

Kit Carson seeks higher rates in stagnant market

By Cody Hooks

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Taos residents may soon see their electric bill get a little more expensive.

Kit Carson Electric Cooperative is seeking a rate hike, raising both the cost of electricity as well as the flat monthly fee all customers must pay. Under the proposal, every kilowatt hour of electricity would cost 2 cents more, while the monthly fee for residential customers would increase from \$14.50 to \$20.50 a month.

For the average residential customer (a house that uses around 500 kilowatt hours a month), the average bill would go from \$70.82 to \$84.24, or about a 19 percent jump.

Kit Carson last requested a rate hike in 2010, asking for the same \$20.50 flat fee. The state Public Regulations Commission (PRC), the government body that regulates utilities and must ultimately approve the increase, compromised with the co-op after a year of negotiations to increase the customer fee to the current \$14.50.

But the pressures the co-op felt to break even five years ago are only more pronounced now, says Kit Carson CEO Lu's Reyes. Between January and August, the co-op lost \$235,000, according to co-op financial records.

Reyes said a big part of that "dismal" performance is waning electric sales. He told

The Taos News Tuesday (Nov. 3) that as more energy-efficient homes are built and more solar units installed, electricity sales continue to decline.

Most obvious, the permanent closing of the Chevron molybdenum mine in Questa took away a customer that accounted for 14 percent of all electricity sales, he said. While reclamation efforts and water treatment at the mine will continue to use some electricity, Reyes said he doesn't have firm projections.

Had the mine not shut down, Reyes said the "rate adjustment" would have likely been less. Still, this increase is "basically a recap" of the 2010 request, which was the first time the co-op had requested an increase in 25 years.

Reyes said the rate increase is based on a cost of service study that determined what it cost to get power to customers in 2014. Reyes said those figures show where and how much Kit Carson needs to raise rates to stay profitable.

Reyes said the co-op couldn't make enough cuts in operational costs to make up the difference. He insisted the co-op would not consider laying off any employees.

Instead of collecting most of the increase on each kilowatt hour of electricity, Reyes said most of the increase will come from the customer fee because "energy use only continues to drop." The customer fee recoups what it costs the co-op to keep service going in basic labor and hardware, like poles and wires, he said. The new rates also account for maintenance like aggressive tree-trimming, an effort he called a necessity in an era where other New Mexico co-ops are being billed for forest fires started by electric lines.

About 35 percent of the total increase, Reyes said, is based on new prices from the wholesale electricity supplier Tri-State Generation and Transmission Association. Kit Carson is in the process of trying to get out of its long-term Tri-State contract while also pinning down a new supplier of wholesale electricity. But he said those negotiations are ongoing, and he insisted any money needed to buy out of the Tri-State contract is in no way tied to the rate increase.

Reyes also insisted the rate increase was in no way tied to the co-op's other ventures — propane and telecom — which he said are operated as wholly separate entities.

Reyes said Tuesday the co-op board of directors voted to go ahead with the increase at a special meeting Monday (Oct. 26). Trustee Virgil Martinez of Cerro was the only trustee to vote against the hike.

Notice of the increase was to be sent to co-op customers this week. Kit Carson will file its official notice with the PRC Dec. 3. After that, co-op members will have 20 days to protest the rate increase. If a threshold of people protest, the PRC will begin an investigation into the validity of Kit Carson's request.

But if too few people file a protest, the higher rates could be in effect before the end of the year.