

Remarks by CEO Mel Coleman
Annual Meeting of North Arkansas Electric Cooperative
Fulton County Fairgrounds – Salem, Arkansas – June 1, 2017

Tonight is exciting for me and should be for the city of Salem as well. This is the first time NAEC's annual meeting has been back to the fairgrounds since 2013.

And while North Arkansas Electric Cooperative is proud of its seventh cooperative principle of – Commitment to Community – I think we can all be proud of what the city, the county, the citizens and the area businesses in this area have come together and produced.

This Civic Center is a true testament of the cooperative spirit. I would like to extend a few “atta boys” to the following for their hard work and dedication in getting this amazing facility for Salem:

Carolyn and Noble Lewis

Darrel Zimmer

Daniel Busch

Ted York

Fulton County Public Facilities Board

The Fulton County Fair Board

County and city employees

And many more citizens that helped make this happen.

Tonight marks NAEC's 77th annual meeting.

We come together each year to give our members an update on the cooperative, conduct some business and have some great food and entertainment.

Your cooperative is not here to simply sell electric power and sell as much of it as possible.

We are about providing value to our members and improving the quality of life for them.

That is what has given us our passion, our dedication and our commitment to our members.

Whether it is sending area juniors to our nation's capital on the Washington, D.C., Youth Tour or providing scholarships each year through our Operation Round Up program or providing blower door tests, energy audits or low-interest loans for energy efficiency . . . it's these things that set us apart from your normal electric utility.

Another thing that sets us apart is capital credits.

In 2016, we closed the books with healthy margins thanks to a hot summer followed by an average winter.

As such, our margins were adequate to meet the requirements of our mortgage agreements and operate the system in a sound business manner.

Member equity in the system was at 38.1 percent.

At the end of 2016 the co-op refunded more than 1.2 million dollars to members in patronage capital. That brought our total amount returned to members since inception to more than 29 million dollars.

This is something NAEC is extremely proud of and exemplifies the true meaning of member-owned.

For the past two years, I have had the privilege of serving as board president of the National Rural Electric Cooperative Association.

I was able to represent not only you – North Arkansas Electric Cooperative's members – but also co-op members across the country.

My duties took me from a conference table at the White House to a lighting ceremony for a new electric cooperative in a remote Guatemalan village.

Those experiences and so many more helped reinvigorate my love of the electric co-op business model, innovative spirit and member focus.

In March, I passed the gavel into the capable hands of Phil Carson, who serves on the board of an Illinois co-op.

I know Phil will work hard for co-ops and for rural America.

That is vital now because several issues stand to impact NAEC and other co-ops in our efforts to provide our members with reliable and affordable electricity and to strengthen our communities.

For example, co-ops are deeply concerned with the president's proposed budget for fiscal 2018 that was released May 23.

It eliminates funding for the Low Income Home Energy Assistance Program. Many of our members rely on that assistance, particularly during months of extreme cold or heat.

Additionally, the budget calls for the abolishment of several economic development programs through the U.S. Department of Agriculture that bolster rural economies.

The administration also proposes to sell all transmission assets that belong to the nation's four power marketing administrations.

We oppose any effort that would negatively affect the PMAs and threaten co-op communities with potential rate increases and uncertainty.

In addition, the president's budget cuts the U.S. Agency for International Development's funds by almost a third. This will

stall or halt projects bringing electricity to people in developing countries.

Electrifying areas that have been overlooked is a mission close to my heart and one that led to the formation of co-ops across our own country in the 1930s and 1940s.

For more than 50 years, NRECA's international program has partnered with electric cooperatives and USAID to bring electricity to more than 120 million people in 43 developing countries.

I have seen firsthand an elderly woman crying as she turns on a single light bulb in her home for the first time.

I have witnessed the economic opportunities and improvements to quality of life that come with access to electricity.

I have observed democracy in action as these new electric cooperatives are formed.

Cuts to those efforts would be heartbreaking.

The good news is that this is a proposed budget that undoubtedly will experience changes as it moves through Congress.

Co-ops will work with the administration, members of Congress and other stakeholders to ensure rural America's needs are considered as the budget is finalized in the coming months.

Another challenge facing the electric industry as a whole is the Obama administration's Clean Power Plan.

As written, it would place an unfair economic burden on rural areas, prematurely force the closure of some coal-based power plants and increase electric bills.

The nation's electric cooperatives among others challenged the plan in court and sought its repeal.

In April, the U.S. Court of Appeals for the District of Columbia granted the Trump administration's request to suspend lawsuits on the Clean Power Plan rule.

This remains in affect for 60 days and comes after President Trump's March order directing the Environmental Protection Agency to begin revising the plan's rules.

Although we can't say the overreaching regulation is dead, it doesn't look like it will go into affect as written even if it makes it through the courts.

Another challenge facing rural America is the lack of access to reliable, fast internet. In today's world, broadband internet access is a critical infrastructure need rather than a want.

Broadband internet improves the education of our students, advances the capabilities of existing businesses and enhances possibilities for economic development.

Wanting to bring the benefits of broadband internet access to our service area, NAEC formed a fiber-to-the-home subsidiary in 2016. We now are in the pilot phase.

More than 470 people in the three Fulton and Baxter County pilot areas have signed up for service through NEXT, Powered by NAEC. That number increases daily.

Crews finished building the fiber network in Fulton County in the beginning of the year and are wrapping up work in Baxter County.

Once we are able to confirm the pilot project is a success, we will present a plan to the NAEC Board of Directors that, if approved, would bring NEXT to the rest of the co-op's service area within five years.

We look forward to sharing more NEXT news with you in the coming months.

Yet another challenge we face as a nation is a population deeply fractured along ideological lines.

I'm sure you would agree that the recent election was often brutal.

That's not an ideal environment for solving problems and building consensus.

I say we put our faith in the approach that has served NAEC well for more than 77 years – the seven cooperative principles.

These principles are voluntary and open membership; democratic member control; members' economic participation; autonomy and independence; education, training and information; cooperation among cooperatives and concern for community.

In my opinion, there's never been a better time to be part of the electric cooperative movement.

We've all heard the expression that sometimes it's better to be lucky than good.

Well, right now, we're both.

We know the cooperative business model is more than good.

And thanks to a lucky convergence of political and consumer trends, interest has never been higher in rural Americans, the principles co-ops live by or the electricity we provide.

Political leaders and the media want to know what rural America thinks, and as candidates start to gear up for the 2018 midterm elections, I suspect both parties will be hustling to win your hearts and minds.

This surge in concern for rural Americans gives NAEC and other electric co-ops a powerful platform to influence energy policy in ways that put you and our communities first.

Policies that empower our people are not just politically fashionable right now. They're also appealing to the fastest-growing segment of our membership – millennials.

More and more Americans – particularly those in their 20s and 30s – are discovering the co-op model and using it in creative ways.

Right now, a group wants to organize Twitter users to buy the social media platform and run it as a cooperative.

In Washington, D.C., a new labor cooperative aims to help people get a fresh start in life after being incarcerated.

And last year, the Credit Union Times reported that consumer-owned credit unions were growing at three times the pace of for-profit banks.

Put simply, co-ops are cool. And not just because of the co-op model's appeal to younger members.

The final factor working in the co-op's favor is renewed interest in the product we sell.

Not since we first brought electricity to our communities has interest in our product been so great.

Electricity is the fuel of the future.

When we talk about disruption in the electric industry, we naturally tend to focus on the difficulties new technologies create for the way we do business today.

But those same disruptive forces have the potential to drive a huge surge in demand for our product.

It's possible, maybe even probable, that in my lifetime electricity will be the preferred energy source for the vast majority of our vehicles, heating systems and most other home, farm and business needs.

And it's not just people in our business who hope that's true.

Last fall, the news site Vox published an article touting the significant environmental benefits of electrification.

In the years to come, environmental groups that have often been at odds with electric utilities over various regulations may grow to become our allies on a surprising number of issues.

The community storage initiative is a perfect example of this. Both NRECA and the Natural Resources Defense Council are charter members of the coalition promoting this next generation demand response program.

The Minnesota Center for Energy and Environment has also taken notice, describing electric cooperatives as “laboratories of utility innovation” that are “willing to take strategic risks in the best interest of the membership” if they “offer clear current or prospective benefits to co-op members.”

Knowing what is in our membership’s best interest requires we maintain strong communication channels with you.

We value your feedback.

Give us a call. Stop by one of our local offices. Email or even write us a letter.

We know you won’t always have glowing things to say about the co-op. As humans, we sometimes make mistakes, but we ask that you give us the chance to address them.

An easy way to make your voice heard is through the survey that will be in your June statement.

For those who receive electronic statements or prefer to complete the survey online, a link will be available at naeci.com.

The co-op will use the information in the surveys to make sure our programs and services are working for you and gauge your interest in possible projects.

I encourage you to take a few minutes to share your opinions and look forward to the results.

NAEC always has drawn strength from the close connection we have to those we serve.

You are our friends. Our family. And our neighbors.

We worship together. We shop together. Our kids and grandkids go to school and play together.

Those deep relationships have served us well over the past 77 years.

The challenges NAEC faces today are significant, but they are modest compared to those faced by our founders in 1939 and into the '40s.

When no one else had the courage, desire or toughness to bring modern technology and a better quality of life to our

communities, they were the ones who stepped up and made it happen.

Rather than feel overwhelmed, let's take a page from our forefathers, and imagine the legacy we can leave for our kids, our co-op and our communities.

In closing, thank you for your participation in NAEC's longstanding tradition of Annual Meeting.

Seeing the cooperative principles in action is hard to beat.

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