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Kit Carson to restructure electric rates, raise customer charges

By J.R. Logan

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Kit Carson Electric Cooperative is preparing to implement changes to its rate structure, and barring any delays from protests, it plans to have it in place by January.

CEO Lu's Reyes said the adjustments are necessary to keep the co-op in good financial shape.

Co-op trustees voted 9 to 2 to raise rates at a meeting Thursday (Sept. 16).

The most obvious change will be an increase in the monthly customer charge.

For residential customers, the charge will go from \$10 a month to \$20.50. Commercial customers will see that charge go from \$15 a month to \$31.

However, the larger flat fee doesn't necessarily mean another \$10 tacked onto the bottom line of residents' monthly electric bills.

Reyes explained the details of the rate change to a few members of the local media at a meeting Tuesday (Sept. 21). He said that customer charge increase will be partially offset by decreasing rates for energy.

Residential users will pay 9.079 cents per kilowatt-hour after the rate change. That amount is down from 10.519 cents per kilowatt-hour.

According to Reyes' figures, the average residential customer at the co-op uses only 459 kilowatt-hours a month. Without changing energy-use habits, that customer would see a \$3.44 hike per month on charges from the co-op.

The most frugal energy users will see the biggest increase in their monthly bills because of the service charge increase.

The change in rate structure comes in the wake of a year-long study that sought to understand exactly where the co-op was incurring costs.

By increasing the fixed monthly customer cost, the co-op hopes to create margin stability; with a larger portion of its revenue constant, the coop's income will not be susceptible to large swings in seasonal energy use, Reyes said.

Following the changes, the co-op expects to improve its overall rate of return (or profit margin) from 4.37 percent to 5.16 percent. Numbers from the cost-of-service study show that the

residential service actually loses money for the co-op.

Reyes said the 5.16 percent rate of return was lower than most other utilities, and well below what the co-op could legally seek.

“The goal was to get in the positive rate of return, but not the highest,” Reyes said. “At 5.16 (percent), no one’s getting fat.”

As long as Kit Carson’s service area continues to grow by about 2 percent each year, Reyes said he expects the rates to remain steady.

Critics of the co-op have argued that it has overextended itself by incurring additional debt through projects like solar arrays and Internet service. A \$44 federal grant to install broadband across its service area in the coming years also comes with an additional \$19 million in loans.

Reyes counters that the rate restructuring is independent of Kit Carson’s other ventures and that worries over equity are unfounded. “I think the debt level is about average,” he said. “We’re where we should be.”

The rate changes come at an inopportune time, with the economy still struggling and indications that taxes going up in the county. But Reyes said it needed to happen.

“Historically there’s never been a good time for a rate increase,” Reyes said.

Based on the results of the cost-of-service study, Reyes said the rate change will not be an undue burden on low-income residential customers. He said most low-income members use more than the average amount of energy per month, possibly because of poorly insulated homes and older, inefficient appliances.

Reyes said the co-op is preparing to send an official notice to all of its customers advising them of the proposed rate change. He said the first letters would be sent within a week.

Members of the co-op can protest the rate increase within 20 days after that notice is sent. Dissenters must first sit down to discuss their concerns with Kit Carson staff. If at least 25 members remain unconvinced that the rate change is necessary, the matter goes before the New Mexico Public Regulation Commission (PRC).

Reyes said he was confident that the co-op had shown that a rate increase was necessary.

Should any challenges go before the PRC, Reyes said the implementation of the new rates could be stalled until as late as February.

The co-op is hosting an open house Friday (Sept. 24), from 10 a.m. to 3 p.m., to give members a chance to look at the details of the proposed rate change.