



# **PART IV: ANALYSIS OF DISCRETE ISSUES**

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Breaking Down the Remaining Issues

# City's Concerns

- Relationship with the City of Socorro is a matter of paramount importance.
- Everyone benefit from a cordial and *cooperative* relationship -- require patience, dialogue and good faith from everyone involved.
- The starting point for this process must be dialogue, and each of the City's concerns deserve attention and a response.
- See Larson, John "Board turns meeting over to RUS official" *El Defensor Chieftan* 20 March 2014.

# Transparency

- “There would be *more transparency* [if the city ran the system],” [Mayor] Bhasker said. “*We’re open door. You can look at our records. The city runs under a different set of rules* (than SEC).”

# Communication

- McGraw [representing the U.S.D.A.'s Rural Utilities Service] said, in order for the co-op to run as the members want, “the *secret is communication.*” But, he said, that *does not mean people who do not pay their bills will not be cut off.*

# Three Major Concerns

Bhasker said he has three major concerns:

- *Setting the meeting times when it's easier for members to attend;*
- *Being able to make contact with the co-op manager; and*
- *The cost of electricity.*

# Employee Turnover

- Bhasker told McGraw that another one of his concerns was what he *perceived as a high turnover of employees — an approximate 28 out of 35 employees within the last year and half.*
- “What would you expect the turnover to be?” McGraw said.
- “I think 20 percent or 25 percent. If you don’t think 28 out of 35 is significant, then there’s something going on here,” Bhasker said.
- “I would say the co-op, any business, sometimes has no control over people leaving,” McGraw said. “People have different reasons; I can’t say what the normal is. If the city ran the co-op would the turnover rate be lower?”
- Bhasker responded, stating the rate would be lower and the city “*would not have an atmosphere where the employees are being watched and regulated by GPS and cameras.*”
- . . .

# Capital Credits

*Bhasker commented that he understood that capital credits were denied not by the Board, but by Herrera, and said that is “not the way it should be done. I’m presupposing, but it seems like they’re trying to clean up their act now and bring it up before the board now to get this thing out of the way.”*

# Audits and Record Access

Mayor Ravi Bhasker asked if the city has the right to look at the co-op's books to make sure SEC is paying the appropriate percentage in franchise fees to the city.

“Under generally accepted accounting principles, you have an audit right,” [Nann] Winter [city's attorney, from Stelzner, Winter, Warburton, Flores, Sanchez & Dawes in Albuquerque], said. “You have the right to look at everything that generates an income. They can't just give you a select few pieces of paper.”

She added the city can pull statements the co-op files with the Public Regulation Commission to compare that with what the co-op forwards to the city.

London, Laura “City discusses electric franchise with Socorro Electric” *El Defensor Chieftan* 26 Sept 2013.



# Proposed Meeting Topics

1. Address SEC's high cost of electricity.
2. Comply with PRC regulations.
3. Include an open-door policy with the co-op manager to address concerns of consumers.
4. Improve customer service to a level accepted by member/owners verified with bi-annual surveys.
5. Adopt policies and procedures that are fair to both the co-op and the people it serves.
6. Encourage participation, through public discussion, by member/owners in an effort to attract quorums and improve communication with all members.
7. Develop a tiered rate structure to help actively promote energy efficiency.
8. Promote the use of renewable energy source in our area.
9. Enhance co-op involvement in community affairs.

# Communication

- Has been dysfunctional and ineffective.
- Number of causes for the breakdown, but an overarching theme has been the basic breakdown in cooperation.
  - Dysfunctional Board guidance -- assisting on matters such as hanging Holiday decorations once a year.
  - “Siege mentality” in response to attacks against the Cooperative and its Board from all sides, including within.

# Example: Inspection of Records

- Request came as a “legal” from the City’s outside counsel.
- We understand the legal reaction (use lawyers when there is a fight).
- We wish the Cooperative had used this as an opportunity to start a dialogue.

# In Hindsight:

Thank you for your request. I hope we can resolve matters without lawyers, and in that spirit, I want to assure you that we are happy to provide whatever records you need in order to review the franchise relationship. That's a fair request. It will take us a few weeks to prepare the materials but, once compiled, we will deliver them to your office on a disk.

We also would like to meet with you in person to go over any questions or concerns you might have. We will be glad to have our Auditor attend any such meeting so it can be as useful as possible. I expect that the meeting will be a good opportunity to answer your questions and for us to get a better sense of what sort of records you need as we move forward with the franchise relationship.

# Players in the Community

- “Concern for Community” is one of the seven guiding principles for electric cooperatives to follow.  
<http://www.nreca.coop/about-electric-cooperatives/seven-cooperative-principles/>
- But the message has been “we don’t care.”

# How To Make It Happen

- Need a level of trust and candor between the Cooperative's General Manager and the Mayor.
- A skilled mediator could help the parties put their issues on the table.
- Establish lines for open communication - monthly coffee or lunch meetings?

# Access to Cooperative Records

- Franchise business relationship requires sharing of information.
- Repeat: If there are records the City needs to audit the franchise payments, they should get them on a disk without difficulty or expense.
- Provide meeting with the auditor.
- Also: strong Bylaw provisions to mirror the State's public inspection requirements.

**Addresses SEC's high cost of electricity.**

**Develops a tiered rate structure to help actively promote energy efficiency.**

**Promotes the use of renewable energy source in our area.**

Bhasker asked Herrera what the kilowatt charges are on a residential member/owner's bill, without the add-ons. Herrera said the add-ons vary month to month.

Herrera said the kilowatt per hour charge varies from user to user. The charge is lower for a customer who uses less power.

"Transparency almost demands to get that information," Bhasker said.



# Comparisons

Bhasker asked how SEC ranks among other co-ops in the state, whether it was about in the middle as far as how much customers are paying.

Herrera said some utilities may have a lower kilowatt/hour charge, but other charges may be higher, like the system charge. Some utilities also add charges according to the size of the customer's transformer.

"I can't get a straight answer," Bhasker said. "Everybody's different, you say."

Herrera said all customers differ in their usage.

# Explanations are Available

Councilor Nick Fleming asked if any customer could get an information sheet explaining kilowatt per hour charges, debt service charges and other charges on their bill.

“Yes,” Herrera said. “In fact, we’ll sit down with them and walk them through the charges and explain each charge to them — and give them a written handout.”

London, Laura “Co-op franchise hearings continue” *EI Defensor Chieftan* 14 Nov. 2013.

# Apples to Apples or Apples to Oranges

Retail power costs are inevitably difficult to compare on an “apples to apples” basis.

- Different companies use different combinations of facilities charge (base fees that every account must pay, regardless of usage) and per kilowatt hour (kWh) charges.
- Companies with low kWh charges will have higher facilities charges.
- Different rate tiers can further complicate the analysis.
- Green power also adds cost.

# True Comparison

- Compare same usage level under each utility's established billing system based on the most recent rate filings with PRC.
- **Exhibit C** - a typical residential consumer's total average monthly bill from Socorro Electric would be in the "middle of the pack" relative to other cooperatives in the state.

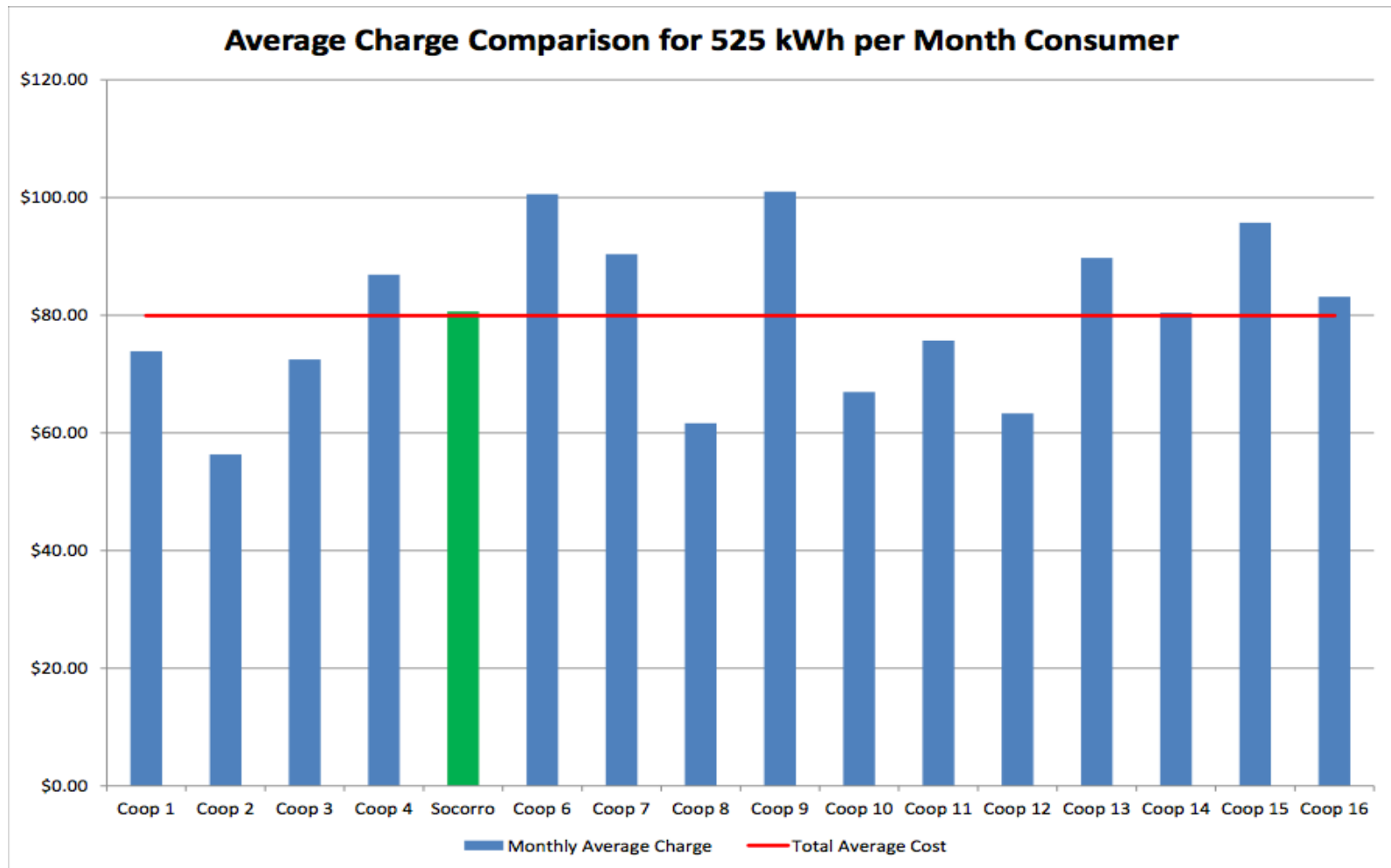
# Exhibit D

System Name	Identifier	Monthly System Charge	KVA Charge for 10KVA	per kWh	Monthly Average Charge
Farmers Electric Cooperative	Coop 1	\$12.00	\$20.00	\$0.0797	\$73.84
Lea County Electric Cooperative	Coop 2	\$14.00		\$0.0806	\$56.32
Jemez Mtns Electric Cooperative	Coop 3	\$14.00		\$0.1114	\$72.49
Kit Carson Electric Cooperative	Coop 4	\$14.50	\$12.00	\$0.1150	\$86.88
<b>Socorro Electric Cooperative</b>	<b>Socorro</b>	<b>\$15.00</b>		<b>\$0.1250</b>	<b>\$80.63</b>
Central New Mexico Electric Cooperative	Coop 6	\$15.75	\$15.50	\$0.1320	\$100.55
Otero County Electric Cooperative	Coop 7	\$16.00	\$17.50	\$0.1083	\$90.36
Continental Divide Electric Cooperative	Coop 8	\$17.00		\$0.0850	\$61.63
Southwestern Electric Cooperative	Coop 9	\$17.00		\$0.1600	\$101.00
Sierra Electric Cooperative	Coop 10	\$17.50		\$0.0942	\$66.96
Roosevelt Electric Cooperative	Coop 11	\$20.00	\$22.50	\$0.0632	\$75.68
Central Valley Electric Cooperative	Coop 12	\$20.00		\$0.0825	\$63.31
Northern Rio Arriba Electric Cooperative	Coop 13	\$20.00	\$12.50	\$0.1090	\$89.73
Columbus Electric Cooperative	Coop 14	\$20.00		\$0.1151	\$80.43
Mora-San Miguel Electric Cooperative	Coop 15	\$20.00	\$12.50	\$0.1204	\$95.71
Springer Electric Cooperative	Coop 16	\$25.60		\$0.1096	\$83.14
<b>Average</b>	<b>Average Cost</b>	<b>\$17.40</b>		<b>\$0.1057</b>	<b>\$79.91</b>

1. Did not calculate Renewable Surcharge for Roosevelt and Springer

2. Monthly Average cost based on 525 kWh per month customer using 2014 rates

# Exhibit E



# Cost of Service Study

- Equitable allocation of costs among rate classes.
- Note: does not compare among providers but will ensure fairness among Socorro's Members.

# Meeting Times – Annual Meeting

- Meeting times should be set to attract the largest number of members possible; democratic control demands it.
- Will still be impossible for several thousand members to participate in critically important issues such as Bylaw amendments.
- *It is anti-democratic for a small handful of members in attendance to control such issues.*
- We reiterate our proposal for mail-in ballots to count toward a quorum on specified Bylaw amendments issues. (In fact, many cooperatives across the country are relying exclusively on mail-in ballots for all issues so the actual Annual Meeting becomes more of community celebration but administrative formality).
- We also encourage the Cooperative to explore providing video recording and electronic access to remote members who might not otherwise have the opportunity to observe the proceedings.



# Meeting Times – Board Meetings

- Times need to be set to accomplish the Cooperative's month-to-month business objectives.
- Recognizing the scope of the Cooperative's footprint, the meeting times need to be set so *they do not discourage participation by Trustees living in far-away Districts*.
- In our view, the current times for meetings (1 or 2 pm, depending on the season) are reasonable.
- Cooperative should post its own videos of meetings.

# Complies with PRC regulations

We completely agree with the City's focus on PRC compliance.

- Actual errors by the Cooperative are rare but any such errors can create a tremendous hardship for consumers.
- Many consumers will not have the experience, time and/or money to proceed with a meritorious complaint against the Cooperative.

# Member's Side of the Dispute

[Member] Tacker said the co-op is not just regulated by the PRC, but also federal and state regulations. Wading through all the rules can be time consuming, he said, adding he now had PRC regulations memorized. He said the PRC regulations are poorly written, and there are a lot of areas they don't cover.

Mayor Ravi Bhasker asked Tacker to share his specific complaints about SEC.

Tacker said a tenant moved into one of his rentals who owed the co-op a lot of money from service at another address where he had lived. He said the co-op transferred the tenant's past due balance to Tacker's business account.

"Which really would have almost taken anybody in the rental business out of business — because any tenant coming through the door is a potential ticking time bomb," Tacker said. "They might owe \$200, \$2,000, \$20,000."

Tacker explained he has no legal right to ask tenants if they owe the co-op nor any way to charge their past due co-op balances back to them. He said it took a few days and several phone calls to get the issue resolved. He said one must read the PRC regulations very carefully, and he thought someone at SEC had interpreted a regulation to mean the co-op could move the tenant's past due balance to the new landlord's account.

"But that was fairly tricky, and not well written," Tacker said of the regulation.

# Cooperative's Response

SEC manager Joseph Herrera came to the podium after Tacker. He said the PRC is an advocate to hear the public's complaints, and the SEC Board of Trustees is also an advocate for consumer/member complaints.

Herrera said Tacker spoke to the Board of Trustees and staff kept the Board informed on the issue. He added PRC regulations can be interpreted many different ways.

"Sometimes you really have to become an attorney to understand their interpretation," Herrera said. "But they are there as an advocate for the consumers throughout the state."

Herrera said Tacker's issue arose in part because the co-op has been working to collect bad debt.

"In the last 18 months, Socorro Electric has written off over \$600,000 in uncollectible debt," Herrera said. "And you know what happens when you can't collect — the other members, who pay their bill on time, are the ones that have to support those ones that don't pay their debt."

He said SEC wants to collect on delinquent accounts so it doesn't have to increase rates for all the member/owners. He later said the \$600,000 was from 2009-2011

# Co-op's Investigation

Herrera specifically asked the PRC how to proceed. In an e-mail dated September 03, 2013 (3:58 PM), Mr. Herrera posed the following question to PRC staff:

I have a landlord member who reconnected service to one of his apartment under his company name after his tenant had been disconnected for non-payment. *It's been confirmed by the landlord that the tenant still lives in the same apartment location. Same location [same meter] the tenant was disconnected for non-payment.* Is it okay to transfer the non-payment balance of the non-payment tenant to the landlord's account?

PRC's answer came shortly thereafter, as follows: *"Yes because you can. I am on my way out but I will provide you with the rule in the morning."*

# Section 17.5.410.30

- “a utility may transfer any unpaid balance due to any other residential service account of the residential customer”
- Utility may disconnect “*where the previous occupant continues to reside at the premises*”
- Maybe the answer is no transferring the balance but can disconnect?
- Unless the tenant eventually satisfies the bill, *every unpaid penny (including interest costs) will come out of the pocket of the members that do pay their bill.*

# Service Rules and Regulations

- Incorporate the PRC rules
- Review history of guidance to capture past areas of confusion
- Available to all new and current members
- Link on the website

# **Includes an open-door policy with the Co-op manager to address concerns of consumers**

- The General Manager is the public face of Socorro Electric Cooperative.
- Establish an hour per week for up to four 15 minute sessions.
- Allow for appointments.
- Unrealistic to expect the General Manager will have every answer at his fingertips, especially when it is necessary to review the facts underlying the concern.
- Good faith on all sides - vitriolic attacks have no place in a business setting, including the open-door meetings.
- Everyone needs to approach these meetings with an intention to understand the other person and the other side, if there is one.
- One strike rule.



# Improves customer service to a level accepted by member/owners verified with bi-annual surveys

- “Touchstone Energy Cooperative” demands a commitment to a high-level of customer service and satisfaction.
- Take advantage of the Touchstone survey resource (<http://www.tseservices.com/CoopDifference.asp>).
- Establish a baseline of consumer sentiment.
- And aim for continuing improvement on a going-forward basis.
- Let survey company advise on frequency.

# **Adopts policies and procedures that are fair to both the Co-op and the people it serves**

As shown throughout the report, we certainly agree with this particular recommendation.

- New, user-friendly Bylaws
- New Board policies
- New Service Rules and Regulations booklet

**Encourages participation, through public discussion, by member/owners in an effort to attract quorums and improve communication with all members**

- Drawings for televisions, appliances, and \$25.00 bill credits are not unusual
- Health screenings
- Pole-top rescue demonstrations, education on electric safety, local musical entertainment, free homemade ice cream and hot dogs

***Bylaw amendments must be presented by ballot for consideration by the widest possible cross section of the membership.***

# Enhances Co-op involvement in community affairs

- Seventh Cooperative Principle – Concern for Community.
- Stay attentive to ways in which the Cooperative can play an active role in the community.
- Policy 117: “The Cooperative will provide leadership and cooperate in projects and activities dedicated to betterment of the community, state, and nation, with particular emphasis on youth programs and rural and community development, and will work to secure favorable public opinion and understanding of such activities.”
- Policy 127: Transparency in the Procurement of Goods and Services.

# Personnel Matters

- Gross misconduct, loss of CDLs, spouses moving, employees accepting higher-paying positions elsewhere, retirements and an insubstantial number of voluntary resignations. (We decline to delve into each of the individual case files, as that would constitute an inappropriate intrusion into the former employee's privacy.)
- No history of Socorro Electric losing unemployment claims.
- None of the former employees who resigned contacted us to discuss any concerns.
- Some dissatisfaction can be expected, especially when change is needed (abuse of time clock).
- GPS systems and cameras: common in the industry.
- Changing the work culture of a company is an enormous task aimed at protecting member owners.
- Board dysfunction will drive away good employees.

# Trustee Conduct at Meetings

- Comparisons to the “Jerry Springer Show” are painfully accurate.
- The comprehensive set of Board policies is intended to address many of the issues we see with regard to the conduct and demeanor of Trustees at the meetings.
- Eliminate district meetings.
- Specific policy proposals involving Trustee conduct will also address this same issue.
- Appalled by reports of race-tainted comments.
- Members should watch the recorded meetings and consider whether the person they supported is actually serving the best interests of the Cooperative.
- One bus, one mechanic, five drivers – learn to stay between the lines.

# Attacks on Personnel

- Some are borderline libelous and recklessly uninformed:

Ms. Latasa's minutes "seem[ ] like a great way to edit away any uncomfortable history." Again I ask, "What is Ms. Latasa doing there [during executive sessions and committee meetings]? This adds up to quite a large chunk of overtime for this salaried employee."

[Name Omitted], "Opinion: Why does SEC need Ms. Latasa?"  
*El Defensor Chieftan* 9 May 2012.

- Verbal threats are over the line.
- Attending because she was instructed to attend; not her choice.
- Salaried employees don't get overtime.

# Ombudsman

- Excellent suggestion.
- Evaluate after other parts of the recommendation are put into place.
- Detailed comment and response in the report:
  - (1) Publicizing the state regulations in their entirety through a website link,
  - (2) Publishing a link to the Cooperative's rules on file with the Regulation Commission,
  - (3) Member Service Rules and Regulations booklet, and
  - (4) Written procedures included in the Service Rules and Regulations for the "prompt, efficient, and thorough receipt, investigation, and, where possible, resolution of all residential customer inquiries, disputes, service requests, and complaints regarding residential utility service and charges."



# Rental Property Conflicts

- Complaint: Tenants were able to have power transferred to their name without providing “a single, solitary shred of FACTUAL legal documentation, and absolutely ZERO NOTARIZED verification of ANY type, to confirm that ANY document presented was either valid, legal or currently in force.” (emphasis retained).
- But the tenants presented a rental agreement – end of story.
- Complaint should be against State.
- Socorro cannot involve itself in landlord/tenant disputes.

# Voices of Maturity and Reason

Our annual meeting of Socorro Electric Cooperative is over. For some it was a great success, and for others a disappointment. But let us come together now not as adversaries any longer, but as neighbors seeking a system that is workable for us all.”

Hatch, Martha, “Opinion: Now’s the time to come together”  
*El Defensor Chieftan* 21 April 2012.

*Quote illustrates the attitude that will be necessary for Socorro Electric to be a success.*