

Power Production and Fuel Costs



If you're like me, you've enjoyed the recent break at the pump. With gas prices far below what we paid last summer, it's been a great help to my household budget—as I'm sure it has with yours. As gasoline prices have fallen, I've been asked if

power rates will also drop. This is a great question and one that I'd like to address.

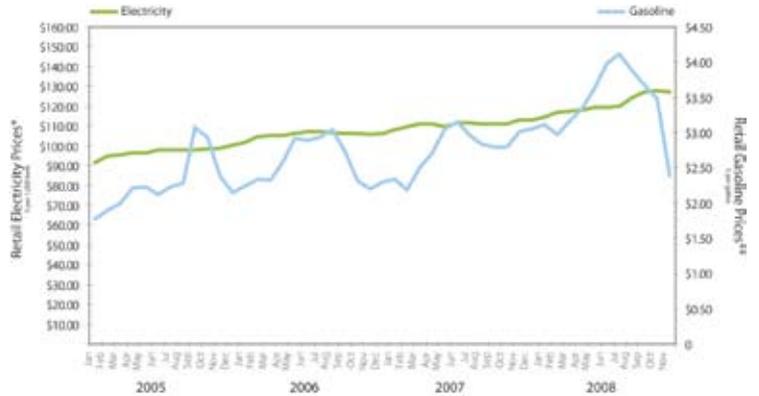
Purchasing energy is a bit like purchasing a car. For most of us, when we buy a new car, we borrow money from the bank to pay for it and make payments to the bank whether we drive the car or not. Our payment stays the same, whether the price of that particular model of car goes up or down. This is our fixed cost.

We also have variable costs – fuel and maintenance –which we try to manage as best we can. At times we may pass by a station with a high price for gasoline so we delay filling up until we see a lower price. If we see a seemingly low price, we might fill up right then, gambling as to whether we could have gotten a better price had we waited a day more. Then there are times the tank is empty and we buy whatever we find.

PowerSouth (our generation and transmission cooperative) operates our power plants much the same way. Money is borrowed to build and operate the generating plants, as well as long-term and short-term contracts for fuel.

There are also variable costs involved. If the power plants are “driven” more because consumers demand more electricity, then more fuel has to be purchased to make that electricity.

Like you at the gas station, PowerSouth does its



best to buy fuel when the price is low, but no matter the cost—when the plant has to run, price becomes secondary. Although most of the fuel is purchased in advance, to make sure there is enough when it is needed, our charges to generate are not immediately passed on. Long-term contracts help stabilize costs and established rates keep your cost from alternating wildly, even when the market skyrockets as it did this summer. This is why your electricity bills don't double or triple during times of high fuel costs, such as when a hurricane enters the Gulf of Mexico or when natural gas prices spike. Your cooperative absorbs the cost.

In the long run, stable energy costs through long-term contracts and set rates offer the most balanced approach for consumers, but just as rates don't rise rapidly, they don't fall until the absorbed costs are covered. Otherwise, the volatility of market fuel prices would wreak havoc on electricity budgets and our consumers would see tremendous fluctuation. ☺

Tom Stackhouse, CAEC President and CEO

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Clanton Office
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Rockford Office
U.S. Highway 231

Wetumpka Office
637 Coosa River Pkwy.

CAEC Mailing Address:
P.O. Box 681570
Prattville, AL 36068

CAEC's Peak Shaving Program— *Helping to Keep Rates Stable*

“Great things are not done by impulse, but by a series of small things brought together,” said Vincent van Gogh in the late 1800’s.

Such a statement is applicable today as we continually add participants to CAEC’s Peak Shaving Program, which allows a member to take a small, individual step (having a peak shaving device installed for an electric water heater). When this “small thing” is combined with other members’ participation, the collective dividends could mean great things for everyone, including more stable rates and a delayed need for building future power plants.

The concept is simple—if CAEC’s system energy usage during peak times can be lowered, then the wholesale power cost for the month decreases. Peak energy can cost two to three times more to produce than off peak power, but load control programs, such as this one with water heaters, offer a way to manage high costs.

Water heaters can use approximately 14 percent of your home’s electricity, but that hot morning shower is important. On those cold winter days if the peak shaving device (PSD) has to be activated, it merely delays the reheating cycle to the off-peak time.

Since the program began in October 2007, over 1,000 devices have been installed—at no cost to the member—by certified electricians. CAEC’s goal of having 1,000 PSDs installed by the end of 2008 was met, and the goal for 2009 is to have another 1,000 devices installed. Will you help us reach this number?

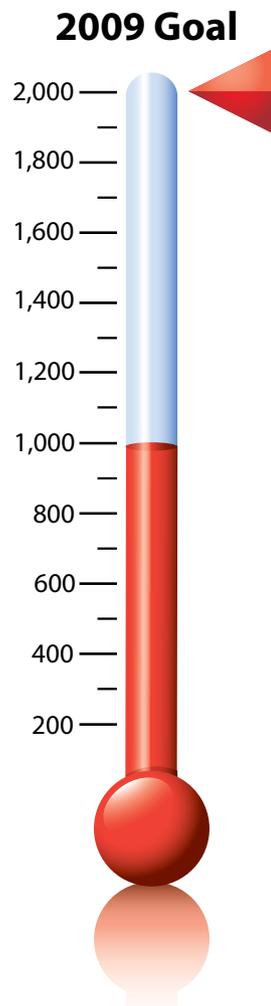
Although the impact per consumer may be small, as each member does his or her part, we can collectively make a huge impact on reducing the demand for peak power electricity. Consider this fact: with the 1,000 installed PSDs, our peak has been offset by 1,500 kW. This is the equivalent of turning off 25,000 60-watt incandescent light bulbs at our peak times for the entire year.

Besides the cost of having to purchase wholesale power at a higher rate due to high consumption periods, peaking plants also have to be built

just for peak usage times. While they ensure we have enough power available during high electricity consumption periods, such as extremely cold or hot weather conditions when everyone is using heaters or air conditioners, these plants remain idle during non-peak periods. Not only can the fuel for these plants be expensive, but building plants for that one purpose is inefficient.

CAEC’s long-term goal is to have 5,000 peak shaving devices installed over a five-year period. Other PowerSouth (our wholesale power provider) cooperatives are participating in the Peak Shaving Program as well, and collectively if the PowerSouth co-ops can have 50,000 devices installed, we can possibly reduce the need in 10 years for one peaking plant, which can cost at least \$200 million!

While we do not have control over oil and fuel prices in an uncertain energy market, we can control the way we manage our personal energy use. If you want to do your part to help keep rates stable, sign up for the program on your February bill insert and mail it back with your payment, or fill out the form that appears in the ad in the back of this magazine. If you have questions about CAEC’s peak shaving program, call (800) 545-5735 or (334) 365-6762.



Help us keep rates stable! A sign-up form for CAEC's Peak Shaving Program is in the back of this magazine. Or, call (800) 545-5735 for more information.



The Value of Cooperative Membership: Co-op Principle No.2--Democratic Member Control

CAEC's 2009 Annual Meeting date is set for Aug. 14—a time to exercise your right, as a cooperative member, for democratic member control.

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. Members have equal voting rights—one member, one vote.

Last year, more than 2,800 members exercised their right to vote through mail-in ballots and voting at Annual Meeting and guaranteed business should take place after meeting quorum.

As prescribed by the cooperative's bylaws, CAEC's trustees approved board election dates as they appear in the adjacent time line.



Members register and cast their vote at the 2008 Annual Meeting.

This year, trustees will be elected in Districts 3, 7 and 8 currently held by Patsy Holmes from Wetumpka, Van Smith from Billingsley and Chase Riddle of Prattville respectively.

Additional information about mail-in ballots and the Trustee nominees will be highlighted in upcoming *Alabama Living* magazines. 

CAEC Bylaws are available at any service center and on www.caec.coop under the "About Us" section.

2009 Board Election Time Line

March 24

Trustees appoint Nominating Committee (Article IV, Section 4.05 of Member Bylaws).

April 16

Nominating Committee meets (Article IV, Section 4.05).

May 15

Nominating Committee posts slate of nominees for Districts 3, 7 and 8 at all CAEC customer service centers and on CAEC's Web site, www.caec.coop (Article IV, Section 4.05)

May 25

Nominations by petition must be received by 4:30 p.m. (Article IV, Section 4.05)

July

Alabama Living magazine will include mail-in ballot with names of candidates. All nominations will be posted at CAEC customer service centers and on the Web by the following business day. (Article III, Section 3.03)

August

Magazine will include CAEC's 2008 Annual Report. If you choose to vote at Annual Meeting, please bring your registration form to the meeting.

August 7

Deadline for mail-in ballot to be post-marked. (Article III, Section 3.03)

August 14

Annual Meeting, Prattville headquarters, U.S. Hwy. 31, north of Prattville. (4 p.m. registration, 7 p.m. business session).

Prepay, Yet Another Option for *Great Service*

CAEC members who are looking for another way to manage and pay for their electricity usage now have a new option—Prepay.

Prepay is just what it sounds like. Beginning Feb. 1, 2009 members will have the option to pay for their electricity prior to consumption.

“The great thing about the prepay program is the flexibility it provides,” said Chuck Billings, Manager of Customer Service. “Prepay will give our new and existing members financial options that haven’t been available before.”

New members will have the option to sign up for Prepay instead of having to pay a deposit, and the flexibility also extends to the existing membership by allowing them to use Prepay to

Benefits of Prepay:

No deposit required
Manage Energy Usage
Balance Alerts
Check balance 24/7

efficiently manage their consumption.

Prepay payments are automatically applied and can be made at any of CAEC’s service centers, by phone or through the Web site (www.caec.coop). If a member’s account balance gets low, the member determines the method(s) by which to be notified:

phone call, text message or e-mail as well as the time frames for notification.

Members can also check their prepay account balance—24 hours a day, seven days a week—via the Web through www.caec.coop.

If you’re interested in CAEC’s prepay service or have further questions, call us at (800) 545-5735 or visit our Web site. ☎

Scholarship Applications for CAEC High School Seniors are Now Available!

College scholarship applications are now available to high school seniors graduating this upcoming spring.

Two \$500 scholarships will be awarded by the Electric Cooperative Foundation, Inc. (ECF), which provides scholarships for post-secondary institutions.

Applicants must be dependents of CAEC members. The scholarship will be paid by the Foundation directly to the education institutions for credit to the student’s account.

For an application, contact Tiffany Trueblood at (334) 351-2125 or (800) 545-5735 ext. 2125, or e-mail trueblood@coop.caec.com. ☎



Deadline: March 13, 2009

Stay Safe if Using Space Heaters this Winter

Small space heaters are typically used when the main heating system is inadequate or when someone wants to heat a small area while not overheating the rest of the home.

But if you use or plan to use a space heater, remember safety should be your top concern. The U.S. Consumer Product Safety Commission estimates that more than 25,000 residential fires every year are associated with the use of space heaters, causing more than 300 deaths. Additionally, an estimated 6,000 persons receive hospital emergency room care for burn injuries.

When buying and installing a small space heater, follow these guidelines:

- Only purchase newer model heaters that have all of the current safety features. Make sure the heater has the Underwriter's Laboratory (UL) label attached to it.
- Choose a thermostatically controlled heater, since they avoid the energy waste of overheating a room.



- Select a heater of the proper size for the room you wish to heat. Do not purchase oversized heaters. Most heaters come with a general sizing table.
- Locate the heater on a level surface away from foot traffic. Be especially careful to keep children and pets away from the heater.
- Never leave a space heater left on while unattended.
- Electric heaters should be plugged directly into the wall outlet. If an extension cord is necessary, use a heavy-duty cord of 14-gauge wire or larger.
- For portable electric heaters, buy a unit with a tip-over safety switch, which automatically shuts off the heater if the unit is tipped over.

And remember, space heaters are classified as either vented or unvented (also known as vent free). Unvented combustion units are not recommended for use inside your home, as they introduce unwanted combustion products into the living space, including nitrogen oxides, carbon monoxide, and water vapor. 

CAEC Ready to be in Compliance with FTC Red Flag Rules

You may notice a few changes in CAEC's account verification process next time you call us or stop by one of our service centers.

To abide by the Federal Trade Commission's (FTC) personal information policies, or new Red Flag Rules, CAEC's Board of Trustees took action for the cooperative to begin utilizing some additional verification processes. We also made sure there is balance between compliance and functionality for members.

As gatekeepers of vital member information, the Red Flag Rules will be in place to increase protection for you, the member, from identity theft. With more than 15 million Americans becoming

victims of identity theft each year, your cooperative must be even more diligent and proactive when speaking to anyone concerning a member's account, passwords or personal information.

Although this federal mandate does not go into effect until May of this year, CAEC wants to be proactive in protecting your information and has begun enforcing some of the new verification standards. As all the procedural details are implemented, full compliance with the FTC policy will become effective before the May 1, 2009 deadline. 



CAEC Offices will be closed Monday, Jan. 19 in observance of the Martin Luther King Jr./Robert E. Lee Day Holiday





We Did Our Part

We're participating with other members in CAEC's peak shaving program. Simply put, we're allowing our co-op to delay the re-heating cycle on our water heaters. It's a win-win program – we still have hot water when we need it, and the co-op avoids paying peak-time power costs. If enough of us join this effort, we can have a positive effect on our future rates – will you join us?

The peak shaving device for your electric water heater is free, and will be installed by a licensed electrician at no cost to you.

Yes, I agree to do my part by joining CAEC's peak shaving program.

Name: _____ Phone #(s): _____

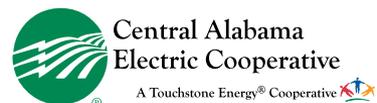
Address: _____ City: _____ St: _____ Zip: _____

Account #: _____

Email: _____

Number & Size(s) of Water Heater(s): _____

Signature: _____



Central Alabama
Electric Cooperative

A Touchstone Energy® Cooperative 

www.caec.coop

Mail form to: Central Alabama Electric Cooperative, P.O. Box 681570, Prattville, AL 36068



Recipe for *Efficiency* from CAEC

More than any other time of year, you notice your home's air leaks in the winter. Most people call these air leaks "drafts." Regardless of the term you use, such conditions can significantly raise your energy bill and make your house uncomfortable.

A common area for air leaks is found around doors. To inspect doors for leaks, see if you can

rattle them - movement means possible air infiltration. If you can see daylight around a door frame, then the door leaks. You can usually seal these small openings by weather stripping them. In less than 15 minutes and \$15 dollars, you can help protect your home from unwanted air. Here are the tools and supplies you'll need for weather stripping a door:

Ingredients (supplies):

Self Adhesive Foam Weather stripping
Door Sweep kit (includes screws)

Utensils (tools):

Clean Towel Utility Knife
Spray Cleaner (like Tape Measure
the kind for counters) Screwdriver
Scissors Drill

Directions:

Doors require two different kinds of weather stripping: sweeps for the bottom and self-adhesive foam for the top and sides.

Installing Self-Adhesive Foam

1. Clean the stop-moulding with a cleaner and dry completely.
2. Cut self-adhesive foam to fit each side and the top of the door. Also, you may need to split the stripping into two portions:

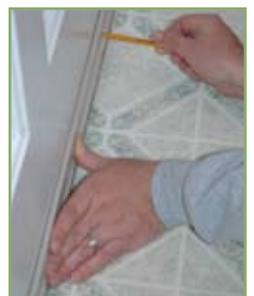


3. Peel the back from the foam and press it into the inside of the stop-moulding.



Installing a Door Sweep

1. Measure the bottom of the door.
2. Cut the sweep to fit the door, using a utility knife and/or scissors.
3. Holding the stop up to the door, mark where the screw holes of the stop are.
4. Drill holes in the door at the designated marks
5. With the door closed, screw the sweep to the door so the bottom of the fin is in contact with the floor.



When finished, sit back and enjoy the energy savings of stopping cold air from entering your home in the winter, and warm air from infiltrating in the summer—a year full of savings in one simple recipe!