

Rising Prices Affect Us All

By Shane Stenquist

The past few years have been extremely challenging for many folks: the pandemic, public protests, landmark court rulings, culture wars, rising homeless populations and never-before-seen political events have left indelible memories.

According to many polls, the economy remains the No. 1 issue with voters. It's no wonder, considering how prices have soared in the past few years. Consumers have seen the costs of goods and services increase in almost every area of their lives.

Inflation is a fact of life. We expect the costs to increase over time. Inflation has significant effects on individuals and families, businesses, investors and the overall economy. Moderate inflation is good for the economy in many ways. It can stimulate economic growth by encouraging spending and investment, drive an increase in wages and reduce a government's debt value.

However, when inflation rapidly soars, it can have a profoundly negative impact for many, affecting everything from daily living expenses to long-term economic stability.

Consider how much items at your local grocery store have increased in the past five years.

	2019	2024
Gallon of Milk	\$2.91	\$3.56
Dozen Eggs	\$1.55	\$2.52
Bread	\$1.27	\$2.03
Potato Chips	\$4.43	\$6.39
Ground Beef	\$3.80	\$5.47
Chicken Breast	\$3.06	\$4.09
Soft Drink (12 oz)	\$0.33	\$0.60

U.S. Bureau of Labor Statistics, average price, retrieved from FRED, Federal Reserve Bank of St. Louis



Oregon Trail Electric Cooperative crews perform maintenance and repairs in Baker County.
PHOTO BY OTEC JOURNEYMAN LINEMAN CHRIS PEPPERS

We have all felt the impacts of inflation at different times in our lives. Most of us have, at some point, uttered something like, “Wow, I can’t believe how much this has gone up in price!” We may experience this at the grocery store or gas station, or when we sit down to pay our monthly bills.

Housing and Automobiles

During the pandemic, new cars became extremely difficult to find, driving up the costs of both new and used vehicles considerably.

While new car prices have stabilized, they are still 16% higher than they were just three years ago, according to Kelley Blue Book. Many other costs of owning and operating a vehicle have also risen.

These added costs place an even greater strain on those who live in rural areas, where people often have to travel farther

for work, school and other essential services. The increases not only affect daily commutes but they also raise the costs of transporting goods to local stores, which can lead to even higher prices for groceries and other necessities.

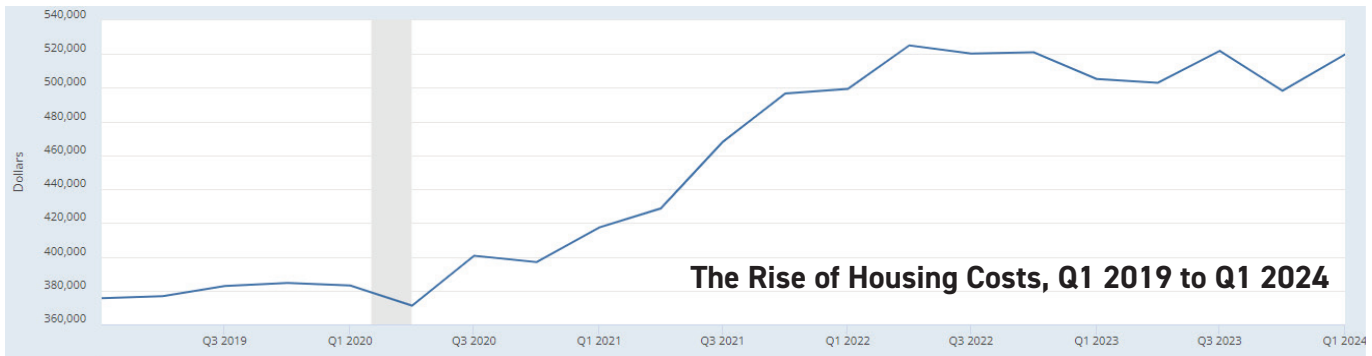
The housing market has also seen rapid inflation. As shown in the graph on Page 5, the average sales price of a house in the United States rose from \$375,500 in the first quarter of 2019 to \$519,700 in the first quarter of 2024.

The cost of building materials and home maintenance has also risen, making it more expensive for families to build, buy or repair homes.

These rapidly rising costs, along with higher interest rates, has made it difficult or impossible for many to even think about buying a new car or home.

However, when the economy is

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U.S. Census Bureau and U.S. Department of Housing and Urban Development, average sales price of houses sold for the United States, retrieved from FRED, Federal Reserve Bank of St. Louis

struggling, these resources are spread thin and often cannot find enough funding and support to meet everyone's needs.

Electricity Rates and Inflation

Which brings us to electricity. In January 2019, the average cost of 1 kilowatt-hour of electricity in the United States was 13.5 cents. That average rose to 17.3 cents in January 2024. In 2022 alone, prices rose by 10.7%, the highest increase registered since the beginning of the century.

Electricity rates vary greatly from state to state and region to region, largely dependent on the energy source used for generation, such as coal, gas, oil, nuclear or renewable energy, including solar, wind and hydro. Hawaii has the highest electricity prices in the United States at roughly 43.93 cents per kWh due to the high costs of crude oil used to fuel the state's electricity.

Locally, we have a reliable and clean energy source in the form of the Pacific Northwest's hydroelectric system. The power supplied to OTEC by Bonneville Power Administration helps OTEC member-owners enjoy some of the nation's most affordable and reliable electricity.

BPA's affordable rates, coupled with OTEC's effective controls and management, has helped keep your electricity rates stable for nearly five years. The last rate increase OTEC enacted was in November 2019.

This doesn't mean OTEC has not been affected by the same inflationary woes that have hit other companies and industries. Everything OTEC uses—power lines, poles, switches, monitoring equipment

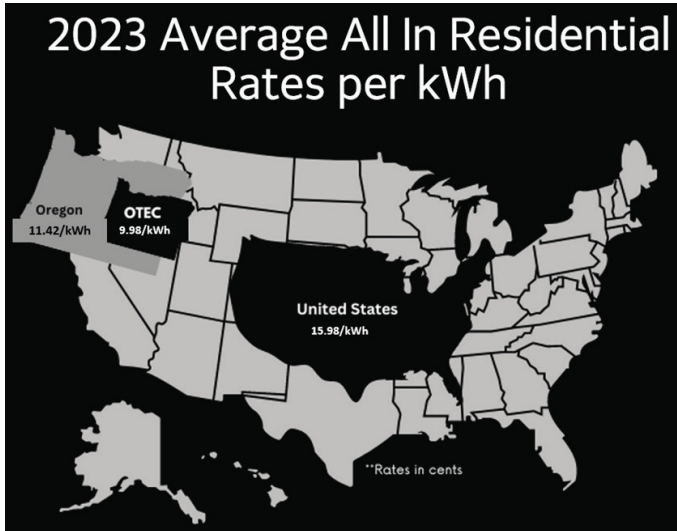
OPERATIONAL SUPPLIES COST COMPARISON	2021	2024	INCREASE
2500KV Transformer	\$31,184	\$90,421	190%
Grounding Rod	\$10.45	\$21.18	102%
Insulator	\$17.07	\$35.35	107%
Conductor	\$1.25	\$2.38	90%
Cross Arm	\$255.40	\$399.70	57%
50 ft Pole	\$1,028.35	\$1,736.40	59%
90 ft Pole	\$4,183.26	\$7,025.62	59%

and software—has increased in price. The cost of the transformers we install has almost doubled since 2021.

Another example of how inflation has affected your electric cooperative is in the cost of a new bucket truck. When OTEC placed an order in November 2021 for a new 55-foot, dual-axle bucket truck the cost was \$349,806. That truck took more than two years to be delivered.

The same truck today has a price tag of \$533,527 and an estimated three-year delivery time.

During times of rapid inflation, it's good to remember the advantages of being a member-owner of an electric cooperative. The fact OTEC is not owned by outside investors who are focused on making a profit but is instead owned by the very people who receive power from the cooperative means OTEC stays focused on



the people, communities and territory we serve.

We cannot promise your electricity rates won't ever change—as we've seen, inflation affects every company—but we can promise we will continue to focus on delivering you clean, reliable energy at a competitive price. ■

To learn more about the benefits of being a member-owner of your local electric cooperative, visit otec.coop/your-cooperative.