

Executive Report

We know our members are why this cooperative exists; for that reason, on your behalf, we operate the business you own with integrity, focused on what it takes to provide the service you deserve. It is through the democratic election of your Board of Trustees that you have representation of the members' interests and is key to maintaining accountability to the membership. Trustees, who are members themselves, set long-term strategy and goals to focus policies and rates by balancing the day-to-day operation for today's CAEC and positioning the cooperative to be a viable business for future members.

During the past year, one of your long-time Trustees bid us farewell as she retired after 35 years of service on the board. Trustee Ruby Neeley, a dear friend and great supporter of the cooperative, attended her last board meeting in October 2014. Ms. Neeley has been an incredible asset to our organization and although we sincerely miss her, she believed it was time for a new generation to influence the cooperative's future sustainability. Since she retired early in the term, the Board of Trustees conducted a thorough search and appointed Mark Gray of Chilton County on March 24, 2015, filling the unexpired term in District 9. The term of this District ends Aug. 7, 2016.

As a group committed to the strategic vision for the cooperative, your Board measures the cooperative's progress through a number of questions: are we improving the quality of our service, are we providing value to the members and are we sustaining the financial health of CAEC?

These questions help us focus on a balance, as we seek innovative ways of utilizing technology to improve the reliability of your electrical service, improve our customer service, monitor and control costs as well as increase employee productivity. With all of these objectives in mind, however, safety continues to be the top priority when it comes to our employees and the general public. Your co-op not only provides extensive safety training for its employees, both online and hands-on, but also offers education to the public through programs such as electrical safety demonstrations for community and school groups as well as emergency organizations.



CAEC's Board and employees are concerned for the members and committed to improving the quality of life in our communities.

Programs we sponsor include funding creative teaching techniques, leadership training for our youth and scholarships for members' children. These efforts not only improve the quality of life in our service territory, but they also create an environment that can nurture the economic development efforts of our community.

As we have for the past decade, our 2014 Strategic Plan was based on a balanced approach: how well we delivered service (**quality**), what you receive as a member (**value**) and how your organization remains financially stable and relevant in the future (**sustainability**). That is why we use a three-legged stool, as shown on this page and the cover of this report, to provide a visual of how we keep each leg balanced with the other two. Within each of these three areas are activities and projects that we focused on in 2014, and will continue to influence our future plans as we execute our continuous strategic planning process. We hope the information in the following report will demonstrate our commitment to serving you.



Tom Stackhouse
President/CEO

Chase Riddle
Chairman, Board of Trustees



Operations

Each year, CAEC completes maintenance and upgrades on our existing infrastructure to provide the reliable service that our members have come to expect.

In 2014, we invested \$3.7 million in system upgrades and new construction. This includes the completion of the Titus substation upgrade and the surrounding lines and the improvement of lines in the Lowndes County area which will be connected to the new Burkeville substation, scheduled to be completed in 2016.

Also, we are in the planning stages to upgrade Enterprise (Chilton County) and Wallsboro (Elmore County) substations in the near future.

For future growth, system improvements and planning must continue on a regular basis in order to meet member reliability expectations. To date, CAEC has completed a 10-year update of our 20-year long range engineering and construction plans, which help us anticipate the future energy and facility needs of the system.

As we look to the future, reliability will always be a top priority.



Upgrading the Titus Substation

Energy Efficiency

When it comes to achieving energy savings, CAEC is committed to helping members use power wisely by offering programs and information that can help you save on your energy bills.

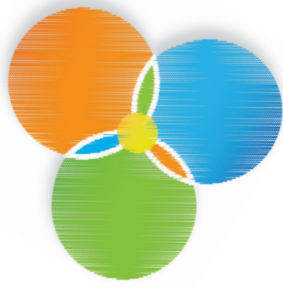
We continue to promote our Peak Shaving Program that helps offset the cost of demand during peak times as well as the need for additional, expensive peaking-power generation plants. Throughout our system, more than 4,600 members have had Peak Shaving Devices (PSDs) installed at no cost to them since 2007.



Programs such as CAEC's Home Energy Audit help members find ways to save their energy dollars.

For homes that may need efficiency upgrades, the Energy Efficiency Loan Program assists members in financing home improvements, such as heating and cooling systems, insulation, sealing, ventilation, water heating, windows and exterior doors. The Energy Audit Program can help target areas in need of an upgrade. While there is an up-front cost, the fees are reimbursed when improvements are made based on the Energy Services Representative's recommendations. In the past three years 245 audits have been conducted; 69 of those energy audits were performed in 2014.

You can learn more about these programs on the inside back cover of this magazine or on our web site caec.coop or call 1-800-545-5735, ext. 2118.



Value

Customer Service



Kiosks allow for members to have access to their accounts and make payments 24-7.

At CAEC, providing quality customer service is about exceeding your expectations—as our members. To help achieve this mission, we utilize technology and process improvements.

One of the driving forces is the diversity of our membership. While the concept of diversity is frequently used to define demographics such as gender, age and culture, it can also be used to describe preferences, learning styles and approaches. As we acknowledge diversity, identifying innovative ways to better serve our membership is at the forefront of adding value to you.

In 2014, we installed full-service kiosks at our Wetumpka and Clanton service centers which are available 24-7, allowing you to quickly access your account and make payments at your convenience. In July 2015, we added two more kiosks at our new Prattville headquarters.

Additionally, we enhanced our members' self-help portal on our website to offer functions such as signing up for e-bill and bank or credit/debit card draft as well as the ability to check account balances, monitor usage and create settings to receive alerts for due date, past due reminders, profile changes, payment confirmation and high energy usage.

To measure how well we're doing and to identify areas for improvement, we use feedback from our members. We do this monthly by surveying members who have had interaction with us. We appreciate your participation and are proud to say that our 2014 American Customer Satisfaction Index (ACSI) score of 85 was well above the utility industry national average of 76.



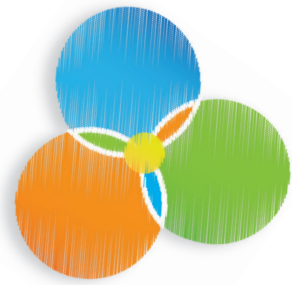
Community & Economic Development

Community involvement is one of the seven cooperative principles and a key driver in CAEC's strategic plan. Public/private partnerships with local governments and leadership groups meet workforce development needs. During 2014, there was an upsurge in economic activities in Autauga, Chilton, Elmore and Lowndes counties as several industries reported expansions and new capital investment projects were announced. Retail recruitment was evident, two local airport improvement projects were achieved and plans were unveiled for a new 30-bed hospital in Chilton County.

With the help of the Workforce Development Councils and the Regional Planning Commissions, communities have extended resources when it comes to seeking additional help with business and industry recruitment and expansion efforts. And through CAEC's alliance with the U.S. Dept. of Agriculture (USDA), funding opportunities are available for economic and business development projects through the Rural Development Economic Loan and Grant (REDLG) program and through CAEC's Revolving Loan Program.

In 2014, tourism dollars continued to grow in central Alabama through the many water-related sporting activities and public festivals that abounded. Of particular note was the Second Annual Hatchett Creek Festival in Coosa County.

Sustainability



Grassroots Advocacy

Grassroots is a term that corresponds to the advocates of organizations. In the electric cooperative utility industry, grassroots references our members, trustees and employees who stay engaged in the political process, particularly through our Action Committee for Rural Electrification, or ACRE. For more information, visit www.caec.coop.

Last year, many of you helped as we joined with other cooperatives across the country to make comments on the Environmental Protection Agency's (EPA) proposed Clean Power Plan that would essentially change how electricity is generated, distributed and consumed in the United States. Our message to the EPA was clear — we care about the environment and we seek a balanced and affordable approach to our nation's energy policy. When the EPA's public comment period ended, more than 1.1 million comments had been made by our national grassroots network (12,498 messages were sent from co-ops in Alabama, of which 2,827 were members and employees of CAEC).

Your efforts were not in vain— on June 27, 2015, a final directive issued by the Supreme Court, ruled against the EPA's effort to limit certain power plant emissions— declaring the agency “unreasonably” failed to consider the cost of the regulations— a major win for anyone paying a power bill.

With the uncertainty of our national energy policy, we will continue to keep our members informed about this important legislative matter. Thank you for your involvement in voicing your concerns to your elected officials.

Safety

As a foundational value of CAEC's culture, safety training is an essential element contributing to the cooperative's recognition as a High Performing Cooperative (HPC) throughout the state and nationally among electric cooperatives. Through the Rural Electric Safety Achievement Program (RESAP), CAEC utilizes national safety performance measures to set its benchmarks, including its workers' comp rate (at .77, the lowest of all the cooperatives in the state for the last six years) and Days Away, Restricted and Transfers, or DART rate, which was .75 in 2014.



Employees participated in a chainsaw safety course in 2014.

Since 2012, when NRECA began a new training emphasis through their Safety Leadership Summits, members of CAEC's safety leadership team have attended the meetings to learn more about effective strategies for safety management, such as Supervisor Training in Accountability and Recognition Techniques (S.T.A.R.T.). This program helps supervisors understand effective management principles related to positively influencing safety.

CAEC also utilizes an employee team to review every accident, incident and near miss in an effort to learn from the occurrences and, when necessary, make recommendations for changes and improvements. The Safety Committee helps create and implement the cooperative's Safety Improvement Plan, a three-year strategy targeting particular areas of concentration.

Sustainability (continued)

Statement of Financial Condition as of Dec. 31, 2014

Assets

Total Utility Plant	\$216,882,451
Less Accumulated Depreciation	(47,700,347)
Net Utility Plant Value	169,182,104
Equity in Associated Organizations	38,848,517
Cash	2,376,150
Temporary Investments	211,595
Accounts Receivable	11,252,587
Prepayments	406,409
Material in Inventory	851,805
Other Current and Accrued Assets	11,249
Deferred Charges	5,316,213
Total Assets	<u>\$228,456,629</u>

Liabilities and Member Equity

Membership, Equities and Deposits	\$ 93,128,350
Long-term Debt	117,874,073
Non-current Liabilities	1,794,774
Notes and Accounts Payable	5,800,937
Other Current & Accrued Liabilities	9,748,249
Deferred Credits	110,246
Total Liabilities and Member Equity	<u>\$228,456,629</u>

Statement of Operations

Revenue

Electric Revenue	\$93,481,387
Other Operating Revenue	2,711,850
Total Revenue	<u>\$96,193,237</u>

Expenses

Cost of Purchased Power	\$59,906,017
Distribution & Operation Maintenance	9,591,641
Consumer Accounting, Service & Sales	5,697,425
Administrative and General	5,200,885
Total Operations & Maintenance Expense	<u>\$80,395,968</u>
Depreciation Expense	5,689,163
Interest Expense	5,663,673
Other Deductions	16,475
Total Cost of Electric Service	<u>\$91,765,279</u>
Total Operating Income	\$4,427,958
Interest Income	1,201,533
Income from Equity Investments	429,840
Capital Credits from Associated Org.	2,031,203
Patronage Capital	<u>\$8,090,534</u>

Note: These unaudited figures came from the close of CAEC's 2014 workbooks. The Official Audit Report for fiscal year ending April 30, 2015, will be available for review after the Annual Meeting.



BOARD OF TRUSTEES

(Pictured from Left to Right)

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



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.



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 _____