

My Turn

Changes need to be made at Kit Carson

ANDRES S. VARGAS

After repeated accusations at every turn by Luis Reyes that we, the 300-plus owners and intervenors were lying or misrepresenting our concerns about the necessity for the proposed rate increase by Kit Carson Electric Co-op, our concerns on behalf of all co-op owners have been vindicated by the economist John J. Reynolds and his staff's sworn testimony to the PRC that "... this rate case is driven in large part by the dire financial condition of Kit Carson" (see Reynolds' report page **35**) and that the co-op will continue to live beyond its means on the backs of its electric customers.

As we suspected all along, what caused this dire financial condition was delving into businesses other than the delivery of electricity, businesses that were paid for with \$10 million dollars of our money, loans and cash reserves that should have been kept for delivery of electricity.

Not only is Mr. Reynolds' report a vindication of our concerns, it is an indictment of Reyes and the board's malfeasance and misfeasance, for using our money to fund/ build call centers, fund failing businesses and increasing the co-op's indebtedness in the last seven years by \$22.9 million while revenues have remained flat. KCEC has a total indebtedness of \$61 million dollars, and is paying \$1.1 million per year just in interest payments.

KCEC is operating at a deficit, and cost containment is necessary and containment should include reducing "training" meetings put on by the power industry in resort locations such as Orlando, New Orleans and Las Vegas and using web or Internet training instead. Trustees should not be paid for merely sitting through meetings.

Mr. Reynolds' analysis does not support KCEC's proposed rate increase from \$10 to \$20.50 per month per customer, an increase of 105 percent, the second- highest monthly charge in the state.

He makes it abundantly clear that a smaller rate increase is only necessary because Kit Carson has been operating at a deficit for the past two years and is in technical default on its federal loans (a fact that neither Mr. Reyes nor any of our trustees informed us of).

Were it not for the fact that Kit Carson is in dire financial straits, a rate increase would not be needed. A rate increase is necessary to prop up the financial health of Kit Carson, to replenish the equity and to reduce the coop's debt load.

Mr. Reynolds's sworn testimony to the PRC constitutes substantial evidence that Mr. Reyes and the board's failing business ventures and excessive expenditures are what caused the need for the proposed rate increase, which will give KCEC a profit of an estimated \$3.60 per customer

each month.

I wonder what plans Mr. Reyes and the board have to use this profit: for more failing businesses or merely keeping the co-op afloat? Although operating at a loss, Mr. Reyes calls these losing business ventures “investments”, which we, the owners, are paying for. It is unclear if we will ever get a return on our investments.

Additionally, these investments were not specifically authorized by the Board or the members, and Mr. Reynolds was unable to find any study that measured the risk involved in such expenditures. What kind of management pledges so much money without a risk study?

It is the duty of the board and management of KCEC to oversee that electricity is delivered to its members at the most reasonable cost possible and to be financially prudent in protecting the customers/owner’s money. It is a relationship of trust, which has been breached by their ill-considered financial decisions that have thrust Kit Carson into financial jeopardy.

Certainly diversification can be a good thing. However, it is not sound business practice to have taken Kit Carson’s capital and obligated the co-op for additional loans, and invested it in one failing business after another. Nor do sound business practices include excessive and questionable board compensation.

What has been the board’s response to these management failures and loss of revenue? They voted a hefty raise for Mr. Reyes!

And most certainly the board was not elected to approve the expenditure of an estimated \$500,000 for attorney fees and experts and board compensation to defend spurious justifications postured by Reyes in justification for the rate increase where the poor and those who conserve electrical use are charged at a higher rate.

And what have we, the owners, gotten for \$500,000? Advice, for example, not to turn over certain documents that we were entitled to.

And how has Mr. Reyes characterized our concerns regarding his “investments” in failing business ventures, enormous indebtedness and excessive board expenses? He has said these are merely “peripheral issues” having nothing whatsoever to do with the proposed rate increase and furthermore the board approved all diversification and indebtedness as being proper and his “investments” will be a “benefit” to the members. Unbelievable.

Yet one can only hope that the trustees and/or we the customers/ owners will realize that there are definite changes that need to be made at Kit Carson and that transparency will finally become a reality.

This is the personal opinion of Andres S. Vargas, a registered customer and owner of KCEC.