

North Arkansas Electric Cooperative
Member Proposals
June 2025

Please take notice that, pursuant to Article III, Section 7 of the North Arkansas Electric Cooperative Inc. Bylaws, the following member proposals have been received. (Please note the proposal summaries are published as submitted by the members noted.)

Cancel 2025 Rate Increases

Effective July 1, 2025, all members rates shall revert to the amounts that were in effect on January 1, 2025. Any future rate increases including the reimplementing of the April 1, 2025 rate increase or the filing of any future request for higher rates with the Arkansas Public Service Commission shall require approval by a majority vote of the cooperative's members, in accordance with the voting procedures set forth in Article III of the cooperative's bylaws.

Proponent Statement by Michelle Graetz: The 2025 rate increase implemented by NAEC is excessive and not well-aligned with the financial performance of the member-owned entities NAEC and NEXT. As owners of the cooperative, members should have a meaningful voice in determining whether rate increases are appropriate, based on a thorough review of financial data and projections across all cooperative assets. Unfortunately, due to the procedural limitations of Act 821 of 1987, members were not afforded a sufficient opportunity to raise substantive concerns before the Arkansas Public Service Commission. This proposal seeks to ensure that any rate changes reflect the informed consent of the membership and uphold the core principle of member governance.

Opponent Statement by Mike Dover and Carolyn Lewis: This request is in conflict with Arkansas law and the bylaws of NAEC. Article IV, Section 1 of the bylaws provides that the business and affairs of NAEC shall be managed by a board of nine directors and shall have all powers to do so unless the power is provided to the members. (No such power is provided to the members). Also, Arkansas Code Annotated provides that the business and affairs of an electric cooperative is to be managed by the board. This proposal takes authority away from the board and provides it to the members, which is contrary to what Arkansas law provides. This proposal is also problematic from a matter of common sense and practicality. Rate increases are a result of rate studies, financial advice and other matters. It would be difficult to convey all such financial concerns to members at large in such a way that it would allow for a reasonable, informed vote on such a complex issue as a rate increase. The likely inability for a majority of members to vote in favor of a rate increase ultimately could put the cooperative in financial distress. NAEC operates as a not-for-profit but must generate sufficient electric operating margins to maintain certain debt-to-income ratios as 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.

Board Meetings Open to Members

Any member shall be welcome to attend the board of directors monthly meetings and upon submission of a request prior to the meeting, or upon invitation at the meeting, shall have up to two (2) minutes to address the board of directors about any cooperative related issue the member wishes to make known. Board meeting dates and times shall be announced on the cooperative's website with as much advance notice as practical. Board meetings shall be video broadcast live and archived for a minimum of two (2) years on the cooperative's website. A provision for a "behind closed doors" executive session shall be allowed at the end of each board meeting for the purpose of discussing personnel or legal issues. However, board votes shall only be allowed during the open session of each board meeting.

Proponent Statement by Robert Randel and Sherry Emerson: Currently members do not have access to the board of director meetings. Meetings are held in secret and minutes of the board are not made available for members review. This proposal would provide transparency this is instrumental to an effective member owned organization while still providing an "executive session" for the board to discuss sensitive issues.

Opponent Statement by Ethan Barnes and Seth Martin: Roberts Rules of Order Newly Revised Section 61:6-7 provides that the board of directors determines who may attend meetings and that the board may exclude nondirectors. Currently, NAEC has a procedure that allows for issues to be taken up the chain of command, which results in an ultimate determination by the board if not resolved at the lower level. NAEC staff is not aware of any request that was turned away from the attention of the board if taking the matter up the chain of command had not resulted in resolution of the problem.

Member Approval Required to Change Bylaws

Any proposed amendment or revocation of these bylaws shall require the majority vote of the members at a general or special meeting of the members in accordance with Article III of these bylaws.

Proponent Statement by Joey Holland: Currently the board of directors make bylaw changes that disadvantage members without even notifying the members of the change. Members should be able to rely on the bylaws as protection from adverse actions by management and the board of directors much like the Constitution and Bill of Rights protect individual freedom.

Opponent Statement by Hillrey Adams, Jennifer Crawford and Jodi Strother: Arkansas Code Annotated 23-18-317(a) and NAEC Bylaws XII specifically provides that the power to make, alter, amend or repeal bylaws of the corporation is vested in the board. The member proposal is contrary to Arkansas law, which specifically grants this power to the board. The law in this area provides the flexibility that is needed to change the bylaws as the times change. For instance, the board was able to amend the bylaws to provide for voting by mail, which would have been extremely difficult if approval of the membership was required. Likewise, several years ago, the board approved term limits and the staggering of board terms. This was a complicated process requiring much board study and input. That would have been difficult to accomplish if a membership vote was required to change the bylaws.

Member Approval Required for Future Rate Increase

Any proposed increase in member rates shall require majority vote of the members at a general or special meeting of the members in accordance with Article III of these bylaws prior to submitting notice to the Public Service Commission or the Rural Utilities Service.

Proponent Statement by Joe M. Eubank: Rate increases should be fully justified to the members by the board of directors. A rate increase should be implemented for the benefit of the members instead of being imposed on the members without clear objectives.

Opponent Statement by Mike Dover and Carolyn Lewis: This request is in conflict with Arkansas law and the bylaws of NAEC. Article IV, Section 1 of the bylaws provides that the business and affairs of NAEC shall be managed by a board of nine directors and shall have all powers to do so unless the power is provided to the members. (No such power is provided to the members). Also, Arkansas Code Annotated provides that the business and affairs of an electric cooperative is to be managed by the board. This proposal takes authority away from the board and provides it to the members, which is contrary to what Arkansas law provides. This proposal is also problematic from a matter of common sense and practicality. Rate increases are a result of rate studies, financial advice and other matters. It would be difficult to convey all such financial concerns to members at large in such a way that it would allow for a reasonable, informed vote on such a complex issue as a rate increase. The likely inability for a majority of members to vote in favor of a rate increase ultimately could put the cooperative in financial distress. NAEC operates as a not-for-profit but must generate sufficient electric operating margins to maintain certain debt-to-income ratios as 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.

Two General Member Meetings Per Year, Consistency in Quorums, and Voting Process

Provide for two (2) regularly scheduled general meetings of the members each year — an Annual Meeting in May and a mid-year meeting in October. Each member proposal submitted in accordance with the cooperative bylaws shall be voted on at the next occurring general meeting unless a special meeting has been called for that purpose. Remove from the cooperative bylaws any differences based on meeting type in the determination of a quorum. As such, any general or special meeting shall have a quorum determined by the number of member ballots returned to the third party balloting firm noted in the voting section of this article. All member voting — whether for the election of directors, member proposals or any other matters submitted to the members for a vote — shall be accomplished by contracting with a professional, independent third party vendor. That vendor shall be responsible for: 1) mailing all ballots and other election materials to the members; 2) receiving and tabulating the ballots; and 3) certifying the election results. To be clear, only ballots returned to the third party vote tabulator shall be counted in the determination of meeting quorums and the results of any member vote.

Proponent Statement by Nancy Howsman: NAEC is a member owned cooperative. However, the ability of members to provide input – and hold the board of directors accountable to the members

– is grossly lacking due to the way the board of directors has written the cooperative’s bylaws. Currently, there is only one general member meeting each year – the Annual Meeting. Perhaps, if there had been a second regularly scheduled general member meeting in 2024, the board and officers would have properly justified the need for the large rate increase that they recently implemented. The CEO and CFO of the cooperative both stated that the financial position of the cooperative was very sound during the 2024 Annual Meeting in June 2024. By December 2024, they decided there needed to be a significant rate increase – but never held a public meeting to discuss why everything was just fine in June, but the house was burning down in December. Under the current bylaws, if the members wish to call for and hold a special member meeting to, for instance, have the board of directors and officers explain what is going on in the cooperative, the roadblocks in the current bylaws make it practically impossible to do so. Not only does it take over 3,100 members signatures to petition for a special meeting, then over 600 members would have to physically attend the meeting at the cooperative’s Salem office (which, by the way, does not even have a room which will hold 600 people) to meet the quorum requirements. This is important because with no quorum, there can be no meeting. There is absolutely no legitimate reason why the board-written bylaws make it so difficult for the members (owners) of the cooperative to hold a special meeting – and why the quorum requirements would be different from the Annual Meeting (which does not require physical attendance by members to determine a quorum). The current bylaws also state that only the votes of members physically attending a special meeting will be counted in determining the results of the matter being voted upon. For the Annual Meeting, a member just has to mail their ballot to the third party vote tabulator in order for their vote to be counted – they do not have to physically attend the meeting. Every member should wonder why the board has made it so difficult for members to hold meetings and vote on items of interest to the members – when the members are the owners.

Opponent Statement by Hillrey Adams and Michael Lance: This proposal is an attempt to amend the NAEC bylaws, and that authority is clearly vested in the board of directors. Specifically, Arkansas Code Annotated section 23-18-320 and NAEC bylaws sections 1, 2, 4 and 5 address this area. For more than 85 years, NAEC’s bylaws have served members well; changes to meetings, quorum requirements and voting are unnecessary. Members with concerns now have a process for those concerns to be addressed. Requiring two meetings per year would cost the cooperative more money and take employees away from daily operations.

Election of Directors

Effective January 1, 2026, each of the nine (9) directors shall be elected to a two (2) year term at the Annual Meeting held in May of each year, with no limit on the number of two year terms a director may serve. Directors shall be elected by member population density, therefore, one (1) from Sharp County, one (1) IZARD County, two (2) from FULTON County and four (4) from BAXTER County with one (1) at-large director. The election of directors shall be on a plurality basis with the candidates receiving the greatest number of votes being declared the winners of the election. Director candidates shall be nominated by member petition only, for each election cycle. Candidates shall be placed on the ballot with a minimum of 15 member signatures — so long as the candidate meets the specified qualifications. Each member will be allowed to cast up to nine votes, one (1) each for Sharp and IZARD County candidates, two (2) for FULTON County candidates, four (4) for BAXTER County candidates, and one (1) for an at-large candidate.

Proponent Statement by Steve Hall: Members owners of NAEC have been denied the opportunity to actually vote for their representative director for too long. Currently the election of directors through a nominating committee controlled by the board of directors is not representative of the members. Additionally appointments to the board by the board of directors without an election or vote of the members leads to the appearance of insider action instead of an open honest process. The board of directors does not represent the population equitably, since more than one-half of the membership resides in Baxter County.

Opponent Statement by Wayne Winter and Cliff Hawkins: The election of directors is covered by the NAEC bylaws section 2, 4 and 5 and Arkansas Code Annotated 23-18-321(d). This is an area where the authority is clearly vested in the board. A high-functioning board trusts management to implement strategy and manage operations, while the board concentrates on monitoring results and ensuring that the co-op remains aligned with its mission, vision and long-term goals. A two-year term for directors would not afford newly elected directors time to develop the necessary knowledge base to govern the cooperative in such a manner. As proposed, the board potentially could consist of nine new directors every two years; those new directors could have no experience in setting strategic direction, assessing risk, ensuring financial integrity and evaluating the CEO's performance as is required.

Director Qualifications

Shall the qualifications to be nominated or serve as a director of the cooperative be as follows: 1) The person shall be a member who receives electric service from the cooperative at their primary residence. 2) The person shall not be employed by, or have a financial interest in, any business that competes or sells energy or supplies to the cooperative. 3) The person shall not be currently employed by the cooperative, either as an employee or officer. 4) The person shall not be related within the fourth degree by blood consanguinity to any current employee, officer, or director of the cooperative.

Proponent Statement by Michelle Graetz: The measure updated the qualifications for serving on the board of directors. Under the current rules, retired employees who are also cooperative members are not allowed to run for board positions – even though they often have valuable experience and insight that could benefit the cooperative. At the same time, allowing individuals with close family ties to current employees, officers, or directors can create concerns about favoritism or conflicts of interest. This proposal ensures a fairer, more transparent board by allowing qualified retired employees to serve, while setting clear boundaries to prevent ethical concerns.

Opponent Statement by Sanders Wyatt and Bill Weeks: Retired NAEC employees who are members may run for a board seat once they have been retired three years. In addition, Arkansas law allows for the bylaws to set the qualifications for electors. Arkansas Code Annotated section 23-18-321(b) provides that “the bylaws may prescribe qualifications for directors.” NAEC’s bylaws, in Article IV, set forth the qualifications of the directors. Again, the qualifications are determined by the bylaws, and the authority to make the bylaws is clearly vested in the NAEC Board of Directors. This is not an area where a membership vote is allowable or necessary.

The proposals will be addressed at the annual meeting of the members of North Arkansas Electric Cooperative under new business on the Annual Meeting agenda. The annual meeting will be held June 19, 2025, at 10 a.m. at the Fulton County Fairgrounds in Salem, Arkansas.

