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Co-op may have out on power contract

By J.R. Logan

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Kit Carson Electric Cooperative may get the chance to renegotiate its wholesale power contract, potentially opening the door to cheaper electricity and the proliferation of solar power generation in Taos County.

The co-op currently buys its electricity from Denver based Tri-State Generation and Transmission. Under a contract that does not expire until 2040, Kit Carson is only allowed to generate 5 percent of its total energy use through renewable sources.

The co-op is brushing up against that ceiling and has long fought to have the cap lifted. For years, Tri-State showed no willingness to budge, arguing the cap ensures Kit Carson and other co-ops will keep buying electricity from Tri-State.

The relationship grew increasingly strained after Kit Carson and three other New Mexico co-ops protested a rate increase first proposed by Tri-State in 2012. That increase was blocked by state regulators who have called for a full investigation of the rates. In response, Tri-State filed a lawsuit in federal court contending that those regulators lacked the authority to review the rates.

Given the history of vitriol and stubbornness between the parties, few put much hope in pre-hearing mediations between Tri-State and the protesting co-ops that began in March. However, those discussions appear to be making progress.

In a joint motion filed with state regulators Aug. 20, Tri-State and the New Mexico co-ops are asking the state Public Regulation Commission for more time to negotiate a “global settlement” that would, among other things, allow New Mexico co-ops to get out of their current contracts. The settlement would also require Tri-State to have a third-party do a cost study to determine whether Tri-State’s proposed increase

In return, the co-ops have agreed to a temporary rate increase that amounts to about half of Tri-State’s original proposal. If enacted, that temporary hike would expire at the end of 2015.

The Public Regulation Commission will have to vote on whether to approve the motion and allow the parties to continue hammering out a global settlement. That decision is expected at a hearing some time in September.

In addition, a preliminary meditation agreement dated Aug. 13 stipulates that Tri-State must give a “good faith” offer to any co-op that asks to be released from its contracts. Those terms must be offered by the end of 2014.

Such terms would likely include a buy out, meaning the co-op would pay Tri-State to agree to terminate the contract. It’s unclear how much Tri-State would ask, though it told five Nebraska co-ops that wanted to buy out their contracts a few years ago they would have to pay $210 million.

To download the agreement and joint motion, find this story at *taosnews.com.*

Kit Carson Electric CEO Lu's Reyes said it’s hard to predict how much Tri-State will ask to end the contract, though he suggested the price would be considerably lower than that offered to the Nebraska co-ops.

Reyes also said that ending the current contract would not necessarily mean Kit Carson would go with another power supplier, though that could be an option. Instead, Reyes said dissolving the current contract would give the co-op the chance to negotiate a shorter term deal — with Tri-State or another power supplier — that lifts the renewable generation limit or erases it all together.

Even if the renewables cap goes away, Reyes noted the co-op would not be able to go all-in on solar. Limits on solar storage technology mean the co-op will need energy from big generation plants, especially at night, for the foreseeable future.

A study from Los Alamos National Labs also found that, Kit Carson could lean on locally generated solar power for about 20 percent of its energy needs before it began sacrificing reli-ability.