

# City of Socorro offers to acquire Coop

Story by Cathy Cook, Editor, El Defensor Chieftain | Mar 10, 2022

<https://dchieftain.com/city-of-socorro-offers-to-acquire-coop/>

The city of Socorro sent an open letter to the Socorro Electric Cooperative's CEO and Board Members, offering to acquire the cooperative's system within the city of Socorro and to take over providing electric services to city residents. The letter requests a response from the Coop by March 24, to let the city know their "willingness to consider further discussion" of the proposal.

The city Council unanimously approved the letter after an executive session Monday night. The letter is signed by Mayor Ravi Bhasker.

The Cooperative's franchise agreement with the city, allowing them to use city right of ways, is set to end in 2024.

"As you are aware, the City has long desired to create and operate a municipal electric utility to attract economic development and better serve its constituents. And, as you know, the City has successfully operated water and wastewater utilities for decades.

"The City has conducted multiple feasibility studies and is confident it could energize an overbuilt electric system upon expiration of SEC's franchise in 2024, if not sooner. The City is also confident that any municipal system would have lower electric rates, a lower cost of service and a lower cost of debt. In fact, feasibility studies support these conclusions," the letter reads.

The letter proposes the city purchase SEC's system within the city and take over serving city customers. It also states the city would consider serving surrounding areas as well.

The city's preliminary valuation of the Coop system estimates SEC's assets within the city at \$24 million and \$51 million across the system.

"My term ends next year, 2023, so they could hope to get another administration and get them to redo their franchise," said Bhasker. "This letter is the beginning shot across the bow saying my administration is putting you on notice with all the city councilors agreeing, it is our intention to tell you to get off our property."

SEC General Manager Joseph Herrera said that there is no exact offer and in order to take something to the Coop membership, the Board would need an exact offer.

"If it's a serious offer, the Board will consider it and put it to the full membership. The other thing is, has the city done a vote by their citizens who are members of the city of Socorro to see if that's what they want the city to do?" said Herrera.

## **In full, the city's letter reads:**

*Dear Board Members:*

*As you are aware, the City has long desired to create and operate a municipal electric utility to attract economic development and better serve its constituents. And, as you know, the City has successfully operated water and wastewater utilities for decades.*

*The City has conducted multiple feasibility studies and is confident it could energize an overbuilt electric system upon expiration of SEC's franchise in 2024, if not sooner. The City is also confident that any municipal system*

would have lower electric rates, a lower cost of service and a lower cost of debt. In fact, feasibility studies support these conclusions.

*It has also come to our attention that SEC has now openly admitted that it has not been able to maintain its own system. In SEC's response to the New Mexico Public Regulation Commission's Order on Remand of Supreme Court appeal Nos. S-1-SC 38302 and 37948, filed just last week, SEC publicly disclosed that it is unable to keep up with routine deferred maintenance, is unable to hire contractors for routine tree trimming and conduct pole replacements. SEC further disclosed that it has elected not to fill a critical engineering position and has decreased the number of meter readers from three to two positions. SEC also disclosed that it has delayed purchasing new vehicles for its aging fleet, and has indefinitely delayed the construction of a new office headquarters.*

*SEC alleges these inadequacies despite having recently borrowed \$8 million from FFB which appears as "cash on hand" in SEC's filed financial statements. SEC's 2019-2020 financial statements also show a 13% (about \$76,000) increase in Administrative and General Salaries-despite the fact that it chooses not to fill good paying positions. Clearly, in addition to some of the highest rates in the State, SEC has financial and management difficulties.*

*Given the expiration of SEC's right to occupy City owned streets and rights-of-way in 2024, and the financial stability the City brings along with its experience, the City is prepared to purchase SEC's system within the City and assume the obligation to serve SEC's customers in the City. However, if needed, the City would also entertain serving the surrounding areas as well. The City would also be willing to aid SEC in operations and maintenance in the months preceding a sale to facilitate a seamless transition.*

*The City has conducted a preliminary valuation of the SEC system using an Accredited Senior Utility Appraiser. The City's appraiser determined that original cost less depreciation of SEC's assets likely provides the best indicator of the value range. He preliminarily estimated the market value of SEC's assets using the original cost method within the City to be approximately \$24 million and \$51 million across the entire system. Conversely, a market approach valuation would result in values \$10 million less than those indicated. Regardless, either number would allow SEC to pay off the entirety of its long-term debt.*

*The City respectfully suggests that a sale of the system to the City would be mutually beneficial to both parties. It would also resolve years of litigation, regulatory issues, and reduce rates and customer complaints and meet the City's goal of finally attracting the economic development Socorro deserves. The City would also be willing to hire existing SEC employees, and purchase any remaining functional vehicles and other assets.*

*Your response is kindly requested by March 24th, after your next Board of Trustees meeting. Please let us know your willingness to consider further discussion of this proposal.*

Look for more detailed coverage in next week's paper.