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Tri-State defends hike, spurns PRC

By J.R. Logan

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The corporation that supplies electricity to Kit Carson Electric Cooperative is officially going forward with a 4.8 percent hike, as well as a new rate structure that the co-op calls a threat to energy conservation.

The board of the Denverbased Tri-State Generation and Transmission approved the changes in September. Official notice of the increase was filed with the state Public Regulation Commission on Oct. 19.

Tri-State is a nonprofit serving 44 member cooperatives and 1.5 million customers in Colorado, Nebraska, New Mexico and Wyoming. The board is made up of representatives from each co-op.

If three of the 12 New Mexico co-op’s served by Tri-State protest the rates, New Mexico law says Tri-State may be forced to justify its increase to the Public Regulation Commission.

Kit Carson has already said it will protest the rates. Other New Mexico co-op’s have said they are considering protests, though none had been filed as of Wednesday (Oct. 31).

Tri-State spokesman Lee Boughey called the New Mexico law “unconstitutional,” arguing the PRC does not have jurisdiction to regulate Tri-State.

Kit Carson CEO Lu's Reyes said the law is based on a promise Tri-State made before it merged with Plains Electric Generation and Transmission in 2000.

Boughey told *The Taos News* the new rate design will mean the cost for supplying power to customers will be shared equally among the cooperatives.

Tri-State bills member coops for the total energy they use. Tri-State also bills a “demand” charge, based on a 30-minute snapshot of each co-op’s highest energy use per month.

Boughey said some co-ops reduce the demand charge by reducing spikes in energy. He said those co-ops see a reduction in their wholesale power bills, but Tri-State is unable to make up the difference to meet its revenue requirement. Under that model, Boughey said rates must then be adjusted so that other co-ops bear the burden.

Tri-State calls its new rate design a “modernized” approach to spreading costs equally among member coops.

Reyes counters Tri-State's proposal penalizes co-ops that have pushed for energy conservation and efficiency. "This is a flawed design that encourages energy use," Reyes said. "We think it's going to hurt us."

Reyes said the co-op has encouraged "off-peak" energy use, reducing energy consumption, stabilizing the system''s load and reduces the demand charge. Under the new rate design, those programs will be moot, Reyes said.

Reyes also thinks the claim that the altered design will spread costs evenly is deceptive. With 44 cooperatives of varying sizes (from 1,900 members up to 45,000), its inevitable that some co-ops will need more delivery infrastructure than others, and that all of the coops will be asked to pay for it.

Instead, Reyes thinks the new rate design and increase are meant to boost Tri-State's bottom line, making it cheaper to borrow money to invest in coal and gas generation.

"I think Tri-State's mindset is that they're anti-energy efficiency and anti-renewables," Reyes said. "I think it's disingenuous and I think their rate is a sham."

Tri-State reported a net margin of $70 million last year — its lowest in at least the past four years. It has invested in renewables to the extent required by state mandates, and has emphasized the affordability of coal and gas generation.