

SEC says rate increase is just, reasonable

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http://www.dchieftain.com/news/sec-says-rate-increase-is-just-reasonable/article_b10dd816-c9ac-11e9-ae93-0b8039bc70cf.html

A week after the New Mexico Public Regulation Commission Hearing Examiner Carolyn Glick's decision, Socorro Electric Cooperative (SEC) filed its response objecting to the recommendations.

“The testimony and exhibits, including the Cost of Service Study, provide substantial evidence in the record to demonstrate that SEC's revenue requirement is necessary and properly calculated and that SEC's proposed rate is just and reasonable and allocates its proposed electric and utility service rates and revenues in a manner that adequately reflects the cost of providing service to its respective classes of customers,” said the written response by SEC's attorneys Wiggins, Williams and Wiggins in Albuquerque. “We respectfully request the Commission to reject the recommendation decision and recommend the rate design and instead approve the proposed revenue requirement established by SEC's rate application...”

In SEC's 10-page response, attorneys note the Commission must set rates that will allow the utility to operate successfully, maintain its financial integrity, attract capital and compensate investors for the risk assumed.

Repeatedly in the Hearing Examiner's recommendation it noted 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 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.

However SEC attorneys wrote, “The board's financial goals and objectives are not a wish list. Instead they are the foundation for maintaining the financial integrity of the cooperative. It is the fiduciary responsibility of the member-elected board to establish metrics and charge the cooperative's management and staff to work toward those goals. As such, SEC must not allow its equity to erode by taking on excessive debt in order to execute its approved construction work plan. The proposed rate increase appropriately balances the funding of planned utility investments through current rates and long-term debt. At the same time, SEC must be able to pay capital credits, thereby paying back members for retained earnings in prior years. Ignoring such operating requirements may, in fact, lead to higher future rates if planned system improvements are made or if repayment of patronage capital to members is deferred.”

Attorneys also argue that the Cost of Service Study was not the only means of measuring used to determine the proposed rates.

SEC's response took a hard shot at Hearing Examiner Glick saying she exceeded her authority and impermissibly substitutes the Commission's judgment for SEC's Board of Directors.

“The recommendation decision intrudes upon the exclusive authority of SEC's Trustees, including for example its authority to determine how and when capital credits of SEC's members are returned to them, or how or when the cooperative expends the equity it maintains in the form of patronage capital. These are all matters that lie within the exclusive authority of SEC's Trustees,” wrote SEC's attorneys.

In addition, SEC attorneys note New Mexico rural electric cooperatives are largely self-governing entities invested with the authority under the RECA to govern themselves pursuant to the decisions made by its elected cooperative trustees. In performing their duties they rely upon financial data, reports and analyses performed by officers of the cooperative, as well as public accountants and other professional experts.

“SEC’s trustees determined, in fulfillment of their fiduciary obligation after considering the Cost of Services Study, that a rate increase was necessary to meet operating expenses, fund planned system improvements in executing its construction work plan, repay capital credits and maintain its financial integrity,” wrote SEC’s attorneys in their recommendation.

Because SEC filed an exception to the Hearing Examiner’s recommendation, parties had until Wednesday, August 28, to file an exceptions to SEC’s response.

A final order by the New Mexico Public Regulation Commission is expected to be released by Thursday, September 19