

GETTING CONNECTED

“Owned by Those We Serve”

February 2013

Volume IV Issue II

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CEO's Message



Tri-State Update:

Tri-State Generation and Transmission has requested a rate increase for its member cooperatives. Kit Carson Electric Cooperative, Inc. (KCEC) receives the electrical power it distributes to its members from Tri-State, so this action

will directly affect the rates for all members. We have been protesting this increase with the New Mexico Public Regulation Commission (PRC), as we have the other eight increases by Tri-State since 2000.

As you may recall in November a formal advice of protest has been sent to the U.S.D.A.'s Rural Utility Service (RUS). We believe a breach of the original agreement with Tri-State has taken place. At the time Tri-State merged with Plains Electric, KCEC's previous electric supplier, it was agreed Tri-State would be regulated by the PRC if three member cooperatives protested a proposed rate increase. In this case in addition to KCEC, Springer and Continental Divide cooperatives have joined the protest.

In January Tri-State filed three notices proposing increasing the rate for the three protesting cooperatives from 4.9% to 9%, while keeping the rate at 4.9% for the other member cooperatives in New Mexico that did not protest the increase. KCEC asserts this plan is discriminatory and punitive, as it retaliates toward only the three protesting cooperatives. Tri-State filed a Complaint for Declaratory or Injunctive Relief with the U.S. District Court of New Mexico on January 25, 2013.

Tri-State Generation & Transmission has proposed a rate increase for its 44 member cooperatives (12 in New Mexico). The reason given is to make up a projected \$30 million shortfall in revenues yet:

- Tri-State has \$10 million in Capital Credits, which is the margin (profit) the company declares. This is the difference between the purchase price of electricity

and the amount for which it is sold to the member cooperatives. Salaries, system improvements and other overhead are subtracted from this total and the remaining amount is considered the margin (profit). Capital Credits can be returned to the member cooperatives or used to keep the corporation on firm financial footing.

- Tri-State has budgeted for a \$48 million power plant. The construction of this plant is currently tied up in litigation, as the Sierra Club has filed suit to stop construction.
- Tri-State has budgeted for \$1.8 million in legal fees to fight this rate case in court.
- Tri-State has budgeted for \$10 million in advertising. There is no return on investment for Tri-State in their regional and national advertising, as their revenue comes from cooperatives that are contractually obligated to purchase electricity from them.
- Tri-State has budgeted for 48 new employees. Payroll budgeted at \$161 million will increase to \$176 million, a \$15 million increase.

The examples above represent \$84.8 million in revenues that are either available or have been prematurely budgeted, yet Tri-State is projected a shortfall of less than half that amount.

All communities within the KCEC service territory have experienced declining GRT and lodger's tax since 2008. To add to the financial burden, particularly of the business community, during these difficult times is unfair given the Tri-State profit margins suggest no financial need.

More details about the Tri-State rate protest are available on our website at www.kitcarson.com. If you have questions or do not have access to the internet, please call KCEC's Public Information Officer, Steve Fuhlen-dorf, at (575) 758-2258 ext. 143. His e-mail is sfuhlen-dorf@kitcarson.com.

**Sincerely,
Luis Reyes, CEO**

Fuel Adjustment Explanation

The electricity our members receive from KCEC is purchased from Tri-State Generation and Transmission. This makes up about 70% of the total cost of the power you receive. KCEC's rates are set to recover various costs: administrative, cost of plant, fuel costs and others. Of these, fuel costs are the most variable and can change markedly from month to month. To avoid having a new rate case every time fuel costs fluctuate, the New Mexico Public Regulation Commission (NMPRC) granted to KCEC a fuel clause in addition to our regular (base) rates. The regular rates contain a certain amount for basic fuel expenses. The fuel clause, on the other hand, rises or falls from the basic fuel expense level depending on increases or decreases in the price of fuel.

Members received a January bill that included a higher than usual fuel adjustment factor. KCEC

KCEC Board of Trustees Meeting Summary

Below is a brief summary of the Kit Carson Electric Co-operative Board of Trustees meeting held on January 29, 2012:

- CEO's Report: KCEC is meeting financial targets. This means there is no need for a rate increase at this time.
- There were no major outages during December. This was due to continual upgrades being done to the system and the vigilance of KCEC operations personnel.
- Authorization to protest Tri-State's three proposed rates was given.
- The 2013 budget was approved.
- \$5,000 was contributed by Co-Bank to the KCEC Foundation for Scholarships.
- Authorization was given to pay 1980 Capital Credits. Request for approval was sent to the Rural Utility

is charged an energy charge and a demand charge from Tri-State. Every electric system that serves the public is subject to a demand, or load, that varies from hour to hour, day to day, and season to season. The demand is a measure of the rate of electric usage. Demands are affected by the number of hours of day light, temperature extremes and activities. The demand component was a higher portion than the energy component for the January bill that KCEC received from Tri-State; therefore, the fuel adjustment factor was high.



Board of Trustees

Bobby Ortega	President	Questa	District 2
Manuel Medina	Vice President	Taos	District 1
Chris Duran	Secretary	Penasco	District 4
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Luisa Mylet	Trustee	Pot Creek	District 1
Virgil Martinez	Trustee	Cerro	District 2
Arturo Rodarte	Trustee	Ojo Caliente	District 3
Ambrose Mascarenas	Trustee	Llano	District 4
Jerry Smith	Trustee	Ocate	District 5

Board Meeting

The board of trustees meet the last Tuesday of the month at 9:00am in the cooperative boardroom.

Contacts:

Main Office: (575) 758-2258/ 1-800-688-6780

Customer Service: (575) 751-9064/ 1-800-944-8159

Customer Service Fax: (575) 758-4611

Administration Fax: (575) 758-4890

Automated System: (575) 751-8132

Power Outages/Service Interruptions: (575) 758-6100

Emergency Line-locates: NM One Call 1-800-321-2537

Questa Satellite Office: (575) 586-2113-Call for office hours

Peñasco Satellite Office: (575) 587-1900-Call for office hours

New Mexico Public Regulatory Commission (PERA Building):
1-800-947-4722

Learn more about Kit Carson Electric on the Internet at:

www.kitcarson.com