

Why Does OCEC Need A Rate Change? Q & A

Q. Why is Otero County Electric Cooperative (OCEC) changing rates?

A. OCEC's goal is to provide members with the highest quality service at the lowest cost consistent with sound financial operation. We don't raise rates to generate profits, we raise rates to cover the cost of doing business and only when absolutely necessary. The last rate increase at OCEC was in November 2015.

In the last four years OCEC has worked diligently on upgrades to electric infrastructure to better serve the electrical needs of members. Completion of the Rainmaker substation and a total rebuild of the Cora Dutton and Arabela lines was completed in 2015. Since then, OCEC has replaced a vast portion of outdated lines in Carrizozo and continues to work toward completion of this project. The Sac Peak line providing service to Sunspot and Timberon is currently being upgraded, with a large part of this line being converted to underground cable to reduce outages caused by downed trees. Old and failing direct-buried cable is being replaced with cable in conduit in the Alto area to provide better service and decrease underground outage times. With the above-mentioned system improvements, the net plant value from the end of 2014 to 2018 increased by over \$21 million, with an additional increase of \$5 million anticipated by the end of 2019.

Distributing safe and reliable electricity to members is OCEC's primary goal. Infrastructure upgrades are necessary if we want to continue to provide the high-quality service our members deserve. However, with these system upgrades, new construction and continued line maintenance also comes increased debt.

Our energy efficiency efforts, increasing amounts of member-owned solar, and the push for manufacturers to produce better and more efficient consumer-products, has led to flat or declining electricity sales, resulting in insufficient revenues to keep pace with the expenses needed to serve members to the best of our ability.

Q. Couldn't the cooperative have cut costs instead of raising rates?

A. Out of every dollar paid to OCEC by members, 50 cents go to pay wholesale power cost. Another 20 cents go to pay fixed interest, depreciation and taxes. This means your cooperative operates on only 30 cents of every dollar received. This low number indicates an efficiently run utility operation.

OCEC Board and Staff work diligently to keep member rates as low as possible by controlling costs. We have taken advantage of record low interest rates in recent years. We competitively bid construction projects to ensure we are getting the best deal, and we control labor costs whenever possible.

The Carrizozo Solar Project was completed in 2018 and since this solar facility was energized it has saved members \$147,000 in purchased power costs. These savings have zero impact on OCEC's financials but are passed directly to members through the fuel and purchased power cost adjustment on your monthly bills.

Q. How much overall rate change will there be?

A. The rate change will result in additional revenue to OCEC of \$1,391,627 per year, or 4.39%. Most residential consumers will see an increase between five and six dollars per month.

Q. How were the rate changes determined?

A. OCEC employed a nationally known and respected outside consulting firm to conduct a cost of service study, determine the cost of serving each class of members and work to develop a rate design that reduces subsidies for each of the four rate classes – General Service, Large Power, Lighting and Residential.

Q. Who oversees this process?

A. Careful oversight is maintained at every step. The consulting firm was instructed by your Board to develop the study with standard methods used by regulatory authorities across the country. Your Board of Trustees, selected by the members, has oversight and control of the process. Ultimately you, as a member of the cooperative, have control through the Trustees you elect and the bylaws you approve.

Q. Will the rate change affect the service charge, kWh charge or the demand charge?

A. For the most part, there is a slight change to each of these items, but not necessarily each item in every rate class. A detailed breakdown of the rate differences can be found on the back page of the November edition of *enchantment* magazine or on OCEC's website, www.ocec-inc.com.

Q. Why are some monthly service charges being increased?

A. There are certain items such as meter reading, billing, and minimum transformer and delivery system costs that are the same for each member-consumer in a rate class, no matter how little or how much electricity they use. The monthly service charge in the new rate is designed to recover more of these fixed expenses.

OCEC's cost of providing service to customers is not related to the amount of energy used. Recovering an increased portion of fixed cost of providing service through the monthly customer charge is ultimately fairer because rates are based more closely on how costs are incurred.

Q. When will this new rate go into effect?

A. OCEC intends to file the proposed rates with the NMPRC on or around December 2, 2019. If approved, the new rate would go into effect on January 1, 2020 and reflected on the February 10, 2020 billing.