

Regulators OK new electric rates

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The Taos News, 12/15/2016

Residential customers of Kit Carson Electric Cooperative will likely see higher rates starting next month.

State regulators approved an increase Dec. 7 that will raise the average household power bill by about \$9.82 a month, or around 16 percent. The average home served by Kit Carson uses about 450 kilowatt-hours of electricity every month.

Overall, residential customers will pay about 10 percent more for electricity under the new rates.

Under the new rates, the flat monthly fee will go from \$14.50 a month to \$20.50 a month for residential customers. The cost of power will also increase slightly.

The increase comes after more than a year of debate between the co-op and members who protested the rate hike.

The co-op announced its intention of raising rates last fall, and enough co-op members objected that state regulators stepped in and investigated whether the proposed increase was "just and reasonable."

The five-member Public Regulation Commission (PRC) voted 3-2 in favor of the new rates during a hearing Dec. 7.

The new rates are less than what the co-op had originally requested, but co-op CEO Luis Reyes said they should be enough to keep the co-op solvent for the next few years.

"I think we can live with this," said Reyes in an interview Dec. 14.

The co-op has said the new rates are necessary to make up for slumping power sales and rising costs that are outside its control.

Last year, the co-op lost nearly \$900,000. Through 11 months this year, the co-op has positive margins of about \$200,000, with some costs still unaccounted for, Reyes said.

Higher rates for commercial and other nonresidential customers already went into effect because those rates were not protested.

Opponents of the rate hike maintain that the increase took into account costs that were unrelated to the electric utility and instead were tied to subsidiary propane and telecom businesses. They also argue the co-op's ever-rising debt has put too much of a burden on ratepayers.

The co-op says those claims are unfounded.

Rate complexities

Much of the back and forth between the co-op, PRC staff and members fighting the increase had to do with determining costs that were associated with the co-op's propane and telecom subsidiaries rather than the electric utility.

PRC staff members were clear that regulators only had jurisdiction over rates that were sufficient to keep the electric utility afloat. In written testimony, staff members said they had identified about \$280,000 in expenses that they felt were not tied to the utility.

Link Summers, a co-op member who fought the rate hike, told *The Taos News* the final decision did not fully exclude these costs. He also noted that Kit Carson should expect to see power sales increase once a water treatment plant at the Questa mine comes fully online. With those additional sales, he said the co-op will make up some of the losses it incurred when the mine closed in 2014, and the rates approved last week will be more than the co-op needs to get by.

The co-op has said it is not expecting a substantial boost in sales related to mine remediation.

Valerie Espinoza, who represents Taos on the commission, also told *The Taos News* she did not believe the co-op had proved it needed any increase at all. Espinoza was one of two commissioners to vote against the increase.

"I wanted to be sure there were no costs outside of the electricity, and I wasn't convinced 100 percent that some of those costs [weren't] added on," Espinoza said.

The other "no" vote came from commissioner Pat Lyons, who repeatedly pointed out during the hearing that the co-op's equity ratio was unusually low. "The debt's getting too high for this co-op," Lyons said. "There's going to be a big day of reckoning down the road sometime."

In its 2015 annual report to regulators, the co-op said it had nearly \$104 million in debt.

The co-op's own consultant testified that the equity ratio was "unacceptably low" as part of the justification for higher rates. The co-op has maintained that its debt level is reasonable and that it has refinanced some loans to lower its interest costs.

The rates that were approved by regulators were actually about 10 percent higher than those spelled out in a preliminary settlement that the co-op and PRC staff had negotiated back in July. That "stipulation" was thrown out because the hearing examiner in charge of the case determined it was not legal.