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Co-op'naysayers'say rate hike is too much too fast

By J.R. Logan

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The only two Kit Carson Electrical Cooperative trustees who voted against a recent rate increase say the hike was pushed through too quickly and that not enough steps were taken to reduce operational costs.

Trustees Luisa Valerio Mylet of Pot Creek and Virgil Martinez of Cerro — who call themselves the “nay sayers” — were the only two dissenters on the 11member board of elected trustees that voted to approve a rate change Sept. 16.

“It wasn’t hard for me to vote against it,” Martinez told *The Taos News* Monday (Sept. 27). “The economy is bad, and with these rates we are going to put more people out of business. And we’re making it harder to bring jobs into the community.” For Mylet, the actual numbers on the rate increase came too soon before a vote was taken.

“We needed to have more communication on these rates,” Mylet said Monday. “This just can’t happen overnight.”

CEO Lu's Reyes and board president Bobby Ortega defend the rates and the way in which they were passed. “It was not an easy decision,” Ortega said Tuesday (Sept. 28). “It wasn’t something we took lightly.”

They say the change had been discussed for several months and was necessary to maintain the co-op’s level of service.

“This was not a rash decision, and for it to be painted as something that came down like that, that’s not accurate,” Ortega said. “It wasn’t just a rubber stamp.”

Word of the rate hike came at the board’s annual meeting in May, and Reyes said notice of the Sept. 16 special meeting was given at the end of August.

That meeting, which included a lengthy PowerPoint presentation by independent consultant Marty Blake, lasted more than three hours.

The presentation focused on a year-long cost-of-service study that analyzed the co-op’s costs and revenue in detail. Ortega said Blake offered to review any section of the study or discuss any specific line-item changes to existing rates.

“I think everybody there felt good about the presentation,” Ortega said.

But Mylet isn’t so sure. “I think we had a few more questions, but when you go in there you know it’s already a done deal,” Mylet said.

Mylet said she has been an outspoken critic of projects the co-op has undertaken since even before she was elected to the board six years ago. As line extensions to rural service areas and infrastructure improvements brought on more debt, Mylet said she suspected a rate increase would be inevitable.

“To me it was a runaway train,” she said. “We were ready to crash.”

Ortega disagrees. He argues that those kind of improvements are a part of Kit Carson’s mandate as a co-op.

“Those projects, along with other projects in the 10-year work plan, are part of requests by management to maintain, upgrade and produce reliable, affordable electricity to our customers,” Ortega said.

He said the board was left with no choice.

“What are the other options? You either increase revenue or you decrease expenses,” Ortega said.

To some extent, the co-op has made efforts to scale back its costs. Reyes said budgets for the co-op’s departments have been cut from between 17 and 25 percent, and that a hiring freeze was put in place earlier this year. Additional improvement projects that had been scheduled have now been deferred until the co-op is on more stable financial footing, he said.

But Martinez, who has been a director for 22 years, doesn’t think efforts to reduce operating expenses went far enough. “It doesn’t justify what we’re doing to the consumer,” Martinez said. “We needed to have more study sessions, not only for the rate increase, but we could make some cuts and make it so the rates didn’t hit as hard.”

As an example, he suggested that vehicle use by employees could be curbed to save cost. He also said his fellow trustees could bring ideas of their own to the table.

One of Martinez’ primary concerns was a 5-percent salary raise for Reyes that the board approved at its August meeting. Both Martinez and Mylet voted against the raise.

Ortega defends the board’s decision by pointing out that Reyes was able to secure a \$64 million grant/loan to install broadband across its service area.

“To me, that alone merits the evaluation and the increase he got,” Ortega said.

For Mylet, she said whatever questions she still has regarding the rate hike will probably be answered sometime in the next couple of months.

“Maybe when I see first my first bill I’ll understand,” she said.

The co-op is hosting open houses for members to learn more about how the rate change will affect them. There will be an open house at the co-op’s Penasco branch from 9 a.m. to noon Friday (Oct. 1). Another open house will take place at the Questa office from 1 to 4 p.m. Thursday (Oct. 7).

A letter from the co-op has been sent to members officially notifying them of the rate increase.

Reyes said he expects those mailings to arrive in the next five to seven days.

Members have 20 days from the postmarked date of those letters to file a protest with the co-op and with the state's Public Regulation Commission.