

SOCORRO ELECTRIC COOPERATIVE

Dear Socorro Electric Cooperative Member,

In your January 2015 electric bill, you will notice a small rate increase. That's because our cost of power has gone up slightly.

The state Public Regulation Commission (PRC) recently okayed an interim rate hike as part of a negotiation between 12 of New Mexico's rural electric cooperatives and Tri-State Generation & Transmission Association Inc. We buy wholesale electricity from Tri-State, which is itself a co-op. SEC is a member of Tri-State along with the other 11 participating co-ops.

The increase is part of a continuing effort to settle a two-year disagreement between the 12 New Mexico cooperatives, including SEC, and Tri-State over two rate hikes that Tri-State has sought since October 2012. For the first time ever, the New Mexico co-ops challenged the increase, prompting the PRC to order the co-ops and Tri-State into mediation and to suspend any rate increases until we settle our differences. In mediation, the New Mexico co-ops approved a one-year increase totaling \$7 million, which is spread among all the co-ops through a power cost adjustment.

At the current base residential rate of 12.5 cents per kilowatt-hour (kWh), the energy part of the average monthly bill is \$65.50 (not including fees and taxes). That's based on an average monthly usage of 524 kWh. SEC ranks 7th among the 16 NM Co-op's for its residential rate which is based on all our costs, not just the cost of electricity. Under the temporary rate increase, residential members will pay an increased power cost adjustment of \$1.18, or 1.808 percent, for a total of \$66.68 for kWh. The temporary increase will appear as a power cost adjustment on your bill.

This temporary rate hike expires December 2015, unless we reach a long-term agreement before then. If the parties can't agree on a permanent solution, then the power cost adjustment will reduce back to 2012 levels reverting back to the previous Tri State rate. In any case, rates are likely to inch upward.

This is the first time New Mexico's co-ops have challenged a Tri-State rate increase. The challenge brought the issue before the PRC for a closer examination of Tri-State's charges. We have a contract to purchase all our power from Tri-State until 2050, which adds weight to these negotiations. Tri-State has similar long-term contracts in place with the other co-ops. The temporary agreement shows that Tri-State and the co-ops are ready to get serious about addressing their differences. Our major objective is to settle rates and a few other contract issues in way that fortifies the financial health of SEC.

On the bright side, this temporary rate agreement creates a path to supporting the long-term interests of the co-ops and Tri-State. As our negotiations continue, we'll keep you informed of our progress in protecting your interests as a co-op member and as a consumer of electricity.

Sincerely,

Anne L. Dorough
President & District V Trustee



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