

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE FILING OF ADVICE )  
NOTICE NO. 69 BY SOCORRO ELECTRIC )  
COOPERATIVE, INC. )**  
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**Case No. 18-00383-UT**

**PROCEDURAL ORDER**

This matter comes before Carolyn R. Glick, Hearing Examiner for the New Mexico Public Regulation Commission, as a follow-up to the February 15, 2019 prehearing. The Hearing Examiner **FINDS AND CONCLUDES:**

1. On December 3, 2018, Socorro Electric Cooperative, Inc. (SEC) filed Advice Notice No. 69 for a proposed rate increase.
2. After receiving 33 Protests to the proposed rate increase, the Commission, on December 19, 2018, suspended the effectiveness of Advice Notice No. 69. The Commission ordered SEC to file any objection to the Protests and Staff to file its determination as to the number of valid, timely protests and whether SEC's filing was a complete application for a rate increase.
3. On January 3, 2019, SEC filed its Objections to Rate Protests.
4. On January 9, 2019, Staff filed its Determination Regarding Valid, Timely Protests. Staff determined that clear and valid protests were filed by 48 residential customers, one large commercial customer (New Mexico Institute of Mining and Technology) and one customer expressing concern about the proposed rates for General Service (Residential), Load Management Service and Area Lighting Service (the City of Socorro). Staff also found that SEC's filing was a complete application. Staff recommended that the Commission direct SEC to supplement its filing with the filing of data, exhibits, illustrations, prepared testimony or written argument.
5. On January 23, 2019, the Commission issued its Initial Order Appointing Hearing Examiner which: (i) suspended the effectiveness of Advice Notice 69 for nine months

from December 19, 2018 or to September 19, 2019; (ii) appointed the Undersigned to preside over this case; (iii) authorized the Undersigned to direct SEC to file data, exhibits, illustrations, prepared testimony or written argument which is pertinent to the schedule proposing new rates and any further evidence to assist the Commission; and (iv) ordered the Undersigned to issue a recommended decision regarding the issues for which the protests established just cause, which the Commission identified as:

A. Is there substantial evidence to support the proposed rate increase per class and to support the allocation of the rate increase across customer classes;

B. Has Socorro Electric demonstrated, with substantial evidence, that the proposed increase in rates per class is fair, just and reasonable;

C. Has Socorro Electric demonstrated, with substantial evidence, that its revenue and operating margins require the proposed increase; and

D. Has Socorro Electric demonstrated how it derived the proposed new rates and charges, including but not limited to the proposed increased “customer charges” (not tied to energy use), a new minimum charge, and changes to the energy charge per kWh.

Initial Order Appointing Hearing Examiner at 7, ¶ 17.

6. A prehearing was held on February 15, 2019. The procedural schedule developed there and as set forth below should be adopted.

The Hearing Examiner **ORDERS**:

A. A public hearing in this case shall be held beginning on June 24, 2019, commencing at 9:00 a.m. MDT, and shall continue as necessary through June 28, 2019, at the Commission’s offices in the P.E.R.A. Building, 1120 Paseo de Peralta, Santa Fe, New Mexico, Ground Floor Boardroom, for purposes of hearing and receiving testimony, exhibits, arguments and any other material issues and matters relevant to this proceeding.

B. On or before March 15, 2019, SEC shall cause the Notice to Customers attached to this Procedural Order to be mailed or emailed to its customers.

C. On or before March 15, 2019, SEC shall cause the Notice to Customers attached to this Procedural Order to be published in a newspaper of general circulation available in every county where SEC provides service.

D. SEC shall promptly file an affidavit attesting that the above-required notices were timely made.

E. On or before March 22, 2019 at NOON, SEC shall file Supplemental Direct Testimony and exhibits in support of its proposed rate increase that address, but are not limited to, the following:

1. Submit the complete cost of service study prepared by Justin Proctor.
2. Describe the method that SEC used to calculate its proposed revenue requirement.<sup>1</sup> If SEC used a debt service coverage approach, what target financial ratio is incorporated into SEC's proposed revenue requirement?
3. Regarding Justin Proctor's Direct Testimony at page 4, define the term "operating margin."
4. Regarding Justin Proctor's Direct Testimony at pages 5-6, define the term "class rate of return" and explain its significance.
5. State the base cost of fuel and debt that SEC proposes to recover through its proposed rates.
6. Regarding SEC's Objections to Rate Protests at page 6, ¶ 13(c), identify the ten-year financial forecasts relied on by SEC.
7. Regarding Schedule H-2.o, explain how interest expense was allocated among the classes.
8. Regarding Joseph Herrera's Direct Testimony at page 5, lines 8-9, describe SEC's financial loan covenants' condition requirements with RUS

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<sup>1</sup> For example, in Case No. 15-00375-UT, Kit Carson Electric Cooperative, Inc. used the OTIER financial benchmark to calculate its proposed revenue requirement. Case No. 15-00375-UT, Recommended Decision at 33 (10-31-16).

FFB and CoBank and state SEC's current and 2017 actual financial coverage ratios.

9. Regarding the Notice to Ratepayers published in *enchantment*, provide evidence supporting the assertion that “the current rate design does not . . . meet financial minimums necessary to enable SEC to borrow money at low interest rates for member extensions or system improvements.”
10. Why hasn't SEC had a Residential Service Class and why is it proposing one now?
11. Justify SEC's proposal to allocate different percentage revenue increases among the affected rate classes as shown on Schedule N as opposed to allocating the same percentage revenue increase to each rate class.
12. Justify SEC's proposal to allocate a 10.26% revenue increase to the Irrigation Rate Class compared to the average 4.8% increase across all classes.
13. Justify SEC's proposal to allocate a 2.66% revenue increase to the Large Commercial Class compared to the average 4.8% increase across all classes.
14. Justify SEC's proposal to allocate a 3.35% revenue increase to the Load Management Class compared to the average 4.8% increase across all classes.
15. Regarding the proposed \$5.00 minimum use charge:
  - a. What expenses is it designed to recover?
  - b. Why does SEC not propose to assess the minimum use charge to all customer classes?

- c. For each affected rate class, what is the monthly use required to support distribution and billing related costs, below which the minimum charge applies?
  - d. For each affected rate class, provide evidence supporting SEC's selection of the monthly use required to support distribution and billing related costs.
  - e. For each affected rate class, provide evidence that the costs proposed to be recovered through the minimum use charge are not collected through the system charge.
  - f. Why did SEC not state, in its proposed rates that include a minimum use charge, the monthly use below which the minimum charge applies?
16. Justify SEC's charging of declining block energy rates for the Large Power Service Class in light of the Commission's policy favoring inclining block rates to promote conservation.<sup>2</sup>
17. Explain why SEC does not charge inclining block energy rates in light of the Commission's policy favoring inclining block rates to promote conservation.
18. Justify SEC's proposal to increase the System Charge for the Residential Service Class from \$15.00 to \$22.75 per month as opposed to recovering more revenues through SEC's variable energy charge in light of "the Commission's consistent and repeated rejection of sizable increases in the residential service availability charge and application of gradualism constraints."<sup>3</sup>

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<sup>2</sup> Case No. 15-00375-UT, Final Order at 13-14, ¶ 28 (12-7-16); Recommended Decision at 83-84 (10-31-16).

<sup>3</sup> Case No. 17-00255-UT, Recommended Decision at 217 (6-29-18).

19. For each affected rate class, explain how and why SEC derived the proposed charges within the class. For example, for the Residential Service Class, how and why did SEC derive the level of the proposed System, Energy and Minimum Use Charges?
20. For each affected rate class<sup>4</sup>, state:
- a. The amount of kWh, kW (if applicable), and kVa (if applicable) used by an average-use customer in a month, averaged over a year.<sup>5</sup>
  - b. For an average-use customer, the average monthly bill under SEC's current rates, broken down by charge.
  - c. For an average-use customer, the average monthly bill under SEC's proposed rates, broken down by charge.
  - d. For an average use-customer, the percentage increase or decrease in the average monthly bill under SEC's proposed rates.
  - e. For an average-use customer, the dollar increase or decrease in the average monthly bill under SEC's proposed rates.
21. Why does SEC propose to decrease the Large Power Service NCP Demand Charge?
22. Regarding page 11, ¶ 18(a) of SEC's Objections to Rate Protests:
- a. identify the types of customers (by class and kWh, kW or kVa use) for whom the proposed rate changes would result in rate or bill decreases.
  - b. Justify rate or bill decreases for such customers.

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<sup>4</sup> This question does not apply to the following rate classes: Private Area Lighting Service; Street and Interstate Freeway Lighting Service; and Interstate Freeway Lighting Service.

<sup>5</sup> For the Irrigation Service Class, also provide the average-use horsepower per year.

23. Justify SEC's proposal to increase the System Charge from \$0 to \$10 for the Irrigation Service Class.

24. Regarding proposed Original Rate Nos. 8 and 9:

- a. describe an "Electric Thermal Storage" or "Energy Thermal Storage" heater.
- b. state how many customers SEC estimates will receive service under each Rate if approved.
- c. explain why SEC is proposing these new rates.

F. Protestors are not automatically deemed parties. Any person desiring to become a party ("intervenor") to this case must file a motion for leave to intervene in conformity with Rules of Procedure 1.2.2.23(A) and 1.2.2.23(B) NMAC no later than April 3, 2019.

G. Staff shall, and any Intervenor may, file Direct Testimony on or before May 22, 2019.

H. As part of its Direct Testimony, Staff shall state:

1. for each rural electric cooperative providing service in New Mexico and for the residential service class: (a) the customer charge; (b) the energy charge(s); and (c) any minimum charge.
2. Actual financial coverage ratios for calendar year 2017 for peer rural electric cooperatives providing service in New Mexico.<sup>6</sup>

I. Any Rebuttal Testimony shall be filed on or before June 12, 2019.

J. Any person whose testimony has been filed shall attend the hearing and submit to examination under oath.

K. Unless otherwise approved or ordered by the Hearing Examiner, at the public hearing in this case only prefiled prepared written testimony — in question and answer form

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<sup>6</sup> See Case No. 15-00375-UT, Recommended Decision at 53-57 (Staff provided operating TIERS for peer cooperatives) (10-31-16).

and verified by the witness for a party — and examination of witnesses on such prefiled testimony, shall be accepted and received in evidence along with other relevant, material and otherwise admissible exhibits.

L. Interested persons should contact the Commission at 505-827-6956 for confirmation of the hearing date, time, and place since hearings are occasionally rescheduled or canceled if deemed not required at the discretion of the Hearing Examiner or Commission.

M. The procedural dates and requirements provided in this Order are subject to further order of the Hearing Examiner or Commission.

N. The Commission's Rules of Procedure, 1.2.2 NMAC, shall apply to this case except as modified by order of the Hearing Examiner or Commission. The Rules of Procedure may be obtained from the offices of the Commission and are available online at the official NMAC website, <http://www.nmcpr.state.nm.us/nmac/>.

O. Interested persons may appear at the time and place of hearing and make written or oral comments without becoming intervenors. Written comments, which shall reference Case No. 18-00383-UT, may also be sent to the Commission at the following address: New Mexico Public Regulation Commission (ATTN: Records Management Bureau), P.E.R.A. Building, 1120 Paseo de Peralta, P.O. Box 1269, Santa Fe, New Mexico 87504-1269. Pursuant to 1.2.2.23(F) NMAC, all comments governed by this paragraph shall not be considered as evidence in this case.

P. At the hearing, the Hearing Examiner in her discretion may limit the time for conducting cross examination.

Q. Interested persons may examine SEC's Application and the prefiled testimony, exhibits, pleadings, and other documents filed in the public record for this case online at <http://nmprc.state.nm.us> under "Case Lookup EdoCKET," or at the Commission's address set out above.



R. The filing and service of pleadings and other documents in this case are subject to applicable Commission rules (*see, e.g.*, 1.2.2.10 and 1.2.2.25(H) NMAC) and pertinent rulings in this case, except that service of discovery requests and responses shall be by email unless otherwise agreed or ordered. Exhibits to discovery responses may also be served by email unless otherwise agreed or ordered, at the same time as such responses.

S. Anyone filing pleadings, testimony, and other documents in this case may file either in person at the Commission's docketing office in the P.E.R.A. Building in Santa Fe, New Mexico or by mail to the Commission's address at P.O. Box 1269, Santa Fe, New Mexico 87504-1269, and shall serve copies thereof on all parties of record and Staff in the way or ways specified (i.e., by email and first-class mail or hand delivery, or by email only) in the most recent Certificate of Service issued in this case by the Hearing Examiner or Commission. Copies of all filings shall also be emailed on the date of filing and service to the Hearing Examiner at [Carolyn.Glick@state.nm.us](mailto:Carolyn.Glick@state.nm.us). All documents emailed to the Hearing Examiner shall also include versions created in Microsoft Word or other native formats if available.

T. Discovery matters and any discovery disputes shall be governed by the Commission's discovery rules at 1.2.2.25 NMAC. The parties are advised to raise any questions or concerns regarding discovery with the Hearing Examiner in a timely manner so that all such issues may be considered well in advance of the hearing.

U. An order of the Commission or Hearing Examiner is not required for agreements between or among any of the participants regarding discovery matters. All other participants shall be notified of such agreements.

V. No motion regarding any discovery dispute shall be considered unless accompanied by a statement that the participants have made a good faith effort to resolve the dispute and were unable to do so.

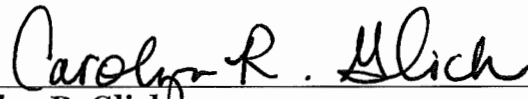
W. The Certificate of Service for this case is attached to this Order. Pursuant to 1.2.2.10(C)(4) NMAC, the attached service list shall be used until further notice for service of all

pleadings, orders, notices, testimony, and other documents to the individuals and their respective addresses as specified thereon.

X. Any person with a disability requiring special assistance in order to participate in this proceeding should contact the Commission at 505-827-4084 as soon as possible prior to the commencement of the public hearing.

Issued at Santa Fe, New Mexico on February 15, 2019.

**NEW MEXICO PUBLIC REGULATION COMMISSION**

A handwritten signature in cursive script that reads "Carolyn R. Glick". The signature is written in black ink and is positioned above a horizontal line.

**Carolyn R. Glick**  
**Hearing Examiner**

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE FILING OF )  
ADVICE NOTICE NO. 69 BY SOCORRO )  
ELECTRIC COOPERATIVE, INC. ) Case No. 18-00383-UT  
)  
SOCORRO ELECTRIC COOPERATIVE, )  
INC., APPLICANT )**

**CERTIFICATE OF SERVICE**

I **CERTIFY** that on this date I sent to the parties and individuals listed here and in the manners specified below, a true and correct copy of the **Procedural Order** issued on February 15, 2019.

***Via Email to:***

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**DATED** this February 15, 2019.

**NEW MEXICO PUBLIC REGULATION COMMISSION**

  
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Ana C. Kippenbrock, Law Clerk

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