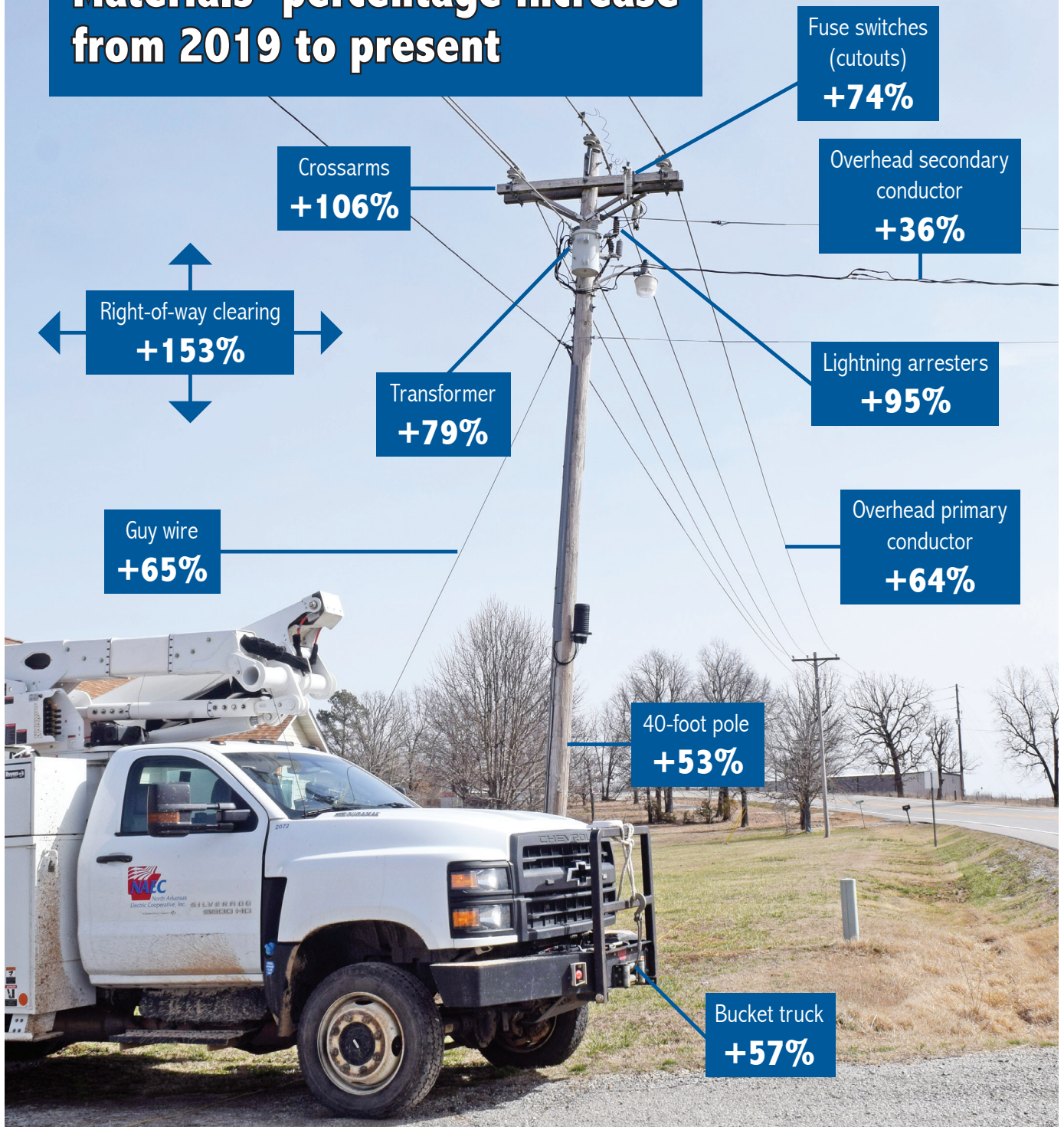


RISING COSTS

Materials' percentage increase
from 2019 to present



NAEC facing increased expenses

From food to housing, few areas of our lives have escaped being impacted by inflation and the subsequent increased costs that began during the pandemic.

Just like individuals, North Arkansas Electric Cooperative (NAEC) has experienced increased costs in many areas. They include contract labor, property taxes, insurance, equipment and materials as well as internal labor and benefits.

For example, right-of-way maintenance costs increased from \$1.8 million in 2019 to \$4.5 million in 2024. That's a \$2.7 million increase, or 153%. As for equipment, a bucket truck cost \$159,000 in 2019 but \$250,000 in 2024. As for materials, a transformer cost \$830 in 2019 but \$1,480 in 2024.

NAEC operates as a not-for-profit but must generate sufficient electric operating margins to maintain debt-to-income ratios set by our lenders. We must cover operating costs, investment and maintenance of our electric infrastructure, capital credit retirements to members and principal on long-term debt while maintaining sufficient equity.

The co-op's retail rates have not changed since 2021, and the adjustment at that time was based on an independently produced cost-of-service study using 2019 data. In other words, our current electric rates are based on 2019 costs. In the years since, we've been through a pandemic, and the U.S. cumulative inflation rate has increased approximately 23%.

Because of limited membership growth and increased costs due to this historic inflation, NAEC submitted a proposed retail rate adjustment to the Arkansas Public Service Commission (APSC) in January. As outlined in *Arkansas Living's* January issue, NAEC is seeking a rate adjustment to increase system revenue by 9.4%. (To see the January center pages, visit naeci.com/arkansas-living-magazine.)

In addition, Arkansas Electric Cooperative Corporation (AECC), our wholesale power provider, is seeking an additional 3% in wholesale revenue. AECC's reason for the rate adjustment is due to the need to recover the increased cost of providing wholesale generation and transmission service to NAEC and the other Arkansas electric distribution co-ops. A major driver of the increased cost is the need to build additional natural gas plants to replace baseload generation that will be lost due to the forced premature closure of two coal plants co-owned by AECC — White Bluff Steam Electric Station in Redfield in 2028 and Independence Steam Electric Station in Newark in 2030.

For more than 80 years, NAEC has been committed to providing our members with safe, reliable and responsible power. We also are committed to the cooperative principles and returning members' capital credits as financial conditions permit; this is evident by NAEC retiring more than \$28 million in capital credits in the past 10 years.

This rate adjustment is vital to ensuring our co-op can continue serving our members for decades to come.



Expenses for electric equipment and materials have increased. A single-phase residential transformer, shown above, costs 61% more than in 2019. Also, the cost for a residential meter has risen by 118% in that time period.



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NAEC App

naeci.com ► Outage Viewer

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**The country's
electric co-ops
mark Lineworker
Appreciation
Day on April 14
this year. Please
join NAEC in
recognizing those
who keep the lights
on year-round.**



MEL COLEMAN
CEO

Tree trimming ensures reliable service

Trees and power lines are a tricky combination. Without regular maintenance, they can become a real problem, especially during the growing season. That's why you'll see North Arkansas Electric personnel and contractors out in the community, proactively

trimming trees around power lines. This work is essential for keeping your lights on and ensuring a safe, reliable power supply.

Here's why it matters:

- **Fewer Power Outages:** Keeping tree limbs away from power lines is the best way to prevent outages, especially during storms or periods of rapid tree growth. This means fewer disruptions to your service.

- **Faster Repairs:** When outages do happen, clear lines allow our crews to access and repair damaged equipment quickly. This gets your power back on faster.

- **Safety First:** Tree trimming protects both our crews and the public from potential hazards like falling limbs, contact with live wires and even fires caused by vegetation touching power lines. It's about everyone's safety.

- **Saving You Money:** Regular maintenance is much more cost effective than dealing with emergency repairs after a major outage.

- **Protecting Wildlife:** While we try to preserve trees whenever possible, trimming creates a safer environment for wildlife by reducing the risk of animals coming into contact with power lines.

- **A More Beautiful Community:** Maintaining clearances around power lines improves the appearance of our community and prevents overgrown vegetation from becoming a nuisance.

You can also help us maintain a safe and reliable power system by being mindful when planting trees on your own property. When planting new trees, it's important to consider their mature size and proximity to power lines.

BENEFITS OF TREE TRIMMING

- ✓ Improves service reliability
- ✓ Speeds up restoration time
- ✓ Keeps crews & communities safe



CHANCE ALLMON

Tree trimming improves the overall reliability of your electric service, ensuring a consistent power supply for your home or business.

Large trees planted too close to power lines can create safety hazards and increase the likelihood of outages.

If you see a tree limb or an entire tree that has fallen onto a power line, please do not approach it. These situations are extremely dangerous. Instead, contact our office immediately at (870) 895-3221 to report the issue. Our crews will be dispatched to assess the situation and make the area safe.

Our tree trimming program is a vital part of our commitment to providing responsible, affordable and reliable power. It's an investment in preventing problems before they happen and ensuring a dependable power supply for everyone.

Thank you for your understanding and cooperation as we work to maintain our electric system.