

Socorro, others battle for control of electric systems

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Editor's note: The Albuquerque Journal published a three-part series exploring the challenges New Mexico electric co-ops face as new state mandates push utilities to replace fossil fuels with renewable and non-carbon resources.

Socorro is charged up about building its own electric utility to offer cheaper, cleaner electricity to local consumers than they get from the 75-year-old Socorro Electric Cooperative.

Mayor Ravi Bhasker and city councilors are pursuing an independent contract with Guzman Energy LLC, an upstart power provider that's challenging the long reign of Tri-State Generation and Transmission, which currently supplies all wholesale electricity to Socorro and 10 other rural New Mexico cooperatives.

The city says Tri-State, which relies heavily on coal plants, charges far higher wholesale rates than other providers like Guzman can offer through solar and wind facilities that have plummeted in price in recent years.

The Socorro co-op, they add, has done nothing to mitigate those high costs, such as building local renewable systems independently of Tri-State to save money for co-op members. And that, in turn, has forced local consumers to use expensive electricity.

"They've got us hogtied," Bhasker told the Journal. "I've been mayor for 30 years, and for the last 15 years, I've been fighting the co-op to slow down rate increases and make rates less onerous. ... But they have a monopoly on electric distribution here, and they don't listen to anybody."

Socorro Co-op leaders say their utility hasn't raised electric rates since 2011, and both Tri-State and the local co-op are now pursuing renewable resources, both to meet state renewable energy mandates and to lower costs. The co-op says rates are high largely because it's much more expensive to deliver electricity to rural areas, where utilities must build extensive infrastructure to carry power across vast, sparsely populated areas.

"We provide power to almost 13,000 meters in Socorro and four other counties, with 3,300 miles of distribution lines," said Socorro Co-op spokesman Jimmy Capps.

Similar fights elsewhere

The Socorro battle is one of a number of conflicts in various rural communities in New Mexico and Colorado, where municipalities and a few co-ops want to extricate themselves from Tri-State to take advantage of declining costs for renewable energy.

Kit Carson Electric Cooperative in Taos, for example, pulled out of Tri-State in 2016 to sign with Guzman, and at least two cooperatives in Colorado are now following in Kit Carson's footsteps.

"We're not the only ones trying to get out from under Tri-State," Bhasker said. "Kit Carson did it by partnering with Guzman. We can do it too in Socorro."

The Socorro cooperative did announce a rate hike this year, it's first since 2011, to cover rising costs to maintain its distribution system. The city and the New Mexico Institute of Mining and Technology protested the increase before the state Public Regulation Commission, which rejected it in September.

Now the co-op is seeking Supreme Court intervention to uphold its rate hike, which would raise monthly bills for the average consumer from about \$77.50 to \$85.72, or from 15.5 cents per kilowatt hour to about 17 cents, said co-op general manager Joseph Herrera.

“Our last increase was in 2011, and before that in 2005, but everything has gone up in cost over the last eight years,” Herrera said. “It’s been almost a decade, and we’re not generating enough cash to pay for stuff. We need to borrow money for reliability improvements.”

Tri-State rate jumps

But the mayor and city councilors say Tri-State’s wholesale rates have risen significantly over the years, and the co-op passes those increased costs on to local consumers through a surcharge on their bills.

City Councilor Anton Salome said the average Socorro consumer pays far more for electricity than those in other communities.

“Industrial rates are 84% higher than the state average, and residential rates about 37% higher,” Salome said. “That inhibits economic development here. Companies come in and find rates too high compared with other places, which puts us in a bind.”

New Mexico Tech paid \$3.14 million for its electric service last year. That’s a 106% hike from the \$1.53 million it paid in 2005, President Stephen Wells said in an op-ed column in Socorro’s El Defensor Chieftain newspaper.

If the city signs with Guzman Energy, it would launch municipal service first for New Mexico Tech and businesses in Socorro’s industrial park. The city could later seek to provide electric service for residential consumers as well, Bhasker said.

Guzman promises to provide wholesale power at 5 cents per kilowatt hour, compared with 8.3 cents that the co-op pays Tri-State.

Immediate cost savings

“Guzman offered a wholesale rate that’s 3 cents per kilowatt hour less than the co-op, and it’s a fixed contract for 10 years,” Bhasker said. “That would mean about 10 cents for end users in the industrial park and New Mexico Tech. And it would be renewable energy mixed with natural gas generation.”

Guzman is now paying for an independent engineering feasibility study on the challenges and benefits for Socorro if it moves forward.

Herrera, however, said the city’s plans will significantly impact all other co-op members not served by the new municipal utility since their bills will go up to cover the revenue lost when industrial consumers and New Mexico Tech leave the co-op.

Herrera said Tri-State offers long-term system reliability and risk management in volatile energy markets that are difficult for small, resource-strapped rural cooperatives to navigate by themselves. Those who strike out on their own with independent providers like Guzman may achieve short-term benefits, but they’re “rolling the dice” on long-term challenges, Herrera said.

Bhasker said times have changed from when cooperatives formed last century.

Small urban centers like Socorro accepted higher electric rates in the past to help subsidize service in rural areas, but urbanization and economic development have altered those dynamics.

“I have sympathy for the outlying areas and what cooperatives have done for people there, which we helped subsidize,” Bhasker said.

“But our city is much more urban now compared with 1944, when the Socorro co-op formed and when we were generally a ranching and farming community. It’s not that way anymore, and for our small cities to survive, we need to catch up to the 21st century and be competitive with cheap electricity.”