

# Our Nation's Energy Troubles Hit Home

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“Ships sail east and ships sail west by the self-same breezes blow. It’s the set of the sail and not the gale that determines where they go.” This quote is well known

to sailors and how they, not the wind, determine their direction. A gale, or storm of sorts, is facing our country and its forces are challenging our economy and a primary driver stems from the rising cost of energy. We have to decide if we are going to be directed or control our own direction.

This is not the first time our country has experienced an energy dilemma, but it has been a while since the 1973 oil embargo. Although the details are complicated and challenging to explain, the brewing storm came to a head for your cooperative this summer and all of us are being affected.

Your most recent bill was affected by an increase in the Power Cost Adjustment (PCA) to cover the spike in prices of the coal, gas and hydro used to generate the electricity CAEC delivers to you. It unfortunately came when most of us have our highest energy month and the bills were already high. The PCA changed from \$.04006 per kWh to \$.05098 and affected the bill for 1,000 kWh of energy by \$10.92.

I warn you that this is a lot more information than I normally write in this column and it will not address the whole issue, but this is one of the most important and challenging issues we have faced in 30 years. Additional information can be found on our Web site and in documents that we can provide if requested.

Political and environmental influences surround our energy crisis, which makes it complex, but the simple reality boils down to supply and demand and as every economist reminds us: when supply is

short and demand is high, the price increases. Unfortunately, the fuel market is so volatile at this time that until our country determines a long-range energy policy that takes the economic impact into account, we will not begin the road to relief. In the short term, additional increases will be in our near future.

### *Why is this happening?*

For decades, the United States has relied on abundant domestic fuels to provide electric power. Currently, the electricity generation mix is 49 percent coal, 22 percent natural gas, 19 percent nuclear, 6 percent hydro, 2 percent petroleum and 2.5 percent non-hydro renewable (such as wind, solar and biogas). Unlike the oil-dependent transportation sector, our utility’s “electricity independence” has helped the economy and shielded consumers from economic shocks.

However, two of our nation’s major fuel sources for electricity — coal and natural gas — are artificially in short supply. Two-thirds of the nation’s 3.7 billion kilowatt hours (kWh) of electricity are generated annually from coal and natural gas.

Coal, an abundant fossil fuel in the U.S., has historically been the predominant resource for generating electricity. Even today, coal is responsible for producing nearly 50 percent of our electricity. In recent years however, environmental regulations have severely limited its supply domestically, and this has resulted in a “short supply” market. Much of our country’s coal has been classified as “too dirty” for our use. While we have limited our use of coal in the U.S., developing countries, especially China and India, have less stringent environmental regulations and are purchasing more and more of the world’s coal, including the coal the U.S. is foregoing, to be burned in their plants.

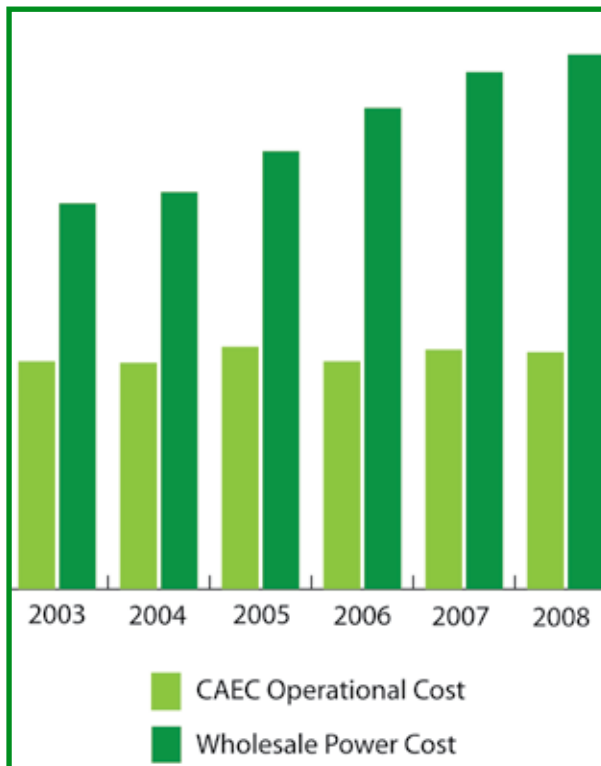
Currently in China there is a new coal plant being completed every week. At the same time domestic coal costs have also risen because rail pricing for transportation has soared and U.S. Government standards calling for “clean coal” technology have added to the expense.

Don't get me wrong; the utility industry is not against incorporating environmental measures to preserve our planet. In fact, our generation and transmission cooperative, PowerSouth, has upgraded our coal plants to meet the latest national emissions standards. Those improvements cost \$350 million and have made them some of the most clean coal plants today. PowerSouth has the responsibility of providing the wholesale power to CAEC and 19 other distribution members, who deliver electric energy to nearly 800,000 consumers in 39 Alabama counties and 10 Florida counties.

The other “short supply” fuel is natural gas, which remains largely untapped domestically because of current government drilling restrictions even though there are enormous reserves located in river basins inside U.S. borders and in the waters just off our coastlines. The effect of the “no new drilling” policies, however, has added to the reasons that natural gas wholesale prices have quadrupled since the 1990s.

Again, this may sound as though utilities are averse to the environment. Not so. We believe that our country, which is rich in energy sources, also has the ingenuity to safely harvest these supplies while protecting nature.

We also think that decisions cannot be made in a vacuum and economic impacts must be considered.



*This chart shows the dramatic increase in wholesale power costs while operational costs at CAEC have remained steady during the last five years. We will continue to do our part to keep operational costs as low as possible.*

***We're not taking this sitting down***

PowerSouth is working with its 20 members, including CAEC, to help stabilize costs. First, PowerSouth has established additional long-term coal contracts that will help offset future cost spikes. Secondly, PowerSouth has for several years utilized a hedging program with natural gas to reduce the risk when prices spike on the spot market. PowerSouth is also further diversifying its generation mix and will include nuclear. Set to begin generating electricity by 2016, two new units at the Vogle Nuclear Plant,

located near Augusta, Ga., will produce about 21.5 percent of the system's total energy needs.

Recently PowerSouth made upgrades to make the 500 mw Vann natural gas plant even more efficient and was involved in the organization of the National Renewable Cooperative Organization (NRCO). PowerSouth already purchases generation from a biogas operation and NRCO will help facilitate additional renewable plans, especially efforts to use wind and solar.

Both your cooperative and PowerSouth have incorporated more technology in our operations to gain efficiencies. For example, CAEC's Advanced Metering Infrastructure (AMI) can send and receive data to and from the new meters, thus eliminating more than 20,000 miles of driving per month by employees and provide instantaneous information on each account.

Our trustees and management team take our financial responsibility to the membership seriously. We consistently examine every facet of our operation because we know that out of every dollar, 70 cents (70 percent), pays the wholesale power cost while the remaining 30 percent covers the distribution costs to deliver your power. Just as increases in the wholesale power cost are passed along, though, so are any savings. When PowerSouth removes charges from our wholesale power bill, those are eliminated from your bill the same month.

*Continued on next page...*

## Our Nation's Energy Troubles Hit Home Continued...

### *There are actions all of us—as individuals—can take*

If you remember the oil embargo of the 1970's, you may also recall the national movement toward conservation. Today we have more ways we can conserve energy with the help of better insulation products and technology for our homes and office buildings as well as Energy Star appliances and Compact Fluorescent Lamps (CFLs), which use less electricity.

CAEC also has a load control program. These peak shaving devices lower our system's demand for power at the most expensive (peak) times of the day. Currently we install devices on electric water heaters. If we have enough water heaters that can delay the reheating cycle to the off-peak periods, we can affect the wholesale power rate we have to pay. That savings, of course, can then be passed along to members through lower rates.

One very important action that you can take is to contact your members of Congress and ask them to open opportunities to drill for natural gas within U.S. jurisdiction. Ask them also to carefully consider the cost consequences to us (the end users of electricity) when they pass new energy legislation.

More information and an easy way to contact Congress can be found through our Web site and Our Energy, Our Future Campaign Web site at [www.ourenergy.coop](http://www.ourenergy.coop). Simply enter your name (including title) and address and a letter or e-mail will automatically be sent on your behalf to your senators and congressman. You can read a copy of the letter before you send it. The message is periodically changed so you

office at 1-800-545-5735 and give us your name and address and we'll send the message for you.

### *We're in this together*

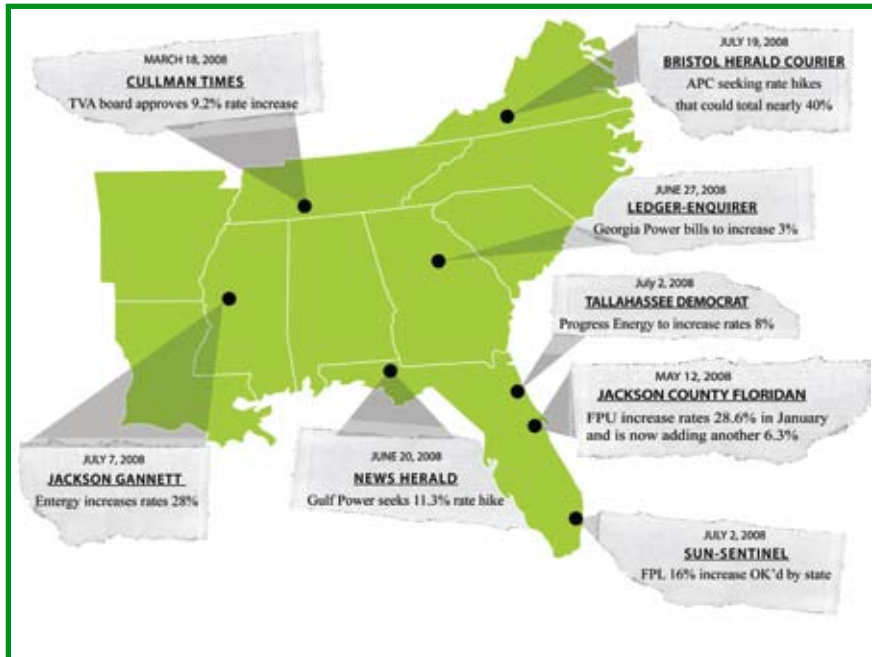
As a nation we need to take a practical, common-sense approach to the proposed energy goals, both from a technological standpoint as well as a cost perspective. Some goals that Congress are debating call for the U.S. to return to the 1990

coal emission levels by 2015 and to increase our renewable production to levels that current resources cannot meet. While both of these are worthy objectives, we need Congress to understand that their legislation will create an extreme cost burden to the U.S. consumer.

The world's appetite for energy is only going to grow, as more countries realize the value

and quality of life that electricity brings. I believe our country can weather this storm, but it will take all of us working together, which has historically been and continues to be one of the strengths of our nation. ☞

Tom Stackhouse, CAEC President and CEO



*Rates across the Southeast have steadily increased in the last six months alone. With everyone feeling the pinch of higher fuel and production expenses, we must all work together to find a solution for the increase in energy production costs.*

can continue to have a dialogue with your elected officials.

I believe it is so important for each of us to let Congress know that we need a meaningful energy policy that I would like to offer our services. We can provide an information packet by mail or at a service center. If you don't have access to the Internet and want to send a message from the Our Energy Web site, call our

# High School juniors can earn a trip to Washington DC

## Youth Tour Applications are Now Available!

Do you know someone who is currently a junior in high school? Central Alabama Electric Cooperative is offering a unique and once-in-a-lifetime opportunity for area 11th graders! Applications are being accepted now for the 2009 Youth Tour/Youth Leadership Program.

Qualified students will compete for the chance to travel to Washington, D.C., and Alabama's state capital to learn about leadership, cooperatives and political action. One student will also be selected to compete for a position in the Youth Leadership Council — a chance to represent the state on a national level.

Student representatives will compete for the chance to participate in youth leadership conferences in March and July 2009 and the Washington D.C. conference in June 2009.

This is a great opportunity to meet other student leaders from across the state and country. For pictures of last year's tour, visit [www.alyouthtour.org](http://www.alyouthtour.org) and for an application, call (334) 351-2125 or e-mail: [youthtour@coop.caec.com](mailto:youthtour@coop.caec.com).



Students with the following qualifications will be selected to compete:

- ✓ Junior in high school
- ✓ Have a 2.5 GPA or higher
- ✓ Demonstrate active interest in community, civic and extracurricular activities
- ✓ Show an interest in developing leadership skills through a brief writing assignment
- ✓ Be members of CAEC or attend a school in CAEC's service territory

**Application Deadline  
is Nov. 7, 2008**

[www.alyouthtour.org](http://www.alyouthtour.org)



## Help Us Keep Linemen Safe

If a strong storm with torrential rain and winds interrupts your electric service late at night, it is CAEC's qualified linemen who brave the weather conditions to restore power to you and your family.

Linemen face many dangers, but there are things you can do to help keep them safe no matter the weather situation:

- Plant trees or shrubs away from electric equipment, including utility poles and pad mounted transformers (those green boxes that sit on the ground).
- Metal objects, such as ladders, shovels or tools, can become unsuspecting conductors of electricity near power equipment. Do not use metal objects near such equipment and do not pile metal objects around them.
- Not only is it illegal, but tampering with wiring on utility poles can be dangerous to you and can present deadly situations to unaware linemen.
- If linemen come to work on power equipment outside or near your home, stay indoors and let the professionals do what they do best.

CAEC's linemen are highly trained and some of the best in the business. Anytime they are working on power lines, whether they are building a new service or restoring your power, safety is their number one priority. By working together, we can make sure everyone has quality power and our employees return home safely. ☞

### *CAEC History Fact:*

*On March 13, 1956, Brantley Junior High School in Dallas County became the first school to be served by CAEC.*

## Do the Math: Make Sure You Have the Correct Wattage

More than likely we've all done it — used a higher wattage bulb than a fixture calls for. But did you know the possible danger and energy waste this can cause?

All fixtures, whether a table lamp or a ceiling track light, call for a specific wattage bulb. This wattage is the power a bulb needs to produce light. The higher the wattage, the more energy a bulb uses and the higher the amount of heat it gives off, which can lead to dangers in your home.

For example, if you use a 100-watt bulb in a fixture that calls for 60 watts max, that fixture is putting out an extra 40 watts that it is not designed to deliver. While this may not lead to a call to the fire department, it is still possible that the ceiling, insulation or lampshade could get singed.

You can also save money by using lower wattage bulbs. With Compact Fluorescent Lamps (CFLs) becoming more prevalent, knowing the wattage of your fixtures is still very important. CFLs use lower wattages than traditional incandescent bulbs. A 14-watt CFL gives off the same amount of light as a 60-watt incandescent bulb and saves almost 50 watts of electricity! Most of these conversions are listed for you on CFL packaging, so be familiar with your fixture's required wattage in order to select the correct CFL.

No matter what type of bulb you use, incandescent or CFL, always double check the wattage. Something this simple can not only save you energy dollars, but can also keep your home and family safe. ☞



# Energy from CAEC: *A Powerful Value*

## Morning Latte Powers Home for 24 Hours



For the cost of a morning latte, CAEC provides power to your home for 24 hours. Electricity is one of today's greatest values.

**Fact:** the national cost of electricity today, when adjusted for inflation, is less than it was in 1980.



Central Alabama  
Electric Cooperative

A Touchstone Energy® Cooperative 

[www.caec.coop](http://www.caec.coop)

# A \$16,000 Investment in Area Schools...

## ...Think of the Possibilities



How could \$16,000 help children in the classroom? The Bright Ideas grant program from Central Alabama Electric Cooperative gives teachers the chance to explore the possibilities.

CAEC has given \$16,000 in grants each year to support innovative, creative and effective initiatives that cannot be covered by traditional funding. Designed for K-12 teachers in public, private and home schools within CAEC's territory, the program has given more than \$160,000 benefiting 60,000 students since its inception in 1998.

Teams of teachers and individual teachers are eligible to apply for the grant monies. Individuals are eligible to apply for grants from \$250 to \$750, while teams are able to apply for up to \$1,500.

Don't miss this opportunity for your child's classroom. Mention CAEC's Bright Ideas grant program to your child's teacher or cut off the sheet below and have your child present it to his or her teacher.

*(Cut here and give this reminder to your teacher)*

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***Receive up to \$750 for your classroom. Please contact CAEC about their Bright Ideas Grant Program***

CAEC offers teachers up to \$750 for classroom projects. Teams of teachers can receive up to \$1,500. Call (334) 351-2125/(800)545-5735 ext. 2125 or [ttrueblood@coop.caec.com](mailto:ttrueblood@coop.caec.com) for more information.

*Applications available at CAEC locations or [www.caec.coop](http://www.caec.coop)*

*Deadline is Nov. 7, 2008*