wide outage of 40,000 services. CAEC was among 17 cooperatives that sent help to get power restored. The power restoration effort took 11 days.

And if that wasn't enough, on the afternoon of Oct. 10, Hurricane Michael slammed into the Florida Panhandle as a monstrous Category 4 storm with sustained winds of 155 miles per hour. The following day, CAEC released several crews to Wiregrass Electric Cooperative in Hartford, Ala. After eight days of restoration, some of the crew members returned home and the remaining and additional crews were sent to West Florida Electric Cooperative in Graceville, Fla., CAEC sent a total of 30 crew members to help with power failure in these areas.



STATEMENT OF FINANCIAL CONDITION

AS OF DEC. 31, 2018

ASSETS

Total Utility Plant	\$251,002,210
Less Accumulated Depreciation	(60,180,555)
Net Utility Plant Value	190,821,655
Equity in Associated Organizations	43,962,730
Cash	1,018,220
Temporary Investments	312,571
Accounts Receivable	10,071,254
Prepayments	400,802
Material in Inventory	846,334
Other Current and Accrued Assets	7,579
Deferred Charges	2,799,398
Total Assets	<u>\$250,240,543</u>

LIABILITIES & MEMBER EQUITY

Membership, Equities and Deposits	\$103,843,437
Long-term Debt	127,457,521
Non-current Liabilities	2,934,021
Notes and Accounts Payable	5,343,368
Other Current & Accrued Liabilities	10,544,213
Deferred Credits	117,983
Total Liabilities and Member Equity	<u>\$250,240,543</u>

STATEMENT OF OPERATIONS

REVENUE

Electric Revenue	\$89,510,351
Other Operating Revenue	2,376,935
Total Revenue	<u>\$91,887,286</u>

EXPENSES

Cost of Purchased Power	\$54,158,223
Distribution & Operation Maintenance	9,354,109
Consumer Accounting, Service & Sales	6,680,252
Administrative and General	6,648,662
Total Operations & Maintenance Expense	<u>\$76,841,246</u>
Depreciation Expense	6,866,336
Interest Expense	4,887,301
Other Deductions	14,449
Total Cost of Electric Service	<u>\$88,609,332</u>
Total Operating Income	\$3,277,954
Interest Income	161,791
Income from Equity Ownership	65,772
Capital Credits from Associated Org.	1,734,679
Patronage Capital	<u>\$5,240,196</u>

Note: The Official Audit Report for the year ending Dec. 31, 2018, will be presented at the Aug. 9, 2019 Annual Meeting.



BOARD OF TRUSTEES

(Pictured from Left to Right)

Terry Mitchell, Stewartville; Jimmie Harrison Jr., Maplesville; Nicole Law, Titus; C. Milton Johnson, Statesville;
Mark S. Presnell Sr., Secretary/Treasurer, Wetumpka; Charles Byrd, Chairman, Deatsville; Van Smith, Vice-Chairman, Billingsley;
Patsy M. Holmes, Wetumpka; Mark Gray, Clanton; and Chase Riddle, Prattville

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; Damali Clark, Vice President, Corporate and Financial Services

CAEC'S REBATE PROGRAM



LET'S POWER SAVINGS



Central Alabama
Electric Cooperative

A Touchstone Energy® Cooperative



CAEC offers rebates on dual fuel and mini-split systems for both standard and manufactured homes. The minimum SEER rating allowed is 15 on standard homes.

In addition, we offer rebates for new and existing manufactured homes replacing an electric furnace with a heat pump.

Rebate qualifications are below. For more information, contact us at 1-800-545-5735 ext. 2118.

Standard Homes:

Dual Fuel or Mini-Split Unit:

- 15 SEER: \$300 per ton
- 16 SEER or greater: \$350 per ton

Manufactured Homes:

New Manufactured Homes, replacing the electric furnace with a heat pump receive the following:

- 2 to 2.5 tons: \$400
- 3 to 4 tons: \$600
- 5 tons: \$700

Existing Manufactured Homes, converting from an electric furnace to a heat pump receive the following:


- \$400 per ton to the homeowner

Dual Fuel or Mini-split:

- 14 SEER: \$250 per ton
- 15 SEER: \$300 per ton
- 16 SEER or greater: \$350 per ton

Installer must have a business license for installing HVAC systems. A load calculation must be performed on the home and a copy must be turned in to CAEC (this ensures that the heat pump will be properly sized for the home). For manufactured homes, an inspection of skirting must be completed by CAEC. Proof of purchase of the unit (invoice) required.

Is your voice being heard?



From renewable power to the lack of broadband internet in rural America, there are a lot of issues being discussed both locally and on the national stage. Are you part of it?

You can join 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.



Central Alabama
Electric Cooperative

A Touchstone Energy® Cooperative 

Complete form and mail to: CAEC, 103 Jesse Samuel Hunt Blvd. Prattville, AL 36066

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 _____