

EXECUTIVE REPORT



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

Tom Stackhouse
President/CEO

A handwritten signature in dark ink, appearing to read "Chase".

Chase Riddle
Chairman
Board of Trustees



On the following pages you will find our 2011 Annual Report with the theme of *Together We Can*—reminding us that whatever we have faced, or will face, we can get through it by working together for a singular and amiable goal.

This premise is especially true during this tumultuous time when many political decisions and legislation are being brought to the table in regard to how we produce, deliver and provide electricity to the country and you—the member.

For example, as recently as March 27 of this year, the Environmental Protection Agency (EPA) announced regulations of carbon dioxide emissions from new coal-based power plants that would require a technology that is not yet commercially available—effectively eliminating coal as a fuel source for the next generation of power plants. With projections that our energy needs and consumption will require an additional 250 gigawatts (enough power for approximately 50 million households) of new generating capacity by 2035 to meet growing demand, it is imperative that we not completely eliminate coal as a fuel source. We have a goal of environmental stewardship, but we would also like to see a common sense approach.

By coming together, electric cooperatives worked at a grassroots level to let the EPA know how these misguided regulations will impact our members. We urged our members, and anyone concerned about the regulations' consequences regarding the price they will pay for power, to contact the EPA and voice their concerns on policies such as this, which are in direct contrast to the bipartisan goal of a balanced and diverse energy policy utilizing many resources.

This is just one example of working together collectively through a grassroots movement to avoid higher energy costs in the future. Throughout history, it's apparent that while 10 voices are strong; 100, 1,000 or more are even stronger, making it crucial that we work jointly for a common goal. Whether you utilize phone calls, emails, letters or the quick-paced and viral world of social media to let elected officials, legislative bodies or your family and friends know your thoughts on the issues, we urge you to help us ensure an affordable and reliable energy future.

How do we hope to accomplish this? By staying on top of the issues and pushing for legislation that utilizes a diverse energy matrix, a philosophy that cooperatives have embraced across the country.

Just as we come together during any disaster, such as a devastating tornado or hurricane, we must continue to band together during this potential energy crisis—*Together We Can* make a difference in our country's energy future.

2011 Annual Report

TOGETHER WE CAN...

SURVIVE DISASTER

The year 2011 will be infamously known as a year of tornadoes and severe weather, but by coming together, we not only restored electricity to those in need, but also began the rebuilding process. Several times, CAEC sent employees to assist sister cooperatives in restoring power to their members after natural disasters.

On April 15, severe weather ripped through our service territory with tornadoes, lightning and straight-line winds—hitting the community of Boones Chapel especially hard. As we worked to mend the wounds these storms had left behind, we and the whole state were hit yet again during the devastating April 27 tornado outbreak which left 232,000 cooperative-served homes without power. Our employees and 700 lineworkers from across Alabama and six other states answered the call and joined together for more than two weeks to help restore power.

In September, we were called on again to help our northern neighbors with aid for the 40,000 Southern Maryland Electric Cooperative members who had been left without power after Hurricane Irene, as well as members who had experienced outages caused by Tropical Storm Lee.

Lending a hand to those in need is something we do without question, wherever or whenever duty calls.



PUT SAFETY FIRST

Safety is crucial in an industry where working around high voltage lines, operating heavy equipment and dealing with inclement weather conditions is all part of a day's work. But how do you measure safety?

One way is by our insurance experience rating modifier. Six years ago, our experience rating was at 1.48, or 48 percent above market. In 2011, we had our lowest experience modifier ever—at .76. Not only does this number, which is below the industry standard, demonstrate a culture of safety at CAEC, it also translates into premium savings for our worker's compensation insurance, more efficient operations, less stress on employees and more reliable service.

And to borrow the phrase of a television commercial, the cost for returning our employees safely home at the end of each day—priceless.

TOGETHER WE CAN...

BE MORE EFFICIENT

We always look for ways to help our members save money on their energy bills. So with that in mind, CAEC launched our expanded Home Energy Audit Program in 2011 to help members troubleshoot areas that may be costing them energy dollars.

Our Energy Services Representative (ESR)/Certified Residential Energy Auditor conducted 88 audits last year to pinpoint common areas of energy loss, such as insulation, lighting, air infiltration and more. There is an up-front cost for the service, but the fees are reimbursed when minor improvements to the home are made based on the ESR's recommendation.

System wide, we continued our Peak Shaving program, allowing members to partner with CAEC in an effort to target our wholesale power costs. By voluntarily installing a Peak Shaving Device (PSD) on their electric water heaters, 570 additional members helped to delay the power demand during peak times in an effort to avoid the need to build and operate an additional and expensive, peak-power plant, bringing our total to 3,516 installed PSDs. By simply delaying the reheating cycle of the tank to off peak times, yet still maintaining the tank's hot water, we all can make small changes in order to help our system's energy use be more efficient.

To learn more about these programs, visit our website, www.caec.coop, or call 1-800-545-5735.



EXCEED EXPECTATIONS

One of the tools we use to measure how well we're doing our jobs or to find areas for improvement is through feedback from you—our members. By participating in the American Customer Satisfaction Index (ACSI) survey each quarter, the information not only provides us with your comments and views on how well we are meeting your needs, it also measures how we perform against other cooperatives, investor-owned utilities and the customer service industry as a whole. In the first quarter of 2011, we scored an 88 on the ACSI survey—the highest score we've ever received.

We also implemented another avenue for member communication by forming a member-led focus group—or Member Advisory Group (MAG). During the course of the year, participating members have had the opportunity to express their ideas and obtain knowledge about industry issues affecting them and their communities. Discussing everything from right-of-way maintenance to school programs and underground services, MAG serves as a vital two-way communication tool.



HELP TOMORROW'S LEADERS TODAY

Preparing leaders for tomorrow takes an investment today—that's why we have programs that work to develop the skills and qualities of today's youth so they're equipped for the future.

In 2011, CAEC awarded \$16,000 in grants to schools through the Bright Ideas Grant program—benefitting more than 4,300 students in five counties for classroom education. Since 1998, the grant program has awarded more than \$208,000 to local schools, impacting more than 83,400 students. Additionally, nine high school juniors participated in the Rural Electric Cooperative Youth Tour program which not only gives them the opportunity to learn more about cooperatives, but to also learn about the political process and improve their leadership skills.

And to aid higher-education goals, two \$500 scholarships for college were awarded to member-dependents through the Electric Cooperative Foundation Scholarship program.



PLAN FOR THE FUTURE

An important responsibility of our work involves the anticipation and planning for future growth and power needs of our members. And although we are not experiencing much growth, system improvement and planning must continue in order to meet the expectations our members place on reliability.

Last year, CAEC placed three substations on line to meet our members' needs. Two substations in the Statesville and Kingston communities were built to provide more capacity and better reliability. Additionally, we constructed the new Wetumpka substation to provide relief to two of our already heavily loaded substations, which will help sustain the commercial needs off of Highway 231, just south of the City of Wetumpka.

Another system improvement that has allowed us to utilize our equipment and crews more efficiently involved the construction of the West Operations Center (WOC). Located in Chilton County and completed in October 2011, the WOC was constructed to centralize our operation efforts on the west side of CAEC's service territory. The 54,249-square-foot facility incorporates the latest technology in sustainable design and green building materials and is certified as a Gold Leadership in Energy and Environmental Design (LEED) building.

The building's community room is available for CAEC's members to use for meetings and gatherings. For a reservation, members can call 1-800-545-5735, ext. 2213.



STATEMENT OF FINANCIAL CONDITION AS OF DEC. 31, 2011

ASSETS

Total Utility Plant	\$189,143,323
Less Accumulated Depreciation	<u>(37,776,617)</u>
New Utility Plant Value	151,366,706
Equity in Associated Organizations	30,904,301
Cash	3,520,242
Cash in Deferred Revenue	3,000,000
Temporary Investments	210,365
Accounts Receivable	10,384,156
Prepayments	6,641,730
Material in Inventory	731,216
Other Current and Accrued Assets	28,886
Deferred Charges	<u>642,380</u>
Total Assets	<u>\$207,429,982</u>

LIABILITIES AND MEMBER EQUITY

Membership, Equities and Deposits	\$ 74,398,215
Long-term Debt	113,430,186
Non-current Liabilities	2,704,204
Notes and Accounts Payable	5,291,931
Other Current & Accrued Liabilities	8,512,831
Deferred Credits	<u>3,092,615</u>
Total Liabilities and Member Equity	<u>\$207,429,982</u>

STATEMENT OF OPERATIONS

REVENUE

Electric Revenue	\$84,122,514
Other Operating Revenue	<u>2,859,059</u>
Total Revenue	<u>\$86,981,573</u>

EXPENSES

Cost of Purchased Power	\$ 56,730,472
Operations & Maintenance Expense	8,922,126
Consumer Accounting, Service & Sales	5,162,314
Administrative and General	4,464,877
Total Operations & Maintenance Expense	75,279,789
Depreciation Expense	5,044,847
Interest Expense	5,033,655
Other Deductions	<u>16,475</u>
Total Cost of Electric Service	<u>\$85,374,766</u>
Interest Income	235,614
Income from Equity Investments	388,875
Capital Credits from Associated Organizations	2,887,401
Patronage Capital	5,118,697

Note: These unaudited figures came from the close of CAEC's 2011 workbooks. The Official Audit Report for fiscal year ending April 30, 2012, 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, Jemison

Charles Byrd, Deatsville

Mark Presnell Sr., Wetumpka

David Kelley, 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

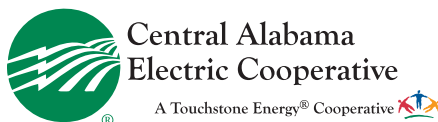
Severe Weather doesn't sleep...



...but there's an App for that

Tornadoes and severe thunderstorms can strike any time of day, even when you're sleeping, but you and your family can be better prepared with the **iMap Weather Radio** application, specifically made for iPhone and other Apple products. The app helps keep you up to date on severe weather watches and warnings and uses a GPS feature to warn you of severe weather specific to your location with alerts such as beeps and text to speech.

Valued at \$9.99, CAEC has a limited supply of **free** download codes available for the iMap Weather Radio Application. To reserve a free download code, contact us at (800) 545-5735.



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.



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 _____