

The Power of Membership



When you think of an electric utility, more often than not you think of poles, wires, transformers and light bulbs. But as a member of an electric cooperative, there's more than just electricity flowing to your homes and businesses—there's also the power of membership.

Membership is a unique relationship, stretching far beyond that of a company and a consumer. This connection is not centered around investors and profits, but instead one of providing the best service to you because you are our owners. We must operate with your best interests in mind and be good stewards of your investment, one that is locally owned and democratically controlled.

Being a member of a co-op comes with many valuable benefits. One of the most unique is the distribution of capital credits. As a not-for-profit entity, we annually assign margins above the cost of doing business by way of credits in each member's capital credits account, which is your equity, or ownership, in the co-op. These funds along with borrowed dollars are utilized to build and renew the system's infrastructure. Then

when that infrastructure is retired (normally on a 30-year life span), those allocated capital credits are actually paid back to the members.

In addition to infrastructure, the most valuable aspect of a cooperative is its people. If it weren't for a group of everyday folks coming together with the shared goal of providing affordable electricity to their families, friends and neighbors, we simply would not exist. Since the decision to band together and form Central Alabama Electric Cooperative was made more than 75 years ago, providing the best service possible and making our members a priority, has been the philosophy held by our Board of Trustees and employees and is a key driver in our decisions and strategic vision.

To further assist us in providing a member-focused vision and organization, it is our members who decide who will serve as their voice, through democratic elections of our Board of Trustees. These fellow members serve the membership's best interests by setting long-term strategies and focusing on policies and rates that not only impact the day-to-day business, but also that of future generations of CAEC members.

As we look to and plan for the future, it is clear that our industry is experiencing unprecedented changes in regard to new policies, regulations and technology, and we must work to stay abreast of these topics so that we can help inform you about their possible implications. We strive to communicate valuable information that will help you save energy dollars while still allowing us to deliver reliable power to your home.

In fact, we encourage you to reach out to us to learn more about the future of our industry or whatever it is that matters most to you. Whether it's the process we use to retire capital credits, how we develop rates or how alternative energy sources may impact our generation mix or power your home, we are available to have those conversations.

On the following pages, you'll read about some highlights from 2015. Throughout the paragraphs you will find one common denominator—people. Whether it's the employees who serve you or the projects that were completed with you in mind, we are truly powered for and by people, and that's the power of membership.

Tom Stackhouse
President/CEO

Terry Mitchell
Chairman, Board of Trustees

The Power of...



Members register at CAEC's Annual Meeting and Member Appreciation Event



Our Ray Substation, energized in September 2015, serves 825 members



Our new headquarters has many upgrades and efficiencies and replaces our former building of 46 years

Democratic Member Control

What makes co-ops so different is that we are owned and regulated by our members, and a vital part of that responsibility is democratic member control. What does that mean? This is one of the seven founding cooperative principles and allows you to participate in setting our governance document, the Bylaws, along with fellow co-op members who serve as elected representatives to approve policies and are accountable to the membership.

Each year, through a public Board Election process, three to four trustees are elected during our Annual Meeting. Nine of the 10 trustees represent a particular geographic district in our service territory with the other trustee serving in an at-large position.

Our Annual Meeting is held the second Friday of each August, with this year's meeting occurring on Aug. 12. Last year, we relocated the Annual Meeting and Member Appreciation Event to our West Operations center in Verbena, where it will once again be held. It's a great time to come out and meet the employees who serve you and the board members who represent you, as well as hear CAEC updates.

Democratic member control means that you, as a member-owner of CAEC, have a voice through your vote—now that's power.

Reliability

Our employees consistently work to deliver reliable power to our members' homes and businesses in portions of 10 counties with over 5,900 miles of line to more than 42,000 meters, serving over 100,000 individuals. Providing reliable power means constantly re-evaluating our system needs and infrastructure and planning for upgrades.

Last year, we replaced 351 poles, inspected 987 miles of overhead primary lines and 1,031 miles of underground lines and managed a 30-foot wide right-of-way along 1,050 miles of line. In addition to these maintenance measures, we energized a new substation on Highway 22 in Coosa County. CAEC crews began building the Ray Substation in August, 2014, and it was completed on Sept. 15, 2015. The Ray Substation has helped to alleviate some of the load on the pre-existing Bradford Substation, thereby providing improved power quality for both service areas.

Another planned facility completed in 2015 was the co-op's headquarters in Prattville. With a designated call center, improved dispatch area and features such as a drive through and payment kiosks, the new building offers better service options to our members while replacing the previous smaller facility that had served the co-op for more than 46 years.

We work hard to anticipate CAEC's future energy and facility needs because we understand that meeting those forthcoming demands is critical to the benefits that reliable power delivers to our members.

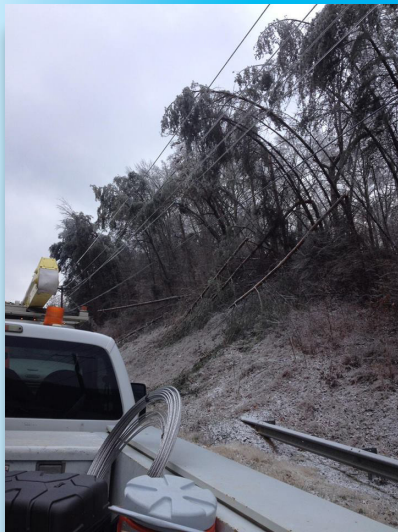
The Power

Grassroots Advocacy

From a historical perspective, grassroots is a synonymous term with cooperatives—after all, it was the grassroots efforts of rural residents back in the 1930's that formed the majority of electric cooperatives. Today, our members, trustees and employees stay engaged in grassroots issues through the Action Committee for Rural Electrification (ACRE), a national and state political action committee.

Last year, CAEC was recognized and honored with the National Rural Electric Cooperative Association's (NRECA) Angus Hastings "Mr. Acre" Award. CAEC was acknowledged as the only electric cooperative in the country to have its entire board, all board spouses, all management and management spouses participating at ACRE's highest contribution level. Grassroots advocacy is about joining with others to make your voice heard, and ACRE helps cooperative members do just that. You can learn more on page 52 or on the cooperative's website at www.caec.coop.

Through the advocacy efforts of ACRE, co-ops and their members experienced a victory last year with the passage and signing of the Energy Efficiency Improvement Act of 2015. This federal law now preserves the production of large grid-enabled water heaters that co-ops rely on for demand-response programs, and with the continuation of the program, national electricity demand will be reduced during peak hours by an estimated 500 megawatts - saving hundreds of millions of dollars. By communicating with U.S. Representatives and Senators, co-op members helped spearhead the passage of this bill. That's the power of working together at a grassroots level.



Assisting Fort Loudoun Electric Cooperative during the February 2015 ice storm

Cooperation

Although we are independently owned by our members, CAEC belongs 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 better able to serve more than 42 million members in 47 states, and there may be no better example of this cooperation among cooperatives than when one of our sister co-ops faces outages due to severe weather conditions.

On Feb., 17, 2015, we went to the aid of Fort Loudoun Electric Cooperative in Vonore, Tenn., which had more than 15,000 members without power due to an ice storm. Our crews returned home on Feb. 23, but were quickly dispatched again just three days later when heavy, wet snow caused more than 7,000 outages at Tombigbee Electric Cooperative in northwest Alabama. Two months later, April storms left Wiregrass Electric Cooperative in Dothan with extensive storm damage to lines, poles and other equipment and we sent crews to aid in restoring power to their 9,500 members.

When we work together, neither snow, ice nor rain can keep us from serving our members—that's the power of cooperation among cooperatives.

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Safety

There's a lot of power in the saying "safety is no accident," especially when dealing with the hazardous task of working with electricity. We spend a great deal of time training employees to help foster a culture of safety within each employee's day to day role, whether it be in the field or the office. Our goal is to have employees efficiently do their job, and to go home at the end of the day, just as they arrived.

In 2015, we began working with our statewide association, the Alabama Rural Electric Association (AREA) to incorporate Speak Up/Listen Up! This program encourages employees at every level of the co-op to call attention to safety issues they encounter and discuss ways to eliminate risks. Developed by Caterpillar Corporation in conjunction with the Rural Electric Safety Achievement Program (RESAP) and Federated Rural Electric Insurance Exchange, the program was put into action in 2016.

Not only does a culture of safety help ensure our employees' well-being, it also helps to control costs at the cooperative. Through RESAP, we utilize national safety performance measures to set our benchmarks, including our worker's compensation rate, which was .76 last year, one of the lowest of all Alabama cooperative's for the last seven years. And our total amount of claims paid through Federated (property loss, general liability, etc.) for the years of 2013-2015 averaged \$10,000 per year—down nearly 90 percent from the three previous years. These numbers not only mean we are doing our jobs safely, but also more efficiently, saving your member dollars.

Community

We understand the commitment people have to their local communities because among them are the men and women who work for CAEC. You will see co-op employees volunteering in all aspects of their communities — from church leadership and civic involvement to youth recreation and elected office. They participate in job fairs, serve on boards and participate in numerous activities to help shape our leaders for tomorrow.

Your co-op works to serve communities by investing in areas such as education. Last year we partnered with several schools by participating in their career days and presenting efficiency and safety demonstrations. We also continued our long-standing education programs by sending eight delegates to participate in Youth Tour, awarding \$16,000 to 26 innovative school projects with Bright Ideas Grants and another \$3,000 in college scholarships to help give our future leaders a solid foundation to build upon.

Additionally, we are active in supporting efforts to build both the human and physical infrastructure necessary to improve our quality of life and promote vibrant, active, economically stable communities. Through our economic development program, CAEC partners with state and community organizations to achieve common goals. In 2015, we saw retail development pick up in areas along the I-65 interstate corridor, from Chilton to Lowndes counties. Merchants Foodservice expanded its operations in Chilton County and construction of the new St. Vincent's Chilton Hospital began (scheduled to open this year). Partnerships with post-secondary education were formed in a regional approach to bring opportunities for higher education closer to home for students in the Elmore and Autauga county areas. State-level economic development organizations utilized CAEC's central location to host a number of statewide workshops, designed to bring elected and community leaders together to learn more about the process of attracting and retaining business. These combined efforts further strengthened CAEC's partnerships with the communities we serve.

There's power in teamwork, partnerships and education, and that makes our communities even stronger.



Statement of Financial Condition

as of Dec. 31, 2015

Assets

Total Utility Plant	\$229,843,267
Less Accumulated Depreciation	(51,762,898)
Net Utility Plant Value	178,080,369
Equity in Associated Organizations	40,650,943
Cash	2,101,742
Temporary Investments	213,300
Accounts Receivable	9,117,696
Prepayments	470,480
Material in Inventory	932,663
Other Current and Accrued Assets	9,901
Deferred Charges	4,646,764
Total Assets	<u>\$236,223,858</u>

Liabilities and Member Equity

Membership, Equities and Deposits	\$94,985,512
Long-term Debt	121,547,291
Non-current Liabilities	1,800,777
Notes and Accounts Payable	4,068,450
Other Current & Accrued Liabilities	13,134,187
Deferred Credits	687,641
Total Liabilities and Member Equity	<u>\$236,223,858</u>

Statement of Operations

Revenue

Electric Revenue	\$85,534,547
Other Operating Revenue	2,395,956
Total Revenue	<u>\$87,930,503</u>

Expenses

Cost of Purchased Power	\$55,818,591
Distribution & Operation Maintenance	9,307,009
Consumer Accounting, Service & Sales	6,175,292
Administrative and General	5,425,142
Total Operations & Maintenance Expense	\$76,726,034
Depreciation Expense	6,001,355
Interest Expense	5,346,949
Other Deductions	29,732
Total Cost of Electric Service	<u>\$88,104,070</u>
Total Operating Income	(\$173,567)
Interest Income	740,233
Income from Equity Investments	(45,573)
Capital Credits from Associated Org.	2,073,325
Patronage Capital	<u>\$2,594,418</u>

Note: These unaudited figures came from the close of CAEC's 2015 books. The Official Audit Report for fiscal year ending April 30, 2016, will be available for review after the Annual Meeting.



BOARD OF TRUSTEES

(Pictured from Left to Right)

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

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



Water Heater Rebates

CAEC offers rebates for water heaters. Purchase your new electric water heater from any store and receive a rebate for meeting the following criteria:

*Electric water heaters only
(cannot be tankless)*

Minimum energy factor of .92

Participation in CAEC's Peak Shaving Program
(at no additional charge)*

Water heaters will be inspected to verify:

Installation at member's address

Manufacturer's Information:

Name and spec information (which includes model and serial numbers and the energy factor)

Proof of purchase:

Copy of receipt and store name

Rebates are available in the following amounts:


Under 80 gal:	up to \$235
80 gal & up:	up to \$375

For more information about our rebate program, call (800) 545-5735, ext. 2118 or (334) 351-2118.

**To learn more about CAEC's Peak Shaving program, visit www.caec.coop.*



**Central Alabama
Electric Cooperative**

A Touchstone Energy® Cooperative 

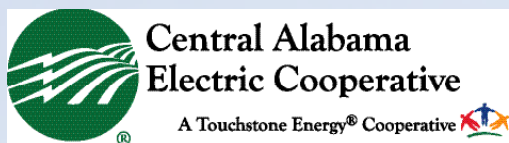
How much are you willing to pay for your power???

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 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.



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 _____