



Central Alabama Electric Cooperative

We Shine As

One

“We shine as one” is the theme of the song you hear in Touchstone Energy® television advertisements or on our phone line if you call CAEC. This theme song is all about Central Alabama Electric Cooperative working to meet its members’ need for reliable, dependable electric service. CAEC is your power company and as the name describes, it operates as a cooperative. You, the membership, are the power company. We don’t call you “customers” because you are members of a cooperative.

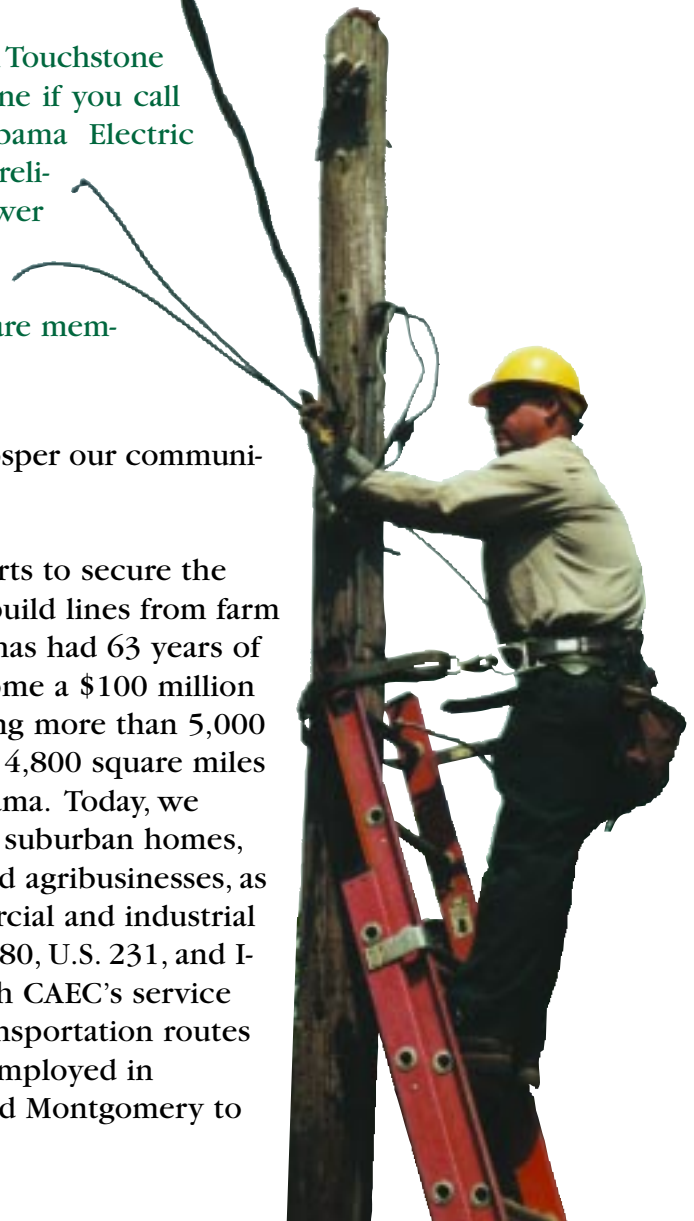
As many individuals acting as one cooperative, CAEC has had a significant impact in central Alabama’s communities, economy and quality of life. This report is a current snapshot of your power company and its financial operations in 2001.

Growth

Rural electrification became possible in the 1930’s through New Deal legislation. Local visionary farmers knew what electricity would mean to their businesses and homes. Families like the DeRamus, Hall, Johnson, Rogers, Robbins, Harrell, DeLoach and King led the way to incorporate CAEC and begin its

vital part to prosper our communities.

From their efforts to secure the financing and build lines from farm to farm, CAEC has had 63 years of growth to become a \$100 million company serving more than 5,000 miles of line in 4,800 square miles of central Alabama. Today, we serve rural and suburban homes, family farms and agribusinesses, as well as commercial and industrial services. U.S. 280, U.S. 231, and I-65 slice through CAEC’s service area. These transportation routes invite people employed in Birmingham and Montgomery to



2001

Annual Report

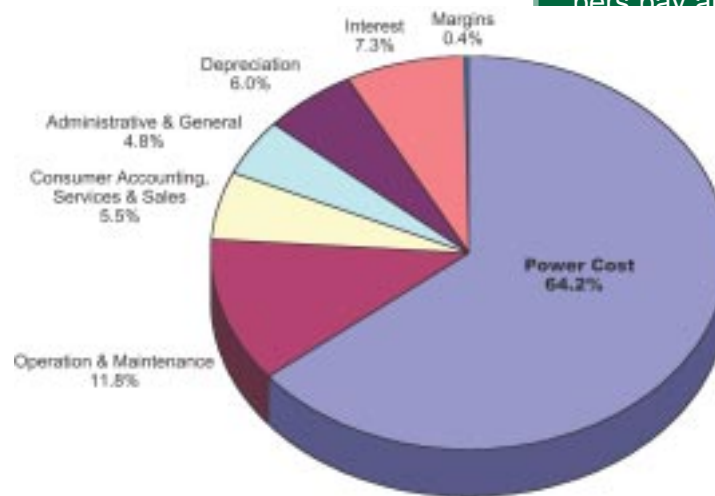
live away from the big cities.

This migration has caused growth, which added a net 587 new services and 84.7 miles of line (61.2 overhead and 23.5 underground) to our plant in 2001. Of 35,679 total active services on December 2001, 34,306 were residential and 1,373 were commercial. This also includes the settlement of the territorial legislation, written in the early 1980's. Due to the legislation, 21.88 miles of line and 412 services were transferred to Alabama Power in the territorial exchange. Of those miles transferred and retired, 19.92 were overhead and 1.96 was underground.

Operations

As a cooperative, we are able to operate at a not-for-profit position. Since the consumer buying the product is also the member/owner receiving the "profits" from those sales, margins are kept to a minimum. Margins become your ownership or equity in your power cooperative.

What Makes a kWh?



What makes up the cost of doing business?

The largest portion of the \$42,771,948 spent in 2001, 62.2% went to purchase wholesale power. Employees, vehicles and other operating costs made up 23.7%. Cost of the plant (depreciation & interest) was 14.1%. This left us 0.4% of total revenue as margins.

The goal is to maintain a suitable member equity (ownership) while balancing the investment in plant between how much you own outright and how much has to be financed through debt.

What Makes Up a Kilowatt-Hour (kWh)

- ▶ Margins: The amount members pay above the cost of business.
- ▶ Interest: The cost of money that the cooperative pays to build plant.
- ▶ Depreciation: The decrease in value of plant.
- ▶ Administrative & General: The cost of administering the business.
- ▶ Consumer Accounting, Services & Sales: The cost of programs, projects, products and services.
- ▶ Operation & Maintenance: The cost of operating and maintaining the power lines, transformers, poles, etc.
- ▶ Power Cost: What the cooperative pays to purchase the kilowatt-hours it sells.

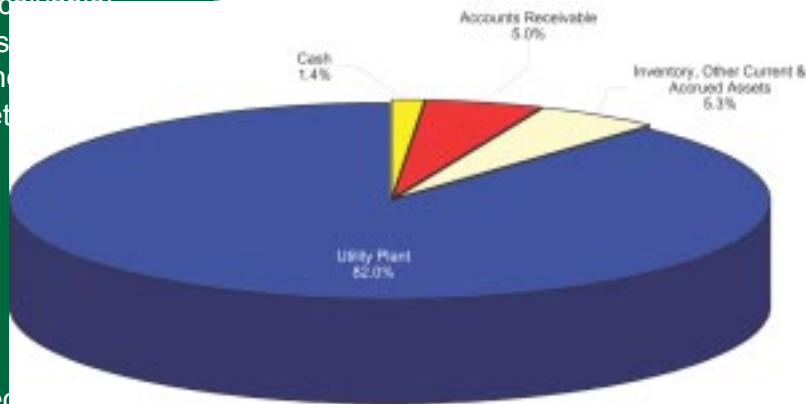
Your Trustees and staff constantly monitor the equity and cash management plans to assure that the cooperative's financial position is strong and the quality of service delivered to you is high.

Assets

- ▶ Cash: What the cooperative has available.
- ▶ Accounts Receivable: Members' bills.
- ▶ Inventory, Other Current & Accrued Assets: Includes materials to build plant.
- ▶ Accumulated Depreciation: The decreased value of plant due to age.
- ▶ Net Utility Plant: Current value of plant.

Assets

Year-End 2001



What are your assets in the company?

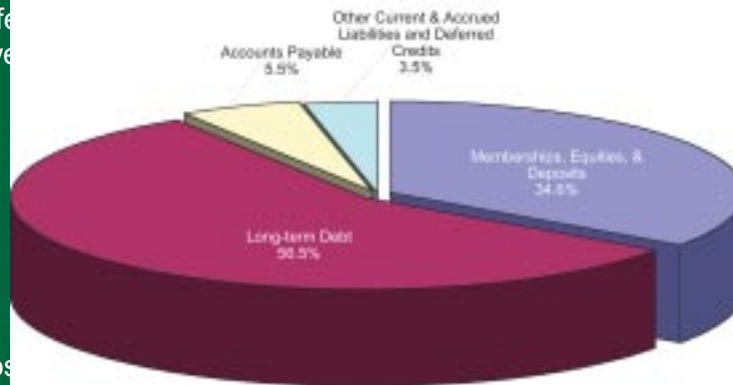
CAEC ended the year with \$103,883,213 in total assets. The largest part, \$83,653,693, is plant. Inventory and other minor items made up \$4,999,638 of assets. Cash was \$1,344,295. The remaining \$4,699,386 was bills that had been sent, but not yet paid at the close of the year.

Liabilities

- ▶ Accounts Payable: Bills payable in less than a year.
- ▶ Other Current & Accrued Liabilities and Deferred Credits: Taxes owed at end of the period.
- ▶ Memberships, Equities & Deposits: Membership fees paid by members, members' ownership, and security deposits.
- ▶ Long-Term Debt: Money borrowed to finance new construction and upgrades in the plant.

Liabilities and Member Equities

Year-End 2001



What liabilities are there toward the assets?

The members owned \$35,940,408 of those assets at the end of 2001 and \$58,658,794 was owed to lending institutions. Another \$5,690,919 was current bills sent and waiting payment. The remaining \$3,593,092 was other short-term liabilities.

Economic Development

Diversity of electrical load with the addition of more commercial and industrial consumers helped to balance the electrical demands of the system. This translates into more efficient power purchases through our

power supply cooperative, Alabama Electric Cooperative (AEC). As our distribution system grows, so does the demand for more energy. Peaks of demand for power are created when this growth only occurs during short defined

periods. Using power during the off peak hours makes the cooperative more efficient and this translates into keeping our largest expense, power purchases, economically efficient. The more efficient... the better the rates we can offer.

Distribution Facilities

Growth has positive and challenging effects on our operation. A growing consumer base means more sales and services to spread fixed costs. However, more services and the continuing need to upgrade and maintain the distribution facilities are costly. Financing decisions must be made on the construction of new lines, continual rebuilding of older facilities so that adequate service can be maintained, upgrading of computer systems to keep track of enormous volumes of information, and maintaining vehicles is important and must be well planned. Borrowing some of the cost to build the system allows the cooperative to spread the costs over the life of items, and all those who are served by it also help pay for it.

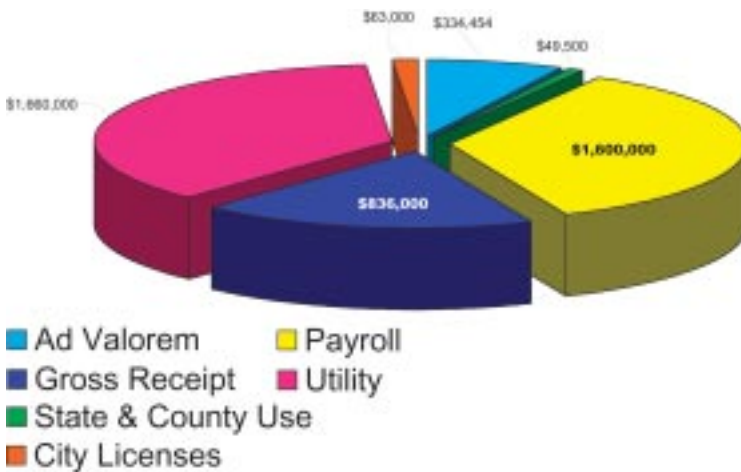
Quality of Life

Working with local chambers of commerce and development authorities to attract businesses and industrial development in the 10 counties we serve is a priority. Commercial growth brings more jobs, more retail spending and a larger tax base to our communities. Moreover, the constant load factor of large industries provides operational economies of scale for your cooperative.

One of the cooperative principles is commitment to community and Central Alabama Electric Cooperative emphasizes that principle by helping build leadership capacity in communities. Our employees are active in the leadership programs in Autauga, Chilton,

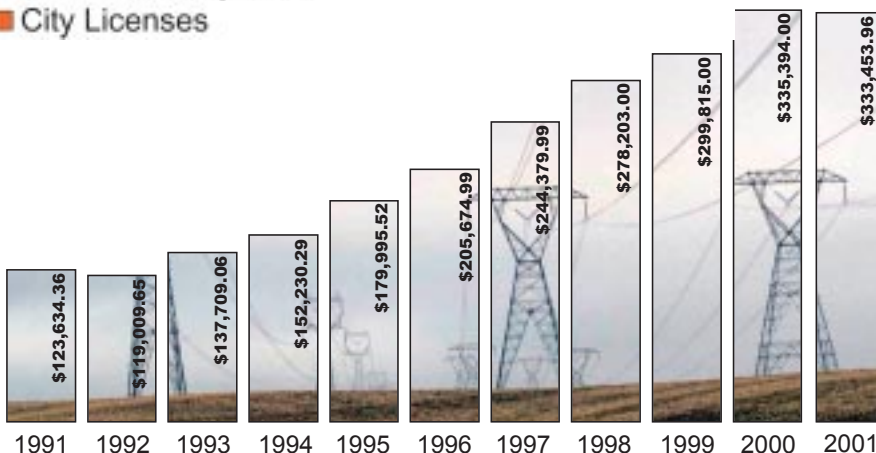
Coosa and Elmore counties. Further, you will see CAEC employees who volunteer in every level of community involvement—from church leadership to civic involvement to youth recreation and youth leadership programs to elected office.

Throughout 2001, the cooperative had many opportunities to shine as one. The partnerships, which were formed in the beginning and which have strengthened over time, will continue to serve us well as we work to build a brighter tomorrow.



CAEC Paid \$4.56 Million in 2001 Taxes

CAEC contributed to regional, state and federal coffers by paying approximately \$4.56 million in taxes in 2001. Revenue from these ad valorem taxes goes to several recipients including the school districts and volunteer fire departments in CAEC's service area.



CAEC paid \$333,453.96 in ad valorem taxes in 2001 on an assessed value of \$11,958,000. In fact, over the past 10 years, CAEC has paid approximately \$2.4 million in ad valorem taxes.

Ad Valorem Taxes Paid By CAEC Over the Past 10 Years

Central Alabama Electric Cooperative

STATEMENT OF FINANCIAL CONDITION

ASSETS	
Total utility plant	\$102,104,298
Less accumulated depreciation	18,450,605
Net utility plant book value	<u>\$83,653,693</u>
Equity in associated organizations	9,186,202
Cash	1,344,295
Accounts receivable	4,699,386
Material in inventory	776,416
Other current and accrued assets	125,760
Deferred charges	4,097,461
Total Assets	<u>\$103,883,213</u>

LIABILITIES and Member's Equity	
Membership, equities, and deposits	\$35,068,851
Long-term debt	58,658,794
Notes and accounts payable	6,562,476
Other current & accrued liabilities	2,136,939
Deferred credits	1,456,153
Total Liabilities and Members' Equities	<u>\$103,883,213</u>

STATEMENT OF OPERATIONS

REVENUE	
Electric Revenue	\$41,273,156
Other Operating Revenue	1,678,684
Total Revenue	<u>\$42,951,840</u>

EXPENSES	
Cost of Purchased Power	\$26,615,168
Operations and Maintenance Expense	5,408,966
Consumer Accounting, Services, and Sales	2,522,948
Administrative and General Expense	2,182,557
Total Operation and Maintenance Expense	<u>\$36,729,639</u>
Depreciation Expense	\$2,723,572
Interest Expense	3,304,456
Other Deductions	14,281
Total Cost of Electric Service	<u>\$42,771,948</u>
Interest Income	\$114,694
Capital Credits from Associated Organizations	686,688
Patronage Capital	<u>\$981,274</u>

Note: These unaudited figures came from the close of CAEC's 2001 books. Copies of the Official Audit Report will be available for inspection upon request.

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