

AUGUST 2013

A Touchstone Energy® Cooperative



Alabama

Central Alabama
Electric
COOPERATIVE

LIVING

Moving
Forward

CAEC 2012 Annual Report

www.caec.coop

Executive Report...*Moving Forward*

On the following pages of our Annual Report you will find a recap of our previous strategic plan. We will focus on what we've accomplished over the last four years as we move forward in our new planning process - continuous strategic planning.

As we discussed last month, long-term planning is vital to our industry. We utilize long-range forecasting tools to determine our future infrastructure needs, such as the substations and distribution lines needed to provide reliable electricity.

And while long-range planning is crucial to many aspects of our business, we endeavor to maintain a balance between future thinking and shorter-term operational challenges. Because we live in a volatile political and regulatory environment, we must be alert to the relentless rule changes that govern how we provide reliable power at an affordable cost. It is interesting to note that at this time last year, we discussed how we needed to work together to overcome regulations that would affect the price we all pay for power— such as the proposed carbon dioxide regulations from the Environmental Protection Agency (EPA). Today we are faced with a new set of proposed regulations aimed at reducing greenhouse gas emissions from electric power plants. These new governing rules will not be sanctioned by Congress, but rather authorized by the EPA bureaucracy that will propose a carbon standard for existing power plants by June 2014 and a final standard in 2015. It is because of this kind of rulemaking by government agencies that the grassroots voice among cooperative members needs to remain strong. Otherwise, we may realize that with

newly-written regulations, our ability to enjoy reliable, affordable electricity will no longer be achievable.

With a strong history of accomplishing tasks at the grassroots level, working to have our voices heard is not a new undertaking for electric cooperatives. In today's environment, however, we find ourselves having to quickly find a solution to opening this dialogue between co-ops and the regulators, rather than elected officials, as we simultaneously examine effective avenues of communication with you, the member. In any of these instances, we need your input.

Another rich aspect of cooperative history points to the fact that co-ops are solutions-driven. Within the electric utility industry, cooperatives have led in the deployment and use of demand response, smart grid and other technologies to enable more efficient energy management. Co-ops have been at the forefront of studying the feasibility of groundbreaking multi-pollutant control technologies for coal-fired power plants, building on a strong record of achievement in producing and delivering cleaner energy; all of which has laid a strong foundation for an affordable and reliable energy future.

Throughout the rest of the year, we will concentrate on the three key focus areas of our Continuous Strategic Plan— *Quality, Value and Sustainability*. As we continue down this path concerning our energy future, these areas will serve as the philosophy behind our actions as we strive to continuously improve our service to our members and add value to your lives through energy.



Tom Stackhouse
President/CEO



Chase Riddle
Chairman
Board of Trustees



Power, Delivery and Technology

As your power provider, we strive to maintain reliability through continuous planning, maintenance and upgrades. Although the previous strategic plan was implemented at a time when residential growth had slowed, our long-range work plan and forecasts verified system improvement needs related to technology and additional infrastructure.

One of the key technology enhancements involved a Supervisory Control and Data Acquisition (SCADA) system. This software program gathers and analyzes real time data, enabling us to monitor, coordinate, control and operate distribution components, equipment and devices in a real-time mode throughout our whole system. For some issues, SCADA can correct them automatically, allowing a seamless flow of electricity to your home. We also have pre-set alerts that the system monitors to help us avoid interruptions before they have the chance to materialize, leading to increased reliability and lower operating costs.

We also implemented \$29.5 million in system upgrades over the last four years, which included the construction of four substations and completion of five substation upgrades. Planning for these projects began at least three to four years prior to their actual build date. Electrical models are used to forecast the power load in an area. From this model, our engineers decide on a solution based on cost and reliability for the long term. In those cases when it requires the construction of a new substation, the process includes environmental considerations, community impact, purchasing costs, surveys and load calculations.

Another technological addition involved Automatic Vehicle Location (AVL), which was installed on CAEC vehicles beginning in 2009. In the event that one of our crews has an emergency in the field, this technology will aid in a shorter response time since crews can be tracked to their exact location. This technology also assigns crews the shortest route to their jobsite, lowering drive time and costs. Vehicle Maintenance software was implemented in 2010 to hold repair downtime to a minimum and to assist with the organization of parts and inventory.

A project that helped us gain further workflow efficiencies with our equipment and crews was construction of the West Operations Center (WOC). Located in Chilton County and completed in October 2011, the WOC was constructed to centralize our Clanton and Prattville operations into one location on the west side of CAEC's service territory. The facility incorporates the latest technology in sustainable design and green building materials and is certified as a Leadership in Energy and Environmental Design (LEED) Gold building— saving energy costs.





Co-op People

A cooperative is more than just wires and poles—it's people from your community working together to serve their neighbors with the affordable and reliable power and services they need.



One of our goals in the previous strategic plan was to train and retain the best employees in the business. With the implementation of a succession planning process, we annually review job descriptions, positions and areas of possible attrition as employees retire. We then evaluate how each position can either be reassigned or refilled based on need. By utilizing this process, we are able to forecast the most effective use of member dollars in regard to the employees needed for efficient daily operations.

Training is vital in order to keep our employees informed and knowledgeable on the best ways to serve you in a safe and efficient manner. From 2009-2012, employees worked more than 1 million hours, during which we only experienced two lost-time accidents for a total of four days. Such success is achieved, in part, by the 127 class certificates and 10,000 plus training hours during the last four years, which covered safety and countless job-related tasks— from tree-top rescue and chainsaw safety to customer service and accounting courses—by our employees.

In 2009, we implemented a wellness program which includes nutritional consultations, employee movement and functional movement screens (FMS) and general health screening on a semi-annual basis with 75 percent participation rate from our employees. The goal of the program is to improve employee health, control health care costs and increase worker productivity by reducing days missed due to illness. We also promote wellness to the membership by offering free health screens at our Annual Meeting (Aug. 9, 2013), along with inviting healthy lifestyle vendors.

Economic Growth

CAEC is committed to helping our communities grow and progress—and partnering with the business community and local, state and federal government leaders played a key part in the successes we collectively accomplished during the last strategic plan.



The groundwork of these partnerships has helped develop a focus on job creation in our area. The first example was the implementation of Autauga County's first business park, Interstate Business Park, located in Prattville. The park has yielded more than \$2 million in federal and state grants to bring employment opportunities and revenue to the county—serving as home to an automotive supplier and the Alabama Baptist Convention Disaster Relief Center, which is currently under construction.

In Chilton County, the formation of the 90-acre Central Alabama I-65 Business Park was a joint partnership with CAEC, the Chilton County Commission and the Chilton County Industrial Development Board. With a prime site location, just off of Interstate 65 and with solid relationships formed, this venture is projected to bring additional jobs to the members in our service area.

Customer Service



Our priority is serving our members and we strive to offer you convenience 24 hours a day, seven days a week.

A big part of this goal was incorporating 24-hour self-service for our members. In 2009, we utilized a new online system that allows you to access your account via www.caec.coop. From this portal you can view and pay your bill, view capital credit balances, update account information and signup for account alerts and reminders. In 2012, we added your daily and hourly usage information, a unique calculator for analyzing your usage and we offered the ability to create payment arrangements. Many of the same options had become available in 2011 for smart phones and tablets with the CAEC Mobile App. We continually search to find new products and add enhancements to our service offerings to make each interaction with CAEC a seamless and convenient experience.

Another account option that began in 2009 was Prepay. With pre-paid billing, members pay for electricity before it is consumed, avoiding those “surprise” bills each month while offering a great deal of flexibility. With all the monitoring tools available, prepay members keep their energy use in mind. We currently have more than 2,500 members taking advantage of this account type and self-managing their consumption of power, with several members participating in the program seeing as much as a 5-7 percent reduction in their energy usage.

Member Energy Efficiency



As a not-for-profit utility, we are always working on ways to save our members energy dollars. The previous strategic plan emphasized cost control measures and options to give you, the member, choices to systematically manage energy use.

Introduced in late 2007, we continued to promote our Peak Shaving Program to help offset the cost of using power during peak times and the need for additional, expensive peaking-power generation plants. Throughout our system, approximately 4,000 members have had Peak Shaving Devices (PSDs) installed at no cost to them over the last six years. On the industrial side, we implemented a commercial rate designed to encourage our commercial and large business accounts to lower their power usage during peak times.

For areas of the home that may need efficiency upgrades, the Energy Efficiency Loan Program was released in 2012. This program helps our members finance home improvements, such as heating and cooling systems, insulation, sealing, new windows and doors, to name a few. If you're not sure what improvements would be the most beneficial in your home, the Energy Audit Program, established in 2011, can help target areas for upgrading. There is an up-front cost, but the fees are reimbursed when improvements are made based on the Energy Services Representative's recommendations. To date, 168 audits have been conducted for member homes.

To learn more about any of these efficiency programs, please see the back inside cover for more details. Also see our 2012 at-a-glance numbers on pages 42 and 43.

Statement of Financial Condition

as of Dec. 31, 2012

Assets

Total Utility Plant	\$196,021,567
Less Accumulated Depreciation	<u>(40,697,707)</u>
New Utility Plant Value	155,323,860
Equity in Associated Organizations	34,411,408
Cash	2,257,004
Temporary Investments	210,941
Accounts Receivable	9,634,477
Prepayments	5,433,578
Material in Inventory	714,629
Other Current and Accrued Assets	29,431
Deferred Charges	<u>568,772</u>
Total Assets	<u>\$208,584,100</u>

Liabilities and Member Equity

Membership, Equities and Deposits	\$ 80,494,851
Long-term Debt	111,846,264
Non-current Liabilities	2,587,78
Notes and Accounts Payable	4,753,332
Other Current & Accrued Liabilities	8,775,802
Deferred Credits	<u>126,065</u>
Total Liabilities and Member Equity	<u>\$208,584,100</u>

Statement of Operations

Revenue

Electric Revenue	\$84,310,575
Other Operating Revenue	<u>2,657,842</u>
Total Revenue	<u>\$86,968,417</u>

Expenses

Cost of Purchased Power	\$ 53,711,731
Operations & Maintenance Expense	9,222,507
Consumer Accounting, Service & Sales	5,347,623
Administrative and General	4,742,550
Total Operations & Maintenance Expense	73,024,411
Depreciation Expense	5,368,947
Interest Expense	5,260,078
Other Deductions	<u>16,475</u>
Total Cost of Electric Service	<u>\$83,669,911</u>
Interest Income	569,006
Income from Equity Investments	424,421
Capital Credits from Associated Organizations	2,675,669
Patronage Capital	6,967,602

Note: These unaudited figures came from the close of CAEC's 2012 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

2012 at a Glance...

System Maintenance

CAEC has approximately 5,500 miles of line and 100,000 poles that must be maintained in order to deliver reliable electricity to your home. Last year, we trimmed vegetation from 707 miles of line and removed more than 3,700 danger trees (trees that had the possibility of falling into the lines and disrupting service). In addition, 1,800 miles of line were sprayed to reduce invading vegetation. We also replaced 444 poles and upgraded 178 miles of line.



Energy Efficiency Programs

In an effort to help members manage their energy usage, our certified energy auditors conducted 38 home energy audits in 2012. We also introduced our Efficiency Loan Program last year, which offers members a low-interest loan option for home efficiency improvements through a partnership with PowerSouth and Regions Bank. The Peak Shaving Program continued to grow with 303 additional members having the free, peak shaving device (PSD) installed on their electric water heater - giving us approximately 4,000 PSDs installed since 2007.

You can learn more about these programs on the inside back cover of this magazine or visit our website www.caec.coop

Community Connections



We serve our members in more ways than just providing electricity—we give back to our communities. Since 1998, CAEC has helped fund schools with the Bright Ideas Grant program. Last year, 21 grants totaling \$16,000 were awarded to benefit more than 4,100 students in Autauga, Chilton, Coosa, Dallas and Elmore counties. Two \$500 scholarships were also awarded and eight high school juniors learned about leadership and the political process during Youth Tour. In addition to countless volunteer hours spent by CAEC employees in their communities, the co-op also held its first Tide vs. Tigers themed food drive, donating more than 210 pounds of food to the Montgomery Area Food Bank.

Lending a Helping Hand

Thankfully, we were spared from the effects of major storms in 2012, but members of the cooperative family around the country were not as fortunate. In June, we sent crews to Florida after Tropical Storm Debby caused outages. This was followed by Hurricane Isaac in August, with crews traveling to aid in restoration efforts in Mississippi and Louisiana. Finally, in October, it was Super Storm Sandy. CAEC sent crews to Choptank Electric Cooperative in Maryland to help restore power to more than 15,000 members.

In that same spirit of cooperation, CAEC joined the effort with the National Rural Electric Cooperative Association's (NRECA) International Program to bring electricity to villages in third world countries. In 2012, several employees traveled to Puerto Barrios, Guatemala, to help assess the needs for electricity to the outlying villages and plan the first project. We also partnered with other Alabama cooperatives and vendors to gather materials to help them develop and extend their electric utility system and provide much-needed training for their workers.



Exceeding Expectations

We are committed to delivering quality power to our members, and through the hard work of our employees, the co-op sustained high American Customer Satisfaction Index (ACSI) scores for all four quarters of 2012: first quarter 88, second quarter 88, third quarter 87 and fourth quarter 86. These scores placed CAEC in the top tier of the industry across the nation.

ACSI is one measurement we use to capture our members' perception of our service to them. TSE Services also conducts bi-weekly surveys which are primarily based upon member contact with CAEC. As with ACSI, our TSE scores are some of the highest within our benchmark group of 40 top-performing cooperatives across the country.



2012 Annual Meeting

At last year's Annual Meeting, a total of 2,262 members registered and voted by mail with 659 members present the day of the meeting. An estimated 1,600 attended the family friendly event held at the co-op's headquarters in Prattville. This year's Annual Meeting will be held on Friday, Aug. 9, beginning at 4 p.m. and will feature bounce houses, face painting, free health screens from Baptist Health Systems, an energy efficiency expo and much more.