

EXECUTIVE REPORT

Balance. It's something we strive for daily—whether it's balancing our careers and personal lives, our finances or time management, we find ourselves constantly trying to keep everything on an even keel.

In 2010, your cooperative worked carefully to maintain balance between reliability and operational costs. In our business, the future is unpredictable, not only from a weather standpoint, which can deal devastating blows to an electrical distribution system, but also from a governmental regulatory position. However, despite the fiscal volatility last year, which led to a slump in the economy and a slowdown of new growth in our service territory, CAEC remained strong.

Purposeful planning, which included spending dollars up front, helped the cooperative avoid or minimize the need to fix larger issues at a later date. Although our residential growth has slowed over the last few years, the demand for electricity has not. Yet, feasibility studies, conducted consistently, have helped us determine the need for new substations and equipment necessary for dependable power delivery.

Maintenance is always essential for reliability; and our vegetation management program reduced the number of dead or dying trees and other plant life that could have caused power


interruptions. Efforts such as our Peak Shaving Program have been designed to reduce the amount of power consumed on a system-wide level at one time, which impacts our wholesale power costs. A new program, developed in 2010, was the Home Energy Audit, which is conducted by a certified Residential Energy Auditor, and helps members save energy dollars when they take steps to improve their home's efficiency. These programs work together to help us achieve our goal of delivering quality power to you at the lowest possible cost.

Beyond what we have done here on the local level to keep the lights on, we also continued the work to keep a fair and balanced discussion when it came to our country's energy policy. By talking with legislators, we expressed our concerns and ideas to make sure the end-user ramifications were considered before decisions were made in the political arena. By doing so we have already avoided policies that could have proven detrimental to the price each of us pays for energy. Staying engaged with our legislators is an effort that will continue into the future and we encourage our members to do the same.

As our country struggles to improve the economy and find balance between environmental energy policies that will not cause rates to rise to burdensome levels for every American, we will continue to do our work by keeping your lights on and being good stewards of your investment in the cooperative.




Tom Stackhouse
President/CEO


Chase Riddle
Chairman
Board of Trustees

2010 ANNUAL REPORT

Every year, Central Alabama Electric Cooperative releases an Annual Report—a way to inform you, the member, of what was accomplished in the past year in our ongoing effort to exceed your expectations. It also serves as a report on our financial standing (on page 8) and how we balance member dollars with expenses to ensure our delivery of power to you is reliable and cost efficient. On the following pages you'll find details regarding the benchmarks we reached last year while maintaining fiscal balance with member investment.

BALANCING MEMBER NEEDS

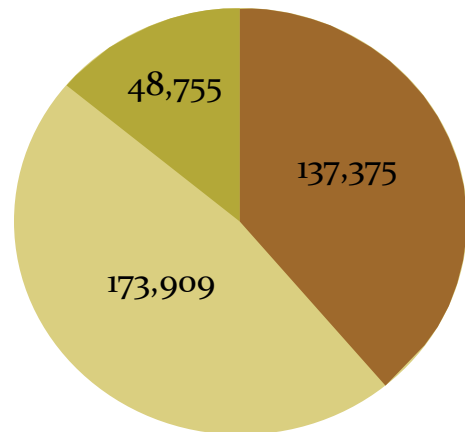
Our daily business is about more than just delivering power, it's about helping people; and each day we work to balance your need for interaction.

As times have changed, so have the ways we do business. Many members still enjoy the face-to-face interaction at our service centers, with more than 173,000 payments taken in our Clanton, Prattville, Rockford and Wetumpka locations last year. Other members chose to utilize our website, with 48,755 visitors (a 5,000 visitor increase from 2009), of which 8,255 utilized our online payment section.

Phone communications also played a large role—with more than 137,000 calls coming in, 36,000 of which were handled through our automated phone system. Most calls were centered on service questions, billing inquiries and outage reports.

As work processes change and new technologies become available, we will continue to communicate with you through a variety of avenues— keeping in mind that serving our members in the best possible manner is the cooperative way.

TOP METHODS OF INTERACTION
2010



SERVICE CENTER VISITS

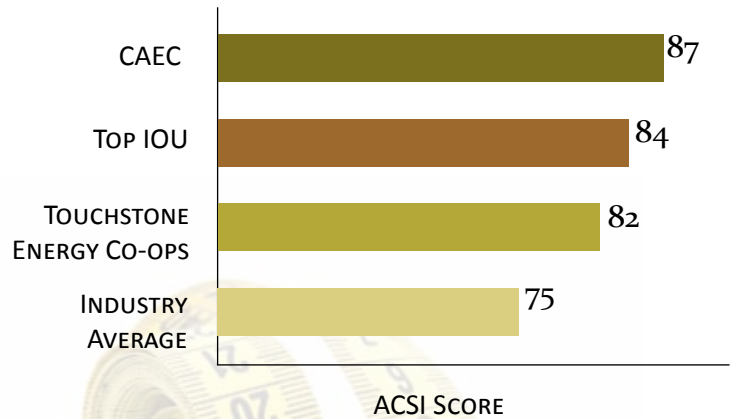
PHONE CALLS

INDIVIDUAL VISITS TO WEBSTIE

MEASURING OUR BENCHMARK

Each quarter, CAEC participates in the American Customer Satisfaction Index (ACSI) survey. This quarterly assessment gives us a clearer look into how we're serving our members and in what areas we may need to improve. It also measures how we perform against other cooperatives, investor owned utilities and the customer service industry as a whole. In the fourth quarter of 2010, we scored an 87—which outperformed most in our industry and exceeded the benchmark group with an average score of 82. The highest rated investor owned utility (IOU) only scored an 84. Thank you for participating in our survey; your feedback helps us look for ways to better serve our members.

ACSI OVERALL SATISFACTION SCORES 4TH QUARTER 2010



BALANCING YOUR ENERGY USE

Last year was another successful period for our Peak Shaving program, which allows members and CAEC to partner in an effort that targets costs associated with wholesale power. Our current program involves installing a peak shaving device (PSD) on electric water heaters, which delays the reheating cycle of the tank to off peak times. Peak power is expensive because power plants for this use cost the same to build, yet operate for very short periods of time.

With this program, you still have hot water on demand while helping your cooperative save on power costs, which benefits the membership. Our goal each year is to sign-up 1,000 members – the voluntary program grew by 826 in 2010 – a significant increase over 2009. For more information about this and other energy efficiency related ideas, click on the Green Solutions tab at www.caec.coop.



ADDING UP SAVINGS

An exclusive benefit of being a CAEC member is the Co-op Connections card program—which gives discounts from local and national merchants as well as on prescription drugs. In 2010, CAEC’s members used their cards on 5,616 prescriptions, saving more than \$80,000; and since its inception in 2007, members have saved almost \$300,000 on prescriptions alone. We also added more than 50 local businesses to the program, giving you savings on a wide variety of items. *(View all our local vendors and find a link to national discounts at www.caec.coop.)*



INVESTING IN COMMUNITY

We not only provide electricity to the communities we serve, we also invest in developing skills and qualities for today’s leadership and for the leaders of tomorrow. In 2010, CAEC awarded \$16,000 in grants to schools through the Bright Ideas Grant program, benefitting more than 8,820 students and their education. Since 1998, local schools have received \$192,000 from the program, impacting more than 79,300 students. Additionally, seven high school juniors participated in the Rural Electric Cooperative Youth Tour program—allowing them to learn more about cooperatives, the political process and develop leadership skills.

CAEC also works in conjunction with the Boy Scouts of America and their Explorers Program, which in 2010, allowed 34 students with an interest in engineering to learn more about this field through hands-on activities and educational opportunities. Through the Electric Cooperative Foundation, we awarded two \$500 scholarships to member-dependents and sent two cooperative couples to the Couples Conference where they learned about the business model utilized by cooperatives as well as the role that co-ops play in today’s society.

To learn more about these programs, visit www.caec.coop.



Statement of Financial Condition AS OF DEC. 31, 2010

ASSETS

Total Utility Plant	\$176,839,327
Less Accumulated Depreciation	<u>(34,884,183)</u>
New Utility Plant Value	141,955,144
Equity in Associated Organizations	29,054,578
Cash	4,388,199
Cash Deferred Revenue	3,000,000
Temporary Investments	109,469
Accounts Receivable	12,293,587
Material in Inventory	784,302
Other Current and Accrued Assets	647,585
Deferred Charges	<u>733,364</u>
Total Assets	<u>\$192,966,228</u>

LIABILITIES AND MEMBER EQUITY

Membership, Equities and Deposits	\$ 70,120,584
Long-term Debt	102,828,560
Non Current Liabilities	2,133,609
Notes and Accounts Payable	6,580,804
Other Current & Accrued Liabilities	8,207,520
Deferred Credits	<u>3,095,151</u>
Total Liabilities and Member Equity	<u>\$192,966,228</u>

Note: These unaudited figures came from the close of CAEC's 2010 books. The Official Audit Report for fiscal year ending April 30, 2011, will be available for review after the annual meeting.

STATEMENT OF OPERATIONS

REVENUE

Electric Revenue	\$86,387,259
Other Operating Revenue	<u>2,313,674</u>
Total Revenue	<u>\$88,700,933</u>

EXPENSES

Cost of Purchased Power	\$59,275,226
Operations and Maintenance Expense	9,004,815
Consumer Accounting, Service and Sales	4,691,315
Administrative & General	4,090,931
Total Operations & Maintenance Expense	77,062,287
Depreciation Expense	4,824,154
Interest Expense	5,248,270
Other Deductions	<u>16,475</u>
Total Cost of Electric Service	<u>\$87,151,186</u>
Interest Income	249,688
Income from Equity Investments	32,146
Capital Credits from Associated Organizations	2,977,112
Patronage Capital	4,808,693



BOARD OF TRUSTEES

(PICTURED FROM LEFT TO RIGHT)

BACK ROW: VAN SMITH, BILLINGSLEY;

DAVID KELLEY, ROCKFORD;

CHARLES BYRD, DEATSVILLE;

C. MILTON JOHNSON, STATESVILLE.

MIDDLE ROW: MARK PRESNELL SR., WETUMPKA;

CHASE RIDDLE, CHAIRMAN, PRATTVILLE;

JIMMIE HARRISON JR., VICE CHAIRMAN, MAPLESVILLE;

TERRY MITCHELL, STEWARTVILLE.

FRONT ROW: PATSY HOLMES, WETUMPKA;

RUBY NEELEY, SECRETARY/TREASURER, JEMISON

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**

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 _____