

PRC to investigate Kit Carson rate increase

By J.R. Logan

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The state Public Regulation Commission unanimously voted Thursday (Jan. 13) to go ahead with a full rate case to review a proposed rate hike by Kit Carson Electric Cooperative.

The vote was a formality that followed an unofficial decision made by the majority of the board just three days earlier.

After the vote, the commission issued an order suspending rates and appointing an hearing examiner to preside over the case and conduct a hearing.

The order was sent to the coop, its attorneys, and 297 protesters. The exact number of protests has been a contentious issue, and questions about the validity of those protests has complicated the matter.

Thursday's order states that at least 25 (the minimum to warrant a rate case) protests filed were valid, and that the issues raised by the protests provide "just cause" for an investigation of the rate hike.

But what exactly does a rate case involve?

To start, the implementation of the new rates is suspended until after the hearing, which could be months away. The coop has stressed the urgency of its financial situation by pointing out that it is a "winter-peaking" utility, and the delay of the new rates could worsen its financial position.

The hearing could also prove costly. Co-op CEO Lu's Reyes testified last week that the coop has already spent between \$40,000 and \$50,000 on the case, and state law allows the cost of the rate case to be passed onto co-op members.

In a rate case, the burden of proof is on the utility to show that the increased rate or charge is "just and reasonable."

According to state law, the hearing and review over a coop rate hike must be limited to issues that were raised in protests from co-op members. But given the outpouring of protests against the rate hike — and the spectrum of concerns raised in those protests — the commission could have a lot of elbow room in its review.

In a concurrence filed the same day as the Public Regulation Commission order, Commissioner Jason Marks pointed out that the order is "overly broad" in its explanation of the scope of the case.

Co-op protesters have leveled a number of arguments against the rate hike. Some contend that the new rates will unfairly affect low-energy users, while others say tough economic circumstances will place an undue burden on members with low or fixed incomes. Reyes has said that the proposed rate increase more equally spreads the burden of fixed costs across all members and will make it easier for the co-op to promote conservation.

At a hearing in Santa Fe attended by at least 100 co-op members last week, the commission suggested that it would also be looking into possible cross-subsidization of the coop's electric, propane and telecom divisions.

Reyes has maintained that cross-subsidization has not occurred.

The order for a rate case does allow the co-op to provide alternative rate making methodologies — something the coop has recognized as a path to compromise. Reyes has hinted at incorporating an “inclining block” rate structure that would incentivize low energy use. Energy consumers would be separated into groups based on the amount of electricity they use. Each group would be charged a different amount per kilowatt hour, with high-end users paying more and low-end users paying less per hour.

As for the hundreds of protesters, a spokesman for the commission said there will be an opportunity for public comment during the hearing, but those comments are not officially considered evidence unless they are sworn in to testify.



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