



THE TAOS NEWS

Best U.S. Weekly Paper- NNA 2007, 2008, 2010
Inland Press Nation's Best Weekly Newspaper 2009

Kit Carson critics seek board's recall

By J.R. Logan

The Taos News, March 17, 2011

Outspoken critics of Kit Carson Electric Cooperative have begun circulating a petition demanding a recall of nine of the 11 people who sit on the co-op's board of trustees.

"KCEC trustees are out of control and they must be removed now," reads a flyer attached to the petition.

The petition contends that trustees Bobby Ortega, Manuel Medina, Francis Córdova, Toby Martinez, Arturo Rodarte, Ambrose Mascarenas, Chris Durán, Jerry Smith and Bruce Jassman have violated their duties to co-op members.

The two board members not included on the petition — Luisa Mylet and Virgil Mart'nez — were the only ones to vote against a rate hike last fall.

According to the co-op's bylaws, a petition for a recall of a trustee must be signed by at least 3 percent of the members. That means 660 members would have to sign the petition to force a special election.

Among the charges listed on the petition are "breach of fiduciary duty," "misfeasance," "nonfeasance," and "persistent failure to manage KCEC effectively."

Co-op members leveling the charges include Maria and Peter Adang (who count as one member), Linda Bence, Andrew Chávez (a Taos County commissioner), Jode Cisneros, David Genth, Ernesto Gonzales, Rita Larrow, Jerome Lucero, David Rael and Kathleen Vanderbrook. A flyer being circulated by the co-op critics contends that the co-op has lost \$7 million in its propane and telecom divisions, spent \$2.3 million of member money on a regional command center "that has no tenants," and has agreed to enter into a \$19 million loan to install broadband across its service area "without any business plan."

The group says the recent request for an electric rate hike is directly linked to these purported losses.

Co-op CEO Lu's Reyes calls the charges "outright lies" and says the push for a recall is "a scare tactic" in preparation for a rate hearing before the Public Regulation Commission.

"Why do they continue to mislead the community?" Reyes said during an interview Monday (March 14).

Reyes takes issue with all of the accusations. He said that, though the co-op "invested" about \$4 million from the electric side into the propane division since it was founded 10 years ago, co-op members are starting to see a return on that investment through payments back to the co-op.

Reyes also argues that the regional command center will be used by the co-op for dispatch services, and negotiations are still under way with local government agencies who previously said they would pay rent to use the facility.

The claim that the broadband project is without a plan is also unfounded, Reyes said. On Wednesday (March 16), Reyes showed a copy of a detailed financial projection for the project to *The Taos News*. The plan shows anticipated costs for installing and operating the system, and includes projected revenue once service is in place. Reyes said the plan was included in the co-op's grant application to the federal government last year.

"Why would they award us a grant/loan this big without any plan?" Reyes said.

Several of the co-op critics behind the recall say they have asked but were never allowed to see the broadband business plan.

Reyes said no one ever asked to see it.

Board of Trustees president Ortega called the recall petition "sour grapes," noting that Cisneros of Questa lost a bid for the board to Ortega during the last election. Ortega said the nine trustees cited on the petition have acted responsibly and within their authorized scope and authority.

Scope of hearing

While the recall petition circulates, both the co-op and its critics are claiming victory in the wake of an order from the Public Regulation Commission that dictates the scope of the upcoming rate hearing .

The order, signed March 7, said topics that could be addressed at the hearing include: "whether the cost of service is accurately stated, whether the cost of service reflects prudently incurred operating and administrative expenses; whether the proposed revenue requirements are reasonable in relation to the cost of service; whether the cost of service reflects any cross subsidization from the electric utility to other services; whether the cost of service is properly allocated to the residential class; and whether the proposed rate design for the residential class is just and reasonable, including the allocation of costs between fixed charges and kilowatt hours charges, and whether Kit Carson should offer inclining block rates."

The PRC's order said the scope of the hearing is based on issues raised in protests filed by hundreds of customers against the proposed rate hike. The commission said it must "liberally construe" the protests when considering what subjects should be addressed since ordinary citizens cannot be expected to have expert knowledge of the operation of an electric utility.

Lawyers for the co-op had argued that the commission only had authority over the proposed rates, not the operation of diversified businesses — like Kit Carson's propane and telecom divisions — and other unrelated topics. The commission disagreed, and the co-op has since filed documents and testimony with the PRC regarding its diversified activity.

The PRC has allowed rates to go into effect that had been negotiated between the co-op and Chevron Mining, Inc., which operates the Questa molybdenum mine. The commission has reserved the right to revise Chevron's rates if it determines through the hearing that the mine's rate is adversely affecting other co-op members.