

Hearing Examiner: SEC rate increase should be denied

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Socorro Electric Cooperative's (SEC) proposed rate increase should be denied. That's according to the recommendation by the Public Regulation Commission Hearing Examiner Carolyn Glick last week, noting rates must be reasonable and cost based and not dependent on Board of Trustees' goals.

Glick's recommendation will be forwarded to the Public Regulation Commission who will deliver its ultimate decision in September. All parties have until August 22 to file exceptions to the recommendation. Responses to any or all exceptions are due by August 28.

A final order by the PRC is expected no later than September 19.

In rendering her decision, Glick made several recommendations for the commission to consider. Those decisions include:

- The commission should deny SEC any revenue increase. SEC's 2017 and 2018 financial results show that SEC's existing revenue requirement does not leave the SEC Board without cash to advance its goals. It allows SEC is not entitled to earn margins that the Board can use toward meeting its goals, and that SEC is not entitled to a revenue requirement that allows the Board to advance or achieve its goals.
- The amount of revenue to collect among rate classes is a judgment call. While the hearing examiner recommended no rate increase, however, it is appropriate to reallocate revenues collected among the classes to gradually move toward each class paying for its costs of service. Increased revenues should be collected from the residential, ETS (Electric Thermal Storage heating), and irrigation service classes. The Cost of Service Study showed the residential service class is producing a revenue deficiency of 29.105 percent and the irrigation class service is producing a revenue deficiency of 89.867 percent. Therefore, Glick states, it is reasonable to allocate a greater percentage revenue increase to the irrigation service class than the residential service class. A just and reasonable outcome is to allocate about a two percent base revenue increase to the residential service class – including the ETS service class and a three percent base revenue increase to the irrigation service class. This would result in a minimal and gradual movement toward those classes paying for their cost of service. Those additional revenues should be used to reduce revenues collected from the large commercial and load management service. In addition, the lighting service classes should not be granted a revenue decrease as requested by the city. It is recommended they stay the same.
- Glick also recommended the SEC zero out debt and fuel adjustment clauses.
- Approval of SEC's minimum use charge should be denied. It would be punitive, according to Glick, to low-use customers and result in "sticker shock."
- It is recommended increasing the customer service charge from \$15 to \$16.50, (\$1.50 increase) by raising the variable energy charge by 5.3 percent. The monthly bill for an average-use residential service customer would average from \$79.98 to \$81.51(a \$1.53 or 1.91 percent increase).
- Recommends the ETS service class closely match the residential service non-ETS variable energy charge.
- SEC should add a new \$5 customer charge to the irrigation rate. SEC had proposed a \$10 customer charge.
- There should be no changes in the small commercial service rates.

- Large commercial rates would decrease slightly under the hearing examiner’s recommendation. In addition, SEC’s proposed HUD rate structure should be rejected because staff persuasively demonstrated that it is too complicated.
- Load management service rates would decrease slightly under the hearing examiner’s recommendation.
- SEC’s proposal to consolidate its two existing lighting service classes should be adopted. In addition, the City of Socorro’s proposed LED lighting rates, as modified, should be adopted.
- SEC’s existing miscellaneous service fees should remain in effect.
- New Mexico Tech has persuasively shown that it would be in the public interest for SEC to offer an economic development rate, and SEC should be ordered by the PRC to initiate the process of offering an economic development rate. New Mexico Tech argued during the hearing that an economic development rate “would terrifically enhance the STEM entrepreneurial opportunities in Socorro that Tech is working on many fronts to secure.”

Socorro Electric Cooperative serves about 8,502 customers in Catron, Cibola, Sierra, Socorro and Valencia Counties. SEC’s last general rate hike, which increased revenues by 6.9 percent, took effect in 2001. As a member of Tri-State Generation and Transmission Association, SEC purchases all its power from Tri-State