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State regulators approve new wholesale rate for Arkansas Electric Cooperative Corp.

The Arkansas Public Service Commission has approved a new wholesale rate for Arkansas Electric Cooperative Corp. (AECC).

Under the commission's order, issued Aug. 5, AECC's wholesale electric rates will rise for the first time in 21 years. Citing increased costs and reduced load growth, AECC filed an application to adjust its rates last October. A hearing on the matter took place on May 24 before the APSC.

Throughout the process, AECC worked with the various parties, including the Arkansas Public Service Commission's general staff and the attorney general's office, in an effort to reach a consensus on a rate adjustment. Although the commission did not rule in AECC's favor on all issues, AECC is pleased that the commission has approved a rate adjustment that will improve the cooperative's financial position.

"We thank the commission for thoroughly and fairly reviewing the issues in the case," said Gary Voigt, AECC president and chief executive officer. "With this order, AECC can remain strong financially and we can continue to reliably serve our members at rates that are still among the lowest in the nation."

AECC estimates that its revenues will increase by about \$12.6 million a year under the new rates. AECC had originally asked for a rate adjustment that would have increased annual revenues by about \$15.6 million. The order calls for AECC to raise its firm wholesale rate, which comprises mostly residential consumers, by about 3.8 percent, while the wholesale rate for interruptible consumers will rise by about 9.6 percent. Interruptible rates are typically for large industrial consumers and allow AECC to curtail electricity to the members during periods of peak power demand, thereby lowering AECC's costs. In turn, the members get discounted rates.

AECC serves 16 electric distribution cooperatives that provide retail electricity to about 450,000 members across Arkansas and in surrounding states. AECC will not implement the new rate until the distribution cooperatives receive authorization from the commission to adjust their retail rates to incorporate the additional costs. The distribution cooperatives will decide whether to seek commission authorization to pass on the increased wholesale costs to their members. There is an abbreviated process that can be used to adjust those rates, which means that some cooperative members could see adjusted rates including the new wholesale rate as early as November 2005. The amount of the adjustment will vary among the cooperatives. AECC estimates that the average residential consumer's electric bill would rise about \$1.86 a month.

Since the last increase in 1984, AECC has reduced its rates seven times, which have lowered its annual revenues more than \$115 million.

For additional information, contact:

Rob Roedel, Electric Cooperatives of Arkansas, 501.570.2296 or rroedel@aeci.com