

Understanding Your Rates



Many of the topics in my column the past few months have covered industry issues affecting your cooperative, and ultimately, all of us as end users of electricity.

Frankly, I think our discussions will continue to explore factors impacting our rates—such as fuel costs, environmental concerns, changing technology and governmental regulations. Of those, one of the more prominent issues is the rising cost of the energy we purchase (wholesale power) to deliver to you.

For this reason, it's important now, more than ever, that you know what makes up your rates.

First, it is necessary to understand that as an electric cooperative, we are an at-cost organization, or not-for-profit. Any margins we generate are invested back into the co-op to improve service or they are returned to you, the member, in the form of retired capital credits. To date more than \$6.5 million has been returned to members.

Our challenge is to make sure we cover all the cost needed to keep your cooperative in good financial standing, but not more than we need to satisfy our lenders.

There are two components that make up our cost: 1) the energy we purchase and 2) our cost to deliver it, including the required margin. The first is primarily driven by the cost of the fuel used to generate the energy (largely coal and natural gas) purchased by our members each month. The second expense, distribution or delivery cost, is fairly stable and is not driven

by the energy sold each month. It is made up of fixed expenses that cover the co-op's operating cost of employees and vehicles as well as other set costs such as wires, poles and substations.

For years, utilities have had fairly stable costs and these expenses could be projected and were collected through energy sales, or per kWh sold. With this method, utilities absorb the cost when prices rise quickly, then collect them over time instead of changing retail rates drastically every time costs change. In our case, this is identified as a Power Cost Adjustment (PCA), and is used to flatten out peaks in cost. This technique has become much more challenging as costs, particularly for generation fuels, have fluctuated more often and energy sales have been affected with irregular weather patterns.

“...as a not-for-profit entity, providing reliable service at the most reasonable cost is our goal.”

Continued...

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To keep rates more stable and less dependent on projections that are subject to variable weather, utilities are beginning to put more of the delivery cost recovery in the monthly access charge and less on the energy charge.

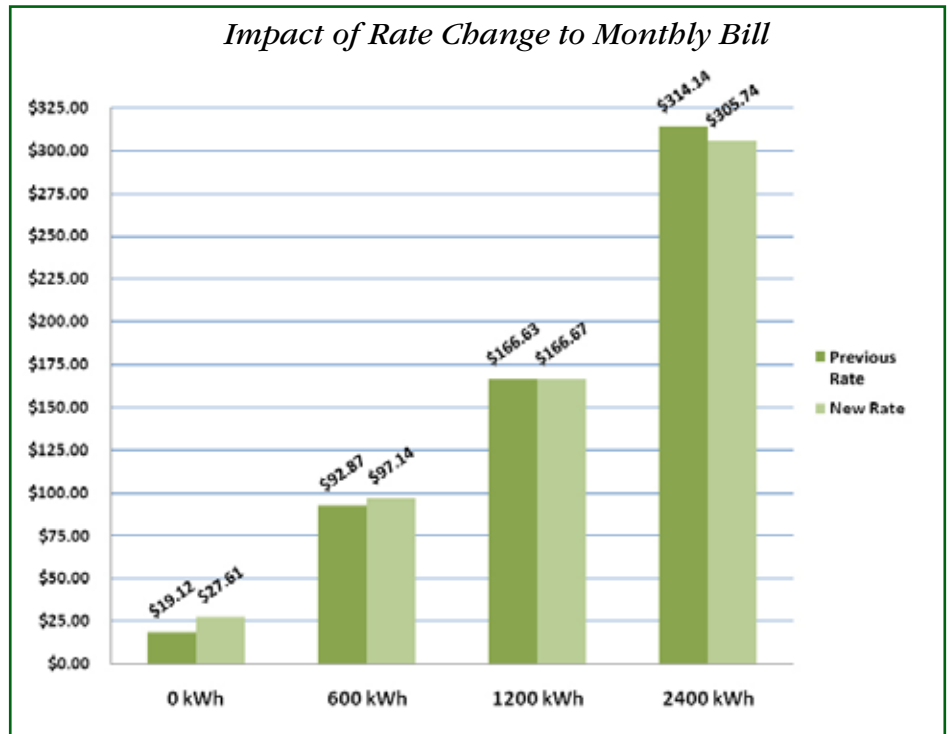
The monthly cost to provide power to a single residential meter is approximately \$45 without any sale of energy. Currently, that cost is covered by the monthly access charge of \$18 and 2.205 cents of each kWh used (this kWh amount does not include the cost of the wholesale power delivered). Before a member purchases the first kWh your cooperative has a \$27 shortfall for distribution expenses. It takes nearly 1,200 kWhs per residential meter before costs are recovered. The average home uses close to 1,200 kWh a month.

Recently the Board of Trustees took action to help stabilize the rates by moving more recovery to the access charge. This action raised the access charge to \$26, and lowered the per kWh to 1.545 cents. How does this affect your monthly bill? The chart at the top of the page will give you an indication.

As we move forward and contend with rising costs, I can assure you that we will continue investigating and utilizing cost-saving measures to keep what we add to the delivery cost as low as possible and still provide high quality service. Examples of this are the metering infrastructure that was installed in 2008 and our Peak Shaving program (visit www.caec.coop to learn more about these technologies). I can also assure you that as a not-for-profit entity, providing reliable service at the most reasonable cost is our goal. 



Tom Stackhouse, CAEC President and CEO



The above chart shows the comparison of different levels of energy usage. The threshold is 1200 kWh which reflects no change on the bill, while those below that level will see a change due to the access charge. Consumers using more than 1200 kWh will see a decrease.

**Bill Amounts include taxes*

CAEC Rates
Effective April 1, 2009

	Access Charge	Dist. Charge per kWh	Wholesale Power Charge
Residential	\$26	.01545	.08940
Small Power Service	\$26	.01545	.08940
Small Commercial	\$30	.02577	.09663

Rates are designed to recover the cost of purchasing wholesale power, operating expenses and a margin level required by our lenders. The Power Cost Adjustment (PCA) tracks the fluctuating cost of fuel to generate and purchase power. For the current PCA, visit our Web site (www.caec.coop) or call 1-800-545-5734.

The above rates account for 96 percent of our sales and additional rates may be found on our Web site.

Electricity Usage in Your Home



Having the ability to know the cost of your personal choices can help you make informed and wise decisions. For example, as you're squeezing the gas nozzle, you can immediately monitor how many gallons are going into your tank. And as you're driving your car gauges can tell you how much gas you have used.

Have you considered what it might look like to monitor your electricity usage? Without purchasing special equipment, or walking outside to view your meter each time you turn something on or off, you can use a simple formula to calculate the usage of various items in your home. But first, let's discuss the unit of measurement for electricity in your home.

When you buy electricity, you are charged by the kilowatt-hour. So what is a kilowatt-hour? When you use electricity to cook for one hour, you consume 1,000 watt-hours of electricity. Most home appliances provide the wattage right on the device – shown as a number with the letter “W” after it. One thousand watt-hours equal one kilowatt-hour, or one kwh.

A typical CAEC household consumes about 1,200 kwhs a month (average of a 12-month period). The formula below can help you calculate how many watt-hours your basic appliances use.

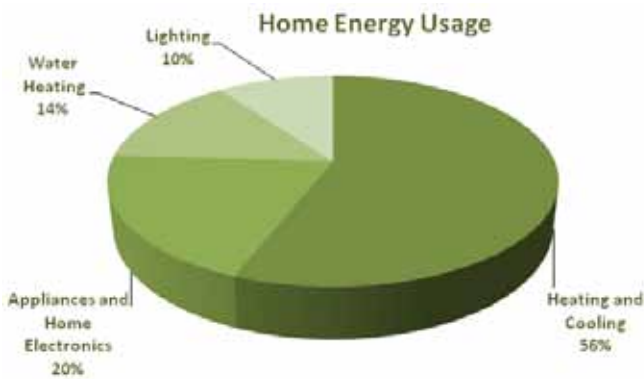
$$\frac{\text{Wattage} \times \text{Hours used per week} \times \text{weeks in the month}}{1000} = \text{kwhs}$$

1000 = Monthly kilowatt-hour (kwh) consumption

For example, the formula below shows the watt-hours of using a 1200W iron for an hour a week:

$$\frac{1200\text{W (wattage of iron)} \times 1 \text{ (hours used per week)} \times 4 \text{ (weeks in the month)}}{1000 \text{ (used to convert watts to kwh)}} = 4.8 \text{ kwhs}$$

Your iron would have contributed 4.8 kwhs to your monthly usage of 1,200 kwh.



This graph shows how energy is used in an average home with four family members. Your use may vary depending on your lifestyle, the size of your family and the size, age and efficiency of your appliances. Usage also varies with the weather and the amount of insulation in your home's walls and ceilings.

Electricity usage has continued to increase in recent years due to enhancements like plasma TVs and cell phones as well as the introduction of technologies that didn't exist 10-20 years ago.

As you consider purchasing new items, or want to start estimating what the changes in your behavior mean to your monthly usage, this formula can be helpful, or you can visit www.caec.coop for our appliance calculator.

You can start making a difference in your monthly energy consumption with these simple and effective energy-saving tips on the following page.

Electricity Saving Tips



- Cut power to your PC, monitor, printer and modem for 20 hours per day (using a power strip) – Savings: 30 kwh

- Turn the heat down--even changing from 75 degrees to 70 degrees in the winter - Savings: 131 kwh in a typical 1,800 square-foot home

- Turn your water heater thermostat down from 140 degrees to 120 degrees - Savings: 75 kwh



- Program a setback thermostat to turn down the heat in winter months from 70 degrees to 62 degrees eight hours a day while you're at work - Savings: 180 kwh

- Reduce your shower time to five minutes - Savings: 133 kwh

- Reduce the amount of laundry and dishes you wash and dry from six to three times per week - Savings: 40 kwh washing and 50 kwh drying.



- Replace five traditional 60-watt incandescent bulbs with 20-watt CFLs - Savings: 48 kwh

- Seal holes, cracks and gaps throughout a typical 1,800 square-foot home - Savings: 225 kwh

Did You *Know?*

- Microwave ovens use 0.36 kwh versus an electric oven's energy use of 2 kwh.
- A 42-inch plasma TV set can draw more power than a large refrigerator. The Liquid Crystal Display (LCD) models typically use less energy than comparable plasma sets. A 28-inch conventional TV with a cathode-ray tube (CRT) uses about 100 watts of electricity. A 42-inch LCD set might consume twice that amount, while plasma could use five times as much.
- An average refrigerator manufactured in 1984 uses about 124 kwh versus a 2007 Energy Star model utilizing only 48 kwh.

Bathroom Safety: Don't Take it for Granted

Water and electricity never mix! That's why you should always use the following safety tips when in the bathroom.

- Don't place any electrical appliance near water. Keep appliances away from sinks or tubs where they can accidentally fall in.
- Cords should never trail in water.
- Power is still present even when an appliance is off. If an appliance falls in water, unplug it — do not grab it. As a rule of thumb, always unplug any electrical device when not in use and keep cords and hot appliances (such as curling irons and hair dryers) away from small children.
- Don't touch faucets or stand on a damp floor while using an appliance or electrical switch.
- The electrical outlet in the bathroom should have a Ground Fault Circuit Interrupter (GFCI). This is a tool that helps protect you when water and electricity come together. An electrician can install a GFCI for you.

Water and electricity are necessary for running your household; make the best of both by always keeping them apart. ⚡



Bright Idea Grant Recipients Honored

Central Alabama Electric Cooperative assisted teachers, students and area schools by awarding \$16,000 in grants to benefit more than 6,300 students in Central Alabama, through the Bright Ideas grant program.

CAEC's Board of Trustees presented 18 of the 25 winning grants to area teachers during the Bright Ideas Grant Awards Reception held Feb. 3 at the cooperative's headquarters in Prattville. Grant proposals were evaluated by a panel of judges, consisting of employees from local community associations.

The Bright Ideas Grant Program was introduced by CAEC in 1998 with the goal of supporting innovative, interesting and effective initiatives that are not usually covered by traditional school funding. Grants are intended to help teachers in public, private and home schools in CAEC's service area to enhance their efforts.

With classroom funding being restricted due to state economic woes, the program is taking on a new and more important meaning by allowing teachers to continue teaching in creative ways despite the lack of funds.

"During these economic times when everyone, especially educators, is being hit hard, we're glad

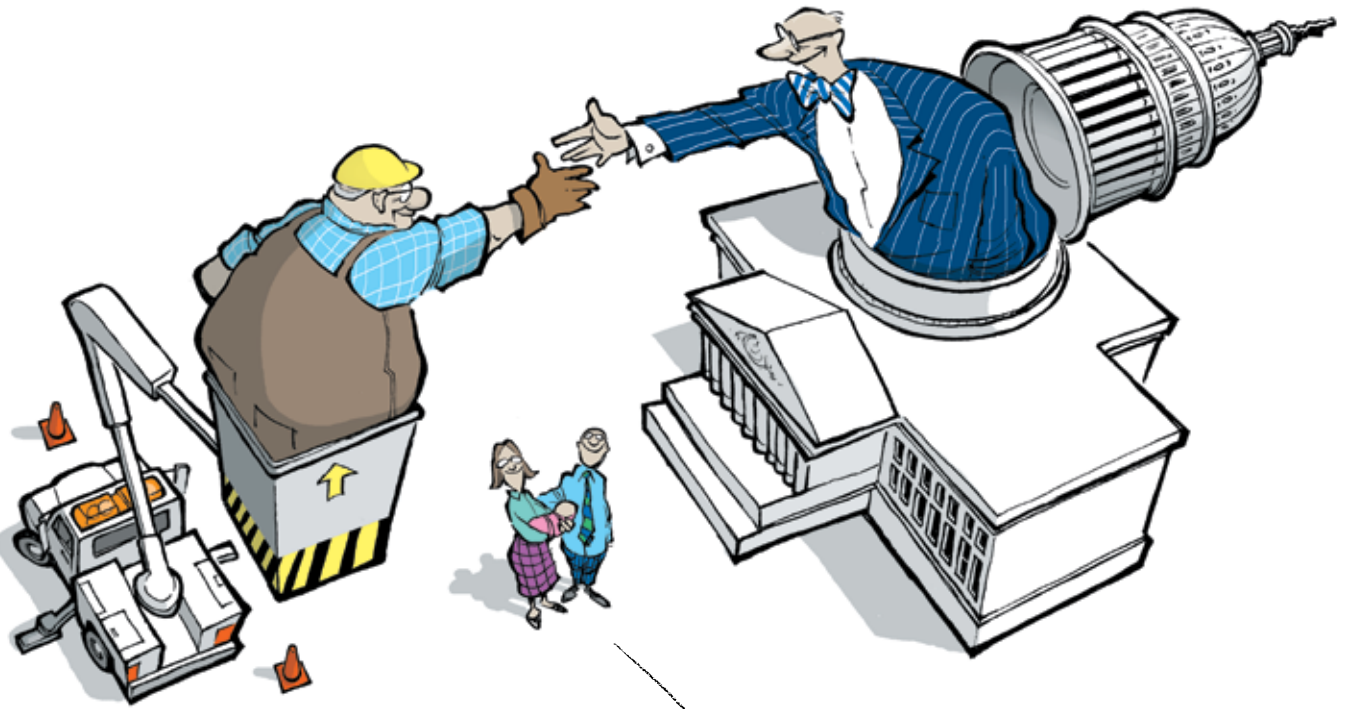


2009 Grant recipients received their checks at a reception held at CAEC's home office.

we can continue to offer assistance to those who teach in our classrooms. We are honored to be able to support individuals on the front lines molding our future leaders," said CAEC President and CEO Tom Stackhouse.

To date, CAEC has awarded approximately \$176,000 to local schools through the program. More than 63,000 students in all grade levels and subject areas have benefited from the Bright Ideas grants. ⚡

CAEC Offices will be closed April 10 in observance of Good Friday



"This is the kind of connection we need."

CO-OPS AND CONGRESS, TOGETHER WE CAN KEEP ELECTRICITY AFFORDABLE.

These are hard economic times for America's families. Many are struggling to afford the basics: food, housing, and energy.

In fact, the cost of electricity is up 40 percent since 2002 and projected to go even higher—and today's electricity supplies won't be able to keep pace with future demand.

We need an answer right now to keep our electricity affordable.

The solutions won't be easy—but America's electric cooperatives are ready to work with Congress toward an energy plan we can all afford.

Ask your elected officials to work with America's consumer-owned, not-for-profit electric cooperatives. Together we can face these hard times with resolve to build a brighter future.

Visit www.ourenergy.coop and get started.



Our Energy, Our Future™
A Dialogue With America



**Central Alabama
Electric Cooperative**

A Touchstone Energy® Cooperative 



Recipe for *Efficiency* from CAEC

Insulation

Have you looked in your attic lately? Insulation in your attic is an essential component to help keep your home warm in the winter and cool in the summer. While your attic temperature is still comfortable, it's the perfect time of year to re-apply attic insulation before the summer heat arrives.

There are numerous types of insulation to choose from, and each has a different method of installation. The example below uses cellulose – an easy “do it yourself” process.

Ingredients (supplies):

Cellulose Insulation

Utensils (tools):

Insulation Blower

Machine Gloves

Goggles

Breathing Masks

Directions:

Purchase the cellulose insulation at your local hardware store where you should also be able to rent an insulation blower. The amount you need will depend on the square footage of your home and the thickness of the existing insulation. Make sure the thickness of your insulation (including any existing insulation) is between 10 and 12 inches, which should give you an R-value of 30.

You will need at least one person to assist you in applying the insulation.

Installing Cellulose Attic Insulation

1. Place the insulation and the blower machine outdoors. DO NOT operate the machine indoors.

2. Take the blower's tube up into the attic with you (through a window or door in the house). Make sure you are outfitted with gloves, goggles and a breathing mask.



3. Have the person (also outfitted with gloves, goggles and a breathing mask) stationed near the blower machine begin to feed it with the loose, cellulose insulation, one bale at a time. When ready, this person will also control the flow of the insulation by using an on/off switch.



4. In the attic, sweep the blower's tube in the locations where you desire the insulation. When finished, have the person stationed with the blower turn off the machine.



On average, an 1,800 square foot house will take approximately four hours to complete at a cost of \$500. Prices and times may vary due to retailers, square footage and depth of existing insulation. On a house with little or no pre-existing insulation, adding more — and doing it yourself — can help make your home more comfortable and provide some cost savings to your power bill.