

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)

HEARING
Volume I

Monday, June 24, 2019

8:59 a.m.

PERA Building
 1120 Paseo De Peralta
 Santa Fe, New Mexico 87501

BEFORE HEARING EXAMINER CAROLYN R. GLICK

REPORTED BY: ALLISON ASH-HOYMAN
 NEW MEXICO CCR #18 - CCRR No. 137
 CUMBRE COURT REPORTING, INC.
 2019 Galisteo, Suite A-1
 Santa Fe, New Mexico 87505

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<p>1 A P P E A R A N C E S</p> <p>2</p> <p>3 For the Applicant:</p> <p>4 LORNA M. WIGGINS</p> <p>5 PATRICIA G. WILLIAMS</p> <p>6 Wiggins, Williams & Wiggins, PC</p> <p>7 1803 Rio Grande Blvd NW</p> <p>8 Albuquerque, New Mexico 87104</p> <p>9 (505) 764-8400</p> <p>10 lwiggins@wwwlaw.us</p> <p>11 pwilliams@wwwlaw.us</p> <p>12 For the City of Socorro:</p> <p>13 NANN M. WINTER</p> <p>14 KEITH W. HERRMANN</p> <p>15 Stelzner, Winter, Warburton,</p> <p>16 Flores, Sanchez & Dawes, PA</p> <p>17 302 8th Street NW</p> <p>18 Albuquerque, New Mexico 8710</p> <p>19 nwinter@stelznerlaw.com</p> <p>20 kherrmann@stelznerlaw.com</p> <p>21 For New Mexico Institute of Mining and Technology:</p> <p>22 MARK K. ADAMS</p> <p>23 CYNTHIA A. LOEHR</p> <p>24 Rodey, Dickason, Sloan, Akin & Robb, PA</p> <p>25 119 East Marcy Street</p> <p> Suite 200</p> <p> Santa Fe, New Mexico 87501</p> <p> P.O. Box 1357</p> <p> Santa Fe, New Mexico 87504</p> <p> (505) 954-3942</p> <p> madams@rodey.com</p> <p> cloehr@rodey.com</p>	<p>1 I N D E X</p> <p>2</p> <table border="0"> <tr> <td style="padding-right: 20px;">Witness Name</td> <td style="padding-right: 20px;">Direct</td> <td style="padding-right: 20px;">Cross</td> <td style="padding-right: 20px;">Redirect</td> <td>Recross</td> </tr> <tr> <td>Joseph Herrera</td> <td>12</td> <td>19</td> <td></td> <td></td> </tr> <tr> <td></td> <td>47</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>60</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>89</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>113</td> <td>120</td> <td>126</td> <td></td> </tr> <tr> <td>Mayor Ravi Bhasker</td> <td>131</td> <td>133</td> <td></td> <td></td> </tr> <tr> <td></td> <td>189</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>192</td> <td>193</td> <td>195</td> <td></td> </tr> <tr> <td>Rauni Montoya</td> <td>198</td> <td>200</td> <td></td> <td></td> </tr> <tr> <td></td> <td>202</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>210</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>211</td> <td>214</td> <td></td> <td></td> </tr> <tr> <td></td> <td>217</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Justin W. Proctor</td> <td>218</td> <td>226</td> <td></td> <td></td> </tr> <tr> <td></td> <td>232</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>254</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>264</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Rauni Montoya</td> <td></td> <td>268</td> <td></td> <td></td> </tr> </table> <p>16 E X H I B I T S</p> <table border="0"> <tr> <td style="padding-right: 20px;">Exhibit No.</td> <td style="padding-right: 20px;">Offered</td> <td>Admitted</td> </tr> <tr> <td>18 SEC Exhibit 1</td> <td></td> <td>14</td> </tr> <tr> <td>19 SEC Exhibit 2</td> <td></td> <td>16</td> </tr> <tr> <td>20 SEC Exhibit 3</td> <td></td> <td>18</td> </tr> <tr> <td>21 SEC Exhibit 4</td> <td></td> <td>122</td> </tr> <tr> <td>22 City Exhibit 1</td> <td></td> <td>133</td> </tr> <tr> <td>23 SEC Exhibit 5</td> <td>159</td> <td>189</td> </tr> <tr> <td>24 SEC Exhibit 6</td> <td></td> <td>199</td> </tr> <tr> <td>25 SEC Exhibit 7</td> <td></td> <td>200</td> </tr> </table>	Witness Name	Direct	Cross	Redirect	Recross	Joseph Herrera	12	19				47					60					89					113	120	126		Mayor Ravi Bhasker	131	133				189					192	193	195		Rauni Montoya	198	200				202					210					211	214				217				Justin W. Proctor	218	226				232					254					264				Rauni Montoya		268			Exhibit No.	Offered	Admitted	18 SEC Exhibit 1		14	19 SEC Exhibit 2		16	20 SEC Exhibit 3		18	21 SEC Exhibit 4		122	22 City Exhibit 1		133	23 SEC Exhibit 5	159	189	24 SEC Exhibit 6		199	25 SEC Exhibit 7		200
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<p>1 A P P E A R A N C E S (Cont.)</p> <p>2</p> <p>3 For the Intervenor:</p> <p>4 DONALD STEINNERD, PRO SE</p> <p>5 711 Buford Drive</p> <p>6 Socorro, New Mexico 87801</p> <p>7 (575) 835-2622</p> <p>8 reenerd.q.com</p> <p>9 For the Public Regulation Commission:</p> <p>10 BRADFORD BORMAN</p> <p>11 Staff Counsel - Legal Division</p> <p>12 1120 Paseo de Peralta</p> <p>13 P.O. Box 1269</p> <p>14 Santa Fe, New Mexico 87504-1269</p> <p>15 (505) 827-4048</p> <p>16 bradford.borman@state.nm.us</p> <p>17 Also Present:</p> <p>18 PRC Commissioner Stephen Fischmann</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<table border="0"> <tr> <td style="padding-right: 20px;">Exhibit No.</td> <td style="padding-right: 20px;">Offered</td> <td>Admitted</td> </tr> <tr> <td>2 City Exhibit 2</td> <td></td> <td>210</td> </tr> <tr> <td>3 SEC Exhibit 8</td> <td></td> <td>222</td> </tr> <tr> <td>4 SEC Exhibit 9</td> <td></td> <td>223</td> </tr> <tr> <td>5 SEC Exhibit 10</td> <td></td> <td>226</td> </tr> <tr> <td>6 City Exhibit 3</td> <td></td> <td>246</td> </tr> </table> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	Exhibit No.	Offered	Admitted	2 City Exhibit 2		210	3 SEC Exhibit 8		222	4 SEC Exhibit 9		223	5 SEC Exhibit 10		226	6 City Exhibit 3		246
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<p style="text-align: right;">Page 6</p> <p>1 HEARING EXAMINER GLICK: Let's go on the 2 record. 3 We are here today for a public hearing in case 4 No. 18-00383-UT. My name is Carolyn Glick, I was 5 appointed hearing examiner to preside over this case by 6 the commissioners. 7 At this time I'll ask the parties to enter 8 their appearances, starting with the cooperative. 9 MS. WIGGINS: Thank you, Madam Hearing 10 Examiner. 11 Lorna Wiggins, together with Patty Williams, 12 from Wiggins, Williams and Wiggins on behalf of Socorro 13 Electric. 14 With us is the CEO/general manager Joseph 15 Herrera. 16 Also with us today is the chair of the board, 17 Ms. Anne Dorough. 18 HEARING EXAMINER GLICK: Good morning. 19 MS. WIGGINS: And then we have our staff and 20 witnesses. If you want them on the record I'm happy to 21 do that. 22 HEARING EXAMINER GLICK: I don't need that, 23 thank you. 24 MS. WIGGINS: Thank you. 25 HEARING EXAMINER GLICK: Who is appearing for</p>	<p style="text-align: right;">Page 8</p> <p>1 Donald's wife. 2 HEARING EXAMINER GLICK: Yes. If you could 3 come forward, please, and sit at this table, please, and 4 I will give you up to five minutes. 5 MS. RITA STEINNERD: Thank you. 6 I'm Rita Steinnerd and I thank you for 7 allowing me to speak. 8 Isn't it ironic all the intervenors in this 9 case are member owners of a cooperative. Specifically 10 Socorro Electric Cooperative. We all pay our electric 11 rates and from those rates they are apportioned to 12 various categories, one of which goes into a legal fund, 13 thereby ensuring the co-op the ability to hire attorneys 14 to ensure that the 1.2 million dollar increase is 15 successfully shoved down our throats. 16 Is this ironic? Or am I being cynical and 17 naive? I admit I'm like most of the users in the 18 Socorro Electric Cooperative service area, we don't know 19 the difference between a kW and kWh from a hole in the 20 ground, but what we do know is the bottom line in our 21 pocketbooks. 22 Before SEC filed their rate increase with the 23 PRC they had several informational hearings. One of 24 which I attended that was held on a Friday night in the 25 fall. At that meeting SEC staff stated that one of the</p>
<p style="text-align: right;">Page 7</p> <p>1 the New Mexico Institute of Mining and Technology? 2 MR. ADAMS: Mark Adams. This is my colleague 3 Cynthia Loehr. We are appearing on behalf of New Mexico 4 Tech. We are with the Rodey firm. 5 HEARING EXAMINER GLICK: For the City of 6 Socorro? 7 MS. WINTER: Madam Hearing Examiner, Nann 8 Winter with Stelzner, Winter, Warburton. 9 I also have with me Mayor Ravi Bhasker. 10 MR. HERRMANN: Madam Examiner, Keith Herrmann, 11 also with Stelzner, Winter, Warburton, representing the 12 City of Socorro. 13 HEARING EXAMINER GLICK: Mr. Steinnerd? 14 MR. STEINNERD: Madam Examiner, I'm Donald 15 Steinnerd, here representing myself. Thank you. 16 HEARING EXAMINER GLICK: Thank you. 17 And for staff? 18 MR. BORMAN: Madam Hearing Examiner, my name 19 is Bradford A. Borman, appearing on behalf of Utility 20 Division, and joined by Mahlon Wigton, who currently is 21 located in back of the room, and our staff witnesses. 22 HEARING EXAMINER GLICK: Thank you. 23 Is there anyone present who wishes to give 24 public comments? 25 MS. RITA STEINNERD: May I be heard? I'm</p>	<p style="text-align: right;">Page 9</p> <p>1 biggest consumer/users of power, the Presbyterian 2 Hospital, would see a decrease, and the Residential and 3 the other classes would see an increase. 4 That makes one person, or several, sit up and 5 take notice. Is there an irony in this case? I believe 6 there is. Is there a bias? Clearly. Is there 7 fairness? Absolutely not. 8 So I ask in your deliberation to please 9 disregard and not allow the rate increase that SEC has 10 requested. 11 Thank you. 12 HEARING EXAMINER GLICK: Thank you, Ms. 13 Steinnerd. 14 Is there anyone else who wishes to make public 15 comments? 16 MR. STEINNERD: Madam Examiner, am I still 17 allowed to make public comment? 18 HEARING EXAMINER GLICK: No, you are not, 19 because you are a party. 20 MR. STEINNERD: Oh, thank you. 21 HEARING EXAMINER GLICK: Anyone else? 22 Then let's start with the examination of the 23 witnesses. 24 And either Ms. Wiggins or Ms. Williams, you 25 may call your first witness.</p>

<p style="text-align: right;">Page 10</p> <p>1 MS. WILLIAMS: Your Honor, we have one 2 preliminary matter; can we take it up now? 3 HEARING EXAMINER GLICK: Sure. 4 MS. WILLIAMS: You ordered on Friday that New 5 Mexico Tech needed to supplement its answers to our 6 first request for production and interrogatories. They 7 served their answers, the supplemental answers 8 yesterday, and said, as this requirement to respond was 9 received on a Friday evening and due early on Monday, 10 there isn't an opportunity in this time frame to 11 accurately calculate the impact of the ordinance. So 12 they essentially declined to respond to the order. 13 What's interesting -- and then they give some 14 guesses and assumptions, trying to fill out the answer. 15 We got the answers that said they weren't able to do the 16 work yesterday afternoon about 2:00. And when I look at 17 the verification they are verified by Cleve McDaniel, 18 the VP for Administration and Finance for New Mexico 19 Tech, and he signed that June 22nd. 20 And so we have a problem with that response, 21 because it's nonresponsive. I think you calculated that 22 they have enough time to respond, so everyone has worked 23 hard to get you what you needed in the time frames put 24 in your orders. 25 This discovery was served May 9th, and we have</p>	<p style="text-align: right;">Page 12</p> <p>1 HEARING EXAMINER GLICK: Okay. Then that 2 settles that. 3 MS. WILLIAMS: Thank you. 4 HEARING EXAMINER GLICK: All right. So go 5 ahead and call your first witness, please. 6 MS. WIGGINS: Thank you, Madam Hearing 7 Examiner. We call Joseph Herrera at this time. 8 JOSEPH HERRERA, 9 having been first duly sworn, testified as follows: 10 DIRECT EXAMINATION 11 12 BY MS. WIGGINS: 13 Q. Would you state your full name for the record, 14 please. 15 A. Joseph M. Herrera. 16 Q. Mr. Herrera, what is your position? 17 A. General Manager and CEO of Socorro Electric. 18 Q. As the General Manager/CEO, were you involved 19 in the development of the rate filings in this case? 20 A. Yes, I was. 21 Q. I'm going to ask if you would look at -- 22 May I approach? 23 HEARING EXAMINER GLICK: Yes. 24 BY MS. WIGGINS: 25 Q. The documents dated December 3rd, 2018, and</p>
<p style="text-align: right;">Page 11</p> <p>1 a problem with their inability to respond to this 2 discovery in a meaningful way that will help us prepare 3 to cross the witnesses that they have named on Tuesday 4 or Wednesday. 5 HEARING EXAMINER GLICK: Okay. Mr. Adams and 6 Ms. Loehr, could you respond, please. Could you come 7 forward. 8 MS. LOEHR: Madam Hearing Examiner, Dr. 9 McDaniel did provide his best assessment. She didn't 10 read the whole answer. And he wasn't able to get his 11 staff to delve into the numbers because the staff -- it 12 was the weekend. So that's why he mentioned that, you 13 know, he wasn't able to completely respond in that time 14 frame. 15 He also was not able to have his signature 16 notarized, however he went ahead and signed it. And 17 when I served it I did advise that I would forward the 18 notarized verification as soon as it was available. 19 HEARING EXAMINER GLICK: Would Mr. McDaniel 20 and his staff have the ability to provide more complete 21 answers by tomorrow morning at nine o'clock? 22 MS. LOEHR: Let me check with him. 23 He is happy to have his staff look at it 24 today. He doesn't know how complete it will be by 25 tomorrow morning, but he will make an effort to do that.</p>	<p style="text-align: right;">Page 13</p> <p>1 ask if you could identify that set of documents for the 2 record, please. 3 A. This is our New Mexico PRC 540 filing Advice 4 Notice 69. 5 Q. Is that the filing that was made on December 6 3rd, 2018? 7 A. Yes, it was. 8 Q. Sir, are you familiar with the rate 9 application? 10 A. Yes, I am. 11 Q. Does the rate application that I would mark 12 for identification as Socorro Electric Exhibit 1 contain 13 testimony and various appendices? 14 A. Yes, it does. 15 Q. Can you identify the testimony that's included 16 in the rate filings for you and it's towards, I will 17 say, probably the first third of the document. 18 A. Yes, that's my testimony, November 20th, 2018. 19 Q. Have you had an opportunity to review that 20 testimony and the appendices to the rate application? 21 A. Yes, I have. 22 Q. Sir, are there any corrections or additions to 23 your testimony or to the appendices that need to be made 24 at this time? 25 A. No.</p>

<p style="text-align: right;">Page 14</p> <p>1 Q. Is the testimony that you provided from 2 November of 2018 true and correct? 3 A. Yes, it is. 4 Q. Sir, if you were asked those questions today 5 at this proceeding, would your answers be the same? 6 A. No. 7 Q. Would your answers be the same? 8 A. Oh, the same in my testimony? 9 Q. As what is contained in the testimony in the 10 rate application. 11 A. Yes. I'm sorry, yes. 12 MS. WIGGINS: At this time, Madam Hearing 13 Examiner, we move admission of Socorro Exhibit 1. 14 HEARING EXAMINER GLICK: So let me just -- I 15 just want to clarify, that consists of Mr. Herrera's 16 direct testimony and then the -- all of the other pages 17 that were filed after that? 18 MS. WIGGINS: That's correct. As a part of 19 the Advice Notice 69, 70 and 71. 20 HEARING EXAMINER GLICK: Okay. Any objection? 21 MR. BORMAN: (Shaking head.) 22 HEARING EXAMINER GLICK: SEC Exhibit 1 is 23 admitted. 24 (Admitted SEC Exhibit 1.) 25 BY MS. WIGGINS:</p>	<p style="text-align: right;">Page 16</p> <p>1 HEARING EXAMINER GLICK: Is there any 2 objection? 3 MR. BORMAN: (Shaking head.) 4 HEARING EXAMINER GLICK: Socorro co-op Exhibit 5 2 is admitted. 6 (Admitted SEC Exhibit 2.) 7 BY MS. WIGGINS: 8 Q. Sir, if you would turn now to what's been 9 called Rebuttal Testimony of Joseph Herrera, please. 10 A. Yes. 11 Q. Have you had an opportunity to review your 12 rebuttal testimony and the exhibits to that testimony 13 before today's hearing? 14 A. Yes, I have. 15 Q. Are there any corrections or additions to that 16 testimony at this time? 17 A. No. 18 Q. Is your testimony true and correct? 19 A. Yes. 20 Q. If you were asked those questions at today's 21 hearing, would your answers be the same? 22 A. Yes. 23 MS. WIGGINS: Madam Hearing Examiner, at this 24 time we move for admission the Rebuttal Testimony of 25 Joseph Herrera as Socorro Electric Co-op's Exhibit 3.</p>
<p style="text-align: right;">Page 15</p> <p>1 Q. Mr. Herrera, I would like for you now to turn 2 to what's been identified as Supplemental Direct 3 Testimony from March 22nd, 2019. 4 May I approach? 5 HEARING EXAMINER GLICK: Yes. 6 BY MS. WIGGINS: 7 Q. Do you see that testimony, sir? 8 A. Yes, I do. 9 Q. Have you had an opportunity to review that 10 testimony and any exhibits to that testimony before 11 today's hearing? 12 A. Yes, I have. 13 Q. Are there any corrections or additions to the 14 testimony that's marked Supplemental Testimony? 15 A. No. 16 Q. Is your testimony true and correct? 17 A. Yes. 18 Q. If you were asked the questions posed to you 19 in the supplemental direct testimony today, would your 20 answers be the same? 21 A. Yes. 22 MS. WIGGINS: At this time, your Honor, we 23 would move -- excuse me -- Madam Hearing Examiner, we 24 would move the Supplemental Direct Testimony be admitted 25 as Socorro Electric Exhibit 2.</p>	<p style="text-align: right;">Page 17</p> <p>1 HEARING EXAMINER GLICK: Any objection? 2 MS. WINTER: Yes. 3 HEARING EXAMINER GLICK: Ms. Winter. 4 MS. WINTER: Yes. Given the Examiner's 5 striking of certain testimony relating to Mayor Bhasker, 6 certain provisions of Mr. Herrera's rebuttal will also 7 have to be stricken. 8 HEARING EXAMINER GLICK: Can you identify 9 those? 10 MS. WINTER: Yes. 11 HEARING EXAMINER GLICK: Can you come forward 12 to the court reporter, please. 13 Let's go through these. Go ahead. 14 MS. WINTER: Madam Examiner, what will have to 15 be stricken from Mr. Herrera's rebuttal is beginning at 16 page 8, at line 15, all of page 9 -- 17 HEARING EXAMINER GLICK: Go a little slower. 18 I got page 8 starting with line 15. 19 MS. WINTER: Correct. All of page 9, and then 20 page 10, lines 1 and 2. 21 HEARING EXAMINER GLICK: Is that it? 22 MS. WINTER: That's it. 23 HEARING EXAMINER GLICK: Okay. 24 Ms. Wiggins, could you take a quick look at 25 that and respond?</p>

<p style="text-align: right;">Page 18</p> <p>1 MS. WIGGINS: Socorro Electric has no 2 objection to striking page 8, line 15, through page 10, 3 line 2. 4 HEARING EXAMINER GLICK: All right. So 5 stricken from Mr. Herrera's rebuttal testimony are page 6 8, line 15, through page 10, line 2. 7 MS. WIGGINS: And, Madam Hearing Examiner, I 8 can strike from the court reporter's copy at this time 9 or do it during a break, whatever is your preference. 10 HEARING EXAMINER GLICK: Why don't you do it 11 during a break. 12 MS. WIGGINS: Thank you, will do. 13 With that, Madam Hearing Examiner, I tender 14 this witness for cross-examination at this time. 15 HEARING EXAMINER GLICK: Okay. I don't think 16 I've admitted Mr. Herrera's rebuttal with that change. 17 MS. WIGGINS: Thank you. 18 HEARING EXAMINER GLICK: With that change, any 19 objection? Okay. With that change, Mr. Herrera's 20 rebuttal testimony is admitted. 21 (Admitted SEC Exhibit 3.) 22 HEARING EXAMINER GLICK: So Mr. Adams or Ms. 23 Loehr? You have 45 minutes. 24 Go ahead. 25 MS. LOEHR: Good morning, Madam Hearing</p>	<p style="text-align: right;">Page 20</p> <p>1 A. The largest rate for rate of return for Large 2 Commercial in the current is 29.094 percent. 3 Q. Okay. And for the proposed rate, the Large 4 Commercial is 32.476 percent; correct? 5 A. Rate of return, yes. 6 Q. Rate of return. And that is the largest 7 except for Load Management; correct? 8 A. Yes. 9 Q. And with the change, Irrigation is still 10 negative rate of return; is that correct? 11 A. Yes. 12 Q. And Residential at .795 percent is barely 13 providing a positive margin; is that correct? 14 A. Rate of return on margins on the base rate. 15 Q. Is it barely providing a positive margin? 16 A. .795 percent. 17 HEARING EXAMINER GLICK: Could you answer the 18 question. 19 A. Yes. 20 HEARING EXAMINER GLICK: Thank you. 21 BY MS. LOEHR: 22 Q. Large Commercial, with the change, is about 4 23 and a half times the total for the utility; is that 24 correct? The total utility being with the change 7.22 25 percent; is that right?</p>
<p style="text-align: right;">Page 19</p> <p>1 Examiner, Mr. Herrera. 2 HEARING EXAMINER GLICK: Could you move the 3 microphone closer to you, it sounds like you have a soft 4 voice, so speak up. 5 CROSS EXAMINATION 6 7 BY MS. LOEHR: 8 Q. Good morning. 9 A. Good morning. 10 Q. I would like to start with your direct 11 testimony, Mr. Herrera. Could you please turn to page 12 4. 13 A. Okay. 14 Q. And lines 14 through 18. Actually 15. Let's 15 see. 16 A. I'm sorry. What? 17 Q. You state -- well, let's go to the direct on 18 page 6. And you, in your testimony lines 11 through 19, 19 you give the rates of return for the various rate 20 classes; is that correct? 21 A. Yes. 22 Q. And except for Load Management, isn't Large 23 Commercial rate of return the highest percentage? 24 Let's start with the current. Is it the 25 largest for the current rate?</p>	<p style="text-align: right;">Page 21</p> <p>1 A. That's correct. That's the rate of return. 2 Q. So of the -- Large Commercial is about four 3 and a half times the total; is that correct? 4 A. State that again, please. I'm having a hard 5 time hearing you. 6 Q. Okay. The Large Commercial at 32, about 32 7 percent, is about four and a half times the 7.2 percent. 8 The large -- 9 A. 7.2 percent being the system rate of return. 10 Q. Right. 11 A. Well, yes, so we had to shift -- well, not a 12 shift, but the new rates increased the rate of return, 13 the system rate of return, and that's how we got this. 14 Q. But Large Commercial is still providing four 15 and a half times the total utility rate of return; is 16 that right? 17 A. Yes. 18 Q. And the Load Management at 36.7 percent is 19 about five times the total utility rate of return; is 20 that right? 21 A. Yes. 22 Q. For which classes did the rates of return go 23 up with the change? 24 A. All the classes went up. 25 Q. Okay. Let's look at those classes that are</p>

<p style="text-align: right;">Page 22</p> <p>1 now, under the current regime, negative. That would 2 be -- which two are those? 3 A. Residential and Irrigation. 4 Q. Right. So Residential going from minus about 5 1.3 to about .8 changes by how many points? 6 A. Wait. State that again. 7 Q. So when you go from a minus 1.288 to a .795, 8 how many point change is that? 9 A. Approximately 2 points. 10 Q. It's about two points. 11 And for Small Commercial, going from 6.8 to 12 9.3, how many point change is that? 13 A. That's 2.7. 14 Q. I have 2.5 or so. 15 A. Okay. 16 Q. That's close. 17 A. 2.5. 18 Q. Large Commercial went from -- will go from 29 19 to 32, almost 32 and a half. How many point change is 20 that? 21 A. Approximately 3. 22 Q. A little over 3? 23 A. (Nodding head.) 24 Q. And Irrigation goes from minus 11.8 to a minus 25 9.6. How many point change is that, roughly?</p>	<p style="text-align: right;">Page 24</p> <p>1 of operations, I can walk you through and show you where 2 that statement was developed. 3 Q. What do you mean "that period of time"? 4 A. Well, on November 20th when I made that 5 statement. 6 Q. But you didn't make any corrections to your 7 testimony -- 8 A. No. 9 Q. -- today; is that right? 10 A. That's right. 11 Q. Okay. And so the increase that's being 12 proposed isn't going to fix the general subsidization 13 issues in the overall rate design, is it? 14 A. No, but it gets -- it starts to address the 15 subsidization. 16 Q. I'd like to move now to your Supplemental 17 Direct Testimony, at page 2. 18 A. What page? 19 Q. Page 2, line 15. You are stating that the SEC 20 is seeking the rate relief because it's important to 21 improving SEC's financial health; is that right? On 22 line 15. 23 A. Yes. 24 Q. Has SEC received any directives from the 25 lenders, from its lenders that a rate increase needs to</p>
<p style="text-align: right;">Page 23</p> <p>1 A. Oh, about 2.1. 2 Q. And Load Management goes from 31.8 to 36.7. 3 How many point change is that? 4 A. 4.99. 5 Q. So I think you testified that the Large 6 Commercial changed by about 3, and the Load Management 4 7 something points; correct? 8 A. Correct. 9 Q. Just now. And those are the largest of the 10 numbers we just went over; is that correct? 11 A. That's correct. 12 Q. In fact the Residential change, at which I 13 think you said was about 2, and the Irrigation about 14 2.1, is less than even the Small Commercial at around 2 15 and a half; is that correct? 16 A. Yes. 17 Q. Still on page 6, line 20, through page 7, line 18 3, you are answering the question with the financial 19 integrity of the SEC and SEC's service to its customers 20 be jeopardized without the proposed rate change. 21 Is it your testimony today that denying the 22 rate increase would not jeopardize SEC's financial 23 condition? 24 A. That statement for that period of time was 25 accurate to that point. But if we go to the statement</p>	<p style="text-align: right;">Page 25</p> <p>1 be done? 2 A. No. What our lenders do say is that you are 3 not supposed to fall into default and then go for a rate 4 increase. 5 Q. Moving on to the supplemental direct at page 3 6 and 4, you are setting forth the financial -- starting 7 with line 13, you are setting forth the financial 8 objectives set by the board; is that right? 9 A. Yes. 10 Q. So the board is setting the financial 11 objectives. I want to confirm that. 12 A. Yes, through board policy. 13 Q. Okay. So in raising the rates, it's the 14 board's goals that you are trying to meet, not the 15 lenders' goals. 16 A. Those are all taken into consideration when 17 the board sets those goals. 18 Q. But the lenders have not told you that you 19 need to improve things. 20 A. No, the lenders have not told us to improve 21 things, but they set what the minimums are. 22 Q. Okay. We will get into that. 23 So let's go to page 8 of the supplemental 24 direct, starting with -- on page 8 you give, at the 25 bottom, line 17, you give the minimum coverage ratios</p>

<p style="text-align: right;">Page 26</p> <p>1 that you are required to meet. 2 Could you give us those? 3 A. Yes. The minimum coverage ratios required of 4 distribution borrowers, whether applied on an annual or 5 average basis, are TIER, time interest earned ratio of 6 1.25, debt service coverage of .125. 7 HEARING EXAMINER GLICK: You mean 1.25? 8 A. 1.25. Operating time interest ratio of 1.10. 9 And operating debt service coverage of 1.1. 10 BY MS. LOEHR: 11 Q. And then later on in your testimony on this 12 page 9 you give the financials for those ratios for the 13 end of 2018. Could you tell us what those are? 14 And that's starting with line 18 on page 9. 15 A. As of December 31, 2018 -- 16 HEARING EXAMINER GLICK: Slow down. 17 THE REPORTER: Or speak up. 18 THE WITNESS: Sorry. I will do my best. 19 A. Using unaudited financials, SEC's coverages, 20 current coverage ratios are TIERS of 1.96, DSC of 1.4, 21 OTIER of 1.28, and ODSC of 1.13. 22 Q. And are all those above the required minimums? 23 A. Yes, they are. 24 Q. And then going on to page 10, line 1, you give 25 the values for TIER, DSC, OTIER and ODSC. Could you</p>	<p style="text-align: right;">Page 28</p> <p>1 A. It says "actual." In 2018 were unaudited from 2 my previous testimony. 3 Q. Okay. 4 HEARING EXAMINER GLICK: Okay. I'm going to 5 pause you just for a minute. I'm unclear about that. 6 What -- what is the reason for the difference 7 between the percentages that you cite for OTIER in 2017 8 between your direct -- your supplemental direct and your 9 rebuttal? 10 Because in your supplemental direct, at page 11 10, line 2, you said the OTIER in 2017 was 1.21, and 12 then your rebuttal you say it's 1.26. I don't -- you do 13 say in your rebuttal that it's the adjusted test year. 14 I don't know if that -- 15 THE WITNESS: Yes. The adjusted test year and 16 I think in my supplemental I state that these are 17 unaudited. Applied an average to -- yes. So on line 9 18 of my supplemental -- page 9, line 17. I was using the 19 unaudited financials. And this TIER was calculated with 20 I believe the adjusted test year. 21 HEARING EXAMINER GLICK: I thought -- 22 THE WITNESS: Pre-2018. 23 HEARING EXAMINER GLICK: I was talking about 24 2017. The numbers are different from OTIERs between 25 your testimonies.</p>
<p style="text-align: right;">Page 27</p> <p>1 give those? 2 A. Yes. 2017 SEC's financial coverage ratios 3 were as follows: TIER of 1.87, DSC of 1.39, operating 4 TIER of 1.21, and -- 1.21, yes, and ODSC of 1.07. 5 Q. And did you meet the minimums on that? 6 A. No. 7 Q. Which one did you not meet? 8 A. The ODSC. 9 Q. And moving to your rebuttal now, I would like 10 to compare some of those numbers you had in your 11 rebuttal. On page 12, line 16, I believe you give the 12 2017 and '18 values for OTIER. Could you tell us what 13 those are? 14 A. OTIER was 1.26 percent. 15 Q. For what year? 16 A. 2017. 17 Q. And for 2018? 18 A. Actual OTIER was 1.37. 19 Q. Now I believe your testimony was, a couple 20 minutes ago, that the OTIER for 2017 was 1.21, and here 21 it says 1.26. 22 A. Those were unaudited and this is adjusted test 23 year. 24 Q. And would that be the explanation for the 25 discrepancy in the 2018 OTIERs, too?</p>	<p style="text-align: right;">Page 29</p> <p>1 THE WITNESS: I believe the 2017 financial 2 ratios are adjusted test year in my rebuttal. Those may 3 be the financial ratios from 2017. Unadjusted. 4 HEARING EXAMINER GLICK: Okay. I'm not sure I 5 got your answer. 6 THE WITNESS: I was saying the -- using 7 adjusted test year data, that's what the calculations 8 were in my rebuttal, and then in my supplemental, that 9 was the financial ratios from the end of the year. 10 HEARING EXAMINER GLICK: Unadjusted. 11 THE WITNESS: Unadjusted. 12 HEARING EXAMINER GLICK: Okay. And the reason 13 for the difference in the rebuttal numbers, am I right 14 that in your rebuttal, the number in your rebuttal is 15 audited, whereas it wasn't audited in your supplemental 16 direct? Is that right? 17 THE WITNESS: No. In the -- in my rebuttal 18 that's after the adjustments were made to the financial 19 statement for abnormal conditions, to get the test year 20 to -- that was calculated off the adjustments after the 21 expert Justin Proctor went through and made the 22 adjustments in the cost of service study. 23 HEARING EXAMINER GLICK: Okay, but I'm talking 24 about 2018 now. 25 THE WITNESS: Oh, '18? 2018 we are talking</p>

<p style="text-align: right;">Page 30</p> <p>1 about that, those are unaudited financials in my 2 supplemental, and we are using actual. So that means 3 that's audited. 4 HEARING EXAMINER GLICK: Okay. Thank you. 5 Thank you, Ms. Loehr. 6 MS. LOEHR: Certainly. 7 Q. Well, whether we are talking about 1.28, 1.21, 8 1.37 or 1.26, those all exceed the minimum of 1.1; is 9 that correct? 10 A. That is correct. 11 Q. And -- but the cost of service study modeled 12 targets of 2.5 and 1.35 TIER; is that right? 13 A. Say that again. 14 Q. I believe the cost of service study modeled 15 targets of 2.5 and 1.35, that may have been on a TIER 16 which has a minimum of 1.25. 17 Do you know what the cost of -- 18 A. Yes. 19 Q. Well, let me -- go ahead. 20 A. The cost of service study used a TIER, net 21 TIER of .25, and the forecast -- are you talking about 22 the forecast scenario of an operating TIER of 1.35? 23 Q. Yeah. There was a 2.5 and a 1.35. Two 24 different scenarios; is that correct? 25 A. Yes.</p>	<p style="text-align: right;">Page 32</p> <p>1 Q. Now the relative rate of return is calculated 2 by taking the rate of return and dividing it by the 3 total rate of return for the system; is that correct? 4 A. That sounds correct. 5 Q. So it's scaled by the total utility rate of 6 return. The relative rate of return is scaled by the 7 total utility rate of return -- 8 A. Of the base. 9 Q. -- is that correct? 10 A. Yes. Of the base rate. For that class. 11 Q. So back in your direct, if you would -- on 12 page -- which we just talked about -- 13 A. Page what? 14 Q. I'm getting it here. 15 On page 6, you talk about the relative rate of 16 return, for the Large Commercial you would take the 17 32.476 and divide it by 7.22; is that correct? 18 A. You are on page 6? 19 Q. Yes. 20 A. Lines what now? 21 Q. Of the -- lines 13 through 19. Page 6 of your 22 direct. You have a table of rate of return there. 23 A. And your question again? 24 Q. My question is to calculate the relative rate 25 of return for the Large Commercial with the change, you</p>
<p style="text-align: right;">Page 31</p> <p>1 Q. Moving to the rebuttal on -- back on to page 2 11, lines 11 through 13 -- well, let's see. You 3 first -- you first, on lines 2 through 4, describes that 4 the RROR, or relative rate of return, is a better 5 measure than the relative rate of return; is that 6 correct? 7 A. Yes. 8 Q. And looking at your relative rate of return 9 table, lines 11 through 13, you give those for the 10 proposed rates; is that correct? 11 A. That's correct. 12 Q. Irrigation is still negative with the change; 13 is that correct? With the change in rates. 14 A. Right. When you look at the rate of return of 15 the system to the rate of return of the class, it's 16 still negative. 17 Q. And Residential is still barely providing a 18 positive margin; is that correct? 19 A. Yes. Again, once you compare the rate of 20 return of the class to the system, it's helping address 21 the subsidy. 22 Q. Actually, Irrigation is still -- still 23 negative. I wrote down that it was positive, but it's 24 negative; isn't it? Negative relative -- 25 A. Yes, it is.</p>	<p style="text-align: right;">Page 33</p> <p>1 would take the 32.476 rate of return and divide it by 2 7.22 for the total utilities; is that right? 3 A. The 7.22, yes. 4 Q. And what would that be? 5 A. Well, if you go to the table for Large 6 Commercial, that is 4.498 relative rate of return. 7 Q. Okay. The 7.22 goes into 32 about that many 8 times; correct? 9 A. Yes. 10 Q. So just like we talked about in direct 11 testimony, the relative rate of return tells us that the 12 Large Commercial is contributing four and a half times 13 the total utility rate of return; is that correct? 14 A. From the cost causation, yes. 15 Q. And on line 14 you ask the question, do you 16 agree with Mr. Reyes that current margins 4.818 percent 17 RROR are sufficient to meet the board approved financial 18 goals and objectives? 19 MS. WIGGINS: Madam Hearing Examiner, for the 20 record, is that in the rebuttal testimony or in the 21 direct still? 22 MS. LOEHR: It's in the rebuttal. I'm sorry. 23 MS. WIGGINS: Thank you. 24 BY MS. LOEHR: 25 Q. So your question addresses the Reyes testimony</p>

<p style="text-align: right;">Page 34</p> <p>1 regarding meeting board goals; correct? 2 A. Correct. 3 Q. Do you recall specifically whether Mr. Reyes, 4 in his testimony, at the citations that you give on line 5 17 refers to the sufficiency of meeting board-approved 6 financial goals? 7 A. Did I -- 8 Q. Do you recall whether he specifically referred 9 to meeting board goals? 10 A. That was to meeting the rate of return. 11 Q. Sorry? 12 A. To the rate of return. The relative rate of 13 return. But if we go over to -- can we go -- 14 Can I walk her through the schedule on the 15 cost of service study? 16 HEARING EXAMINER GLICK: No, not unless it's 17 in response to a question. 18 THE WITNESS: Well -- it would be my response 19 to her question. Can I walk her through the schedule D 20 8? 21 HEARING EXAMINER GLICK: I -- 22 MS. LOEHR: I would like to show him Mr. 23 Reyes's testimony. May I do that? 24 HEARING EXAMINER GLICK: Yes. 25 And so, no.</p>	<p style="text-align: right;">Page 36</p> <p>1 replacement of the cooperative facilities. We cannot do 2 those. 3 Q. And on your rebuttal, page 15, lines 8 through 4 11, I believe this sets out a question on why SEC didn't 5 propose an economic development rate; is that correct? 6 A. Yes. 7 Q. And Tri-State, your power supplier, does have 8 an economic development rate; does it not? 9 A. Yes, it does. 10 Q. But SEC does not. 11 A. If SEC was asked to develop an economic 12 development rate that's what we would use to develop our 13 economic development rate. 14 Q. And on that same page, line 12 through 15, SEC 15 acknowledges that interclass subsidies exist in the 16 current rate design but because Large Commercial 17 accounts have ways of raising revenues to cover 18 increases and expenses, they can more aptly subsidize 19 other classes. 20 Is that your testimony? I just read it. 21 A. Yes. 22 Q. Do you think a small business owner in a 23 competitive industry would have difficulty raising 24 revenues? 25 MS. WIGGINS: Objection, calls for</p>
<p style="text-align: right;">Page 35</p> <p>1 THE WITNESS: Okay. 2 MS. LOEHR: May I approach the witness? 3 HEARING EXAMINER GLICK: Yes. 4 BY MS. LOEHR: 5 Q. I'm showing you Mr. Reyes's direct testimony 6 and because you referred to his testimony at page 7, 7 line 17, page 8 -- up to page 8, line 12. Could you 8 look at that and tell me, does he refer to the board 9 goals? 10 A. No, he is referring to the health of the SEC. 11 Q. All right. So moving on to rebuttal page 13 12 of yours, of your -- so your rebuttal page 13, lines 8 13 through 11, starting with the sentence: Coverage ratios 14 are only indicators that SEC's financial condition based 15 on historical periods and do not take into consideration 16 future cash requirements related to SEC's planned 17 investments in infrastructure or capital credit 18 retirements. 19 Are you saying that the rate increase is 20 intended to generate revenues for costs that SEC has not 21 even yet incurred? 22 A. No. I'm not intending that. If we want to 23 pay back capital credits, if we want to have enough cash 24 to pay the operations of the co-op, those are the 25 financial goals that we are trying to get. Ordinary</p>	<p style="text-align: right;">Page 37</p> <p>1 speculation. 2 HEARING EXAMINER GLICK: Do you want to 3 respond? 4 MS. LOEHR: Well, he -- I think he opened the 5 door that, you know, commercial entities can raise 6 revenues. 7 THE WITNESS: For Large Commercial. 8 HEARING EXAMINER GLICK: Overruled. 9 So I think the question was with regard to 10 Small Commercial accounts. 11 THE WITNESS: Are competitive? 12 BY MS. LOEHR: 13 Q. If they are in a competitive industry, would 14 they have difficulty raising revenues? 15 A. Well, depends on what industry, it depends 16 what their business model is. 17 Q. But if they raise their prices too much they 18 are going to go out of business, aren't they? 19 A. Any business that is overpriced will go out of 20 business. 21 Q. And in rebuttal at 16, page 16, lines 16 22 through 18, you state: Mr. Reyes suggests further 23 increasing the Residential rate revenue by nearly 24 448,000. This would mean an overall increase of more 25 than 11 percent for an average Residential customer.</p>

<p style="text-align: right;">Page 38</p> <p>1 That's what you stated; right?</p> <p>2 A. Yes.</p> <p>3 Q. Was -- wasn't the Residential rate increase</p> <p>4 11.64 percent in 2011?</p> <p>5 A. That sounds correct, yes.</p> <p>6 Q. So it was okay in 2011 but it's not okay in</p> <p>7 2019; is that right?</p> <p>8 A. Well, in 2019 we are trying to get the class</p> <p>9 subsidies aligned and the interclass subsidies aligned,</p> <p>10 that's why we are going for a 6.66 percent on the</p> <p>11 Residential class.</p> <p>12 Q. It was your testimony earlier that with this</p> <p>13 increase you still have -- you still haven't corrected</p> <p>14 the subsidization.</p> <p>15 A. Yes, we are not swinging for the fences on</p> <p>16 our -- on this event, Advice Notice 69, we are trying</p> <p>17 the principles of gradualism trying to work our way to</p> <p>18 it.</p> <p>19 Q. Well, wouldn't imposing something similar to</p> <p>20 an 11 percent increase for Residential in 2019 help</p> <p>21 bring the Residential relative rate of return closer to</p> <p>22 1, which is one of your goals?</p> <p>23 A. No, our goals are to have cash to do patronage</p> <p>24 capital credits, replacement of ordinary plant, to have</p> <p>25 enough general funds cash to pay for some of those plant</p>	<p style="text-align: right;">Page 40</p> <p>1 raising rates on a population in an economically</p> <p>2 blighted area?</p> <p>3 MS. WIGGINS: Objection, your Honor.</p> <p>4 Irrelevant.</p> <p>5 HEARING EXAMINER GLICK: Overruled.</p> <p>6 A. What was the --</p> <p>7 BY MS. LOEHR:</p> <p>8 Q. Wasn't one of the concerns that you would be</p> <p>9 raising rates on a population in an economically</p> <p>10 blighted area?</p> <p>11 A. I believe that was the concern of one of the</p> <p>12 trustees in the economic area that raising rates -- but</p> <p>13 he also said not raising rates could also cause harm.</p> <p>14 Q. So on the vote to adopt the cost of service</p> <p>15 study, was it unanimous?</p> <p>16 A. No.</p> <p>17 Q. Who voted against or abstained?</p> <p>18 A. I believe trustee Don -- Dr. Don Wolberg was</p> <p>19 the one dissenting vote.</p> <p>20 Q. At the public comment session you also stated</p> <p>21 that the proposed change in rates do not compound the</p> <p>22 increase by the percentage year after year as in 2005 to</p> <p>23 2011. Now -- is that correct?</p> <p>24 A. No, I said when we set the rates we set them</p> <p>25 for -- till we file another Advice Notice. I was</p>
<p style="text-align: right;">Page 39</p> <p>1 investments.</p> <p>2 Q. We will get to it in a bit, but do you recall</p> <p>3 in the public comment meeting, didn't you state that you</p> <p>4 would try to -- have a goal of having a relative rate of</p> <p>5 return of 1 for the classes? Isn't that a goal?</p> <p>6 A. No. I said that's the ideal situation, which</p> <p>7 we would like to have, everyone having a rate of return</p> <p>8 of -- a relative rate of return of 1. But we will never</p> <p>9 get there, we just strive to get there.</p> <p>10 Q. In -- in the public hearing of June 3rd, you</p> <p>11 stated that the board adopted a resolution on the cost</p> <p>12 of service study on August 22nd, 2018; is that right?</p> <p>13 A. Yes.</p> <p>14 Q. And were you at that board meeting?</p> <p>15 A. Yes, I was.</p> <p>16 Q. Who else was there?</p> <p>17 A. The board of trustees, staff, Socorro Electric</p> <p>18 staff, members of Socorro Electric.</p> <p>19 Q. Isn't it true that in the suggestion about the</p> <p>20 cost of service study that there were some concerns</p> <p>21 about the rate increase?</p> <p>22 A. Yeah. When you have a board made up of</p> <p>23 members they are there to represent all the members and</p> <p>24 there was some discussion about the rate increase.</p> <p>25 Q. Was one of the concerns that you would be</p>	<p style="text-align: right;">Page 41</p> <p>1 comparing us to the city utilities where they increase</p> <p>2 every year by the same percentage. So I was trying to</p> <p>3 say that once we get that rate increase that's set until</p> <p>4 the next Advice Notice is filed.</p> <p>5 Q. So the proposed changes, percentage changes</p> <p>6 are based on the existing rate, which is based on</p> <p>7 previous -- incorporates previous increases; is that</p> <p>8 correct?</p> <p>9 A. State that again, the --</p> <p>10 Q. The proposed changes have been characterized</p> <p>11 in terms of an increase in existing rates; correct?</p> <p>12 A. So the cost of service study looks at what the</p> <p>13 existing rates are doing and how they are generating</p> <p>14 revenue through either a variable charge, like energy,</p> <p>15 or through the fixed charge to require those costs, and</p> <p>16 then you see erosion in those fixed costs, and so you</p> <p>17 look at the cost of service study to see where your</p> <p>18 rates should be set.</p> <p>19 Q. And the changes incorporate the -- what rates</p> <p>20 were -- I mean, the increase that previously occurred?</p> <p>21 A. Yeah. What the previous rate was providing,</p> <p>22 and then what we need to do to get above that rate.</p> <p>23 Q. At the public comment session you also stated</p> <p>24 we see reducing meters, and almost in the same breath</p> <p>25 you stated -- well, do you recall making that statement</p>

<p style="text-align: right;">Page 42</p> <p>1 that you are seeing reducing meters? 2 A. I believe that was part of my presentation, 3 yes. 4 Q. And you stated that you've increased the total 5 utility plant 78 percent since 2005. 6 A. Yes. 7 Q. Did you make that statement? 8 A. Yes, I did. 9 Q. So you have increased the utility plant even 10 though you've seen reducing meters. 11 A. Well, those are ordinary replacements, those 12 are to maintain the reliability. So I wouldn't say it 13 was increasing plant in every year, we were doing 14 replacement of poles that were 50 years old, or adding a 15 substation that had a 180-mile feeder to reduce the 16 line. 17 Q. But it's true that you've increased the plant 18 78 percent since 2005? 19 A. Yes. 20 Q. At the public comment meeting you also stated 21 that the revenue deficiency by the Residential class 22 of -- sorry. 23 The cost of service study found out that the 24 revenue, there was revenue deficiency by the Residential 25 class of 20 percent, where in the Large Commercial they</p>	<p style="text-align: right;">Page 44</p> <p>1 Q. So you believe SEC has intervened in Tri-State 2 proceedings? 3 A. Yes, they have. 4 Q. Do you recall the -- the cases, the case 5 numbers or what cases? 6 A. I believe it was Advice Notice 15. Tri-State 7 Advice Notice. 8 Q. So if they were going to ask for a rate 9 increase, they would have had a rate request; correct? 10 A. Yes. 11 Q. And as a result, a proceeding would have been 12 open in which SEC would have intervened; correct? 13 A. We did intervene. 14 Q. I haven't seen any pleadings filed by SEC in 15 Tri-State pleadings. 16 MS. WIGGINS: Objection, your Honor. That's 17 testimony by counsel and assumes facts not in evidence. 18 HEARING EXAMINER GLICK: Sustained. 19 And Commissioner Steve Fischmann has just 20 joined us. 21 MS. LOEHR: Good morning. 22 Q. Also at the public comment meeting you said 23 that SEC didn't make the 1.1 -- let's see. Let me get 24 this right. 25 You referred to the time interest earn ratio</p>
<p style="text-align: right;">Page 43</p> <p>1 were overproducing by 19 percent; is that correct? 2 Do you recall that? 3 A. Yes, I do. On the relative rate of return, 4 yes. 5 Q. But the -- you're raising the rates of the 6 Large Commercial even though they are already 7 overproducing by 19 percent; right? 8 A. Well, yes. We raised the rates on all 9 classes. 10 Q. And you, at your presentation at the public 11 comment meeting, you also stated that you had intervened 12 in Tri-State rate proceedings; is that correct? That 13 SEC had intervened. 14 HEARING EXAMINER GLICK: Five minutes. 15 A. SEC had intervened in the Tri-State. 16 MS. LOEHR: I'm sorry? 17 HEARING EXAMINER GLICK: You have five 18 minutes. 19 MS. LOEHR: Could I have a little bit if I go 20 over in light that you asked a few questions? 21 HEARING EXAMINER GLICK: I paused it for 22 those. 23 MS. LOEHR: Okay, thank you. 24 A. That's correct. 25 BY MS. LOEHR:</p>	<p style="text-align: right;">Page 45</p> <p>1 as having a minimum of 1.1; correct? 2 A. That would be the operating time -- operating 3 TIER. 4 Q. So perhaps you misspoke. 5 A. Perhaps. 6 Q. And going back to your testimony earlier that 7 you believed you stated at the public comments hearing 8 that you were trying to get close to a rate of return of 9 1, were you talking about relative rate of return or 10 rate of return? 11 A. Relative rate of return. I say it's ideal if 12 you can get there, but I add that we will never get any 13 rate class to that. 14 Q. And what classes are close to the relative 15 rate of return? 16 A. Well, if you look on the table in my 17 supplemental testimony, on page -- I mean my rebuttal 18 testimony, sorry. 19 Q. It's rebuttal page 11. 20 A. There is the relative rate of return for 21 existing in the proposal in line 11 through -- or 12 and 22 13. 23 Q. So it's only Residential that's even close to 24 a relative rate of return of 1; correct? 25 A. Of 1?</p>

<p style="text-align: right;">Page 46</p> <p>1 Q. Is that what you are trying to meet? Relative 2 rate of return of 1? 3 A. No, I said in the public comments our goal is 4 to get a relative rate of 1. I said if you look at 5 this, and I believe you asked, which ones are at a rate 6 of return or close to the relative rate of return of 1. 7 This table is showing what the rate of returns are. 8 Q. Which ones are close to 1? 9 A. Well, you see Residential has an existing 10 negative .267. Small Commercial is 1.4. Large 11 Commercial is 6. Irrigation is negative 2.462. Load 12 Management, 6.6. Lights is negative 1.28. And the 13 proposal you have Residential at .11, and Small 14 Commercial at 1.295. So that's close. That's close 15 enough. 16 But Large Commercial 4.498, and our Irrigation 17 is again negative 1.335. Load Management goes down a 18 little bit, 5.084, and Lights are positive 0.275. 19 HEARING EXAMINER GLICK: And that's your time. 20 MS. LOEHR: Thank you. 21 HEARING EXAMINER GLICK: Ms. Winter or Mr. 22 Herrmann? 23 And Ms. Winter, just to let you know, I will 24 be taking a morning break sometime probably 20, 30 25 minutes.</p>	<p style="text-align: right;">Page 48</p> <p>1 initials? Are those your initials JMH down at the 2 bottom? 3 A. Yes. 4 Q. Okay. And you, as CEO and general manager, 5 would cause it to be filed with the Commission; is that 6 correct? 7 A. That is correct. 8 Q. All right. And that is your name that also 9 appears on page 3 of 28 on SEC Exhibit 10? 10 A. Yes. 11 Q. Okay. There is a few numbers in there I want 12 to clarify. Can I get you to take your time and 13 calculate for me the average annual bill per customer? 14 It now indicates 1.93. My calculation indicates that 15 should be \$1,931.12. Can I get you to confirm that for 16 me? 17 A. Can I get a calculator? Can I get my phone? 18 Q. Sure, sure, sure. 19 A. You want me to calculate the -- 20 Q. The average annual bill per customer. 21 A. Average annual bill per customer. 22 HEARING EXAMINER GLICK: Monthly or annual? 23 MS. WINTER: It says annual on the line item. 24 Average annual bill per customer. It's marked 2, and it 25 currently states 1.93.</p>
<p style="text-align: right;">Page 47</p> <p>1 MS. WINTER: Okay, no problem. I might be 2 done by then. 3 CROSS EXAMINATION 4 5 BY MS. WINTER: 6 Q. Good morning, Mr. Herrera. 7 A. Good morning. 8 Q. My name is Nann Winter, with Stelzner Winter. 9 Could I get you to turn your attention to page 10 7 of your rebuttal? And on page 7, line 10, you 11 reference SEC's 2017 annual report to the PRC; correct? 12 A. That is correct. 13 Q. Okay. You actually attach the 2017 annual 14 report as SEC Exhibit 10 to your testimony; correct? 15 A. Correct. 16 Q. Okay. Can I get you to turn your attention to 17 SEC 10, and in particular we will start with page 1. 18 Tell me when you are there. 19 A. I'm there. 20 Q. All right. So as general manager and CEO it 21 would be within your job description to cause this 22 report to be generated; is that correct? 23 A. That is correct. 24 Q. Okay. And that's indicated by your initials 25 on page 1 of 28, after enclosures. Do you see your</p>	<p style="text-align: right;">Page 49</p> <p>1 HEARING EXAMINER GLICK: I see. 2 THE WITNESS: Okay. 3 BY MS. WINTER: 4 Q. Can you confirm what the average annual 5 customer bill would be -- what properly belongs in that 6 Total column? 7 A. What property? 8 Q. Properly. 1,931 is what I'm calculating. 9 A. Yeah, because it's by the thousands. 10 Q. 1,931.12 should go in that box; correct? 11 A. Annually, yes. 12 Q. All right. I also need you to -- there is 0s 13 indicated for average gross revenue per kWh sold. Could 14 I get you to populate that box under Total as well? 15 I calculate .141, but I will let you do the 16 math. 17 A. Okay. 1.14? 18 Q. Point -- dot 141 is what I calculated; is that 19 the correct number for that? 20 A. Correct. 21 Q. Oh, thank you so much. 22 Now, as manager and CEO, you would cause the 23 generation of all the annual reports for SEC since you 24 have been there; correct? 25 A. Correct.</p>

<p style="text-align: right;">Page 50</p> <p>1 Q. And you would cause them to be filed with the 2 PRC? 3 A. Yes. 4 Q. Okay. And the 2017 is the only one in this. 5 At this time, Madam Examiner, I would like to 6 request that you take administrative notice of the 7 annual reports for 2013 through 2016, and the annual 8 report for 2018. 9 HEARING EXAMINER GLICK: Is there any 10 objection? 11 MS. WIGGINS: Your Honor, yes. I believe 12 that's irrelevant. And I believe that without redirect 13 examination it's at this point impossible to know the 14 relevance. 15 MS. WINTER: Madam Examiner, Mr. Herrera has 16 testified repeatedly that the number of customers has 17 gone down, plant has gone up, revenues have gone down. 18 And a simple comparison of the annual reports filed from 19 2013 to '18 demonstrates that none of those statements 20 are correct. 21 HEARING EXAMINER GLICK: Overruled. 22 So I will take administrative notice of those 23 annual reports. 2013 to 2016 and 2018. 24 MS. WINTER: And for the record, I believe it 25 is Mr. Herrera's direct testimony, page 5, that he</p>	<p style="text-align: right;">Page 52</p> <p>1 audited statements now been posted to the SEC website? 2 A. I believe I asked for them to be posted -- 3 Q. All right. 4 A. -- back in May. 5 Q. And what we are talking about, to be crystal 6 clear, is the independent auditor's report submitted by 7 Bolinger, Segars, Gilbert & Moss out of Lubbock, Texas? 8 A. Yes. 9 Q. That has now been posted to the SEC website 10 since May? 11 A. Yes. 12 MS. WINTER: Madam Examiner, I would also ask 13 that you take administrative notice of the audited 2018 14 and 2017 independent auditor's report now posted on 15 SEC's website. 16 HEARING EXAMINER GLICK: For what year is 17 that? 18 MS. WINTER: It's only one document but it's 19 titled Financial Statements With Accompanying 20 Information for the Years Ended December 31, 2018 and 21 2017. 22 HEARING EXAMINER GLICK: Any objection? 23 MS. WIGGINS: Objection. There is no stated 24 purpose for the need for administrative notice to be 25 taken on those documents.</p>
<p style="text-align: right;">Page 51</p> <p>1 testified if you look at all the customer counts for the 2 last six years, which is exactly what I did. 3 HEARING EXAMINER GLICK: And is that the only 4 purpose you are seeking to take administrative notice of 5 those annual reports? 6 MS. WINTER: Well, there is all kind of data 7 in here that he has testified in terms of customer 8 counts, revenues, and annual bills, and when you compare 9 those statements, I mean, this is a briefing issue on 10 multiple levels in terms of correcting assertions by Mr. 11 Herrera on the record. 12 HEARING EXAMINER GLICK: Okay. 13 BY MS. WINTER: 14 Q. Now, Mr. Herrera, as CEO and general manager 15 you would also cause the audit of the financial 16 statements of Socorro Electric Cooperative, would you 17 not? 18 A. The board of trustees do. 19 Q. Okay. So as the general manager, though, you 20 would certainly direct that an independent auditor's 21 report be filed and posted to the SEC website? 22 A. Yes. 23 Q. Okay. And you have mentioned 2018 unaudited 24 financial statements multiple times in your testimony, 25 and again here today, this morning. In fact have the</p>	<p style="text-align: right;">Page 53</p> <p>1 HEARING EXAMINER GLICK: Ms. Winter? 2 MS. WINTER: Madam Examiner, again, Mr. 3 Herrera has made multiple statements regarding what the 4 net margins are for 2018 and 2017, and has usually 5 prefaced that with unaudited. There are now audited 6 numbers as reflected in the published document located 7 on SEC's website for the last two months. 8 And the net margins are clearly reflected and 9 they are now audited. So it would just be clarifying 10 the net margins as determined by SEC's own independent 11 auditor. 12 HEARING EXAMINER GLICK: Do you have copies of 13 that? 14 MS. WINTER: I do. 15 HEARING EXAMINER GLICK: Okay. Overruled. 16 BY MS. WINTER: 17 Q. Mr. Herrera, as the general manager and CEO 18 you would also be responsible for causing the creation 19 of various rates filed by SEC cooperative? 20 A. The board directs me to get those filed, yes. 21 Q. And you are tasked then with developing them 22 and posting them to the -- your website and to the PRC 23 website; is that correct? 24 A. To get them filed, yes. 25 Q. And that would be would be true with respect</p>

<p style="text-align: right;">Page 54</p> <p>1 to the private area of lighting service rate 4, and 2 the -- hold on here -- and the street and interstate 3 freeway lighting service rate 5; is that correct? 4 A. That's correct. 5 MS. WINTER: At this time I would ask Madam 6 Examiner that you take administrative notice of SEC 7 rates 4 and 5. 8 HEARING EXAMINER GLICK: Ms. Wiggins? 9 MS. WIGGINS: Again, no stated purpose at this 10 time, we would object. Subject to understanding the 11 purpose of the administrative notice that's requested to 12 be taken. 13 HEARING EXAMINER GLICK: Well, I think they 14 are -- you are talking about the existing rates? 15 MS. WINTER: Correct. 16 HEARING EXAMINER GLICK: I think they are part 17 of the cost of service study. 18 MS. WINTER: Okay. 19 HEARING EXAMINER GLICK: So I don't think it's 20 necessary to take administrative notice. 21 Yes, they are. 22 MS. WINTER: Okay, perfect. 23 Q. Mr. Herrera, it's also true you would also 24 cause to be posted and created all rules of Socorro 25 Electric Cooperative; is that correct?</p>	<p style="text-align: right;">Page 56</p> <p>1 A. Yes, I do. 2 Q. Okay. And you indicated your answer was: We 3 intervened in those cases. Do you recall that answer? 4 A. Yes, I do. 5 Q. All right. You did not protest, SEC never 6 protested any of the last three Tri-State rate 7 increases; is that a correct statement? 8 A. We filed an intervene -- intervenor -- to be 9 an intervenor in the last rate increase. Well, not the 10 last rate increase, the last protest that drew the 11 number of protests to -- so we are intervenors. 12 Q. You intervened and you do understand there is 13 a difference between an intervention and a protest; 14 right? 15 A. Yes. 16 Q. In fact, Continental Divide protested. 17 MS. WIGGINS: Objection, irrelevant. 18 BY MS. WINTER: 19 Q. Are you aware that Continental Divide 20 protested? 21 MS. WIGGINS: There is an objection. 22 HEARING EXAMINER GLICK: Your response? 23 MS. WINTER: He testified they were active in 24 opposing Tri-State's rates, and I'm just nailing that 25 down.</p>
<p style="text-align: right;">Page 55</p> <p>1 A. At the direction of the board. 2 Q. Okay. 3 A. Tasked to do. 4 Q. And you would have caused the posting of line 5 extension rule, which would be rule No. 12? 6 A. No, I didn't. 7 Q. Pardon? 8 A. That rule has been there since 1988. 9 MS. WINTER: Okay. And Madam Examiner, I 10 would ask you to take administrative notice of line 11 extension rule No. 12, SEC. 12 HEARING EXAMINER GLICK: Ms. Wiggins. 13 MS. WIGGINS: Same objection. 14 HEARING EXAMINER GLICK: That one I'm not sure 15 it's in the cost of service study but I'm overruling 16 that. I think it's relevant to SEC's testimony that it 17 charges the installation, lighting installation based on 18 its line extension policy. 19 MS. WINTER: Thank you. 20 Q. Mr. Herrera, I just wanted to clarify 21 something you mentioned in your public comment in 22 earlier -- on June 3rd of this month. And one of the 23 respondents asked whether or not you intervened or 24 protested any Tri-State rates. 25 Do you recall that question and your answer?</p>	<p style="text-align: right;">Page 57</p> <p>1 HEARING EXAMINER GLICK: Overruled. 2 BY MS. WINTER: 3 Q. You do understand that Continental Divide 4 protested the rate? 5 A. I understand Kit Carson, Jemez, Continental 6 Divide and Springer protested, and all the other New 7 Mexico co-ops that didn't protest intervened. SEC being 8 an intervening. 9 Q. Okay. And there is a difference in your mind 10 between being a protestor and intervening? 11 A. Yes. 12 Q. Thank you. I went back and looked at the 2012 13 docket for the Tri-State increase and I didn't see any 14 documents entered at all by Socorro Electric 15 Cooperative. I saw another intervention, but no protest 16 in the 2012 Tri-State increase. 17 MS. WIGGINS: Objection to the extent counsel 18 is testifying. 19 HEARING EXAMINER GLICK: Sustained. 20 Could you restate your question? 21 BY MS. WINTER: 22 Q. Mr. Herrera, you did not file a protest in the 23 Tri-State 2012 proceeding either, did you? 24 A. Socorro Electric did not file a protest. 25 Q. Okay. And there was a Tri-State filing in</p>

<p style="text-align: right;">Page 58</p> <p>1 2017, Socorro Electric did not file a protest in that 2 Tri-State proceeding either, did it? 3 A. That's correct. 4 Q. Thank you. Mr. Herrera, can I take you to 5 page 5 of your rebuttal testimony. 6 Tell me when you are there and I will get you 7 to the line. 8 A. Okay. 9 Q. Lines 4 through 6, you state there that you 10 believe it's SEC's position that the city attacks seek 11 to weaken SEC because SEC is a major obstacle to the 12 city's goal of forming its own municipal utility. 13 Do you see that testimony there? 14 A. Yes, I do. 15 Q. You do realize, Mr. Herrera, that every time 16 Tri-State raises its rates it makes the city's 17 municipalization effort easier; right? 18 MS. WIGGINS: Objection. Calls for 19 speculation. Inappropriate question. 20 MS. WINTER: It's his question. He is saying 21 it's harder, and I'm saying it's easier, and I am just 22 testing whether he understands that every time he raises 23 rates it actually makes municipalization easier. 24 HEARING EXAMINER GLICK: Overruled. 25 If you know the answer.</p>	<p style="text-align: right;">Page 60</p> <p>1 MS. WIGGINS: No. No objection. 2 HEARING EXAMINER GLICK: Okay. So the 3 sentence beginning at line 3 of page 5 and ending on 4 line 6 is stricken. 5 MS. WINTER: That's all I have. Thank you so 6 much. 7 HEARING EXAMINER GLICK: Let's go ahead and 8 take a break now, and come back at 10:40. 9 We are off the record. 10 (Break taken.) 11 HEARING EXAMINER GLICK: Let's go back on the 12 record. 13 Mr. Steinnerd, you are up and you have an 14 hour. 15 MR. STEINNERD: Thank you, Madam Examiner. 16 CROSS EXAMINATION 17 18 BY MR. STEINNERD: 19 Q. I'd like to begin with just a few questions 20 concerning Large Commercial rates, and my first question 21 is: I would like you to -- and I would like to 22 introduce and ask you a question on my -- on the SEC's 23 interrogatories. 24 So I would like to submit that as evidence so 25 I can ask him to read some of the answers.</p>
<p style="text-align: right;">Page 59</p> <p>1 A. Well, the question is, do I understand that 2 every time Socorro Electric raises rates -- 3 BY MS. WINTER: 4 Q. I started with Tri-State. 5 You realize every time Tri-State raises rates 6 it makes municipalization attempts easier? 7 A. Well, it's -- it all depends. 8 Q. And likewise, when SEC raises its rates it 9 also makes municipalization easier; right? 10 MS. WIGGINS: Objection, your Honor. This was 11 subject to the hearing examiner's ruling on the city's 12 effort to create its own municipal utility. I think it 13 goes to that evidence. I don't think it's legitimate in 14 light of prior order by the hearing examiner. 15 MS. WINTER: And I'm okay with that if we 16 strike lines 4 through 6 on page 5. 17 MS. WIGGINS: Of rebuttal? 18 MS. WINTER: Correct. 19 MS. WIGGINS: I don't see that on my -- on my 20 rebuttal at page 5. Do I have the citation correct, 21 Counsel? 22 MS. WINTER: Page 5, lines 4 through 6. 23 MS. WIGGINS: Thank you. 24 HEARING EXAMINER GLICK: Do you object to 25 striking that?</p>	<p style="text-align: right;">Page 61</p> <p>1 HEARING EXAMINER GLICK: Okay. So what -- you 2 can approach him, and did you bring copies of that? 3 MR. STEINNERD: I brought copies for the 4 examiner, six copies, along with six copies of my 5 exhibit. But this is six copies of the interrogatories. 6 HEARING EXAMINER GLICK: Okay. So go ahead 7 and show -- give the witness a copy and then distribute 8 the remaining copies to myself, the court reporter, and 9 then the parties. 10 Thank you. 11 MR. STEINNERD: Two or more? That's good? 12 Both parties? The -- both the parties also need a copy? 13 MS. WIGGINS: Yes, thank you. 14 MR. STEINNERD: You are welcome. 15 Anyone else? 16 MR. BORMAN: Yes, please. 17 BY MR. STEINNERD: 18 Q. Mr. Herrera, if you would, please, could you 19 please refer to my question 1.6 on SEC's responses to my 20 interrogatories originally submitted on April 13, 2019 21 and read SEC's response for question 1.6? 22 A. There are 172 consumers in Large Commercial 23 rate class. The rate class proposed Large Commercial 24 rate result in a 2.66 percent increase. Of the 172 25 consumers in the class, approximately 35 consumers'</p>

<p style="text-align: right;">Page 62</p> <p>1 total annual bill will decrease due to the change in the 2 rate structure. 3 Q. Thank you. Do you concur that this calculates 4 to 20 percent of the Large Commercial consumers that 5 will not see an increase with proposed rates? 6 A. Looks approximately to be a fifth of the 7 class. 8 Q. Thank you. Also now, calling your attention 9 to page 264 of the costs. 10 I have copies, I'm not sure -- if necessary. 11 HEARING EXAMINER GLICK: Do you have the cost 12 of service study? 13 THE WITNESS: I do. 14 HEARING EXAMINER GLICK: I think I said in my 15 order that everybody should have a copy available to 16 them. What page? 17 MR. STEINNERD: 264. 18 Q. I'll just continue, you may not need to even 19 go there. Calling your attention to page 264 of the 20 cost. 21 MS. WIGGINS: Objection. If the witness could 22 get to the page before the question is posed we would 23 certainly appreciate it. 24 MR. STEINNERD: Very well. 25 HEARING EXAMINER GLICK: Sustained.</p>	<p style="text-align: right;">Page 64</p> <p>1 percentage was given to them of 20 percent. 2 Q. Did they know of the 35 out of 172 consumers 3 would likely see a decrease? 4 A. I don't recall what they were. That was back 5 in August of 2018. 6 MR. STEINNERD: Okay. I'd like to now 7 introduce an Exhibit 8 that I will have some questions 8 on. 9 HEARING EXAMINER GLICK: Okay. And give the 10 witness a copy and then distribute copies. 11 MR. STEINNERD: May I approach? 12 HEARING EXAMINER GLICK: Yes. 13 Here you go. We just need one. 14 BY MR. STEINNERD: 15 Q. I'd like you to please refer to my Exhibit 8, 16 for showing the total revenue from existing and proposed 17 rates and also referred to cost pages 190 and 191. 18 A. Looking at the adjusted test year ending in 19 12/31, or December cost of service allocation revenue? 20 Q. The proposed revenues, correct. 21 A. Okay. 22 Q. Would you please look at the classes for both 23 the existing and proposed, the bottom total revenues and 24 confirm that my numbers on my exhibit are correct, that 25 the total revenue numbers on pages 190 and 191 --</p>
<p style="text-align: right;">Page 63</p> <p>1 Let us know when you are there, Mr. Herrera. 2 A. Comparison of Existing and Proposed Rates? 3 BY MR. STEINNERD: 4 Q. Yes. 5 A. Residential? 6 Q. My question is, do you concur the increase for 7 an average Residential consumer at the bottom of the 8 page, 494 kilowatt hours per month will be 5.76 percent? 9 Is that correct? 10 A. That's correct. 11 Q. Was -- was the board aware that 20 percent of 12 the Large Commercial consumers would be seeing a rate 13 decrease at the time they finalized the proposed rate 14 design for filing with the PRC? 15 A. The board had a presentation of the cost of 16 service study and they walked through there. At that 17 time they were talking about the load factors, depending 18 on their load factor consumers this would help out both 19 the poor and the high load factor consumer, get them 20 relatively reducing interclass rate subsidies. 21 Q. But specifically were they aware that 22 approximately 20 percent of the large class, commercial 23 class consumers would actually see a decrease with the 24 proposed rates? 25 A. I don't recall the exact -- if the exact</p>	<p style="text-align: right;">Page 65</p> <p>1 A. On your Exhibit 8, what lines are you 2 referring to on page 190 and 191? 3 Q. On page 190 it's the Total Revenue line, it's 4 the second line from the bottom, right above the 5 percents. 6 Let me make sure I don't have some confusion. 7 I know there were several different versions of the cost 8 of service study and I want to make sure I've got -- 9 this is -- page 190 should be Socorro Electric 10 Cooperative Existing Rates Adjusted Test Year Ending 11 December 31, 2017. 12 Is that the header on the top of page 190? 13 A. Yes. 14 Q. The second line from the bottom are the total 15 revenues. 16 A. And you wanted me to verify the total 17 revenues? 18 Q. I want you to verify that I have the correct 19 total revenues added, especially for Residential. For 20 both existing rates and proposed rates. 21 A. For Residential, yes. 22 Q. Okay. When you do the math and you do the -- 23 if you would calculate the change in revenue and do the 24 math, could you please confirm if my 7.15 calculation is 25 correct.</p>

<p style="text-align: right;">Page 66</p> <p>1 Again, we are just talking for Residential. 2 A. Right. 3 HEARING EXAMINER GLICK: Do you need a 4 calculator? 5 THE WITNESS: Yeah, I'm going to need to -- 6 A. You want me to verify the percentage -- 7 BY MR. STEINNERD: 8 Q. Yes, please. 9 A. -- or the dollar? 10 Q. Yes, please. 11 A. Yes. 12 Q. Thank you. 13 A. 7.15. 14 Q. Can we now refer to the cost schedule in 1.0 15 Summary of Rate Changes of your December 3rd, Advice 16 Notice 69. I believe it's on page 51. 17 A. Of the cost of service study. 18 Q. Pardon me? 19 A. Of the cost of service study. 20 Q. It was only the Advice Notice 69. It is the 21 same thing that's in the cost of service study schedule 22 and 1.0. You should be able to find it either place. 23 HEARING EXAMINER GLICK: Where is it in the 24 cost of service? 25 MR. STEINNERD: It's in the Advice Notice 69</p>	<p style="text-align: right;">Page 68</p> <p>1 HEARING EXAMINER GLICK: Could you restate 2 your question? 3 BY MR. STEINNERD: 4 Q. Referring to cost of service study page 249, 5 could you please confirm that the percentage change for 6 the Residential rate and the rate increase is at 6.6 7 percent? 8 A. Yes. 9 Q. Could you explain why this is different than 10 the data when derived from total revenues from page 190 11 and 191 is 7.15 percent for Residential, whereas this is 12 6.66 percent? 13 A. The way we are taking the -- comparing the 14 existing rate revenue to the proposed rate revenue. 15 Q. Maybe stating the question differently, can 16 you state which one is correct? 17 A. They are both correct. They are stating -- 18 they are looking at the existing -- looking at the -- 19 let me get to 190 first. 20 You are asking which percentage is correct, 21 your exhibit or the -- 22 Q. Yes. If you are unsure at this point in time 23 I will be happy to hear that SEC will look into this 24 again, and try to resolve the question later. 25 Subsequent to today.</p>
<p style="text-align: right;">Page 67</p> <p>1 on page 51. I'm not sure what page in the cost service 2 study. 3 HEARING EXAMINER GLICK: So my -- my Advice 4 Notice 69 doesn't have page numbers that go up that 5 high. The whole thing isn't paginated. 6 MR. STEINNERD: Okay. Let's see if I can 7 refer to it elsewhere. 8 HEARING EXAMINER GLICK: What -- 9 MR. STEINNERD: What I want to state is 10 previous publications and notices for rate increases 11 have all shown that the percent for the Residential rate 12 increase of 6.66 percent, which is in conflict with the 13 7.15 percent we just calculated. 14 THE WITNESS: Okay. 15 HEARING EXAMINER GLICK: Well, I think we need 16 that piece of -- what is the subject of that -- I have 17 Advice Notice 69, if you want to look through it and 18 tell us what it is you are looking at. 19 MR. STEINNERD: Okay. This is it. I'm 20 referring to that calculated rate increase. 21 HEARING EXAMINER GLICK: Okay. This is if you 22 have the cost of service study, Mr. Herrera, this is 23 schedule N-1.0, which is page 249, I think. 24 Yes, page 249. 25 THE WITNESS: Yes.</p>	<p style="text-align: right;">Page 69</p> <p>1 A. Yeah. I mean, I think this is probably more 2 appropriate for the cost of service expert, our expert. 3 Q. Okay. 4 HEARING EXAMINER GLICK: So you didn't reserve 5 any time for Mr. Proctor, but I will allow you to ask 6 him this question when he testifies. 7 MR. STEINNERD: Okay. Very well, thank you. 8 Q. Let me just ask this question, then: Did SEC 9 personnel check the consultant's cost of service study 10 for accuracy? 11 A. We checked and verified our data that we 12 provided to the cost of service consultant and -- that 13 our data we were providing was accurate and current. 14 Q. Specifically did someone on your staff or you 15 look at the final product received from the consultant 16 and review it for accuracy? 17 A. Well, we reviewed it for completeness. I 18 mean, you are looking at -- when you say "accuracy," 19 yes, I mean, it's what we -- based on the financial 20 data, the RFIs that we responded to for the rate 21 consultant, we provided it. 22 Q. Okay. 23 A. All those data requests were accurate. 24 Q. For the personnel that did that, do you have 25 an idea how long that job took to review it?</p>

<p style="text-align: right;">Page 70</p> <p>1 A. Oh, weeks.</p> <p>2 Q. But specifically to double check accuracy of</p> <p>3 numbers. Was that type of work done?</p> <p>4 A. Yes.</p> <p>5 Q. Okay, thank you.</p> <p>6 Next I have some questions concerning the</p> <p>7 social need for Residential class subsidies.</p> <p>8 Mr. Herrera, do you concur that many electric</p> <p>9 co-ops were created by the New Deal to bring electric</p> <p>10 power to rural areas because investor-owned utilities</p> <p>11 were reluctant to provide service, due to insufficient</p> <p>12 revenue to justify the required capital expenditures?</p> <p>13 A. Can you point to that in my testimony?</p> <p>14 Q. This is not in your testimony, this is just a</p> <p>15 general knowledge question on your expertise in the</p> <p>16 cooperative businesses.</p> <p>17 A. Well, I would stay the rural electric co-ops</p> <p>18 work to serve the rural areas where the lower density</p> <p>19 and, you know, investor owned does not make a profit for</p> <p>20 the shareholders. I would say that it was the New Deal</p> <p>21 where REA was developed to develop the rural</p> <p>22 electrification of rural America.</p> <p>23 Q. So it was rural communities were slow in</p> <p>24 getting power, let me see if you would agree with this</p> <p>25 statement, because the economics were tough for private</p>	<p style="text-align: right;">Page 72</p> <p>1 Q. Okay. Why is it necessary, then, to continue</p> <p>2 to strive to reduce those subsidies?</p> <p>3 A. Well, when you operate on fixed costs, we</p> <p>4 are -- every class has a causation on its class and to</p> <p>5 get every class to cover its costs as we saw through the</p> <p>6 cost of service study and existing and the proposed</p> <p>7 rates don't get everyone to cover their -- the fixed</p> <p>8 costs that we have as a co-op.</p> <p>9 Q. You stated earlier this morning that SEC was</p> <p>10 striving but will never get there when referencing an</p> <p>11 RROR of 1.</p> <p>12 A. Yes.</p> <p>13 Q. Why do you expect they will never get there?</p> <p>14 A. As costs and expenses increase through time,</p> <p>15 you are deteriorating and you are -- as we see in the</p> <p>16 current rate, where it's not getting us covering the</p> <p>17 fixed costs that the co-op has to recover through its</p> <p>18 rates and when they are -- most of that fixed cost is</p> <p>19 recovered through the energy, which is variable.</p> <p>20 And depending on the seasons you could</p> <p>21 over-collect or under-collect, if you just look at the</p> <p>22 energy costs, and so as we work our way maybe in the</p> <p>23 future we will get there, but I'm just saying we are</p> <p>24 taking gradual steps to get us to there, and as things</p> <p>25 keep moving out we will have -- and you want to do</p>
<p style="text-align: right;">Page 71</p> <p>1 industry to achieve acceptable returns for invested</p> <p>2 money.</p> <p>3 A. I would say it was to provide power to all the</p> <p>4 people -- all the people living in rural America, not</p> <p>5 just for industry, but for --</p> <p>6 Q. I meant for industry to -- private industry</p> <p>7 providing power, as opposed to co-ops.</p> <p>8 You concur -- let me rephrase the question</p> <p>9 again a little bit.</p> <p>10 Do you concur that private-owned utility</p> <p>11 companies were reluctant to bring power to rural areas</p> <p>12 because of the economics associated with high cost to</p> <p>13 bring power to rural areas?</p> <p>14 A. I would say the private utilities didn't, so</p> <p>15 the rural cooperatives fulfilled that need.</p> <p>16 Q. Okay. Do you consider the proposed rates</p> <p>17 based on the RROR, the relative rate of return, results</p> <p>18 by class, reflect the subsidy for the Residential class?</p> <p>19 A. Do I agree that it --</p> <p>20 Q. That the rate of returns for the proposed</p> <p>21 rates do still reflect the subsidy for the Residential</p> <p>22 class?</p> <p>23 A. The proposed rates are doing -- we are trying</p> <p>24 to do a better job to get us eliminate the class</p> <p>25 subsidies and the interclass subsidies.</p>	<p style="text-align: right;">Page 73</p> <p>1 gradualism, you will have to impose large increases to a</p> <p>2 lot of the classes.</p> <p>3 So I think the board is trying to take small</p> <p>4 gradual steps and working on that.</p> <p>5 Q. You concur that the gradual steps in trying to</p> <p>6 reduce the subsidies, i.e., get the RROR nearer to a</p> <p>7 value of 1, is an objective of the Socorro rate design?</p> <p>8 A. Well, if you look at our previous two rate</p> <p>9 filings in 2006, 2005, it was 9 percent, then 2011 was</p> <p>10 6.9, 5 percent, and now we are looking at 4.8 percent.</p> <p>11 Since the last one in 2011. Advice Notice.</p> <p>12 Q. Do you concur the reason why the Residential</p> <p>13 class has such -- has higher cost is because of the low</p> <p>14 density number of consumers per mile of line in terms of</p> <p>15 the capital infrastructure necessary to bring power to</p> <p>16 them as well as to maintain the operating costs and</p> <p>17 maintenance due to the remoteness and ruralness of the</p> <p>18 Residential consumers?</p> <p>19 A. Well, we look to recover the base. Those are</p> <p>20 factors that are implemented to recovering our base</p> <p>21 costs to serve those remote rural Residential customers.</p> <p>22 Q. Okay.</p> <p>23 A. And all customers in that class.</p> <p>24 Q. Are the majority of the rural consumers in a</p> <p>25 Residential class?</p>

<p style="text-align: right;">Page 74</p> <p>1 A. Yes. The Residential class is made up of 2 10,000 members.</p> <p>3 Q. Correct. So is it correct in stating that 4 it's very -- the calculated RR -- excuse me, RROR, 5 relative rate of return, for Residential class will be 6 very difficult to get to a value of 1 due to the higher 7 cost for those remote rural consumers that are a part of 8 that class?</p> <p>9 A. Well, I would say it's -- if we continue the 10 process of small gradual increases, then we have to do 11 more frequent cost of service studies.</p> <p>12 Q. Is it correct that the goal, then, of the 13 co-op in this rate hike, as well as possibly future rate 14 hikes, is to gradually move to an ROR as opposed to -- 15 RROR -- excuse me -- RROR as close to 1 as possible?</p> <p>16 A. The financial goals of the cooperative are to 17 pay back patronage capital credits, do ordinary plant 18 replacement, and to -- and to have equity building up to 19 pay some of that plant, ordinary plant replacement. And 20 to have enough cash to -- to pay our expenses.</p> <p>21 Q. Do you concur, then, it's Socorro Electric 22 Cooperative's rate design goal is to try to eliminate 23 all subsidies to all classes?</p> <p>24 A. No, the design was to improve the revenue 25 requirements from all the classes that the co-op serves.</p>	<p style="text-align: right;">Page 76</p> <p>1 looking at this one we can see that the co-op is working 2 in that direction.</p> <p>3 Q. Okay. Let me move on to another state. 4 Please refer to page 197 in the cost of 5 service study. And particularly to account code 903 for 6 customer records for Large Commercial, Load Management.</p> <p>7 A. Okay, I'm there.</p> <p>8 Q. The total dollar amount allocated by cost for 9 that account for Load Management and Large Commercial, 10 do you agree that it's approximately \$12,130?</p> <p>11 A. I'm showing \$12,002.</p> <p>12 Q. Yes, for one. Combining Load Management and 13 Large Commercial.</p> <p>14 A. Oh, \$12,130.</p> <p>15 Q. Okay. Could you also -- let me just -- excuse 16 me. 17 How many employees would you say the co-op 18 could hire for a budget of \$12,130 to handle consumer 19 records? Would \$12,130 even pay for one employee, 20 full-time employee?</p> <p>21 A. No.</p> <p>22 Q. No, okay. Let's now refer to page 198 for the 23 customer services for Load Management expenses. And 24 Large Commercial.</p> <p>25 A. Which account number?</p>
<p style="text-align: right;">Page 75</p> <p>1 Q. Then why is the need to, quote, continue 2 gradually striving for an RROR of 1.0?</p> <p>3 A. Well, that's a metric to evaluate class 4 subsidies and to see where each class stands and to see 5 how we are performing. That's only one metric.</p> <p>6 Q. Is that one of the metrics you principally 7 rely on to determine whether a subsidy does or does not 8 exist between classes?</p> <p>9 A. Well, that's -- the rate of return is what a 10 class is producing per the return on the system, and so 11 it was a metric that we used to evaluate the entire 12 class service study. But not the only principal one.</p> <p>13 Q. Let me rephrase the question. 14 Do you concur that the RROR is an economic 15 parameter used to consider whether a class is getting a 16 subsidy?</p> <p>17 A. Yes. It shows what the subsidization between 18 the different classes is based on.</p> <p>19 Q. The gradualism in reducing them and trying to 20 get the Residential class closer to an RROR of the 21 system, which is 1.0, isn't that in conflict with the 22 historical demonstrated need that remote Residential 23 users need assistance? That is the subsidy.</p> <p>24 A. Well, not being involved with the historical 25 filings of the previous Advice Notice, I know that in</p>	<p style="text-align: right;">Page 77</p> <p>1 Q. I don't have the account number. Let me see. 2 Excuse me. It's in reference to customer services, the 3 total for Large Commercial and Load Management.</p> <p>4 HEARING EXAMINER GLICK: Is it customer 5 assistance?</p> <p>6 MR. STEINNERD: Yes, I'm sorry. I believe 7 that's correct. One moment.</p> <p>8 THE WITNESS: Yes.</p> <p>9 BY MR. STEINNERD: 10 Q. The total dollar amount being allocated to the 11 Large Commercial combined with Load Management is 12 \$1,865; is that correct?</p> <p>13 A. \$1,800?</p> <p>14 Q. And I think 65.</p> <p>15 A. Load Management and Large Commercial? I'm 16 showing \$9 for Load Management for customer assistance 17 and 1,546 for --</p> <p>18 Q. Excuse me. Let me take a moment and make sure 19 I'm on the same pages. Okay.</p> <p>20 I'm looking again at -- you are correct. On 21 the customer services for the total customer, Large 22 Commercial. And Load Management. The combined 23 allocated amount is \$1,855 for Large Commercial, and \$10 24 for Load Management; is that correct?</p> <p>25 A. Yes.</p>

<p style="text-align: right;">Page 78</p> <p>1 Q. Okay. Again, the question I have now is, 2 would \$1,865, a combination of the two, even pay for one 3 employee in customer services? 4 A. No. 5 Q. No, okay. Do you concur that sharing or 6 allocating costs as per the cost of service study 7 calculations methodology does not recognize class 8 benefits or subsidies due to the previous two examples 9 that show economies of scale when compared with a single 10 business? 11 MS. WIGGINS: Objection. Assumes facts not in 12 evidence. 13 HEARING EXAMINER GLICK: Are you talking about 14 the two examples? 15 MS. WIGGINS: The way the question is phrased, 16 yes. 17 HEARING EXAMINER GLICK: What are the two 18 examples you are talking about that -- 19 MR. STEINNERD: The two examples I was talking 20 about was just the two previous questions and answers. 21 HEARING EXAMINER GLICK: And what were the 22 questions again? 23 MR. STEINNERD: The question is -- 24 HEARING EXAMINER GLICK: No, the two previous 25 questions.</p>	<p style="text-align: right;">Page 80</p> <p>1 could probably do a better explanation than I can, but I 2 think we are just looking at the factors, how they would 3 be valued. 4 BY MR. STEINNERD: 5 Q. Let me come at this a different way, if I can. 6 Do you concur that the cost of service study 7 does not treat each class as a truly separate 8 stand-alone business? 9 A. The cost of service study is the measuring 10 tool to see how the -- the classes are performing 11 against the system and who is using more of the system. 12 So I mean, a business, a Residential -- 13 Q. Let me -- 14 HEARING EXAMINER GLICK: Let him finish. 15 MR. STEINNERD: Sorry. 16 A. Residential and light. Sorry, I'm not seeing 17 the connection. 18 BY MR. STEINNERD: 19 Q. Let me rephrase the question. 20 The cost of service study, do you agree, is 21 just a cost sharing methodology based on the principles 22 of cost causation? 23 A. Yes, it's a guide to give what the cost 24 causation is. 25 Q. So do you agree that it is a cost sharing and</p>
<p style="text-align: right;">Page 79</p> <p>1 MR. STEINNERD: The questions were just the -- 2 would either of those dollar amounts that were allocated 3 provide enough funds for a single employee. 4 HEARING EXAMINER GLICK: Okay. So repeat your 5 current question. 6 BY MR. STEINNERD: 7 Q. Do you concur that sharing or allocating costs 8 as per the cost calculations, this methodology -- that 9 this methodology does not recognize class benefits or 10 subsidies due to the previous two examples of the 11 economies of scale when compared with a large single 12 co-op? 13 A. I do not -- 14 MS. WIGGINS: Same objection. 15 First of all, there is no definition of what a 16 scale is, what "economies of scale" is. That assumes 17 evidence or a fact base that is simply not in the 18 record. 19 HEARING EXAMINER GLICK: Overruled. 20 Go ahead and answer the question. 21 A. I believe the examples we walked through are 22 the allocation factors for each of those classes. And 23 so the cost of service study is -- applies to who the 24 class is and just where the numbers fall out. I mean, 25 we have an accountant over there, an expert that they</p>	<p style="text-align: right;">Page 81</p> <p>1 not an independent analysis as if each class was a 2 separate cooperative business consisting only of the 3 consumer members within that class? 4 A. No, I do not agree. I mean, it's -- we don't 5 just separate one class and look at them discriminately, 6 we look at all the classes in the cost of service study. 7 Q. If -- do you agree the cost of service study 8 is a sharing of costs between classes? 9 A. I think the metric for determining who is 10 sharing those costs are these factors that we are 11 walking through. 12 Q. Let me phrase it differently. 13 If collectively the members in just the Large 14 Commercial and Load Management were to form their own 15 cooperative, their -- that economic analysis methodology 16 would be very different than the cost sharing 17 methodology used in the cost of service study. 18 A. I think it would -- you would see the totals, 19 and if they were their own cooperative, Load Management 20 and Large Commercial, then they would have to split 21 those costs, the total costs between both of them. 22 Q. Okay. Sharing costs, do you agree that 23 sharing costs is not the same type of economic analysis 24 as forecasting capital cost, operating expenses, for a 25 separate company, stand-alone company? It's a</p>

<p style="text-align: right;">Page 82</p> <p>1 completely different economic model; is that correct? 2 A. You say "sharing," I'm looking at cost 3 causation of who is creating that need for those costs. 4 I'm having a difficult time when you add sharing. 5 So we are not trying to share, we are trying 6 to figure out what the -- what fraction of services in 7 the uniform accounting do those services fall into so we 8 know what the customer service is or what the sales are. 9 So you say sharing it kind of -- 10 Q. Okay. You concur, then, that they are a cost 11 causation? 12 A. Yes. 13 Q. Analysis. 14 A. Yes. 15 Q. Do you concur if those two consumer classes 16 were a separate stand-alone company, that the cost for 17 these categories would be much higher because they don't 18 even support enough money, if that were their budget, 19 that they could hire a person for that amount? 20 A. As we stated, you can't hire an individual for 21 that amount. 22 Q. Okay. Do you concur, then, there are 23 unrecognized benefits in the cost of service study 24 because it is a cost causation methodology, that it does 25 not recognize such benefits that other classes are</p>	<p style="text-align: right;">Page 84</p> <p>1 those are the buckets that we have for the uniform 2 accounting system through RUS to account for each of 3 those items. 4 Q. Okay. Let me move on. 5 Do you concur that the costs utilizes numerous 6 input estimates in allocating costs? 7 A. Utilizes estimates? 8 Q. Numerous input estimates. 9 A. The test here was adjusted for known and 10 measurable and abnormalities, it was not estimated, it 11 was adjusted to reflect what a test year -- 12 Q. Let me go back then. Let's just pick one 13 specific allocation factor calculation. 14 The derivation for the allocation factor for 15 the transformers is using a minimum kVA estimate, is it 16 not, for the minimum kVA for Residential consumers? 17 A. Yes. Because some of that data was not 18 captured in our billing system, so we had to make some 19 assumptions. 20 Q. So do you concur that some of the data used as 21 input for the cost calculations consists of assumptions 22 or estimates? 23 A. For the kVA for Residential consumers. 24 Q. Okay. And possibly other factors. 25 A. Well --</p>
<p style="text-align: right;">Page 83</p> <p>1 possibly subsidizing other classes because of the 2 principles of cost causation as opposed to completely 3 independent stand-alone business analysis? 4 It's a long question, I'm sorry. 5 A. I'll do my best. I think it recognizes that 6 if we were to lose one of those members, what the impact 7 to the cooperative could be. 8 Q. Okay. Do you concur that the cost methodology 9 utilizes costs from plant expenses to calculate 10 allocation factors that are then used to allocate the 11 annual operating and maintenance expenses for 12 distribution costs for the plant? 13 A. The factors, the allocation factors? 14 Q. The allocation factors. 15 A. For each. 16 Q. I'll rephrase. 17 Do you concur that the allocation factors 18 derived -- are derived from -- let me rephrase. 19 Do you concur that the allocation factors used 20 to allocate distributed maintenance and operation costs 21 were derived from plant allocations? 22 A. From plant allocation? 23 Q. Simply stated -- 24 A. We use a uniform system of accounting. So 25 each accounting code is -- has its own bucket. And so</p>	<p style="text-align: right;">Page 85</p> <p>1 Q. But you are admittedly for kVA? 2 A. For residents. 3 Q. Do you concur that the cost methodology does 4 not address uncertainty associated with the assumptions 5 and estimates that go into the calculations? 6 A. Cost of service study is a guide. It's taking 7 all the facts -- the data that we put into it and it's 8 showing what the causation is for each class, what -- 9 it's merely a guide to assist us, the cooperative, in 10 making sure that we are fair and reasonable in what we 11 are proposing in the rate change. 12 It -- I mean, the cost of service study shows 13 if you go for a big increase, you would have major 14 impacts to different classes. 15 Q. Do you concur, then, that the results from the 16 cost of service study's analysis is absolute or there is 17 some potential for error? 18 A. I would say it's our best guiding tool we have 19 for setting the rates. 20 Q. So you concur that some of the numbers could 21 change. 22 MS. WIGGINS: Objection. Misstates prior 23 testimony. 24 HEARING EXAMINER GLICK: Sustained. 25 BY MR. STEINNERD:</p>

<p style="text-align: right;">Page 86</p> <p>1 Q. All right. One or two more questions. 2 Has SEC incurred considerable expenses for 3 lawyers' fees associated with rate changes over the last 4 20 years? 5 MS. WIGGINS: Objection, vague. 6 HEARING EXAMINER GLICK: I missed one of the 7 words in that question. I didn't hear it. Could you 8 repeat your question. 9 BY MR. STEINNERD: 10 Q. Has SEC incurred considerable expenses for 11 lawyers' fees associated with rate changes over the last 12 20 years? 13 MS. WIGGINS: Same objection. "Considerable" 14 is undefined. 15 HEARING EXAMINER GLICK: Sustained. 16 BY MR. STEINNERD: 17 Q. I'll just rephrase. 18 Has SEC incurred expenses for lawyers' fees 19 associated with rate changes over the last 20 years? 20 A. This is my first -- as general manager my 21 first filing, so I would say through this process the 22 membership have incurred the cost of filing Advice Note 23 69. 24 Q. Is that a yes or no that they have incurred 25 expenses?</p>	<p style="text-align: right;">Page 88</p> <p>1 the expenditures to the respective classes? 2 A. Yes. 3 Q. Okay. Again, then, is there any reason why 4 SEC has not ever considered directly capturing those 5 costs by class along with the required data required by 6 RUS accounting codes? 7 A. For each accounting code? 8 Q. RUS accounting codes capture data by business 9 categories. Could they be further enhanced to capture 10 data by class as well? 11 A. Well, I have our staff accountant here, but -- 12 I mean, you are talking about RUS uniform accounting 13 data that changed for 940 cooperatives through the 14 nation? Am I understanding correct? To capture the -- 15 each class? 16 Q. Yes. I was interested in adding just class, 17 the class that those expenditures were spent on, to 18 either the time sharing forms that you have would just 19 be in addition to the RUS accounting codes and the 20 information collected for expenditures. 21 A. There is no software provider I'm aware that 22 even provides that -- 23 Q. So to answer my question, you never looked 24 into the possibility of enhancing your accounting -- 25 A. In --</p>
<p style="text-align: right;">Page 87</p> <p>1 A. Yes, yes. 2 Q. To your knowledge has SEC ever considered 3 modifications to accounting software and record-keeping 4 practices to capture applicable expenditures by class? 5 A. Being regulated by the RUS, they have a 6 uniform accounting system that we have to report to, and 7 that's what our financial data has captured in those 8 uniform accounting codes required by RUS. 9 Q. Do those RUS accounting codes prohibit from a 10 -- capturing additional data by class, if the co-op 11 attempted to do so? 12 A. I believe they do capture revenue number of 13 consumers in a class. And then not -- the way the cost 14 of service study breaks out each allocation factor, that 15 data is used to determine those allocation factors in 16 the cost of service study. 17 Q. Is it correct that the RUS accounting codes 18 only capture data by recognized business codes? There 19 is no capture of classes as part of the RUS accounting 20 code requirements. 21 A. Well, again, poles, towers, all those items 22 are per the accounting codes. 23 Q. It is. Are you -- do you concur that is the 24 purpose of the cost of service study, to then allocate 25 those RUS accounting codes to the respective classes,</p>	<p style="text-align: right;">Page 89</p> <p>1 Q. -- your software? 2 A. Don't have to look because there is utility 3 software that would track, there is one that has uniform 4 accounting systems. 5 MR. STEINNERD: That's all my questions. 6 Thank you. 7 HEARING EXAMINER GLICK: Okay. Mr. Borman? 8 MR. BORMAN: Staff has no questions for Mr. 9 Herrera. 10 HEARING EXAMINER GLICK: Do you have any 11 questions? 12 COMMISSIONER FISCHMANN: I don't. 13 HEARING EXAMINER GLICK: I have some questions 14 for you, Mr. Herrera. 15 MR. STEINNERD: Madam Examiner, am I finished? 16 HEARING EXAMINER GLICK: Yes. Thank you. 17 CROSS EXAMINATION 18 19 BY HEARING EXAMINER GLICK: 20 Q. Would you turn to your original direct 21 testimony at page 5, and if you go to lines 2 to 3 you 22 are talking about declining margins due to various 23 factors, and one of them is moving our load base to 24 cheaper natural gas heating. 25 Are you talking about there that customers are</p>

<p style="text-align: right;">Page 90</p> <p>1 voluntarily switching from electricity to natural gas 2 heating? 3 A. Yes. 4 Q. So a couple times today you have identified 5 the board's goals. And such as -- well, providing 6 sufficient cash to fund capital credit requirements, 7 growing equity as a percentage of assets. I didn't hear 8 you mention, among those goals, to increase the TIER. 9 Is that not one of the board's goals? 10 A. It is one of the board's goals to maintain a 11 TIER. It's to maintain a TIER. 12 Q. And if you turn to your supplemental direct at 13 page 6. Are you there? 14 A. Supplemental? 15 Q. Yes. 16 A. Yes. 17 Q. And on this page and then continue on to the 18 next you talk about the components of the cash revenue 19 requirements, and am I correct that there are three 20 components to that? One is to maintain an equity 21 objective of 37.73 percent to the average plant 22 additions. 23 A second one is to pay out capital credit 24 payments of about \$688,000 per year. 25 And then a third one is the principal payments</p>	<p style="text-align: right;">Page 92</p> <p>1 A. If you go to page 67 here is a cash 2 requirements here. If you have -- if you look at the 3 left side we are looking at plant additions of 3.7 4 million, which gives us the desired percent of equity 5 finance of 37.73. 6 With that we would use the cash requirements 7 of 1.4 million dollars, so that you asked the desired 40 8 percent ratios to do that and also to do the next thing 9 with the patronage capital credit premium with \$688,000. 10 And including on that is our principal 11 payments that we have. When you total those items up 12 that gives you cash requirement for capital credits and 13 debts of 3.4 million dollars. 14 Totaling the 1.4 and the 3.9 gives you a cash 15 requirement of 3.7. Today our operating margins are the 16 adjusted test year of 409,000. That's the cash we have 17 to pay our bills. You can't do it with that, so, you 18 know, you have depreciation that you can add back in 19 there and other income. That gives you the 3.5 million 20 dollars. 21 Taking that 4.7 and 3.5 gives you additional 22 cash requirement of 1.2 million dollars. 23 Q. And how did the board come up with a 40 24 percent equity to total assets goal? 25 A. Well, in their goal to continue to retire</p>
<p style="text-align: right;">Page 91</p> <p>1 on long-term debt. Am I right? 2 A. Yes. 3 Q. Okay. So I'm correct that those three 4 components of the cash revenue requirement, none of 5 those components are to maintain or increase the TIER. 6 A. Well, in the cost of service study the 7 financial forecasts -- 8 Q. Yes. 9 A. -- shows the TIER at 2.5, and what it -- and 10 the drivers that it's driving for rate increase. 11 Q. Okay. 12 A. So it's a function of all these items listed 13 here for maintaining them. It's a metric that falls out 14 when you get to these levels. 15 Q. And then would you turn to your supplemental 16 direct at page 5. 17 A. Yes. 18 Q. I'm sorry, page 4. At line 9 you talk about 19 one of the board's objective is to grow equity as a 20 percent of assets toward a 40 percent objective. 21 What purpose does that achieve? 22 A. That achieves that we can pay capital credits, 23 pay for ordinary replacement of plant, or I think if you 24 go to schedule D of the cost of service study, D-8. 25 Q. That's page 67.</p>	<p style="text-align: right;">Page 93</p> <p>1 patronage capital members, and keep that generational 2 payment continued, and to replace ordinary plant with 3 general cash, that was the goal that was set as a 4 target. 5 Now going through this exercise, maybe that's 6 something you would review with the board and get us 7 closer to what we need. But that was the goal, to pay 8 capital credits, replacement of plant, ordinary 9 replacement of plant, and to have enough cash for the 10 operations. 11 As you can see, operations are -- operating 12 margins is only \$400,000. 13 Q. Okay. I was talking in particular, not about 14 the goal of paying out capital credits, but just with 15 respect to the 40 percent equity to total assets goal, 16 how was that 40 percent selected? 17 A. Well, when you pay capital credits it affects 18 your equity. 19 Q. Okay. But you have a separate amount in your 20 cash revenue requirement for the capital credit 21 retirements; right? That's the \$688,000? 22 A. Yes. 23 Q. Okay. So, my question isn't with respect to 24 that number, it's with respect to the equity total 25 assets ratio. Maybe we are talking -- we are not -- I</p>

<p style="text-align: right;">Page 94</p> <p>1 don't understand, how was 40 percent selected as opposed 2 to 50 percent or 60 percent? 3 A. Well, it's based on the capitalization of 4 plant and how much they wanted to finance with general 5 fund versus getting loans or debt. So that was the 6 medium that they were trying to balance between debt and 7 paying it with revenue operation margins. 8 Q. All right. And the plant additions, it says 9 average five years. Over what period of time is that? 10 A. Over 2018 through 2021. 11 Q. And the principal payments on long-term debt 12 in the amount of about 2.7 million. 13 A. That's on existing current debt. 14 Q. Okay. And so that reflects a debt balance as 15 of what date? 16 A. When this cost of service study was completed 17 back in October -- or August of 2018. 18 Q. And then I have a number of questions about 19 patronage capital because that, I think, caused a lot of 20 confusion at the public comment hearing. 21 So first of all, could you turn to page 63 of 22 the cost of service. What's the difference between 23 general and special capital credits? 24 A. Special capital credit requirements are when 25 members come in because of a deceased member, they come</p>	<p style="text-align: right;">Page 96</p> <p>1 A. No. That's the general funds. No, it's a 2 general fund account. 3 Q. Okay. So where is this patronage capital? Is 4 it -- 5 A. It's booked in our books. 6 Q. So it's an accounting? 7 A. It's an accounting for each year. 8 Q. Okay. So do you actually have the amount 9 that's booked to your accounting records, do you 10 actually have that amount available to use? 11 A. The liquid cash? 12 Q. The amount of patronage capital that gets 13 accrued and it's on your accounting books. 14 A. Right. 15 Q. Do you actually have that amount of money 16 available to you at any one time? 17 A. So throughout the years the margins, yes. The 18 margins are allocated but you use those operating 19 margins and the net margins throughout the years to 20 supplemental your borrowing. 21 Q. Okay. But you don't actually have a bank 22 account where you have that amount of cash? 23 A. No. 24 Q. Okay. And why is that? Why don't you? 25 A. Because those are reinvested into plant and</p>
<p style="text-align: right;">Page 95</p> <p>1 in early and they put up to the board consideration if 2 they want to get -- jump ahead of the line versus a 3 general annual retirement. 4 Q. Okay. And how did the board come up with the 5 688,000 annual capital credit pay out as an amount? 6 A. We are looking at our years that -- on the 25 7 year cycle taking the years that we still had to pay 8 back to the membership. 9 Q. I didn't understand that. 10 A. Well, so we are taking the total number of 11 years that we still have outstanding to pay members and 12 then assuming some special retirements in those years, I 13 mean we can definitely ask the rate PRC's rate 14 consultant, that would be better to. 15 Q. Okay. And am I correct that patronage capital 16 is the difference between annual operating income and 17 operating expenses? 18 A. Income -- patronage allocations we receive 19 from other -- 20 Q. No, just in general the definition of 21 patronage capital. Is it the same as net margins? 22 A. It's in that calculation of net margins, yes. 23 Q. So this was discussed at the public comment 24 hearing. Does SEC have a bank account where it houses 25 patronage capital?</p>	<p style="text-align: right;">Page 97</p> <p>1 again to supplement our borrowing we use those but they 2 are allocated and they are booked and we recognize who 3 is owed what and when we get to that cycle they will be 4 paid if financially possible. 5 Q. And am I correct that patronage capital is 6 allocated annually to members based on their individual 7 use during the year? 8 A. Yes. 9 Q. And so each member has a patronage capital 10 account? 11 A. Yes, they do. 12 Q. And capital credits are patronage refunds to 13 members? 14 A. Those are their payments for their 15 contribution for those years. 16 Q. Okay. And do the cooperative's bylaws require 17 that the cooperative provide patronage refunds or 18 capital credits to members? 19 A. Do the bylaws require, I believe they require 20 that if the co-op is financially solvent it's at the 21 discretion of the board to pay out in those years. 22 Q. Okay. So the bylaws don't require that you 23 pay out a certain amount of capital credits annually. 24 A. No, because if it's not financially solvent 25 you don't want to jeopardize the co-op to just pay them</p>

<p style="text-align: right;">Page 98</p> <p>1 because you have to.</p> <p>2 Q. And does SEC receive patronage capital</p> <p>3 allocations from Tri-State?</p> <p>4 A. It does. Yes.</p> <p>5 Q. Okay. And in 2017 did SEC actually receive</p> <p>6 patronage capital from -- patronage capital from</p> <p>7 Tri-State in the form of cash?</p> <p>8 A. No.</p> <p>9 Q. Has it in the past five years, including 2018,</p> <p>10 has it received any cash returns from Tri-State for</p> <p>11 patronage capital?</p> <p>12 A. Socorro Electric didn't start receiving</p> <p>13 allocations of patronage capital credits till 2008, so</p> <p>14 no.</p> <p>15 Q. I'm sorry, I didn't hear you. I'm sorry.</p> <p>16 A. We didn't receive allocations till 2008, so</p> <p>17 they are not at that year yet. I believe they are at</p> <p>18 2000.</p> <p>19 Q. Okay. So you are talking about the cycle?</p> <p>20 A. The cycle.</p> <p>21 Q. Okay. Do you know what Tri-State's cycle is?</p> <p>22 A. They pay out anywhere from ten -- to</p> <p>23 whatever -- whatever the board approves. I mean every</p> <p>24 year they pay it out.</p> <p>25 Q. Okay. Would you turn to your supplemental</p>	<p style="text-align: right;">Page 100</p> <p>1 A. No.</p> <p>2 Q. So it will not -- okay. So under your --</p> <p>3 you're creating two posted ETS rates. That's what you</p> <p>4 are proposing; right?</p> <p>5 A. Right.</p> <p>6 Q. So neither of those would be available to</p> <p>7 Large Commercial customers?</p> <p>8 A. Not under our proposal.</p> <p>9 Q. And why is that?</p> <p>10 A. Well, we haven't seen a need for Large</p> <p>11 Commercial. We haven't had any Large Commercial</p> <p>12 customers asking for ETS heating.</p> <p>13 Q. So you currently don't have any commercial</p> <p>14 large ETS customers?</p> <p>15 A. No.</p> <p>16 Q. Okay. Why is the cooperative proposing to</p> <p>17 eliminate rate No. 5, street and interstate freeway</p> <p>18 lighting service?</p> <p>19 A. I think we are trying to just do some house</p> <p>20 cleaning and making the rates fall under one rate</p> <p>21 instead of having -- because the rates are the same for</p> <p>22 both public and private.</p> <p>23 Q. Under the proposed lighting rate if the City</p> <p>24 of Socorro wants to convert a light to LED but the</p> <p>25 existing light does not need to be replaced, would the</p>
<p style="text-align: right;">Page 99</p> <p>1 testimony at page 10. And at the same time would you</p> <p>2 get in front of you page 7 of the cost of service study.</p> <p>3 A. Okay.</p> <p>4 Q. So if you look at page 10, lines 1 to 2 of</p> <p>5 your supplemental direct, you have for 2017 a DSC ratio</p> <p>6 of 1.39; is that right?</p> <p>7 A. Yes.</p> <p>8 Q. Okay. Then if I go to page 7 of the cost of</p> <p>9 service study, that number doesn't match up. It says</p> <p>10 either for the test year it was 1.35 or for the adjusted</p> <p>11 test year it was 1.3. Do you see that?</p> <p>12 A. Yes.</p> <p>13 Q. Can you explain the discrepancy?</p> <p>14 A. I would have to check with the rate</p> <p>15 consultant.</p> <p>16 Q. Okay. Does the current energy storage rate</p> <p>17 apply to both Small and Large Commercial customers?</p> <p>18 A. Yes. We have --</p> <p>19 Q. Okay. So would the proposed rate 9 apply to</p> <p>20 both as well?</p> <p>21 A. Rate 9 would apply to the ETS customers for --</p> <p>22 because we are breaking out the Residential and Small</p> <p>23 Commercial.</p> <p>24 Q. So would there be an ETS rate that would be</p> <p>25 available to Large Commercial customers?</p>	<p style="text-align: right;">Page 101</p> <p>1 cooperative convert it upon the city's request?</p> <p>2 A. So the existing light is functioning.</p> <p>3 Q. Does not need to be replaced but the city</p> <p>4 wants to replace it with an LED.</p> <p>5 A. Our plan was to replace lights as they end</p> <p>6 their useful life and to replace them at that time, not</p> <p>7 to do conversions.</p> <p>8 I believe we are looking at getting the lights</p> <p>9 transitioning through to those and not to have to</p> <p>10 convert them, but I mean, I guess we could sit down with</p> <p>11 the city and discuss, you know, how we would go about</p> <p>12 doing that, because if you have a perfectly functioning</p> <p>13 light, is it because the light is not providing enough</p> <p>14 aerial cover, do we need to do a light study?</p> <p>15 I mean, it all depends on different factors.</p> <p>16 If it's just to say they want LED lights, well, I mean</p> <p>17 that's incurring accelerated retirement of a good asset</p> <p>18 which we try to use our facilities till their end of</p> <p>19 life.</p> <p>20 Q. Okay. So if they just want to replace it</p> <p>21 because they want an LED light, the answer is no?</p> <p>22 A. Well, if we are looking at one light, then I</p> <p>23 don't think one light would make a difference. But if</p> <p>24 we are looking at all the lights in their system, that's</p> <p>25 a different causation.</p>

<p style="text-align: right;">Page 102</p> <p>1 Q. Okay. So I'm not -- you aren't answering my 2 question. 3 A. It all depends. I mean, if we are going -- we 4 didn't put in the cost of service study to do a full 5 conversion. We did it as the lights would meet their 6 end of life, to be replaced with the lights, with an LED 7 light. 8 Q. Okay. 9 A. And a slow transition. 10 Q. Okay. 11 A. So there would be incurred costs to doing a 12 full conversion, which the cost of service study didn't 13 take into account, which approved to go put all LED 14 lights. 15 Q. So if they request -- I'm going to try this 16 again, because I think the Commission wants to have a 17 definitive answer to this question. 18 A. Okay. 19 Q. If the City of Socorro wants to replace an 20 existing light and make it LED, but that light does not 21 need to be replaced, would the cooperative replace that 22 light? 23 A. I would say no, because we don't have a way to 24 recover that cost. 25 Q. Okay.</p>	<p style="text-align: right;">Page 104</p> <p>1 the pole or the fixture. 2 Q. Okay. I think that contradicts what you just 3 said. When does the customer have to pay the 4 installation cost under your line extension agreement? 5 A. Well, installation, I'm thinking of labor and 6 the truck to install the equipment. 7 Q. That's the installation costs? 8 A. Right. That you have those components of the 9 truck, the labor, installers. Poles, wires and 10 fixtures. 11 Q. Okay. So the cost of the labor and the truck 12 is what the customer would pay for under the line 13 extension agreement? 14 A. Under the rule 12, yes. 15 Q. Okay. And is that for all lighting 16 installations? 17 A. Well, the line agreement -- line extension 18 just says cooperative investment will be those devices. 19 Anything beyond that would be borne by the customer. 20 Q. I'm sorry, you said the line extension 21 agreement says what? 22 A. For light -- for lights it says -- it doesn't 23 say -- it doesn't break out for private lighting or 24 public lighting. 25 Q. It just says security lights in fact; right?</p>
<p style="text-align: right;">Page 103</p> <p>1 A. Unless they would pay a contribution to 2 construction. 3 Q. Okay. So if they -- I thought -- this gets to 4 my next question. For all lighting installations, does 5 the cooperative plan to invoice the customer for the 6 installation costs under its line extension agreement? 7 A. Well, it's -- the plant investment under the 8 line extension is three elements: The wire, the certain 9 footage, I believe of 125 feet, a pole and a fixture. 10 That's what the line extension is obligated to. That's 11 the total cooperative investment. 12 Q. So -- 13 A. If it exceeds that, then we would charge for 14 the labor to install the pole, the wire, the fixture, 15 per the line extension rule. 16 Q. Okay. So I guess I don't understand that. If 17 the cooperative isn't going to install a new light, 18 does -- is the customer responsible for the installation 19 cost of that light under your line extension agreement? 20 A. Line extension agreement has provisions for, 21 yeah, just the pole and wire. So installation costs 22 would be borne by the customer. 23 Q. For all these of those elements, the wire, the 24 pole and the fixture? 25 A. Right. They won't be charged for the wire or</p>	<p style="text-align: right;">Page 105</p> <p>1 A. Right. 2 Q. Okay. 3 A. So we try our best to apply that to all 4 scenarios. 5 Q. To all what? 6 A. To all scenarios. 7 Q. So even though the line extension agreement 8 only has language for security lighting, you apply that 9 to all lighting installations? 10 A. Unless there is already a pole and wire there, 11 they would offset the labor costs by that dollar amount. 12 Q. Okay. I'm sorry, I'm still confused. 13 So the cooperative is installing a new light. 14 A. And nothing exists? 15 Q. Okay. Let's say nothing exists. Does the 16 customer get invoiced under the line extension 17 agreement? Under the line extension rule. 18 A. Yeah, once we exceed the investment of the 19 line extension. 20 Q. What do you mean, once you "exceed the 21 investment"? 22 A. The investment of a pole, wire and light 23 fixture. 24 Q. And is there a fixed amount for the wire, the 25 pole and the fixture?</p>

<p style="text-align: right;">Page 106</p> <p>1 A. Just whatever our costs are at that time. 2 Q. Okay. So, the costs of the wire, pole and 3 fixture, those are paid for by the cooperative. 4 A. Yes. 5 Q. Okay. And so then the costs of labor and the 6 truck, that's the amount that's invoiced to the customer 7 under the line extension rule? 8 A. Yes. 9 Q. Okay. And is that true for all lighting 10 installations? 11 A. Where nothing exists, yes. 12 Q. Okay. What about if something does exist? 13 A. If there is an existing lighting, wire and 14 pole, they have already received the cooperative 15 investment. 16 Q. Okay. 17 A. So then there would be a charge for additional 18 light fixtures. 19 Q. Okay. Let's do an example. Let's say that 20 there is an existing lighting fixture and it's going to 21 be replaced by an LED. Okay? 22 A. Uh-huh. 23 Q. What, if anything, does the customer get 24 invoiced under the line extension rule? 25 A. And the light fixture, the existing light</p>	<p style="text-align: right;">Page 108</p> <p>1 replace it with an LED. Is the customer going to be 2 invoiced for any of the cost of that installation under 3 the line extension agreement? 4 A. No, not if it needs to be replaced because 5 it's end of life. 6 Q. Okay. So before, when you were talking about 7 the customer being invoiced for labor and truck costs, 8 is that only if a light is not at the end of its 9 existing life? 10 A. That's if nothing existed. 11 Q. Okay. Okay. So then let's go to another 12 example of that. Well, I guess we don't need to go to 13 this example because you said if a light is not at the 14 end of its existing life you are not going to replace it 15 upon customer request. I'm right? 16 A. Well, if they are going to pay the CIA we 17 would replace it. That would just be a credit towards 18 plant. 19 Q. So if the city wants to convert a light to LED 20 and the existing light does not need to be replaced, you 21 would replace it if the city pays for the installation 22 cost? 23 A. For the installation costs, yes, and the 24 fixture; right? I mean, the fixture -- existing fixture 25 is still properly functioning?</p>
<p style="text-align: right;">Page 107</p> <p>1 fixture is still functioning? 2 Q. Let's say yes, it is. 3 A. And they want -- the existing rule doesn't 4 cover LED lighting conversion. It covers that if a 5 light that we would replace and maintain all lights at 6 the cooperative expense. 7 Q. Okay. So what are you going to do if you are 8 replacing an existing light with an LED light, it would 9 not be invoiced under the line extension rule because 10 the line extension rule doesn't address LED lighting? 11 A. Well, I mean, we would have to use -- our plan 12 is to update the line extension rule, but I mean under 13 the current line extension rule it doesn't cover LED 14 lighting. 15 But let's say -- a -- I think a better case is 16 that if they wanted to go from a one hundred watt to a 17 two hundred watt, then we would just change it out at 18 the -- at the co-op's costs, because your high pressure 19 sodiums are not as expensive as an LED. That is the 20 function. 21 Q. I'm sorry. I'm still -- 22 A. No, I'm -- 23 Q. I'm still confused about all this. 24 Okay. So let's say you have an existing 25 light. It needs to be replaced. You are going to</p>	<p style="text-align: right;">Page 109</p> <p>1 Q. So the city would have to in that case pay for 2 wire, pole, fixture, labor and truck? 3 A. No. Because there is already a light there. 4 Q. So what would they have to pay for? 5 A. The fixture and the labor. 6 Q. Okay. Okay. So I'm just going to -- sorry if 7 I'm being repetitive but I want to make sure I 8 understand this. 9 If the city wants to convert an existing light 10 to LED before the light needs to be replaced, you would 11 replace it if the city pays the cost of the fixture and 12 the labor and the truck? 13 A. If that's what I said. 14 Q. Okay. And then would you turn to your 15 rebuttal testimony at page 10. 16 A. Okay. 17 Q. And I'm looking at the question you pose at 18 lines 16 through 18. Is it appropriate to compare rates 19 of return under the existing and proposed rates as a 20 means for identifying corrections and interclass 21 subsidies? And your answer is no, doing so ignores that 22 the overall system rate of return has also changed. 23 And can you -- I don't understand your answer. 24 Can you try and explain that to me. 25 A. Well, when you change all the rate classes,</p>

<p style="text-align: right;">Page 110</p> <p>1 the rate of return for that rate class has changed when 2 the system rate of return is changed. 3 Q. Right. 4 A. So we are looking at the rate of return for 5 each class compared to the system rate of return. So it 6 ignores the overall system rate of return, which is our 7 base rate of return. 8 Q. Okay. Let's see. So are you saying that some 9 of the intervenors, when they are talking about the 10 increase in the rate of return, they are not comparing 11 the new system average rate of return to that class's 12 rate of return? 13 A. Under the proposed rates, correct. 14 Q. Okay. And then would you turn to your 15 rebuttal at page 12? 16 A. Okay. 17 Q. At lines 12 and 13 you state: Mr. Reyes 18 relies on a Net TIER ratio, which includes noncash 19 margins from other entities not associated with SEC's 20 operating activities. 21 So are you referring here to the fact that 22 TIER includes accrued capital credits which are usually 23 not provided in cash? 24 A. Yes. 25 Q. Okay. And when you refer to Net TIER, is that</p>	<p style="text-align: right;">Page 112</p> <p>1 going to shift to. 2 Q. Okay. And this is more of a curiosity 3 question on my part, that the statute on economic 4 development rates has two different standards. One 5 is -- one applies if the cooperative's wholesale energy 6 supplier has excess capacity, and the other standard 7 applies if the wholesale energy supplier does not have 8 excess capacity. And so my question to you is, do you 9 know whether Tri-State has excess capacity? 10 A. I do not know. 11 Q. Okay. And then would you turn to your 12 rebuttal at page 20, and I'm looking at lines 1 through 13 4. The question is: Has Dr. Wells reached out to SEC 14 to discuss the load development and retention rate 15 available through Tri-State G&T? 16 And the answer is: No. 17 So did you say earlier that if you were to 18 offer an economic development rate you would use the 19 same rate offered by Tri-State? 20 A. We would use the same rate offered by 21 Tri-State, but we would have to have our own rate filed 22 with the PRC. 23 Q. Right. 24 A. So we would have to file the rate and, you 25 know, following what's offered by Tri-State, yes.</p>
<p style="text-align: right;">Page 111</p> <p>1 the same as TIER? 2 A. Yes. 3 Q. And then would you go to page 15 of your 4 testimony. 5 A. My supplemental? 6 Q. No, rebuttal. 7 A. Rebuttal, okay. 8 Q. And I'm looking at the question at line 16 9 through 18, which says: Should SEC offer an economic 10 development rate as suggested by Mr. Reyes and others, 11 such as Dr. Stephen Wells. And I don't think you really 12 answered that question. 13 So my question is, does SEC oppose offering an 14 economic development rate? 15 A. If we are approached by one of them, or any 16 member, we would take it case by case and see how we can 17 assist in developing our economic rate to come to the 18 PRC to file for that rate. If -- when approached we 19 can. 20 Q. Okay. So do you oppose the Commission 21 ordering SEC to offer an economic development rate? 22 A. Well, they are offering it then, you know, I 23 guess we have to -- no, I don't oppose it. Just look at 24 what the interclass or the class subsidies are going to 25 be and where those are going to lie -- where those are</p>	<p style="text-align: right;">Page 113</p> <p>1 Q. But you wouldn't necessarily offer the same 2 rate offered by Tri-State? 3 A. Well, it depends on what type of load we are 4 looking at. If it's a high load factor, you know, does 5 it take a lot of administrative costs and, you know, all 6 that. It would depend on what type of load we are 7 looking at. If we are looking at a low load factor I 8 don't know if they would qualify. So it depends on the 9 load. 10 Q. Okay. But wouldn't you have to follow the 11 state statute that provides standards for economic 12 development rates? 13 A. I don't know that. I would have to look and 14 get -- make sure if electric cooperatives are different 15 than investor-owned or how -- not being approached yet, 16 I haven't had to look into it. 17 HEARING EXAMINER GLICK: Okay. That's all the 18 questions I have. 19 Do you have any? 20 COMMISSIONER FISCHMANN: Yeah. A couple. 21 HEARING EXAMINER GLICK: Go ahead. 22 COMMISSIONER FISCHMANN: A couple follow-ups. 23 CROSS EXAMINATION 24 25 BY COMMISSIONER FISCHMANN:</p>

<p style="text-align: right;">Page 114</p> <p>1 Q. So we were talking about the street lights, 2 and I understood you to say that if the city wanted to 3 replace a street light with an LED, that they would need 4 to pay the cost of the installation and the fixture. 5 If that's the case, whose books does the cost 6 of the fixture go on to? The utilities, your books? Or 7 the city's? Who owns that asset? 8 A. It belongs to the cooperative. And so we 9 would do ordinary replacement of that asset when it -- 10 when it was to be damaged we wouldn't go back and ask 11 for replacement costs. 12 Q. So to be totally clear, even though the city 13 would pay for that asset, it would still go on to 14 co-op's books. 15 A. It would not -- it would be a credit on plant. 16 So it would be a credit towards the lighting plant. So 17 it wouldn't be -- it wouldn't be shown as a debit, it 18 would show there as an investment. 19 Q. It would show as an investment on the 20 utility's books? 21 A. Contribution in aid of construction by the 22 city. 23 Q. Okay. 24 A. It's a credit to the plant. 25 Q. So if I paid -- just to be clear for</p>	<p style="text-align: right;">Page 116</p> <p>1 just increases rate pressure to the members, but this is 2 a generational thing so they try and do that with 3 operating funds, operating margins, and to pay that 4 debt. 5 Q. So, I'll try and rephrase the question, make 6 it a little more clear. 7 If I'm going to accumulate \$688,000 to pay out 8 at the end of the year for the patronage capital, I am 9 going to somehow need to finance that. Assuming I'm not 10 capturing any additional equity, I'm going to need to 11 probably carry more debt to be able to pay that out. 12 Is that a correct statement? 13 A. No. Not necessarily. Because we are trying 14 to increase our revenue requirements, we are trying to 15 pay that with cash on hand. 16 Q. So it's -- so if I understand you correctly, 17 it's either increased revenue -- is it potentially debt 18 that can be part of that payout? 19 A. Potentially debt? You mean borrow money to 20 pay -- 21 Q. Yeah. That I need more total borrowed money 22 on my books if I'm going to pay out, make that payout. 23 A. Well, then, you are putting rate pressure on 24 future generations to pay that debt to pay previous 25 members.</p>
<p style="text-align: right;">Page 115</p> <p>1 everybody, say it's a hundred dollar expense for the 2 fixture, your assets are a thousand dollars at that 3 point in time, but now the asset is on your books, 4 becomes \$1,100? 5 A. The assets are showing as \$1,100, but our 6 books show -- 7 Q. Okay, thank you. And then the next question 8 has to do with capital allocation. 9 To the extent that you're accumulating funds 10 during the year to pay that capital allocation, how do 11 you finance that money that you are accumulating? Is 12 that through debt? 13 A. Capital. 14 Q. Combination? 15 A. Capital allocation. 16 Q. Capital. Yeah, you are paying 600 -- what is 17 it? 18 A. Oh, patronage capital. 19 Q. Patronage capital. \$688,000 a year. 20 A. Right. 21 Q. Estimated cost. So I'm asking is there a 22 financing cost to accumulate that money to make the 23 payout? 24 A. Well, that's the decision that the board looks 25 at. If they are going to finance a payment, then that</p>	<p style="text-align: right;">Page 117</p> <p>1 Q. Uh-huh. 2 A. So I mean, that's a decision the board has to 3 make. Do they want to incur additional debt to pay -- 4 to be paid by future members. 5 Q. Okay. So you are acknowledging that in order 6 to do that there is an expense to customers that's 7 attached to that if that's the decision that's made; 8 correct? 9 A. In everything that the co-op does there is an 10 expense to the membership. 11 Q. Okay. So what is the purpose of the capital 12 allocation, what -- what functional purpose does it 13 serve as opposed to having a lower rate to give to -- 14 A. The allocation is showing the member/owner 15 here is your allocation for that year. And what they 16 are going to be putting into their capital credit 17 account for that particular year, that's the allocation. 18 Q. So as an ownership -- it represents ownership; 19 is that correct? 20 A. Yes. 21 Q. Okay. 22 A. The monies that they provided to the co-op to 23 do -- 24 Q. All right. 25 A. -- the day-to-day operation of the</p>

<p style="text-align: right;">Page 118</p> <p>1 cooperative.</p> <p>2 Q. And if -- let me see, how do I phrase this.</p> <p>3 Well, one other question on capital</p> <p>4 allocation. Is it paid out -- it's paid out pro rata as</p> <p>5 I understand. Is that pro rata based on total customer</p> <p>6 billings or on kilowatt hours consumed? What's the</p> <p>7 metric for?</p> <p>8 A. It's total revenue less power costs. That's</p> <p>9 the allocation factor.</p> <p>10 Q. So in saying that, that's how you come up with</p> <p>11 the total amount that you are going to distribute?</p> <p>12 A. Yes.</p> <p>13 Q. So --</p> <p>14 A. Based on that individual's use, purchase of</p> <p>15 kilowatt hours.</p> <p>16 Q. Okay.</p> <p>17 A. What their contribution was.</p> <p>18 Q. Okay. So an individual uses, or a customer</p> <p>19 uses 10 percent of the total kilowatt hours. Does that</p> <p>20 mean they get 10 percent of the total patronage, capital</p> <p>21 patronage payout?</p> <p>22 A. So if they contributed ten percent of the</p> <p>23 margins, less the power costs, then they would get</p> <p>24 what's the remaining of the margins.</p> <p>25 Q. Okay. And margins are determined by the cost</p>	<p style="text-align: right;">Page 120</p> <p>1 allocation factor is.</p> <p>2 Q. So we are getting closer.</p> <p>3 So my question is, how do you calculate the</p> <p>4 margin for each customer class?</p> <p>5 A. I have an accountant and ask him to.</p> <p>6 Q. And how does the accountant calculate that</p> <p>7 margin?</p> <p>8 A. Well --</p> <p>9 COMMISSIONER FISCHMANN: Is that something</p> <p>10 another witness is better --</p> <p>11 A. Yes.</p> <p>12 Q. Okay. Thank you.</p> <p>13 HEARING EXAMINER GLICK: Let's go ahead and</p> <p>14 take our lunch break and come back at 1:30. And at that</p> <p>15 time the cooperative has 15 minutes for redirect and</p> <p>16 then all of the intervenors and staff have 15 minutes</p> <p>17 for recross. So you might want to, during the lunch</p> <p>18 hour, decide how you are going to allocate that 15</p> <p>19 minutes.</p> <p>20 Off the record.</p> <p>21 (Lunch break taken.)</p> <p>22 HEARING EXAMINER GLICK: Let's go back on the</p> <p>23 record. And Ms. Wiggins, you may redirect, 15 minutes.</p> <p>24 MS. WIGGINS: Thank you.</p> <p>25 REDIRECT EXAMINATION</p>
<p style="text-align: right;">Page 119</p> <p>1 study less rates?</p> <p>2 A. So we have two margins. We have operational</p> <p>3 margins --</p> <p>4 Q. Okay.</p> <p>5 A. -- which is cash. And then we have net</p> <p>6 margins, which includes allocations from other</p> <p>7 cooperatives. It's everything that we have on our</p> <p>8 statement.</p> <p>9 Q. Okay.</p> <p>10 A. So at the end of the day we allocate the net</p> <p>11 margins, which is everything, and they are including G&T</p> <p>12 allocations and other cooperatives.</p> <p>13 Q. So that gets me halfway there.</p> <p>14 So my question is, are the costs in</p> <p>15 allocating -- in determining what the margin for a</p> <p>16 customer is, I'm a Residential customer, do you take the</p> <p>17 cost study for serving a customer to determine -- to</p> <p>18 help determine the cost of serving that customer in</p> <p>19 order to get to the margin?</p> <p>20 A. No.</p> <p>21 Q. How do you do that?</p> <p>22 A. So we have to do this annually. So we look at</p> <p>23 the class, by the class and what the contribution to the</p> <p>24 margins are of that class, and then at the individual</p> <p>25 less the power costs and get them to what their</p>	<p style="text-align: right;">Page 121</p> <p>1</p> <p>2 BY MS. WIGGINS:</p> <p>3 Q. Mr. Herrera, would you look at Socorro's</p> <p>4 Exhibit 10, attached to your rebuttal testimony, please.</p> <p>5 A. Yes.</p> <p>6 Q. You were asked specifically about questions</p> <p>7 regarding I believe it's page 3 of that exhibit.</p> <p>8 Do you recall those questions?</p> <p>9 A. Yes.</p> <p>10 Q. Can you tell the hearing examiner where you</p> <p>11 got this copy of Exhibit 10?</p> <p>12 A. Off the PRC website.</p> <p>13 Q. To your knowledge, was the annual report that</p> <p>14 Socorro filed for the year 2017 ever corrected?</p> <p>15 A. Yes.</p> <p>16 MS. WIGGINS: May I approach the witness?</p> <p>17 HEARING EXAMINER GLICK: Yes.</p> <p>18 BY MS. WIGGINS:</p> <p>19 Q. Can you identify what's been marked for</p> <p>20 identification as Socorro Exhibit 4, please.</p> <p>21 A. Yes. This is a corrected filing, May 29,</p> <p>22 2018, filing our corrected page 3.</p> <p>23 Q. What specifically on page 3 of Exhibit 4 was</p> <p>24 corrected?</p> <p>25 A. It was the average annual bill per customer.</p>

<p style="text-align: right;">Page 122</p> <p>1 Q. What -- excuse me. Go ahead.</p> <p>2 A. Average monthly kWh bill per customer and</p> <p>3 average gross revenue per kWh sold.</p> <p>4 Q. When -- pardon me if you are finished. You</p> <p>5 paused. When a witness pauses I tend to assume you are</p> <p>6 finished.</p> <p>7 A. Pretty much everything in that column, the</p> <p>8 table, all those items are updated.</p> <p>9 Q. In other words, the items that you were asked</p> <p>10 questions about by Ms. Winter?</p> <p>11 A. Yes.</p> <p>12 Q. Do you have any understanding of why the</p> <p>13 corrected annual report for 2017 is not available on the</p> <p>14 PRC website at the location where you found what had</p> <p>15 previously been marked as Exhibit 10 to your rebuttal?</p> <p>16 A. No.</p> <p>17 MS. WIGGINS: I move admission of Exhibit 4.</p> <p>18 HEARING EXAMINER GLICK: Is there any</p> <p>19 objection? SEC Exhibit 4 is admitted.</p> <p>20 (Admitted SEC Exhibit 4.)</p> <p>21 BY MS. WIGGINS:</p> <p>22 Q. Mr. Herrera, do you have any information or</p> <p>23 memory as to whether any other annual reports for</p> <p>24 Socorro Electric have been corrected after they were</p> <p>25 initially filed?</p>	<p style="text-align: right;">Page 124</p> <p>1 they flip that switch on that the power is going to be</p> <p>2 there for them.</p> <p>3 Q. When you say safety issues, to what are you</p> <p>4 referring?</p> <p>5 A. Well, poles falling down or lines coming down</p> <p>6 and creating hazards for public safety.</p> <p>7 Q. Does that also create a potential safety risk</p> <p>8 for Socorro employees?</p> <p>9 A. Oh, absolutely, yes.</p> <p>10 Q. If the current margins, say a rate of return</p> <p>11 of 4.818 percent are left in place, can you explain what</p> <p>12 will happen to Socorro's financial goals?</p> <p>13 A. We will not be able to meet our financial</p> <p>14 goals.</p> <p>15 Q. How so? What -- say what impact would that</p> <p>16 have on the proposed construction work plan?</p> <p>17 A. Well, we are already seeing the deterioration</p> <p>18 of our general fund, our investment in replacement of</p> <p>19 ordinary plant have to be put out. And when the board</p> <p>20 considers payback for patronage capital credits it may</p> <p>21 be that we -- that the board is considered not to pay</p> <p>22 the members back.</p> <p>23 Q. If the construction work plan is affected,</p> <p>24 will that have any impact on a community such as, say,</p> <p>25 Alamo?</p>
<p style="text-align: right;">Page 123</p> <p>1 A. No.</p> <p>2 Q. Okay. You testified this morning in regards</p> <p>3 to the board's adoption of a resolution in August of</p> <p>4 2018 regarding the rate application. Do you recall</p> <p>5 that?</p> <p>6 A. Yes.</p> <p>7 Q. And I want to clarify something you said,</p> <p>8 because I didn't quite hear your answer. I believe that</p> <p>9 you said that Trustee Wolberg dissented. Are you saying</p> <p>10 that he voted no, or took some other action?</p> <p>11 A. He abstained.</p> <p>12 Q. You also testified that Socorro Electric has</p> <p>13 increased total utility plant approximately 78 percent</p> <p>14 since 2005, even though the number of meters has</p> <p>15 decreased.</p> <p>16 Can you explain why Socorro would increase</p> <p>17 total plant given a reduction in the number of meters?</p> <p>18 A. Well, it's replacement, ordinary replacement.</p> <p>19 If you don't replace and maintain the system, it will</p> <p>20 just fall down and you have a system reliability and</p> <p>21 system safety issue.</p> <p>22 Q. When you say reliability issue, what do you</p> <p>23 mean by that?</p> <p>24 A. Reliability providing service to the members</p> <p>25 in our areas, if they expect from Socorro Electric when</p>	<p style="text-align: right;">Page 125</p> <p>1 A. Well, yes. The construction work plan that we</p> <p>2 have in place is to improve reliability to the Alamo</p> <p>3 nation, to the Magdalena, the outer areas of the system</p> <p>4 that are being served with the line that was put in in</p> <p>5 the '50s.</p> <p>6 So I mean, it's -- we won't be able to do our</p> <p>7 four-year work plan. It would be difficult to get that</p> <p>8 plan implemented if things are left where they are at.</p> <p>9 Q. Can you explain why Socorro proposed the</p> <p>10 Residential rates that are in the Advice Notice and not</p> <p>11 some higher increase?</p> <p>12 A. Well, when the board looked at the cost of</p> <p>13 service study they looked at what was fair, reasonable</p> <p>14 and equitable for all the members and, you know,</p> <p>15 regulatory processes allow that, you know, there is</p> <p>16 going to be classes that are paying more than their fair</p> <p>17 share and some that are not paying. So I mean, it's --</p> <p>18 it's the principles of gradualism in trying to get, you</p> <p>19 know, a rate increase that's fair to all the membership,</p> <p>20 and reasonable.</p> <p>21 MS. WIGGINS: No further questions in</p> <p>22 redirect.</p> <p>23 HEARING EXAMINER GLICK: Okay. And so is</p> <p>24 there recross, and who is going to be doing it? Or is</p> <p>25 it going to be divided?</p>

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<p>1 MS. LOEHR: We have no recross. 2 MS. WINTER: Madam Examiner, can we follow on 3 questions you asked? 4 HEARING EXAMINER GLICK: Yes. 5 MS. WINTER: All right. 6 RECROSS EXAMINATION 7 8 BY MS. WINTER: 9 Q. Mr. Herrera, you recall that Examiner Glick 10 asked you some questions about the street lighting 11 tariffs. And can you make sure that you have in front 12 of you revised rate No. 5 and also the line extension 13 rule? 14 A. I don't have the line extension rule. 15 HEARING EXAMINER GLICK: I probably have 16 another copy. I think -- here we go. 17 THE WITNESS: Thank you. 18 HEARING EXAMINER GLICK: I got that off the 19 PRC website, so. Qualification. 20 A. You said rate 4. 21 BY MS. WINTER: 22 Q. Rate 4 and 5, and then line extension rule. 23 HEARING EXAMINER GLICK: So existing rates 4 24 and 5 are at the cost of service study starting at page 25 312.</p>	<p>1 Q. So you are saying that your line extension 2 policy also addresses upgrades of existing facilities. 3 A. No, you are correct. It's just for new, new 4 facilities. 5 Q. It's just for new facilities; correct? 6 A. Correct. 7 Q. All right. But getting back to page 5 of 6 on 8 the line extension rule, I would direct your attention 9 to the service to security lights IV. And it does say 10 that there the cooperative shall install security lights 11 on the following terms, at no cost to the applicant if 12 the cooperative investment does not exceed the cost of a 13 wooden pole, security light fixture, and 125 feet of 14 service wire. 15 It does say that; right? 16 A. Yes. 17 Q. It does not exclude labor and a truck, does 18 it? 19 A. Well, it says investment not to exceed. 20 Q. At no cost to the applicants, assuming does 21 not exceed the cost of a wooden pole, a security light 22 fixture, and 125 feet of service wire. 23 No mention of a labor or truck; correct? 24 A. Correct. 25 Q. Getting to -- Mr. Herrera, do you have any</p>
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<p>1 MS. WIGGINS: I'm sorry? 2 HEARING EXAMINER GLICK: I said the existing 3 rates 4 and 5 are at the cost of service study, starts 4 at 312. 5 MS. WIGGINS: Thank you. 6 THE WITNESS: Okay. 7 BY MS. WINTER: 8 Q. Let's start with the line extension rule. I 9 wanted to direct your attention to page 5 of 6. 10 And before I get to that, generally line 11 extensions only address facilities that are new; right? 12 Line extension policies do not generally address the 13 replacement of facilities that already exist. 14 MS. WIGGINS: Objection, testifying by 15 counsel. 16 HEARING EXAMINER GLICK: Do you want to make 17 that into the form of a question? 18 MS. WINTER: I thought I did. 19 HEARING EXAMINER GLICK: Try it again. 20 BY MS. WINTER: 21 Q. Isn't it true, Mr. Herrera, that line 22 extension policies generally only include a policy 23 directed at new facilities, not facilities that already 24 exist? 25 A. Or upgrades of facilities.</p>	<p>1 understanding of when it says at no cost to the 2 applicant, what the standard industry practice relating 3 to the definition of "cost" is? Do you have any idea 4 what that might be? 5 A. The industry standard for cost? 6 Q. Correct. It says at no cost to the applicant. 7 A. If the investment does not exceed the cost. 8 Q. Right. 9 A. So we have cost in there twice. 10 Q. No, I'm just saying here it uses the word 11 cost, and there is a standard industry practice 12 definition of cost. Do you know what that definition 13 is? 14 MS. WIGGINS: Objection to the extent counsel 15 is testifying. 16 MS. WINTER: I have not given him my 17 definition of cost, I asked him if he understands what 18 the industry standard definition of cost is in his own 19 line extension rule. 20 HEARING EXAMINER GLICK: Okay. That question 21 is appropriate. So go ahead and answer. 22 A. I don't know the industry standard definition 23 of cost. 24 BY MS. WINTER: 25 Q. You don't know it?</p>

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<p>1 A. Specifically to the industry standard 2 definition. 3 Q. Okay. Turning your attention to rate 5, page 4 4 of 5. Tell me when you are there. 5 A. 4 of 5? Yes. 6 Q. Conditions of Service. 7 A. Uh-huh. 8 Q. It does say there that the installation of all 9 lamps poles and fixtures shall be at the expense of 10 utility, does it not? 11 A. Yes. 12 MS. WINTER: That's all I have. Thank you so 13 much. 14 HEARING EXAMINER GLICK: Any other recross? 15 MR. STEINNERD: No. 16 HEARING EXAMINER GLICK: Thank you, Mr. 17 Herrera. Are you going to be here for the whole 18 hearing? I'm not going to excuse you just because you 19 are the general manager and something might come up. 20 So, Mr. Winter, you may call your witness out 21 of order. 22 MS. WINTER: Thank you so much. 23 Mayor, you are up. 24 Mayor Ravi Bhasker, 25 having been first duly sworn, testified as follows:</p>	<p>1 A. Yes, ma'am. 2 Q. Do you have any corrections or edits other 3 than the strike-outs indicated on pages 7 through 11? 4 A. I do not. 5 Q. And the answers to your questions, are they 6 truthful? 7 A. Yes, ma'am. 8 MS. WINTER: I have no further questions and 9 would tender the witness for cross and offer City 10 Exhibit 1. 11 HEARING EXAMINER GLICK: Ms. Williams, did you 12 have something you wanted to address? 13 MS. WILLIAMS: Yes, your Honor, regarding the 14 strike-outs. I know that you entered an order and it 15 stopped at page 11, line 4. And I neglected to put the 16 last question on that topic. Within the range. And I 17 believe that that next question should also be excluded. 18 Otherwise, I have a lot of -- otherwise it 19 gets very confusing. So the strike should go from 5 to 20 13, excluding that last question on page 11 regarding 21 municipalization. 22 HEARING EXAMINER GLICK: Ms. Winter? 23 MS. WINTER: No objection. 24 HEARING EXAMINER GLICK: Okay. 25 MS. WILLIAMS: Okay, that simplifies.</p>
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<p>1 DIRECT EXAMINATION 2 3 BY MS. WINTER: 4 Q. Good afternoon, Mayor. 5 A. Good afternoon. 6 Q. Could I get you to state your name and spell 7 your last name for the court reporter? 8 A. It's Ravi, R-a-v-i, last name is B, as in boy, 9 h-a-s-k-e-r. 10 Q. And your title, Mr. Mayor? 11 A. I'm the mayor. I can't believe I got a laugh 12 out of this room. 13 Q. How long have you been the mayor of Socorro? 14 A. 29 years. 15 Q. And your business address? 16 A. Is 111 School Mines Road, 87801, Socorro. 17 Q. I have placed in front of you a document that 18 looks like this (indicating). Could I get you to take a 19 look at it and identify it for the court reporter out 20 loud. 21 A. This is district testimony of -- excuse me, 22 district -- Direct Testimony of Mayor Ravi Bhasker on 23 Behalf of the City of Socorro, dated May 28, 2019. 24 Q. And Mayor, if I were to ask you these 25 questions today, would your answers be the same?</p>	<p>1 HEARING EXAMINER GLICK: So can you make that 2 correction on the court reporter's copy, please. 3 MS. WINTER: Absolutely. 4 HEARING EXAMINER GLICK: Okay. With that 5 correction is there any objection to admission of City 6 of Socorro Exhibit 1? City of Socorro Exhibit 1 is 7 admitted. 8 (Admitted City Exhibit 1.) 9 CROSS EXAMINATION 10 11 BY MS. WILLIAMS: 12 Q. Good afternoon, Mayor, I'm Patty Williams -- 13 A. Nice meeting you. 14 Q. -- representing City of Socorro Electric Co-op 15 in this proceeding regarding Advice Note 69, in which 16 you entered direct testimony. 17 So I would like to ask you some questions 18 about that and some of the discovery that the city has 19 provided that you have signed. All right? 20 A. Yes, ma'am. 21 Q. All right. So you have been the mayor of the 22 City of Socorro for 29 years; right? 23 A. Yes, ma'am. 24 Q. So you have had over almost three decades to 25 stimulate economic growth in the city; correct?</p>

Page 134	<p>1 A. As mayor?</p> <p>2 Q. Yes, sir.</p> <p>3 A. Yes, ma'am.</p> <p>4 Q. And electricity prices were cheaper 29 years</p> <p>5 ago, weren't they?</p> <p>6 A. At that time I was not paying attention.</p> <p>7 Q. Okay. 25 years ago were you paying attention</p> <p>8 to the price of electricity in Socorro?</p> <p>9 A. No, ma'am, just in the last ten years.</p> <p>10 Q. Just in the last ten years.</p> <p>11 Ten years ago the prices were cheaper than</p> <p>12 they are today, or what the proposed rate increase would</p> <p>13 have an effect; correct?</p> <p>14 A. I'm not sure what you mean. Are you telling</p> <p>15 me that or are you saying --</p> <p>16 Q. Well, I'm asking you, do you know that the</p> <p>17 current prices -- do you know what the current prices</p> <p>18 are for the city?</p> <p>19 A. I do.</p> <p>20 Q. And that current price is going to be less</p> <p>21 than the proposed rate increase that we are here to</p> <p>22 discuss in this proceeding; correct?</p> <p>23 A. Per kilowatt hour?</p> <p>24 Q. Yes, sir.</p> <p>25 A. At all utilities?</p>	Page 136	<p>1 MS. WINTER: I'm struggling with that</p> <p>2 question, too. I don't understand it at all.</p> <p>3 HEARING EXAMINER GLICK: Tell me if I'm wrong.</p> <p>4 I think the question is: Will the City of Socorro's</p> <p>5 rates be higher if the proposed increase goes into</p> <p>6 effect?</p> <p>7 MS. WILLIAMS: Yes, Madam Hearing Examiner, I</p> <p>8 think that was the first question I asked before we had</p> <p>9 discussion.</p> <p>10 HEARING EXAMINER GLICK: Okay.</p> <p>11 THE WITNESS: That question cannot be answered</p> <p>12 as far as the whole sphere of our rates because we have</p> <p>13 different rates at the sewer plant than we have at the</p> <p>14 city hall or at our gas division. So are you asking me</p> <p>15 in totality our rates will be higher?</p> <p>16 BY MS. WILLIAMS:</p> <p>17 Q. Yes, sir. The amount of money that the City</p> <p>18 of Socorro, as a member of Socorro Electric Co-op will</p> <p>19 you be paying more if the proposed increase goes into</p> <p>20 effect, or less?</p> <p>21 A. I think they will be more.</p> <p>22 Q. Okay. And what are you basing that answer on?</p> <p>23 A. We had a meeting with the co-op.</p> <p>24 Q. Okay.</p> <p>25 A. Mr. Herrera showed us our rates. And street</p>
Page 135	<p>1 Q. At your rate. At the city's rate.</p> <p>2 MS. WINTER: I'm going to object, because I</p> <p>3 think she just said they are lower now than they were.</p> <p>4 I think we need to be a little more clear in our cross.</p> <p>5 MS. WILLIAMS: I don't believe I said they</p> <p>6 were lower now, but I appreciate any -- we want a clear</p> <p>7 record for sure.</p> <p>8 Q. Are you aware that if the proposed rate</p> <p>9 increase goes into effect the city will be paying more</p> <p>10 for electricity than they are now?</p> <p>11 A. Am I clear that I'm aware that our rates will</p> <p>12 be lower or higher?</p> <p>13 Q. Higher, if the proposed increase goes into</p> <p>14 effect. Lower today than they will if the proposed rate</p> <p>15 increase goes into effect.</p> <p>16 A. I've been mayor a long time, but I'm confused.</p> <p>17 I'm not sure exactly what you are asking me. Are you</p> <p>18 asking me that they are doing me a favor by lowering my</p> <p>19 rates this time around, even though they are increasing</p> <p>20 everybody else's? Is that what you are asking?</p> <p>21 Q. No.</p> <p>22 Could you read the question back, Ms. Court</p> <p>23 Reporter, I want us to be clear we are talking about the</p> <p>24 same question.</p> <p>25 (Record read as requested.)</p>	Page 137	<p>1 lights were going to be higher. So there were a mixture</p> <p>2 of rate changes that I can't tell you off the top of my</p> <p>3 head, but that they were going to be higher.</p> <p>4 Q. Tell me if you can, tell me this off of the</p> <p>5 top of your head, after your experience as 29 years as</p> <p>6 mayor of Socorro, has there been a time in the past</p> <p>7 where electric rates were higher than they will be if</p> <p>8 the proposed rate increase goes into effect?</p> <p>9 MS. WINTER: I'm going to object on the basis</p> <p>10 of relevancy. I don't understand where this is going or</p> <p>11 how this lends any credibility to their case in chief.</p> <p>12 MS. WILLIAMS: It goes to the factors besides</p> <p>13 electricity that contribute to the economic development</p> <p>14 or not to the City of Socorro, which you already ruled</p> <p>15 is a fair subject of inquiry in this hearing.</p> <p>16 MS. WINTER: And --</p> <p>17 HEARING EXAMINER GLICK: Overruled.</p> <p>18 MS. WINTER: Thanks.</p> <p>19 A. I wouldn't be able to tell you.</p> <p>20 BY MS. WILLIAMS:</p> <p>21 Q. Okay. There is a lot of factors besides the</p> <p>22 cost of electricity that have affected economic</p> <p>23 development in your city; correct?</p> <p>24 A. Not a lot, but some.</p> <p>25 Q. Okay. Well, let's talk about some.</p>

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<p>1 Has declining population been an issue in</p> <p>2 attracting economic development to the City of Socorro</p> <p>3 in the past 29 years?</p> <p>4 A. Are you telling me that the population in</p> <p>5 Socorro has declined in 29 years? That's a misfact.</p> <p>6 That's not -- that's not a fact.</p> <p>7 Q. Has the population grown in Socorro?</p> <p>8 A. It has.</p> <p>9 Q. Okay. So declining population is not a factor</p> <p>10 in the inability to promote or stimulate economic growth</p> <p>11 in the City of Socorro in the past 29 years?</p> <p>12 A. The population has not been declining.</p> <p>13 Q. Okay. So that's not a factor, is the question</p> <p>14 I asked you.</p> <p>15 A. If that's what you want to say, sure.</p> <p>16 Q. Is the population of Socorro aging?</p> <p>17 A. Is the population aging? Yes, it is.</p> <p>18 Q. Has the aging population in Socorro affected</p> <p>19 your ability to stimulate economic development in the</p> <p>20 city?</p> <p>21 A. Only in that there are not as many people that</p> <p>22 are in the employment pool, yes.</p> <p>23 Q. Sure. Okay. And what has Socorro done to</p> <p>24 address that problem?</p> <p>25 A. You mean stop people from aging?</p>	<p>1 responsible for bringing economic development to the</p> <p>2 City of Socorro, and that it's his job to market it or</p> <p>3 promote it. It's just badgering him.</p> <p>4 MS. WILLIAMS: Madam Hearing Examiner, he is</p> <p>5 here as a representative of Socorro, he has provided the</p> <p>6 direct testimony, he has made economic development an</p> <p>7 issue and implied that the cost of electric service is</p> <p>8 the key factor in the lack of economic development in</p> <p>9 the community, and I'm allowed to inquire about other</p> <p>10 factors, and what the city has done to deal with those</p> <p>11 factors as they are intervening here to deal with the</p> <p>12 perception that the electric cost rate is a problem.</p> <p>13 HEARING EXAMINER GLICK: Overruled.</p> <p>14 A. We have a Chamber of Commerce that has</p> <p>15 advertised on their website for jobs. We have people</p> <p>16 that we have on our website that we link to with our IT</p> <p>17 people. Mr. Pineda is our IT man.</p> <p>18 I personally have invested about eight to nine</p> <p>19 million dollars in Socorro in motels and my medical</p> <p>20 practice. And we have asked other people that would get</p> <p>21 employment in Socorro to move to Socorro to fill those</p> <p>22 jobs.</p> <p>23 So we leave it to the public sector and the</p> <p>24 private sector to try to attract, you know, people for</p> <p>25 employment. As does tech.</p>
Page 139	Page 141
<p>1 Q. I don't know if you --</p> <p>2 A. I'm not sure what problem you are talking</p> <p>3 about.</p> <p>4 Q. Well, the problem that you don't have enough</p> <p>5 people in the labor pool to stimulate economic growth to</p> <p>6 a level that might stimulate the economy in your town.</p> <p>7 That's what I'm asking.</p> <p>8 A. So you are saying, how did we attract more</p> <p>9 people into the employment pool?</p> <p>10 Q. What have you done to attract more people in</p> <p>11 the employment pool or a younger aged population?</p> <p>12 A. What's happened is that people living in Belen</p> <p>13 and Los Lunas tend to come to work in Socorro and then</p> <p>14 travel back to Los Lunas, like Mr. Herrera.</p> <p>15 Q. Have you marketed in Belen and Socorro</p> <p>16 regarding jobs and economic opportunities in Socorro</p> <p>17 that are not available in the other small towns in the</p> <p>18 area?</p> <p>19 A. In which way?</p> <p>20 Q. That's what I'm asking you. What have you</p> <p>21 done to address the problem of -- to get people to come</p> <p>22 to Socorro to work instead of stay in their home?</p> <p>23 MS. WINTER: I'm going to object. I think I</p> <p>24 know where she is going with all this, and I think she</p> <p>25 is insinuating that the mayor and the mayor alone is</p>	<p>1 I mean, tech is probably a 40 to 50 percent</p> <p>2 employer of all the employed population in our</p> <p>3 community, and they do a great job in trying to attract</p> <p>4 professors and people of --</p> <p>5 BY MS. WILLIAMS:</p> <p>6 Q. Okay.</p> <p>7 A. Can I finish --</p> <p>8 Q. Sure.</p> <p>9 A. -- or are you going to shut me off?</p> <p>10 Q. No, I am not intending to shut you off --</p> <p>11 A. You said okay. I'm not sure what you meant by</p> <p>12 that.</p> <p>13 Q. I'm actively listening.</p> <p>14 A. Okay. So, New Mexico Tech, which I said is a</p> <p>15 major employer, and also the major payroll in our city,</p> <p>16 has an arm that they go out and recruit employees.</p> <p>17 But the major factors of finding employees and</p> <p>18 bringing in economic development have to do with the</p> <p>19 utilities, which electricity is a big one, the employee</p> <p>20 pool, and the availability of land and water. Those are</p> <p>21 the big things that we look at and we have looked at</p> <p>22 every one of those to try to make sure that we have, you</p> <p>23 know, optimized everything in each one of those</p> <p>24 categories.</p> <p>25 Q. Are you finished, Mayor?</p>

Page 142	<p>1 A. Yes, ma'am.</p> <p>2 Q. Does the City of Socorro have an economic</p> <p>3 development division, department, personnel?</p> <p>4 A. We do.</p> <p>5 Q. And how many people work in that department?</p> <p>6 A. We had a contract with the chamber, up until</p> <p>7 about two years ago, we had a contract with them as far</p> <p>8 as doing the economic development. It was about a</p> <p>9 \$40,000 contract. So they employed somebody to do that.</p> <p>10 Since we have lost that contract with the</p> <p>11 chamber, we have a grant-writing person that comes</p> <p>12 through the Council of Governments that comes out of T</p> <p>13 or C that we belong to, and they do the economic</p> <p>14 development recruiting.</p> <p>15 Q. Okay. How far is Socorro from the nearest</p> <p>16 commercial airport?</p> <p>17 A. 80 miles.</p> <p>18 Q. Is that a factor in -- that affects your</p> <p>19 economic development?</p> <p>20 A. It is not.</p> <p>21 Q. Okay. How about crime rates, does -- have you</p> <p>22 had anyone tell you through the chamber contract or</p> <p>23 through inquiries of possible businesses coming to the</p> <p>24 area that the crime rate would be an issue?</p> <p>25 A. Crime rate is always an issue in New Mexico.</p>	Page 144	<p>1 Q. Other New Mexico communities throughout the</p> <p>2 state.</p> <p>3 A. That's like a --</p> <p>4 Q. You are unaware?</p> <p>5 A. You have given me a blank -- you've given me a</p> <p>6 statement I can't put my hands on.</p> <p>7 Q. You are unaware that the drop-out rate has</p> <p>8 been found to be 20 percent higher in Socorro than other</p> <p>9 New Mexico of like size and --</p> <p>10 A. Such as which communities?</p> <p>11 Q. You used comparators of Española and Grants,</p> <p>12 for example. For other things, as like --</p> <p>13 A. Our drop-out rate is worse than Española?</p> <p>14 Q. I'm asking you the questions.</p> <p>15 A. I do not know that, no.</p> <p>16 Q. Okay.</p> <p>17 MS. WINTER: Objection. If she doesn't know</p> <p>18 the statistic she is basing her question on, it should</p> <p>19 really be stricken along with the answer.</p> <p>20 Motion to strike the question and answer.</p> <p>21 HEARING EXAMINER GLICK: Denied.</p> <p>22 BY MS. WILLIAMS:</p> <p>23 Q. So looking at your last answers, don't the</p> <p>24 skills, education and training of a labor force have a</p> <p>25 direct effect on the growth of an economy in a small</p>
Page 143	<p>1 We are not on the forefront of that. I think</p> <p>2 Albuquerque and Los Lunas has us beat.</p> <p>3 Q. And how about the -- we have discussed that</p> <p>4 the labor pool is shrinking because the age -- the</p> <p>5 population is aging. What efforts has Socorro made to</p> <p>6 bring the labor pool to a more skilled level?</p> <p>7 A. Your assumption is wrong. It's not -- the</p> <p>8 labor pool is not shrinking as much as they are not as</p> <p>9 trained and skilled for jobs in these high paying</p> <p>10 economic development opportunities, such as Solaro,</p> <p>11 which is one of the companies that had problems with the</p> <p>12 co-op.</p> <p>13 We are working with a high school for</p> <p>14 vocational training. New Mexico Tech has placed some of</p> <p>15 their students in some of these companies so that those</p> <p>16 companies could use skilled labor through the students</p> <p>17 that are, you know, going to Tech.</p> <p>18 We have also been trying to get a vocational</p> <p>19 school started in Socorro.</p> <p>20 Q. Are you aware of the drop-out rate at Socorro</p> <p>21 High School?</p> <p>22 A. Quite high.</p> <p>23 Q. And you are aware that their drop-out rate is</p> <p>24 20 percent higher than other New Mexico communities?</p> <p>25 A. Such as? Which communities?</p>	Page 145	<p>1 town like Socorro?</p> <p>2 A. It does.</p> <p>3 Q. Okay. Has the city made a decision to offer</p> <p>4 incentive packages to draw new business to the area?</p> <p>5 A. We have.</p> <p>6 Q. What incentive packages have you developed,</p> <p>7 either generally or customized for a particular</p> <p>8 interested customer?</p> <p>9 A. Let me give you an example.</p> <p>10 Q. Okay.</p> <p>11 A. We have a mining process in our community</p> <p>12 called Grefco that mine perlite, which is one of the</p> <p>13 largest resources in the country, happens to be in</p> <p>14 Socorro. They use a kiln to dry that perlite. They</p> <p>15 were using reclaimed oil for that.</p> <p>16 We offered them a better rate for natural gas,</p> <p>17 which has a better and a more productive BTU generation,</p> <p>18 and they paid for the line to bring it to Grefco, which</p> <p>19 is about a mile and a half. And we gave them an</p> <p>20 incentive rate to use that natural gas which the city</p> <p>21 owns, and they were using it throughout the year because</p> <p>22 we don't sell much during the summer.</p> <p>23 So we gave them a better rate on the, you</p> <p>24 know, per gallon use of the natural gas.</p> <p>25 We have a company called -- such as Solaro</p>

<p style="text-align: right;">Page 146</p> <p>1 that came in. We lease for five years an acre of land 2 for \$329 a year, which is very, very inexpensive, and 3 after five years, if they show us that they are going to 4 stay in Socorro, we sell them the land at an appraised 5 price. That's very attractive to companies that want to 6 move to Socorro. 7 But then Solaro had a big problem with the 8 Socorro Electric Co-op because the rates were so high 9 and some of the things that they were asking for, such 10 as transformers, took a lot longer to come, or they gave 11 them faulty transformers. 12 The gentleman then decided to move Los Lunas, 13 he did not expand in our community. 14 Q. All right. 15 A. That was a kind of a, you know, a retardant on 16 our economic development. 17 Q. Let's talk about Solaro and some of the other 18 companies that you talked about in the City of Socorro's 19 objections and responses to Socorro's Electric 20 Cooperative Fifth Set of Interrogatories and Request for 21 Production of Documents to the City of Socorro, New 22 Mexico. 23 A. I didn't get quite get what you said. 24 Q. That's the name of a document that you 25 verified the answers to. Do you recall that?</p>	<p style="text-align: right;">Page 148</p> <p>1 interrogatories. 2 It says: The city is aware of the following 3 companies. 4 Do you see that? And the objection 5 notwithstanding. 6 MS. WINTER: Can you identify a number, 7 please. 8 MS. WILLIAMS: 501. 9 HEARING EXAMINER GLICK: What's your question 10 again. 11 BY MS. WILLIAMS: 12 Q. I see the mayor is reading 501, so I wanted to 13 give him a chance. 14 A. I was trying to find what you were saying was 15 in this 501. 16 Q. That's why I'm giving you a chance to read it. 17 A. Okay. 18 Q. Have you had a chance to read the answer that 19 you verified? 20 A. Yes, ma'am. 21 Q. Okay. What year did Solaro Energy corporation 22 express interest in locating personnel or operations in 23 Socorro? 24 A. Off the top of my head, about the last six 25 years or seven years.</p>
<p style="text-align: right;">Page 147</p> <p>1 A. Okay. 2 MS. WILLIAMS: May I approach the witness? 3 HEARING EXAMINER GLICK: Yes. 4 MS. WILLIAMS: Do you need a copy? 5 HEARING EXAMINER GLICK: Yes, please. 6 MS. WILLIAMS: You bet. 7 Q. Do you recognize -- I actually need the copy. 8 Do you recognize the document with the long 9 title that I read to you before I handed you that 10 document? 11 A. I do. 12 Q. And if you look on the last page, is that your 13 signature on the verification? 14 A. It is. 15 Q. And you signed this the 21st of June, 2019, 16 last week? 17 A. If that's what the date says, I can't 18 recollect that. 19 Q. Can you read it? 20 A. Yes, ma'am. 21 Q. All right. Is that a correct statement, you 22 signed it on the 21st of June, 2019? 23 A. That's what it says. 24 Q. All right. So let's talk about some of the 25 answers that the city gave to some of these</p>	<p style="text-align: right;">Page 149</p> <p>1 Q. Okay. So sometime in the last six or seven 2 years? 3 A. Yes, ma'am. 4 Q. And what's your understanding of the business 5 of Solaro Energy corporation? 6 A. Mr. Grubb, who is the chairman of the 7 corporation, produces a unit that produces electricity 8 from a solar panel that then is placed in houses or 9 businesses, and they also have wind turbines that are 10 used for energy, protection in attics so that the wind 11 turbine expels hot air, and that's also generated by 12 electricity from the solar panel. That's their main 13 thing. 14 They are trying to expand to insulation that 15 is very, very efficient but very small in size, for 16 different -- such as trucks and buildings and the 17 nature -- of that nature. 18 Q. Is your testimony that Solaro is in the 19 creation, distribution or manufacturing of energy or 20 devices or all three or none of those? I couldn't tell 21 from your answer. Do -- 22 A. I just -- 23 THE REPORTER: One at a time. 24 HEARING EXAMINER GLICK: Yes. 25 BY MS. WILLIAMS:</p>

Page 150	<p>1 Q. Are they a manufacturing company?</p> <p>2 A. They do, yes.</p> <p>3 Q. Are they a distribution company?</p> <p>4 A. They do.</p> <p>5 Q. Do they create energy?</p> <p>6 A. Do they create energy?</p> <p>7 Q. Yes, with their products.</p> <p>8 A. Yes.</p> <p>9 Q. Okay. What's your understanding of the number</p> <p>10 of personnel Solaro Energy company was interested in</p> <p>11 locating to Socorro?</p> <p>12 A. Anywhere from 12 to 16.</p> <p>13 Q. How many of those people did you have an</p> <p>14 understanding were going to be hired locally?</p> <p>15 A. All of them.</p> <p>16 Q. So they weren't relocating 12 to 16 new</p> <p>17 people, they were going to hire 12 to 16 people that</p> <p>18 already lived in Socorro?</p> <p>19 A. Yes, ma'am.</p> <p>20 Q. Okay. What's the basis of your understanding?</p> <p>21 A. I personally toured with Mr. Grubb and</p> <p>22 encouraged him to come to Socorro, and this is what he</p> <p>23 had told me.</p> <p>24 And then we got some LEDA grants from the</p> <p>25 State of New Mexico for economic development, and he</p>	Page 152	<p>1 Do you see that?</p> <p>2 A. Yes, ma'am.</p> <p>3 Q. Can you read the question that you were asked</p> <p>4 in 504.</p> <p>5 A. For all commercial businesses, identify in</p> <p>6 responses to 501 and 503, state whether anyone at the</p> <p>7 city contacted any employee or any board member of SEC</p> <p>8 for an analysis of the electric costs for such</p> <p>9 buildings.</p> <p>10 Q. Isn't the answer to that question no?</p> <p>11 A. Mid Rio Grande Economic Development</p> <p>12 Association has been sponsored by the city to the tune</p> <p>13 of about \$10,000 annually. Mr. Boyd belongs to that</p> <p>14 because of our relationship with the co-op, which is</p> <p>15 very adversarial, he felt he would be a better</p> <p>16 intermediary in trying to resolve Mr. Grubb's problems.</p> <p>17 He was very adamant about that.</p> <p>18 And right after the meeting that Mr. Grubb</p> <p>19 spoke about SEC's and Solaro's problems that they were</p> <p>20 not cooperating with many things, Mr. Boyd volunteered</p> <p>21 to kind of broker that meeting.</p> <p>22 Q. Now, Don Boyd then was acting on behalf -- he</p> <p>23 is not a city employee, is he?</p> <p>24 A. Don Boyd is a member of the MRGEDA.</p> <p>25 Q. Right.</p>
Page 151	<p>1 had -- and we were the fiscal agent for that and he had</p> <p>2 to spell out how many people he was going to employ.</p> <p>3 Q. Okay. So you talked to Mr. Grubb and saw his</p> <p>4 proposal?</p> <p>5 A. I personally --</p> <p>6 Q. Okay. That's what I'm asking.</p> <p>7 A. Yeah, I just said that.</p> <p>8 Q. And I was clarifying that information myself.</p> <p>9 Thank you.</p> <p>10 A. Okay, yes.</p> <p>11 Q. Appreciate it. Did you have an understanding</p> <p>12 that Solaro was interested in building a facility in</p> <p>13 Socorro or using space that was already there?</p> <p>14 A. They were going to build a facility.</p> <p>15 Q. And what were the size and energy needs of</p> <p>16 that facility?</p> <p>17 A. I couldn't tell you.</p> <p>18 Q. Okay. Let's look at 504. Let me know when</p> <p>19 you have had a chance to read that.</p> <p>20 A. Yes, ma'am.</p> <p>21 Q. Do you see in the last section, the last</p> <p>22 sentence, it says: The city is aware of a meeting</p> <p>23 approximately three years ago between SEC and Don Boyd,</p> <p>24 a board member of Rio Grande Economic Development</p> <p>25 Association to discuss the Solaro expansion.</p>	Page 153	<p>1 A. And he was acting on behalf of the city as an</p> <p>2 economic development arm to help a company that was</p> <p>3 already existing in Socorro that wanted to expand and</p> <p>4 was having problems with the Socorro Electric</p> <p>5 Cooperative.</p> <p>6 Q. You didn't attend that meeting, did you?</p> <p>7 A. I did not. I don't think Mr. Herrera and I</p> <p>8 get along very well.</p> <p>9 Q. Well, that's beside the point of my question.</p> <p>10 A. Well, that's the reason I didn't meet him.</p> <p>11 Q. And no one from the city who was a city</p> <p>12 employee went -- attended that meeting, either; correct?</p> <p>13 You had this outside person, Don Boyd, acting</p> <p>14 on behalf of the city as a member of the Middle Rio</p> <p>15 Grande Economic Development Association?</p> <p>16 A. It would have been counter-productive.</p> <p>17 Q. Okay. How do you know anything about this</p> <p>18 meeting?</p> <p>19 A. Mr. Grubb said that it was an unsuccessful</p> <p>20 meeting, that he did not --</p> <p>21 Q. So --</p> <p>22 A. -- he could not resolve the problems of the</p> <p>23 cost of the transformer that had burned out, and some of</p> <p>24 the rate structures that they were offering from the</p> <p>25 co-op for his company.</p>

<p style="text-align: right;">Page 154</p> <p>1 Q. So your report is something that you heard 2 from someone who did attend the meeting. 3 A. He is the owner of Solaro. 4 Q. Not an answer to my question. 5 What you know about the meeting is from 6 someone who did attend the meeting? 7 A. Yes, ma'am. 8 Q. Okay. And he is the one who told you what was 9 discussed? 10 A. Yes, ma'am. 11 Q. You haven't heard a recording or seen minutes 12 or anything like that; correct? 13 A. I have not seen what you just said. 14 Q. So you have no personal knowledge of this 15 meeting other than what someone told you. 16 A. I'm dumbfounded by your question. This 17 gentleman was the one who complained to the city. He 18 then came back and said I'm moving to Los Lunas because 19 I cannot get along with the co-op. 20 He reported to me what happened at the 21 meeting. That's the only thing I know. I didn't get a 22 video, I did not get a recording, I didn't get a written 23 thing. I didn't get a call from Mr. Herrera. Mr. Boyd 24 did not contact me. 25 Q. So you have no personal knowledge of that</p>	<p style="text-align: right;">Page 156</p> <p>1 services and goods. There is no sales tax. 2 Q. Some towns do charge a service tax, don't 3 they, a sales tax, don't they? 4 A. I never heard of that. 5 Q. You never heard of that, okay. 6 So you control gross receipts tax? 7 A. We do. 8 Q. You control infrastructure development. 9 A. We control all those things that you are 10 talking about to an extent, not a hundred percent. 11 Q. I understand. 12 A. Yes, ma'am. 13 Q. You control water. 14 A. We do. 15 Q. You control garbage collection? 16 A. We do. 17 Q. Sewer rates? 18 A. We do. 19 Q. And the provision of natural gas. 20 A. We do. 21 Q. Okay. Within the city limits. 22 A. Yes. Most -- well, we have a little 23 extra-territorial zone. 24 Q. You do have a little buffer? 25 A. Yes, about two miles out.</p>
<p style="text-align: right;">Page 155</p> <p>1 meeting other than hearsay from someone who attended 2 that meeting; correct? 3 MS. WINTER: Objection. Sort of badgering, 4 No. 1; and No. 2, I think the fact that Solaro is not in 5 Socorro, relocated to Los Lunas, speaks for itself. 6 MS. WILLIAMS: I don't think you can tie that, 7 Madam Hearing Examiner, to what happened at this 8 meeting, nor that electric energy was the only factor in 9 Mr. Grubb's decision to relocate based on what the mayor 10 heard about a meeting that he didn't attend that wasn't 11 attended by someone that works for him. I don't think 12 that -- I think it's fair for me to probe his statement 13 that he has verified in answers to interrogatories on 14 behalf of the city. 15 HEARING EXAMINER GLICK: Well, I think he 16 answered your question. 17 MS. WILLIAMS: I agree, I agree. 18 HEARING EXAMINER GLICK: Okay. 19 MS. WILLIAMS: So I don't know why the 20 objection was made, I guess. 21 Q. Socorro controls taxes, some taxes; correct? 22 A. Gross receipts tax. 23 Q. No sales tax in Socorro? 24 A. The State of New Mexico does not have a sales 25 tax, ma'am. There is a gross receipts tax on all</p>	<p style="text-align: right;">Page 157</p> <p>1 Q. Okay, so what economic incentive package did 2 the city offer Solaro to encourage it to locate 3 personnel and operations in Socorro? 4 A. I mentioned earlier the things that we do to 5 help businesses in town that employ people and bring new 6 revenue to the city. And one of them was cheaper real 7 estate, which was, I think, very reasonable. 8 We talked to them about the use of natural 9 gas, which I alluded to before with Grefco. You know, 10 we talk about being able to extend lines with a discount 11 as far as sewer, water, gas. So we do give them that 12 kind of benefit. 13 We do not give them any abatement on taxes. 14 We do not do industrial revenue bonds, unless we 15 absolutely have to, such as what we did with the 16 hospital, which is one of the small communities that has 17 a hospital. So there are certain constraints as to what 18 we do give them. 19 Q. Did you give Solaro a written economic 20 incentive package in your talks with them of what you 21 could offer them and what you couldn't, which you just 22 described? 23 A. I gave Mr. Grubb my personal commitment to 24 what we could do for him, yes. I did not have any -- we 25 do not have a written economic development package that</p>

<p style="text-align: right;">Page 158</p> <p>1 we have -- that we give to each of the companies that 2 come into town. We let the chamber do some of that. 3 Q. When you discussed with Solaro this economic 4 development package, did you describe or talk with them 5 about an economic development rate that could be 6 discussed with Socorro Electric Cooperative? 7 A. You know, I had no knowledge of an economic 8 development rate that the co-op was offering. 9 Q. Did you ever -- excuse me. 10 A. They have never discussed that with me. And I 11 didn't out of the blue think that there was one. 12 We did offer Solaro, there is a decreased 13 gross receipts tax at our industrial park, so that's one 14 offer, you know, but we did not offer them anything that 15 the electric co-op might have had in their bag of 16 tricks. 17 Q. And so you hadn't discussed with the electric 18 co-op, before you were talking with Solaro, the 19 possibility of creating an economic development rate, 20 did you? 21 A. I did not. 22 MS. WILLIAMS: Okay. 513 in the answers to 23 interrogatories. 24 And your Honor, I haven't moved the admission 25 for these, but I would like to mark them as an exhibit.</p>	<p style="text-align: right;">Page 160</p> <p>1 our economic director again. We don't have enough money 2 to hire a huge group of people so we contract with 3 people. Our contract at that time was with a gentleman 4 by the name of Terry Tadano, and on behalf of the city, 5 on a contract, Mr. Tadano worked with Solaro and 6 approached the state for a \$250,000 LEDA grant. 7 And they did give Solaro, through the fiscal 8 agent of the City of Socorro, a LEDA grant for \$250,000 9 that he used to expand and make another building. 10 Q. And so was the city the fiscal agent for that 11 grant? 12 A. Yes, ma'am. 13 Q. Even though the facility was not located 14 ultimately in Socorro. 15 A. The -- the time line for Solaro to throw up 16 their hands and go to Los Lunas was after the building 17 of this new building that they used to manufacture 18 insulation. And the problems that they had in getting 19 power and an adequate transformer for that building. 20 Q. So that LEDA money came in to the City of 21 Socorro to assist Solaro in the economic development of 22 this plant. To build insulation? 23 A. Yes, ma'am. 24 Q. Okay. And the past ten years has Socorro 25 applied for any other LEDA grants to stimulate economic</p>
<p style="text-align: right;">Page 159</p> <p>1 HEARING EXAMINER GLICK: Okay. 2 MS. WILLIAMS: I think it's 5. I think it's 3 Socorro 5. 4 HEARING EXAMINER GLICK: That's right. 5 (Marked SEC Exhibit 5.) 6 HEARING EXAMINER GLICK: Go ahead. 7 MS. WILLIAMS: The mayor is reading 513. 8 THE WITNESS: I'm fine. 9 MS. WILLIAMS: Just let me know when you are 10 done. I don't want to ask you questions before you are 11 ready to answer them. 12 THE WITNESS: Sure. 13 BY MS. WILLIAMS: 14 Q. Can you verify that the city worked with the 15 state economic development division to obtain a Local 16 Economic Development grant, a LEDA grant -- 17 A. We did. 18 Q. -- for Solaro? 19 A. We did. 20 Q. What did you ask for from LEDA? 21 A. LEDA allows small communities or large 22 communities to get a company that may need cash to 23 develop structures. Mainly a structure that they can 24 then occupy and advance their business. 25 Mr. Grubb asked actually the city, and asked</p>	<p style="text-align: right;">Page 161</p> <p>1 growth? 2 A. Not to my knowledge, no. 3 Q. Okay. In the past ten years has Socorro 4 recruited at national shows to stimulate economic growth 5 in your town, like Clovis did for the cheese factory, 6 you know, they went to the milk national conferences? 7 A. Yeah, do you know where it is now? The cheese 8 factory. 9 Q. My question is -- 10 A. It's defunct. 11 Q. My question is, have you recruited at national 12 shows to stimulate economic development? 13 A. Have we gone to these national shows? 14 Q. Yes. To recruit economic development. 15 A. No. 16 Q. No? Has the City of Socorro considered 17 offering tax increment financing for ad valorem taxes to 18 any businesses to bring them to your town? 19 A. Could you define that, ad valorem taxes? 20 Q. You don't know what that is? 21 A. I want to know if you know what it is asking 22 me that question. 23 MS. WILLIAMS: Well, your Honor, I think it's 24 inappropriate. I think he can either answer my question 25 or he can't.</p>

<p style="text-align: right;">Page 162</p> <p>1 A. I don't know what you mean by "ad valorem." 2 BY MS. WILLIAMS: 3 Q. That's fine. Has Socorro adopted a local 4 legal ordinance to stimulate local development? 5 A. No, we haven't. 6 Q. Has Socorro adopted a local ordinance of any 7 kind to stimulate economic growth in your town? Taxing 8 mechanisms, adding to your GRP, which you are allowed to 9 do, to build an economic development fund? 10 A. We have not. 11 Q. Have you created an enterprise zone? 12 A. We have not. 13 Q. Have you allowed property tax exemptions for 14 businesses looking to locate in your area? 15 A. We don't have the power to do that. We are 16 not a home rule city. 17 Q. You are not home rule. 18 Have you ever offered infrastructure 19 development to stimulate economic growth in your 20 community? 21 A. I gave you an example of Dicaperl, the Grefco 22 company, the perlite. 23 Q. You extended a line that they paid for? 24 A. Yes, ma'am. 25 Q. Any other infrastructure development you've</p>	<p style="text-align: right;">Page 164</p> <p>1 Q. Okay. What was the year that RiskSense, Inc. 2 expressed interest in locating personnel and operations 3 to Socorro? 4 A. The RiskSense is a changed name, that's not 5 the name of that company at that time. I can't 6 recollect the name of that company at the time that they 7 were spun off from New Mexico Tech. And their reason 8 was not as much electric utility rates but as 9 connectivity -- 10 Q. Okay. 11 A. -- as far as the broadband is concerned. And 12 they are a cyber security company and they ended up 13 locating in Albuquerque and eventually I think they have 14 established other offices. 15 Q. What's the understanding that you have as the 16 number of personnel that RiskSense or their predecessor 17 was going to locate in Socorro? 18 A. Not their predecessor, but this is a future. 19 RiskSense is a future name, they are not a predecessor 20 name. 21 Q. Right. I was asking RiskSense had a 22 predecessor named something else; correct? 23 A. Yes. 24 Q. That's what I'm asking. 25 A. From 20 to 50.</p>
<p style="text-align: right;">Page 163</p> <p>1 helped business with to keep them or bring them to your 2 community? 3 A. We have extended sewer lines and different 4 types of water lines and gas lines for them, yes. 5 Q. And does the business pay for those line 6 extensions or does the city provide that to them as an 7 incentive for them to come? 8 A. I'm not sure if you know the structure of our 9 charges. We are very, very, very low compared to other 10 cities. So we expect them to pay for it. But our 11 connections and our impact fees are almost minuscule. 12 They are very, very small. 13 And we had that at your -- you know, if you 14 had that, that information, that would show you our 15 comparison to other cities. 16 Q. Have you -- I think you have already answered 17 this and said no, but you haven't offered bond financing 18 for new and expanding businesses other than the 19 hospital. 20 A. We have not. 21 Q. Okay. The next business that you reference in 22 your answer to 501, and actually 503 as well, is 23 RiskSense, Inc. 24 Do you see that? 25 A. Yes, ma'am.</p>	<p style="text-align: right;">Page 165</p> <p>1 Q. Okay. And do you know what skill level they 2 required for those employees? 3 A. They would have to be computer literate. 4 Q. Do you understand that RiskSense was 5 interested in building a facility in Socorro or locating 6 base property? 7 A. They would have to build. 8 Q. And did you discuss with RiskSense the size 9 and energy needs of that facility? 10 A. We never got to first base because of the 11 connectivity problem. 12 Q. Okay. Which is the broadband issue? 13 A. Yes, ma'am. 14 Q. Okay. And Socorro Electric Co-op doesn't do 15 broadband; correct? 16 A. They do not. 17 Q. What economic incentive package did the city 18 offer to RiskSense or their predecessor to encourage it 19 to locate personnel and operations to Socorro? 20 A. We couldn't, because of the connectivity 21 problem, as far as what they needed up and down on the 22 internet. 23 Q. So that was discovered very early in the 24 negotiations? 25 A. Yeah, it was a done deal.</p>

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<p>1 Q. All right. Then you mention TDS broadband --</p> <p>2 A. Yes.</p> <p>3 Q. -- as the next business that you feel was --</p> <p>4 expressed interest in locating personnel in Socorro;</p> <p>5 correct?</p> <p>6 A. Yes, ma'am.</p> <p>7 Q. And what year was that?</p> <p>8 A. That would have been about three years ago,</p> <p>9 2016, 2015.</p> <p>10 Q. What's the business of TDS broadband?</p> <p>11 A. They are a cable communication company.</p> <p>12 Q. Do they manufacture, what --</p> <p>13 A. They don't manufacture but they place and then</p> <p>14 they give the service.</p> <p>15 Q. Okay. What's your understanding of the number</p> <p>16 of personnel TDS broadband was interested in locating in</p> <p>17 Socorro?</p> <p>18 A. Well, they actually took the manager away</p> <p>19 because they couldn't get the fiber strung, so they were</p> <p>20 talking about three or four people.</p> <p>21 Q. Three or four?</p> <p>22 A. But that's a direct impact of that company,</p> <p>23 yes.</p> <p>24 Q. Okay. Were they interested in building a</p> <p>25 facility in Socorro or occupying vacant property?</p>	<p>1 Q. Okay.</p> <p>2 A. Yes, ma'am.</p> <p>3 Q. So they weren't going to build a facility,</p> <p>4 they just had some folks there who were going to be</p> <p>5 stringing cable, for a period of time.</p> <p>6 A. If you want to put it that way, sure.</p> <p>7 Q. Okay. So TDS didn't have real energy needs in</p> <p>8 Socorro, they needed the use of Socorro Electric Co-op's</p> <p>9 plant, the poles; right?</p> <p>10 A. Yes.</p> <p>11 Q. Okay. Did you offer an economic incentive</p> <p>12 package to TDS broadband?</p> <p>13 A. They didn't want one.</p> <p>14 Q. Okay. You referenced talks between Socorro</p> <p>15 Electric in your direct testimony on page 11, or page 5.</p> <p>16 Do you have your direct in front of you,</p> <p>17 Mayor?</p> <p>18 A. I do.</p> <p>19 Q. Okay. I'm looking at page 5, starting at line</p> <p>20 6, the question. Have you found that?</p> <p>21 A. I have found page 5 so far.</p> <p>22 Q. And the question -- in answering the question</p> <p>23 that starts at page 6, you discuss issues with TDS and a</p> <p>24 meeting between TDS and Socorro Electric Cooperative;</p> <p>25 right? It's the third line.</p>
<p>Page 167</p> <p>1 A. They are a cable communication company out of</p> <p>2 Wisconsin, and what they do is they go into a small</p> <p>3 town, put four to five million dollars and put up a</p> <p>4 fiber network through the town, such as Lovington,</p> <p>5 Ruidoso, Truth or Consequences.</p> <p>6 They do that on poles. In this case the poles</p> <p>7 belonged to Socorro Electric Cooperative. They made</p> <p>8 arrangements in Lovington, Ruidoso and Truth or</p> <p>9 Consequences to do that. They spent two years in</p> <p>10 negotiation with the co-op and they were unable to do</p> <p>11 that. That would have impacted our whole population as</p> <p>12 far as connectivity is concerned.</p> <p>13 Q. Is it your understanding that TDS has</p> <p>14 electrified Lovington and the other towns you mentioned,</p> <p>15 and provided cable --</p> <p>16 A. Yes.</p> <p>17 Q. -- through their electric service?</p> <p>18 A. It's not electric service. It's fiber for</p> <p>19 internet.</p> <p>20 Q. I understand that. And my question was, and</p> <p>21 maybe it was inartful or I left out a word, but they</p> <p>22 provide the cable using the existing electric</p> <p>23 infrastructure, owned by Socorro or the other co-op in</p> <p>24 the place they are looking at?</p> <p>25 A. They place fiber on the electric poles.</p>	<p>Page 169</p> <p>1 A. Maybe I've got the wrong thing. I've got page</p> <p>2 5 here.</p> <p>3 Q. I'm looking at your direct testimony, Mr.</p> <p>4 Mayor.</p> <p>5 A. I'm sorry.</p> <p>6 Q. Page 5.</p> <p>7 A. Uh-huh.</p> <p>8 Q. The question starting at line 6 --</p> <p>9 A. Okay.</p> <p>10 Q. -- is what I'm going to ask you about.</p> <p>11 You can read the whole thing, I don't want you</p> <p>12 to think I'm taking something out of context. Let me</p> <p>13 know when you are ready to answer questions about that.</p> <p>14 A. You want -- I read line 6, yes.</p> <p>15 Q. If you read the question and the answer that</p> <p>16 starts on line 6.</p> <p>17 A. I have.</p> <p>18 Q. Do you see on line 9 you say TDS and SEC</p> <p>19 entered -- were in talks to work out an agreement?</p> <p>20 Do you see that?</p> <p>21 A. Yes.</p> <p>22 Q. How do you know about those talks?</p> <p>23 A. They sent us a correspondence to that effect,</p> <p>24 the manager did.</p> <p>25 Q. The manager of TDS?</p>

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<p>1 A. Yes, ma'am.</p> <p>2 Q. Were you involved in those talks?</p> <p>3 A. No, ma'am.</p> <p>4 Q. Do you know what was discussed?</p> <p>5 A. Generally speaking, yes.</p> <p>6 Q. Through someone who was at the meeting who</p> <p>7 told you what they thought had been discussed?</p> <p>8 A. The manager of TDS.</p> <p>9 Q. You have no personal knowledge of that</p> <p>10 meeting?</p> <p>11 A. That's the only knowledge I have.</p> <p>12 MS. WILLIAMS: Okay. Madam Hearing Examiner,</p> <p>13 the mayor has referenced two meetings, and I can give</p> <p>14 you the cites for both of them, this is one, the first</p> <p>15 one we talked about a moment ago, of which he has no</p> <p>16 personal knowledge and we move to strike those from his</p> <p>17 direct because he is not qualified to testify about</p> <p>18 those.</p> <p>19 HEARING EXAMINER GLICK: Ms. Winter?</p> <p>20 MS. WINTER: Not only has the mayor exhibited</p> <p>21 all of his personal knowledge and discussed all of his</p> <p>22 personal knowledge, all the correspondence between TDS</p> <p>23 that the mayor has is also in the direct testimony as in</p> <p>24 the rebuttal testimony Mr. Herrera attached as exhibits.</p> <p>25 So we could certainly use that to support the</p>	<p>1 principals?</p> <p>2 A. We did.</p> <p>3 Q. Okay. It was your understanding that steel</p> <p>4 mill would be locating in Socorro?</p> <p>5 A. This is a process of producing steel using</p> <p>6 high energy electricity that New Mexico Tech actually,</p> <p>7 not the City of Socorro, New Mexico Tech was approached</p> <p>8 by a company out of the east, say Boston, and they said</p> <p>9 they would locate in our industrial park.</p> <p>10 They would need a rail spur, which we have.</p> <p>11 They would need land, which we have. They would also</p> <p>12 need to look at some electric rates that were profit</p> <p>13 making. And so this company was going to use</p> <p>14 electricity to generate steel rods. And that's --</p> <p>15 that's as much as I can tell you.</p> <p>16 I can't tell you the name of the company</p> <p>17 because that's proprietary, and it was not something</p> <p>18 that I can say in public.</p> <p>19 Q. Okay.</p> <p>20 A. But this was -- actually, they approached New</p> <p>21 Mexico Tech initially.</p> <p>22 Q. Okay. What was your understanding of the</p> <p>23 number of people the unnamed steel mill would be</p> <p>24 interested in locating in Socorro?</p> <p>25 A. Initially it would be somewhere between six to</p>
Page 171	Page 173
<p>1 communications.</p> <p>2 But she has opened the door to the mayor's</p> <p>3 conversations with these folks. He told her what it is,</p> <p>4 and to elicit this conversation, all the details she has</p> <p>5 elicited, and then call it what she is calling it is</p> <p>6 sort of a waste of time and not productive whatsoever.</p> <p>7 But --</p> <p>8 HEARING EXAMINER GLICK: That's all I need.</p> <p>9 The motion to strike is denied.</p> <p>10 MS. WILLIAMS: Okay.</p> <p>11 Q. Do you know what economic incentive packages</p> <p>12 Lovington or Ruidoso offered to TDS broadband, if any?</p> <p>13 A. No, ma'am.</p> <p>14 Q. Then you talk about an unnamed steel plant as</p> <p>15 your fourth business that you believe was going to</p> <p>16 locate in Socorro; correct?</p> <p>17 A. Yes, ma'am.</p> <p>18 Q. Since you answered these interrogatories last</p> <p>19 week, have you determined the name of the unknown steel</p> <p>20 mill?</p> <p>21 A. I'm not at liberty to tell you that in a</p> <p>22 public meeting.</p> <p>23 Q. All right. So did you engage in discussions</p> <p>24 with this entity to the level that you would have</p> <p>25 learned the business name or the names of the</p>	<p>1 12. Eventually it would be to a hundred to 150.</p> <p>2 Q. Were those people going to need heavy</p> <p>3 equipment operation skills? What kind of skill level?</p> <p>4 A. Some may, some would have been laborers.</p> <p>5 Q. Were they interested in building a facility in</p> <p>6 Socorro?</p> <p>7 A. Yes, ma'am.</p> <p>8 Q. Did you discuss the size and energy needs of</p> <p>9 that facility?</p> <p>10 A. They gave us an indication, but we never got</p> <p>11 any kind of specifics.</p> <p>12 Q. Was it going to be a high load facility?</p> <p>13 A. It would have been.</p> <p>14 Q. Based on your discussions --</p> <p>15 A. Yes.</p> <p>16 Q. -- did you ever offer them an incentive</p> <p>17 package or did you not get that far?</p> <p>18 A. We did not get that far, but we did offer them</p> <p>19 the ability to have IRBs. Industrial revenue bonds.</p> <p>20 Q. Look at 503, the objection to 503. I want to</p> <p>21 talk with you a little bit about that.</p> <p>22 A. Now we are back on the other one?</p> <p>23 Q. Yes, sir.</p> <p>24 A. Okay.</p> <p>25 Q. Do you see that you've objected to the request</p>

<p style="text-align: right;">Page 174</p> <p>1 to identify all commercial businesses within the 2 previous ten years that have not located in the city 3 because of electric costs; correct? 4 A. Yes. 5 Q. And you say because it's impossible to 6 determine all commercial businesses that have not 7 located in the city and it's justification for not doing 8 so; correct? 9 A. Yes. 10 Q. So other than the four businesses that we have 11 just discussed, you don't know of any other businesses 12 that have expressed interest locating personnel and 13 operations in Socorro in the past ten years that have 14 told you that they chose not to do that because of the 15 cost of electricity. 16 A. I do not. 17 Q. Okay. Do you know, as the person who signed 18 these on behalf of the city, what factors any business 19 used to decide not to locate in Socorro? 20 A. Any other factors? 21 Q. Yes -- 22 A. As I said -- 23 Q. -- any factors. They didn't tell you that 24 electricity was the issue outside the four, and you have 25 described one; correct?</p>	<p style="text-align: right;">Page 176</p> <p>1 Los Lunas, Grants and Española; correct? 2 A. Yes. 3 Q. Let's examine that statement. Before you 4 testified to that statement did you look at the PRC 2017 5 annual report regarding cooperatives that provide meter 6 numbers and miles of service line? 7 A. I have not. 8 Q. Do you know how many meters there are in 9 Socorro Electric Co-op's service area? 10 A. 10,000. 11 Q. Okay. Does 14,000 sound like a factor above 12 what you recall? Do you think it's 10,000 rather than 13 14,000? 14 A. The -- I mean -- 15 Q. Okay. Do you know how many miles of service 16 line are encompassed in SEC's service area? 17 A. I do not. 18 Q. Okay. Do you know who supplies power to Los 19 Lunas? 20 A. I do. 21 Q. Who is that? 22 A. PNM. 23 Q. And do you know how many meters compared to 24 Socorro Electric Co-op PNM has? 25 A. I do not.</p>
<p style="text-align: right;">Page 175</p> <p>1 A. Yes. 2 Q. Okay. So of the other businesses that didn't 3 locate there, none of them told you that we didn't come 4 because of the cost of electricity, did they? 5 A. Which businesses are you talking about? 6 Q. The ones that you've said you can't identify 7 or the identified factors. No one has told you that 8 they didn't locate in Socorro because of the cost of 9 electricity. Based on your answer to 503. 10 A. But I told you, I had not -- I don't know of 11 any other businesses that have tried to locate in 12 Socorro. 13 Q. Correct. And so you don't know of any 14 businesses who didn't locate in Socorro because of the 15 cost of electricity -- 16 A. I do not. 17 Q. -- as an extension of that. 18 You speculate that electric costs are a factor 19 in any business decision; correct? 20 A. Absolutely. 21 Q. Okay. Let's look at your direct. We probably 22 don't need to. Page 2, line -- well, we do -- lines 14 23 and 15. Tell me when you are ready to talk about that. 24 A. I see that. Go ahead. 25 Q. You state that SEC's rates are multiples above</p>	<p style="text-align: right;">Page 177</p> <p>1 Q. Do you know who supplies power to Española? 2 A. PNM. 3 Q. Who is that? 4 A. PNM is my understanding. I'm not sure who. 5 Q. To Española? 6 A. Yeah. 7 Q. Okay. You aren't aware that Jemez Mountain 8 Electric Co-op provides power to Española? 9 A. I didn't know that. 10 Q. So you don't know how many meters there are in 11 the Española area? 12 A. I don't know. 13 Q. Do you know who supplies power to Grants? 14 A. I do. 15 Q. Who is that? 16 A. Continental Divide. 17 Q. Do you know how many meters are in the 18 Continental Divide Electric Co-op area? 19 A. I do not. 20 Q. Do you know how many miles of service line are 21 in the Grants service area? 22 A. I do not. 23 Q. So you are not really prepared to testify that 24 those are comparable in terms of meters and service line 25 miles, are you?</p>

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<p>1 What are you using to say that those are</p> <p>2 comparators with the Socorro?</p> <p>3 A. I'm using the bottom line cost of electricity.</p> <p>4 Q. Okay. So -- and you know that the bottom line</p> <p>5 cost if someone has 500,000 meters, like PMM, that their</p> <p>6 cost per meter is going to be less than if you have</p> <p>7 10,000 meters; correct?</p> <p>8 A. I do not know that.</p> <p>9 Q. You don't know that. All right.</p> <p>10 So you state that the business model for</p> <p>11 Socorro Electric Cooperative is killing your area;</p> <p>12 correct?</p> <p>13 A. That's part of it, yes.</p> <p>14 Q. But Continental Divide and Jemez Mountain</p> <p>15 Electric Co-op are both electric co-ops with the same</p> <p>16 business model as Socorro Electric; correct?</p> <p>17 A. I'm not knowledgeable about that.</p> <p>18 Q. So you don't know whether they are killing New</p> <p>19 Mexico's rural economy as electric co-ops.</p> <p>20 A. I'm sorry?</p> <p>21 Q. You don't know, you are not willing to say</p> <p>22 that those co-ops are killing the economy in rural New</p> <p>23 Mexico.</p> <p>24 A. I'm here to testify to Socorro Electric</p> <p>25 Cooperative, I don't know why you are putting words in</p>	<p>1 Q. Correct. Are you a member of the co-op</p> <p>2 through your residence?</p> <p>3 A. Yes.</p> <p>4 Q. Okay. Are you familiar with the bylaws of the</p> <p>5 co-op?</p> <p>6 A. Before they changed them or after they</p> <p>7 changed?</p> <p>8 Q. Both. We are going to talk about after.</p> <p>9 A. Sure, I am.</p> <p>10 Q. So you are familiar with the bylaws regarding</p> <p>11 trustee elections because you have testified that the</p> <p>12 makeup of the trustees is not fair to the city; correct?</p> <p>13 A. Because of the sites that they are elected, I</p> <p>14 know how you get elected, but the sites that they are</p> <p>15 elected at are totally disproportional to the people who</p> <p>16 use the co-op.</p> <p>17 Q. Okay. So you have testified at page 11,</p> <p>18 starting at line 14 --</p> <p>19 A. Yes, ma'am.</p> <p>20 Q. Okay. I'm going to ask you some questions</p> <p>21 about that question and your answer.</p> <p>22 Do you recall the major -- and you have</p> <p>23 already mentioned this, the major SEC bylaws rewrite in</p> <p>24 2015 done by an outside consultant Aaron Christen [sic]?</p> <p>25 A. Yes, ma'am.</p>
Page 179	Page 181
<p>1 my mouth about this.</p> <p>2 Q. I'm not, I'm inquiring about comparators that</p> <p>3 you brought up in your direct testimony, and I have a</p> <p>4 right to probe why you are talking about Española,</p> <p>5 Grants and Los Lunas, and so it's a fair question, Mr.</p> <p>6 Mayor.</p> <p>7 A. Because of the cost of electricity, I just</p> <p>8 said.</p> <p>9 Q. And you don't know how they determine the cost</p> <p>10 of electricity within their business model, do you?</p> <p>11 A. You can tell me. I don't know. How do they</p> <p>12 do that?</p> <p>13 Q. I'm asking you --</p> <p>14 A. I don't --</p> <p>15 Q. -- asking you the question.</p> <p>16 A. I do not.</p> <p>17 Q. Thank you. I appreciate your cooperation.</p> <p>18 Can you look at -- you are familiar -- are you</p> <p>19 a member of the Socorro Electric Cooperative, not as</p> <p>20 just the city mayor?</p> <p>21 A. On multiple sites.</p> <p>22 Q. On multiple sites. But are you a member</p> <p>23 personally as a resident?</p> <p>24 A. I thought if you used the co-op and pay their</p> <p>25 bills you are an owner of the co-op.</p>	<p>1 Q. In fact you met with Mr. Christen in 2015</p> <p>2 regarding the city's redistricting issues to determine</p> <p>3 representation districts within Socorro service area.</p> <p>4 A. I don't recollect that.</p> <p>5 Q. You don't recall?</p> <p>6 A. I don't recollect that specific point.</p> <p>7 Q. Do you recall that before 2015 there were five</p> <p>8 trustees for Socorro Electric Cooperative?</p> <p>9 A. I would think -- well, there were many before</p> <p>10 that. There were eleven.</p> <p>11 Q. Five positions. Immediately before the 2015</p> <p>12 bylaw rewrite.</p> <p>13 A. You mean just the day before? Or years before</p> <p>14 or when?</p> <p>15 Q. Immediately before the 2015 bylaw rewrite, how</p> <p>16 many trustee positions were there allowed by the bylaws</p> <p>17 of the Socorro Electric Cooperative?</p> <p>18 It was five; correct?</p> <p>19 A. Your definition of "immediately."</p> <p>20 Q. Immediately prior, the set of bylaws before</p> <p>21 the 2015 rewrite. Have you got that?</p> <p>22 A. I can tell you that there have been a</p> <p>23 diminution of trustees over the years. So if you say</p> <p>24 immediately means a year, two days, or ten years. What</p> <p>25 does that mean?</p>

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<p>1 Q. I mean, are you aware that the bylaws provide</p> <p>2 a certain number of positions?</p> <p>3 A. I am.</p> <p>4 Q. Trustees --</p> <p>5 A. I am.</p> <p>6 Q. -- at particular time when the bylaws are</p> <p>7 adopted and in effect.</p> <p>8 A. Yes, ma'am.</p> <p>9 Q. And immediately prior to the 2015 rewrite, how</p> <p>10 many trustee positions were in effect in Socorro</p> <p>11 Electric Co-op? The bylaws that were replaced by the</p> <p>12 2015 rewrite, not the ones ten years ago or 15 years ago</p> <p>13 or 50 years ago. Immediately prior.</p> <p>14 A. If you are telling me there are five, so I'm</p> <p>15 not sure.</p> <p>16 Q. You don't recall that?</p> <p>17 A. I do not.</p> <p>18 Q. Okay. And at that time you don't recall that</p> <p>19 there was only one from the Socorro municipal area?</p> <p>20 A. I don't recall that.</p> <p>21 Q. And after the 2015 bylaw change, how many</p> <p>22 trustees are there now?</p> <p>23 A. Five. Or seven.</p> <p>24 Q. There are seven, aren't there?</p> <p>25 A. Seven.</p>	<p>1 those people have and how they are trained to execute</p> <p>2 those?</p> <p>3 A. I am not.</p> <p>4 Q. In your experience, whether a board member is</p> <p>5 -- or working with other board members, do they</p> <p>6 typically pursue their own self-interest or are they</p> <p>7 acting in the best interest of the organization they</p> <p>8 serve?</p> <p>9 A. They are -- they are usually in their best</p> <p>10 interest.</p> <p>11 Q. That's your opinion?</p> <p>12 HEARING EXAMINER GLICK: Five.</p> <p>13 MS. WILLIAMS: Oh, thank you.</p> <p>14 Q. Are you familiar with the capital credits that</p> <p>15 the city has received --</p> <p>16 A. I am not.</p> <p>17 Q. -- in the past?</p> <p>18 A. I'm not.</p> <p>19 Q. You are not. So you are not aware that in</p> <p>20 November of 2018 SEC paid the city \$9,378.72 in capital</p> <p>21 credits?</p> <p>22 A. I am not.</p> <p>23 Q. Okay. You are aware that the co-op pays the</p> <p>24 city a tax based on electric sales; correct?</p> <p>25 A. Yes, ma'am.</p>
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<p>1 Q. So there is two new ones, aren't there?</p> <p>2 A. Are there? Five plus two are seven.</p> <p>3 Q. You are correct, your math is correct.</p> <p>4 A. You are the one helping me.</p> <p>5 Q. Thank you, I'm always happy to help.</p> <p>6 A. Thank you.</p> <p>7 Q. Those two additional trustees are from within</p> <p>8 the city limits?</p> <p>9 A. They are. Who are they?</p> <p>10 HEARING EXAMINER GLICK: Okay. If you don't</p> <p>11 know the answer to the question, say you don't know.</p> <p>12 A. I don't know.</p> <p>13 BY MS. WILLIAMS:</p> <p>14 Q. So you don't know that the two additional</p> <p>15 trustees cover portions of the city limits?</p> <p>16 A. I do not know.</p> <p>17 Q. Okay. Did you review the bylaws of SEC</p> <p>18 regarding trustee elections before preparing your</p> <p>19 testimony?</p> <p>20 A. I didn't.</p> <p>21 Q. Are you aware of training that cooperative</p> <p>22 board members get to participate in as a member of the</p> <p>23 board once they are elected?</p> <p>24 A. I am not.</p> <p>25 Q. Are you aware of the fiduciary duties that</p>	<p>1 Q. Do you know roughly how much tax annually SEC</p> <p>2 pays the city?</p> <p>3 A. It fluctuates, about \$80,000.</p> <p>4 Q. \$80,000. Okay. You were mayor in 25 when SEC</p> <p>5 requested a rate increase from New Mexico PRC of 7.47</p> <p>6 overall; correct?</p> <p>7 A. Did you say 25? I'm not sure what you said.</p> <p>8 Q. You were mayor in 2005; correct?</p> <p>9 A. I thought you said 25. Is that what --</p> <p>10 Q. Were you mayor in 2005? I may have misspoken.</p> <p>11 I do that sometimes. I apologize.</p> <p>12 A. You did.</p> <p>13 Q. I appreciate you pointing that --</p> <p>14 A. I'll do that.</p> <p>15 Q. Thank you.</p> <p>16 You were mayor in 2005 when SEC requested a</p> <p>17 rate increase from NMPRC for 7.47 overall; correct?</p> <p>18 A. Yes, ma'am.</p> <p>19 Q. And the city didn't intervene in that rate</p> <p>20 case, did they?</p> <p>21 A. We did not.</p> <p>22 Q. You were mayor in 2011 when SEC requested a</p> <p>23 rate increase from the PRC of 6.95 overall; correct?</p> <p>24 A. Yes, ma'am.</p> <p>25 Q. And the city didn't intervene in that rate</p>

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<p>1 case?</p> <p>2 A. There was a reason for that. Yes, we did not</p> <p>3 intervene.</p> <p>4 Q. Okay. In this proceeding SEC proposes a rate</p> <p>5 increase from the PRC of 5.06 percent overall; correct?</p> <p>6 A. Yes, ma'am.</p> <p>7 Q. And you are intervening.</p> <p>8 A. We are.</p> <p>9 Q. Is it fair to say that the city is a</p> <p>10 dissatisfied customer or member of SEC?</p> <p>11 A. We are learning. We are dissatisfied.</p> <p>12 Q. Okay. Now, have you -- you have looked at the</p> <p>13 proposed rates; right, Mr. Mayor?</p> <p>14 A. Through a cursory way, yes.</p> <p>15 Q. Okay. Did you see anything in the proposed</p> <p>16 rates that encouraged greater energy consumption by the</p> <p>17 members?</p> <p>18 A. I'm not sure what you mean by that.</p> <p>19 Q. Did you see anything in the proposed rates</p> <p>20 that encouraged people to leave their lights on when</p> <p>21 they are gone or use energy?</p> <p>22 A. I haven't looked for that.</p> <p>23 Q. Okay. Is there anything in the proposed rates</p> <p>24 that discourages energy efficiency?</p> <p>25 A. Yes.</p>	<p>1 A. We are not changing those rates, it's going to</p> <p>2 go up \$2 per utensil, from \$16 to \$18.</p> <p>3 Q. Okay. Based on your testimony, is it fair to</p> <p>4 say that you don't get along with Mr. Herrera, the</p> <p>5 general manager of the co-op?</p> <p>6 MS. WINTER: Objection.</p> <p>7 MS. WILLIAMS: He has already testified to</p> <p>8 that.</p> <p>9 MS. WINTER: No, he didn't.</p> <p>10 MS. WILLIAMS: I guess --</p> <p>11 MS. WINTER: He testified he was a</p> <p>12 dissatisfied customer.</p> <p>13 HEARING EXAMINER GLICK: Sustained.</p> <p>14 MS. WINTER: Thank you.</p> <p>15 MS. WILLIAMS: No further questions for the</p> <p>16 mayor. Thank you.</p> <p>17 HEARING EXAMINER GLICK: Did you want to move</p> <p>18 into evidence that exhibit, or no?</p> <p>19 MS. WILLIAMS: I thought I did, but if I</p> <p>20 haven't I would like to.</p> <p>21 HEARING EXAMINER GLICK: Okay.</p> <p>22 MS. WILLIAMS: Exhibit 5. We talked about it.</p> <p>23 HEARING EXAMINER GLICK: Is there any</p> <p>24 objection?</p> <p>25 Ms. Winter, any objection to admission of SEC</p>
Page 187	Page 189
<p>1 Q. What is that?</p> <p>2 A. Our specific street lighting. LED lighting</p> <p>3 decreases consumption by 40 to 45 percent, yet the cost</p> <p>4 of each utensil is going to be \$2 higher than the high</p> <p>5 pressure sodium. That discourages us to decrease our</p> <p>6 energy consumption.</p> <p>7 Q. So you believe that the lighting rates</p> <p>8 discourage the city from doing an LED conversion.</p> <p>9 A. They do.</p> <p>10 Q. Is that your testimony?</p> <p>11 A. Your question was, is there anything that</p> <p>12 discourages energy savings; right?</p> <p>13 Q. Energy efficiency.</p> <p>14 A. Efficiency.</p> <p>15 Q. Correct.</p> <p>16 A. I gave you an example.</p> <p>17 Q. Correct. What I'm asking you, following up on</p> <p>18 that, is have you discussed an LED conversion or had one</p> <p>19 of your city employees discuss an LED conversion with</p> <p>20 Socorro Electric Co-op?</p> <p>21 A. I did it personally.</p> <p>22 Q. When was that?</p> <p>23 A. When they explained the rates to us, that</p> <p>24 meeting we had with Mr. Herrera.</p> <p>25 Q. And what was the outcome of that meeting?</p>	<p>1 Exhibit 5?</p> <p>2 MS. WINTER: No objection.</p> <p>3 HEARING EXAMINER GLICK: Okay. SEC Exhibit 5</p> <p>4 is admitted.</p> <p>5 (Admitted SEC Exhibit 5.)</p> <p>6 HEARING EXAMINER GLICK: Mayor Bhasker, I have</p> <p>7 a few clarifying questions for you.</p> <p>8 CROSS EXAMINATION</p> <p>9</p> <p>10 BY HEARING EXAMINER GLICK:</p> <p>11 Q. Would you turn to your direct testimony at</p> <p>12 page 2.</p> <p>13 A. Yes, ma'am.</p> <p>14 Q. And I have a question about your sentence at</p> <p>15 lines 20 and 21. There you say: This allows the board</p> <p>16 to structure its rate so that the city subsidizes the</p> <p>17 rates of those outside the city.</p> <p>18 Are you referring there to the allegation</p> <p>19 that's been made in this case that the commercial</p> <p>20 customers are subsidizing the rates of the residential</p> <p>21 customers?</p> <p>22 A. Not specifically to that.</p> <p>23 Q. Okay. What are you talking about?</p> <p>24 A. My concern is when they were talking about</p> <p>25 rate classes that there is no rate class for a densely</p>

<p style="text-align: right;">Page 190</p> <p>1 populated area such as Socorro, and a very thinly 2 densely populated area outside of Socorro, almost all 3 the way to Catron County. 4 The cost of service for that set of people 5 is -- and that's intuitive, I'm not saying that that's 6 the case, but in my experience at the utility, it's much 7 cheaper to be able to service in a concentrated urban 8 area than the outlying area, and my feeling is, is that 9 we in the city are subsidizing those residents outside 10 the city. 11 There is some sympathy for the people -- from 12 people in the city for those people. But my claim is 13 that in order for us to grow as a city, we have to be 14 able to be responsible for our own utility rates and not 15 be giving benefits to people outside the city by 16 subsidizing that. 17 Q. Okay. And would you turn to page 11. 18 A. Yes, ma'am. 19 Q. And at line 18 you state: The board is 20 comprised of seven trustees, only three come from 21 district 3. 22 Do you mean reside in district 3 when you say 23 "come from"? 24 A. Yeah. Reside. 25 Q. Okay. So are you saying that under the</p>	<p style="text-align: right;">Page 192</p> <p>1 any questions? 2 COMMISSIONER FISCHMANN: Two quick ones. 3 CROSS EXAMINATION 4 5 BY COMMISSIONER FISCHMANN: 6 Q. Mr. Mayor, should co-op -- should co-op -- 7 well, I'll ask it this way: Do you recall as a co-op 8 member being consulted about whether you were interested 9 in having broadband infrastructure placed on the 10 utilities' poles? 11 A. Mr. Commissioner, I do. I think they should 12 have been poled. 13 Q. But did the co-op ask for your input as a 14 customer? 15 A. No, sir. 16 Q. Or as a member? 17 A. No, sir. 18 Q. Okay. And one other in terms of capital 19 distributions. Did the co-op ask you as a member 20 whether you were interested in having the capital 21 contribution of the size that they are recommending in 22 this rate case? 23 A. Mr. Commissioner, they did not. 24 COMMISSIONER FISCHMANN: Thank you. 25 HEARING EXAMINER GLICK: Okay. Ms. Winter,</p>
<p style="text-align: right;">Page 191</p> <p>1 cooperative's bylaws only three of the trustees can 2 reside in Socorro? 3 A. I'm just saying that's what exists, I'm not 4 sure of the bylaws. 5 Q. Okay. And then would you turn to page 12. At 6 lines 7 and 8 you state -- 7 A. I'm sorry -- 8 Q. Page 12. 9 A. -- I'm lost for 12, because I go to eleven, 10 then it goes to my signature page. 11 Q. Oh. 12 MS. WINTER: The copy I gave omits page 12. I 13 will fix that. 14 THE WITNESS: Sorry. Yes, ma'am. 15 BY HEARING EXAMINER GLICK: 16 Q. You are talking about your recommendations and 17 I'm looking at the sentence at lines 7 and 8, you say: 18 First the Commission should review the rates charged by 19 SEC, consider the testimony of the staff and the 20 intervenors in this case, and grant the relief 21 requested. 22 The relief requested by the City of Socorro? 23 A. "The relief requested" means to deny the rate 24 increase for this whole system. 25 HEARING EXAMINER GLICK: Okay. Do you have</p>	<p style="text-align: right;">Page 193</p> <p>1 any redirect? 2 MS. WINTER: Just two questions, but can I 3 take a moment with the mayor first? Can I take a 4 two-minute break? 5 HEARING EXAMINER GLICK: Sure. 6 THE WITNESS: I don't mind. If they want to 7 take a break, that's fine. 8 HEARING EXAMINER GLICK: Just take a minute. 9 I don't think we need to officially break if you can 10 just talk to him real quickly. 11 (Pause in proceedings.) 12 HEARING EXAMINER GLICK: I allocated up to ten 13 minutes. It sounds like you are probably not going to 14 need that much. 15 MS. WINTER: No, I don't need it. 16 REDIRECT EXAMINATION 17 18 BY MS. WINTER: 19 Q. Mr. Bhasker, do you recall Ms. Williams's 20 question to you about whether or not this city -- or 21 Socorro Electric paid the city a tax? 22 A. I do. 23 Q. And I think you indicated it was \$80,000? 24 A. Yes, ma'am. 25 Q. Okay. It's not a tax, that \$80,000 you</p>

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<p>1 received from Socorro Electric, is it?</p> <p>2 A. They use our property to put their poles on</p> <p>3 it, so it's basically a rent that they have on our right</p> <p>4 of way property that they have the poles. And so that</p> <p>5 is a pass-through to a customer. That they have their</p> <p>6 business which is a business --</p> <p>7 Q. It's a franchise fee?</p> <p>8 A. Yes, it's a franchise fee.</p> <p>9 Q. And it's not a cost to the company because</p> <p>10 it's a pass-through; is that right?</p> <p>11 A. It's a pass-through.</p> <p>12 Q. Okay.</p> <p>13 A. And we have not raised it as some other towns</p> <p>14 have.</p> <p>15 Q. And you were asked whether or not Socorro,</p> <p>16 City of Socorro has adopted any economic development</p> <p>17 ordinances.</p> <p>18 Do you recall that question?</p> <p>19 A. I do.</p> <p>20 Q. Okay. And your answer was no, but the city</p> <p>21 has pursued some attempt to lower economic -- or some</p> <p>22 attempt to lower electric rates, has it not?</p> <p>23 A. Well, as a defense to this, the city has</p> <p>24 passed a utility ordinance specifically for an electric</p> <p>25 utility and we have also put out RFPs for electric --</p>	<p>1 customer, a member of the co-op. Did you attend every</p> <p>2 meeting of the board of trustees during the period of</p> <p>3 time where the TDS broadband issue was being discussed?</p> <p>4 A. I did not.</p> <p>5 Q. So you don't know if it was discussed in the</p> <p>6 context of the board of trustees meeting and the members</p> <p>7 who actually attend those meetings whether they were</p> <p>8 interested in broadband infrastructure on the SEC poles</p> <p>9 for that period of time.</p> <p>10 A. I was not specifically contacted as a member.</p> <p>11 Q. Okay. And you get notices of when the</p> <p>12 meetings are and they are open public meetings; correct?</p> <p>13 A. They are.</p> <p>14 Q. Okay. Now, looking at your recommendations on</p> <p>15 page 12.</p> <p>16 MS. WINTER: Objection, outside the scope of</p> <p>17 direct.</p> <p>18 MS. WILLIAMS: No, it's not. The hearing</p> <p>19 examiner asked that question.</p> <p>20 HEARING EXAMINER GLICK: Yes. It's within the</p> <p>21 scope. Overruled.</p> <p>22 BY MS. WILLIAMS:</p> <p>23 Q. You told the hearing officer that your</p> <p>24 recommendation was that the proposed rate increase be</p> <p>25 denied; correct?</p>
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<p>1 MS. WILLIAMS: Objection, your Honor. This is</p> <p>2 part of a stricken testimony that you said was not</p> <p>3 relevant to this proceeding, and I don't believe it's</p> <p>4 appropriate. It also is not anything that I brought up.</p> <p>5 It's not a LEDA economic development ordinance, what he</p> <p>6 is talking about.</p> <p>7 MS. WINTER: Madam Examiner, Ms. Williams</p> <p>8 asked him if the city has adopted any economic</p> <p>9 development ordinances and if fact they had. It just</p> <p>10 happens to be part of the municipalization effort.</p> <p>11 So I have no objection to not bringing it in</p> <p>12 just so that it's recognized that Ms. Williams opened</p> <p>13 the door when she asked that question.</p> <p>14 HEARING EXAMINER GLICK: Okay. So sustained.</p> <p>15 MS. WINTER: All right. No further questions.</p> <p>16 HEARING EXAMINER GLICK: Okay. Ms. Williams,</p> <p>17 any recross?</p> <p>18 MS. WILLIAMS: I have two questions.</p> <p>19 HEARING EXAMINER GLICK: Okay.</p> <p>20 RE-CROSS EXAMINATION</p> <p>21</p> <p>22 BY MS. WILLIAMS:</p> <p>23 Q. Actually I think it might only be one.</p> <p>24 Commissioner Fischmann asked you if the</p> <p>25 broadband was discussed, if you were consulted as a</p>	<p>1 A. Yes.</p> <p>2 Q. You don't recommend, or didn't recommend an</p> <p>3 economic development rate, did you?</p> <p>4 A. That I recommended? I wasn't --</p> <p>5 Q. The city.</p> <p>6 A. I was unaware that the co-op would even offer</p> <p>7 one.</p> <p>8 Q. So the answer is no?</p> <p>9 A. That didn't -- yes, ma'am, the answer is no.</p> <p>10 MS. WILLIAMS: Thank you. That's all I have.</p> <p>11 HEARING EXAMINER GLICK: Anything else? Okay.</p> <p>12 Thank you, Mayor Bhasker, you are excused.</p> <p>13 THE WITNESS: Thank you.</p> <p>14 (Witness excused.)</p> <p>15 HEARING EXAMINER GLICK: Let's go ahead and</p> <p>16 take an afternoon break and come back at 3:10. It will</p> <p>17 be Ms. Montoya, I believe.</p> <p>18 Off the record.</p> <p>19 (Break taken.)</p> <p>20 HEARING EXAMINER GLICK: Let's go back on the</p> <p>21 record.</p> <p>22 And Ms. Wiggins, you may call your next</p> <p>23 witness.</p> <p>24 MS. WIGGINS: Thank you. The co-op calls</p> <p>25 Rauni Montoya.</p>

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<p>1 Rauni Montoya, 2 having been first duly sworn, testified as follows: 3 4 DIRECT EXAMINATION 5 6 BY MS. WIGGINS: 7 Q. Ms. Montoya, will you state your full name for 8 the record, please. 9 A. Ronnita Marie Montoya, but I go by Rauni, 10 which is spelled R-a-u-n-i. 11 Q. Ms. Montoya, what is your position at Socorro 12 Electric? 13 A. I'm currently the accounting supervisor. 14 Q. Did you submit any testimony in this case? 15 A. Yes, ma'am. 16 Q. I would like to refer you to the direct 17 testimony of Ronnita, Rauni, Montoya, submitted on March 18 22, 2019. 19 Do you have that in front of you? 20 A. Yes, ma'am. 21 Q. For identification purposes I will call it 22 Exhibit 6, Socorro Electric. 23 Have you had an opportunity to review that 24 testimony and any of the exhibits to it? 25 A. Yes, ma'am.</p>	<p>1 Q. Are there any corrections or additions that 2 you need to make to the rebuttal testimony at this time? 3 A. No. 4 Q. Is that testimony true and correct? 5 A. Yes, ma'am. 6 Q. If you were asked those questions at this 7 proceeding, would your answers be the same as in the 8 rebuttal testimony? 9 A. Yes, ma'am. 10 MS. WIGGINS: I believe that, Madam Hearing 11 Examiner, would be Socorro Electric Exhibit 7 -- 12 HEARING EXAMINER GLICK: Yes. 13 MS. WIGGINS: -- which we move into evidence 14 at this time. 15 HEARING EXAMINER GLICK: Any objection? 16 SEC Exhibit 7 is admitted. 17 (Admitted SEC Exhibit 7.) 18 MS. WIGGINS: And I tender this witness at 19 this time for cross-examination. 20 HEARING EXAMINER GLICK: Mr. Adams or Ms. 21 Loehr? You have 20 minutes. 22 CROSS EXAMINATION 23 24 BY MS. LOEHR: 25 Q. Good afternoon, Ms. Montoya. Would you turn</p>
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<p>1 Q. Are there any exhibits, for the record? 2 A. I don't believe so. 3 Q. Are there any corrections or additions to your 4 direct testimony that you need to make at this time? 5 A. No, ma'am. 6 Q. Is your sup- -- is your direct testimony true 7 and correct? 8 A. Yes, ma'am. 9 Q. If you were asked the questions in your direct 10 testimony today, would your answers be the same? 11 A. Yes. 12 MS. WIGGINS: At this time, Madam Hearing 13 Examiner, we move admission of Exhibit 6. 14 HEARING EXAMINER GLICK: Is there any 15 objection? 16 SEC Exhibit 6 is admitted. 17 (Admitted SEC Exhibit 6.) 18 BY MS. WIGGINS: 19 Q. Would you turn now to rebuttal testimony of 20 Ronnita, Rauni, Montoya submitted on June 12, 2019, 21 please. 22 A. Yes, ma'am. 23 Q. Have you had an opportunity to review that 24 rebuttal testimony? 25 A. Yes, ma'am.</p>	<p>1 to your direct testimony, page 4 and lines 4 through 8. 2 This is regarding splitting out the Residential 3 customers from the general; is that correct? 4 A. Yes, ma'am. 5 HEARING EXAMINER GLICK: Could you speak up, 6 Ms. Loehr. 7 THE WITNESS: Yes. 8 MS. LOEHR: Sure. 9 Q. Now you did that split, you state, because you 10 are creating two rates to better apply the allocated 11 cost to each class; is that correct? 12 A. Yes, ma'am. 13 Q. So as a result of the split, the Residential 14 rate of return is much less than Small Commercial; is 15 that right? 16 A. No. The lines 4 through 8 refer to the actual 17 tariff language, not how the cost of service was 18 developed or the allocation factors in the study. So 19 no. 20 MS. LOEHR: Well, the -- the allocated 21 costs -- well, okay. I'll just take your answer. 22 That's all I have. 23 HEARING EXAMINER GLICK: Okay. Ms. Winter or 24 Mr. Herrmann? And you have an hour. 25 MR. HERRMANN: Thank you. I do not think we</p>

<p style="text-align: right;">Page 202</p> <p>1 will need the whole hour. I do have a couple questions. 2 CROSS EXAMINATION 3 4 BY MR. HERRMANN: 5 Q. Good afternoon, Ms. Montoya. Thank you for 6 your testimony and appearing today. 7 A. You are welcome. 8 Q. Do you handle the city's account as your job 9 duties as account manager? 10 A. I -- no, I do not handle the city's account. 11 I'm not an account manager, I'm the accounting 12 supervisor. 13 Q. Okay. 14 A. So I don't handle member accounts. 15 Q. Okay. Does anyone there handle individual 16 accounts? 17 A. I'm not sure. 18 Q. Okay. Referring to your rebuttal testimony, 19 page 2, lines 15 through 17. 20 Let me know when you are there. 21 A. Okay. You said lines 15 through what? 22 Q. 17. 23 A. Okay. 24 Q. You mention rebates offered specifically for 25 split unit heat pumps, irrigation motors, and commercial</p>	<p style="text-align: right;">Page 204</p> <p>1 losing from the energy efficiency programs? 2 A. I have not performed any analysis to that 3 effect. 4 Q. And you are not aware of any? 5 A. No. 6 Q. Are you aware if the city has any split unit 7 heat pumps or any irrigation motors? 8 A. I do not know for sure. 9 Q. Okay. Sorry to jump around but we are going 10 to go back to -- or to your rebuttal testimony. Page 3, 11 lines 10 through 12. 12 A. Lines 10 through 12? 13 Q. Yes. You state that SEC has not discouraged 14 the city from metering any lights that the city would 15 like to add. So if the city were willing to install 16 separate meters and fixtures and pay SEC all the 17 associated costs for installing those meters, the 18 cooperative would accept those payments? 19 A. To my knowledge, yes. 20 Q. And you state the SEC hasn't discouraged the 21 city. Are you aware of any specific efforts of the 22 cooperative to encourage energy efficient activities? 23 A. Can you repeat the question? I'm sorry. 24 Q. I'm sorry. Are you aware of any efforts by 25 the cooperative to encourage energy efficiency</p>
<p style="text-align: right;">Page 203</p> <p>1 LED lighting. 2 A. Yes, sir. 3 Q. Are any of these rebates listed on your 4 website? 5 A. Not to the extent of commercial rebates. What 6 we have listed on the website is Residential rebates. 7 Q. Do you have a copy of Mr. Herrera's direct 8 testimony? 9 MS. WIGGINS: If I may assist the witness. 10 HEARING EXAMINER GLICK: Yes. 11 THE WITNESS: Thank you. 12 MS. WIGGINS: The direct testimony, Counsel? 13 MR. HERRMANN: Yes. 14 A. Yes, sir, I do have that in front of me. 15 BY MR. HERRMANN: 16 Q. If you would direct your attention to page 5, 17 lines 1 and 2. 18 A. Line what? I'm sorry. 19 Q. 1 and 2. On page 5. 20 A. Okay. 21 Q. Mr. Herrera states as part of the 22 justification for the rate increase he -- it's because 23 there are declining margins due to SEC's promotion of 24 Energy Star and other energy efficiency products. Has 25 any analysis been performed to show how much SEC is</p>	<p style="text-align: right;">Page 205</p> <p>1 initiatives -- 2 A. Yes. 3 Q. -- for the city? 4 A. Oh, okay. That was different. So, we market 5 and encourage energy efficiency to all our members using 6 our back page of Enchantment, our newsletters, our 7 website, various different avenues that we use to 8 encourage and promote energy efficiency. 9 Q. Except for the commercial accounts that you 10 previously stated were not advertised? 11 A. I stated -- 12 MS. WIGGINS: Objection, misstates prior 13 testimony. 14 She was testifying before as to what was on 15 the website. That's not what counsel has used to frame 16 his question. 17 HEARING EXAMINER GLICK: Okay. Sustained. 18 MR. HERRMANN: All right. 19 Q. Are -- where are commercial incentives 20 advertised for energy efficiency? 21 A. We do not have them advertised. We -- because 22 they are so specific to each project and each member 23 that would need them. We don't put all of it out there 24 because it could create some confusion. So those Large 25 Commercial or commercial users do need to reach out to</p>

<p style="text-align: right;">Page 206</p> <p>1 us to get those details because they do vary based off 2 of the project. 3 Q. And they need to reach out to you. Do you 4 ever reach out to individual customers for those 5 incentives? 6 A. I do not. 7 Q. Does anyone at the cooperative? 8 A. I am not aware. I don't know. 9 Q. Okay. On page 4 of your rebuttal testimony, 10 lines 11 and 12, you refer to a \$997,517 figure in your 11 rate base that includes all contributions in aid of 12 construction. Do you have an exact figure for how much 13 of that rate base is derived from CIAC? 14 A. No. 15 Q. Why not? 16 A. Because we track it per RUS accounting 17 standards, and that amount that's booked to plant is 18 offset by all CIA contributions that are given to 19 Socorro Electric Cooperative. So we don't have a 20 specific account that tracks CIAC separately, but it 21 does reduce the amount that's booked to plant per RUS 22 accounting standards. 23 Q. Do RUS accounting standard require that amount 24 to be tracked? 25 A. Not separately, no.</p>	<p style="text-align: right;">Page 208</p> <p>1 THE WITNESS: Yes, I do have it. 2 BY MR. HERRMANN: 3 Q. Those were submitted by the city as some 4 sample invoices for street light installations. Would 5 you mind reviewing those and identifying where, if 6 anywhere, there are costs for line extensions over 125 7 feet? 8 A. Can you restate that? 9 Q. In any of these invoices, is there an item for 10 material for wire and extension of power lines to power 11 street lights or private security lights? 12 A. It does not appear that those invoices have 13 any material costs for an extension of 125 feet of 14 service wire. 15 MR. HERRMANN: All right. I just have one 16 last exhibit I want to admit, if I may approach. 17 HEARING EXAMINER GLICK: Yes. 18 MR. HERRMANN: Anyone else like a copy? 19 HEARING EXAMINER GLICK: May I have a copy, 20 please. 21 MR. HERRMANN: Yes. 22 HEARING EXAMINER GLICK: Thank you. 23 BY MR. HERRMANN: 24 Q. Would you please identify the title of this 25 document?</p>
<p style="text-align: right;">Page 207</p> <p>1 Q. All right. Do you have a copy of Larry 2 Blank's testimony prepared by the city and New Mexico 3 Tech? 4 MS. WIGGINS: If I may, your Honor. 5 HEARING EXAMINER GLICK: Yes. 6 THE WITNESS: Sorry. There is too many 7 notebooks. Thank you. 8 A. Yes, I do have a copy of Larry Blank's 9 testimony in front of me. 10 BY MR. HERRMANN: 11 Q. Towards the end he has an exhibit identified 12 as LB-2, sample SEC lighting and installation cost 13 invoiced to city customers. 14 A. Can you please restate the exhibit number or 15 the -- 16 Q. LB-2. For Larry Blank 2. 17 A. I don't see the attachments in here. 18 MS. WIGGINS: Counsel, was it LBR-1? 19 MR. HERRMANN: That's in the rebuttal 20 testimony. In his direct it would be LB-2. 21 THE WITNESS: Sorry. We were on the rebuttal. 22 Sorry. 23 MS. WIGGINS: LB-2? 24 MR. HERRMANN: Yes. 25 MS. WIGGINS: The witness has it.</p>	<p style="text-align: right;">Page 209</p> <p>1 A. The Socorro Electric Cooperative, Inc.'s 2 Responses to the City of Socorro, New Mexico -- 3 HEARING EXAMINER GLICK: Slow down, please. 4 THE WITNESS: Sorry. Do you want me to start 5 over? 6 HEARING EXAMINER GLICK: Yes, please. 7 A. The Socorro Electric Cooperative, Inc.'s 8 Responses to City of Socorro, New Mexico's Sixth Set of 9 Interrogatories and Request for Production of Documents. 10 BY MR. HERRMANN: 11 Q. And I believe on the third to last page that 12 is your signature. 13 A. Yes, it is my signature on the verification 14 page. 15 Q. Do you recognize this document? 16 A. Yes. 17 Q. Did you review and verify all the answers in 18 this document? 19 A. Yes. 20 Q. If I asked you these questions today, would 21 your answers remain the same? 22 A. Yes. 23 MR. HERRMANN: At this time I move to admit 24 the Socorro Electric Cooperative, Incorporated Responses 25 to the City of Socorro's Sixth Set of Interrogatories as</p>

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<p>1 City Exhibit 2. 2 HEARING EXAMINER GLICK: Any objection? 3 MS. WIGGINS: No objection. 4 HEARING EXAMINER GLICK: City Exhibit 2 is 5 admitted. 6 (Admitted City Exhibit 2.) 7 MR. HERRMANN: That concludes our testimony -- 8 our cross-examination, excuse me. 9 HEARING EXAMINER GLICK: Mr. Borman? 10 MR. BORMAN: Yes, I have one or two questions. 11 CROSS EXAMINATION 12 13 BY MR. BORMAN: 14 Q. Good afternoon, Ms. Montoya. 15 A. Hi. 16 Q. I'm Brad Borman, attorney that represents the 17 Utility Division staff. 18 I believe you responded to a question from Mr. 19 Herrmann a few moments ago that you were not an account 20 manager. 21 A. Correct. 22 Q. It sounded from that answer that you do know 23 what an account manager does. 24 A. No. I have an assumption. 25 Q. Well, then, how do you know that you are not</p>	<p>1 Q. Would you go to page 4 of your direct 2 testimony. 3 A. Yes. Okay. 4 Q. And I'm looking at lines 12 to 14, and can you 5 tell me a bit more about what you think would be the 6 confusion regarding application of the charge? 7 A. So we didn't state a kilowatt hour number in 8 order to avoid members possibly getting the 9 understanding that they get 40 kilowatt hours free or 25 10 kilowatt hours free, or that that would be the 11 perception if a number was given. 12 Q. Don't you think a customer should know in 13 advance the monthly use below which the minimum charge 14 would apply? 15 A. No, because, again, it brings that element of 16 confusion that they may misinterpret that number as 17 getting free kilowatt hours. 18 Q. Sorry, I'm just -- I wrote down the wrong line 19 numbers, so I'm just trying to find which line numbers I 20 meant. 21 Does SEC currently offer any energy efficiency 22 programs related to street lighting? 23 A. I would have to look at our rebates to see 24 what the -- what the criteria is to meet the LED rebates 25 that we have.</p>
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<p>1 an account manager? 2 A. Because I don't deal with actual member 3 accounts. 4 Q. Okay. So that's what an account manager does, 5 is deal with member accounts? 6 A. That was my assumption. 7 Q. Okay. To your knowledge does the cooperative 8 have one or more account managers that interact directly 9 with Large Commercial customers? 10 A. SEC has member service representatives that do 11 interact with the members. 12 Q. Okay. And are there any that interact 13 primarily or solely with Large Commercial customers or 14 do they deal with all members? 15 A. I think they deal with all members. 16 MR. BORMAN: Okay. I have no further 17 questions. Thank you. 18 Thank you, Ms. Montoya. 19 THE WITNESS: Thank you. 20 HEARING EXAMINER GLICK: I have a few 21 questions for you, Ms. Montoya. 22 THE WITNESS: Sure. 23 CROSS EXAMINATION 24 25 BY HEARING EXAMINER GLICK:</p>	<p>1 Q. Okay. And the LED rebates, are those only for 2 commercial customers? 3 A. No, we have rebates, we have LED rebates for 4 residential customers and we also have different LED 5 rebates that apply to commercial accounts. 6 Q. And the commercial ones are the ones that are 7 not advertised? 8 A. Yes, ma'am. 9 HEARING EXAMINER GLICK: Okay. That's all I 10 have. 11 Do you have any questions? 12 COMMISSIONER FISCHMANN: Nothing. 13 HEARING EXAMINER GLICK: Okay. Ms. Wiggins, 14 any redirect? 15 MS. WIGGINS: One moment. If I may have -- 16 HEARING EXAMINER GLICK: Yes. 17 MS. WIGGINS: One moment, if I may. 18 (Pause in proceedings.) 19 HEARING EXAMINER GLICK: Oh, I know the 20 question I was looking for there that I forgot. 21 Q. Would you turn to your rebuttal testimony at 22 page 3. And I'm looking at lines 1 through 3. The 23 question you ask is, would SEC engage in collaborative 24 discussions with the city on an LED program if the city 25 made a request to do so, and your answer is yes, they</p>

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<p>1 would.</p> <p>2 What kind of an LED program are you talking</p> <p>3 about there?</p> <p>4 A. I just mean that we would have discussions</p> <p>5 with them on coming up with some sort of LED program.</p> <p>6 In Polo's -- in his testimony he says that an LED</p> <p>7 program would be helpful. And I'm saying that if they</p> <p>8 approached us about it we would be amicable to</p> <p>9 discussing an LED program.</p> <p>10 Q. And so are you referring there to how you</p> <p>11 offer these type of programs to any commercial customer,</p> <p>12 that they approach you and you then you talk to them</p> <p>13 about a commercial energy efficiency program?</p> <p>14 A. Yes, ma'am.</p> <p>15 HEARING EXAMINER GLICK: Okay. Thank you.</p> <p>16 Ms. Wiggins?</p> <p>17 MS. WIGGINS: Thank you.</p> <p>18 REDIRECT EXAMINATION</p> <p>19</p> <p>20 BY MS. WIGGINS:</p> <p>21 Q. Ms. Montoya, are you aware of any commercial</p> <p>22 members who have taken advantage of rebates for LED</p> <p>23 projects?</p> <p>24 A. Yes, ma'am.</p> <p>25 Q. Are you aware of any that have taken advantage</p>	<p>1 members who have taken advantage of rebates for LEDs?</p> <p>2 A. NRAO.</p> <p>3 Q. What is that?</p> <p>4 A. National Radio Astronomy -- something. I</p> <p>5 don't know.</p> <p>6 HEARING EXAMINER GLICK: Don't help her.</p> <p>7 A. Okay. No, I don't know exactly.</p> <p>8 BY MS. WIGGINS:</p> <p>9 Q. Does that operate the Very Large Array?</p> <p>10 A. Yes, yes.</p> <p>11 Q. So that entity that operates the Very Large</p> <p>12 Array has taken advantage of rebates.</p> <p>13 A. Yes, ma'am.</p> <p>14 Q. Can you describe your knowledge of that</p> <p>15 effort?</p> <p>16 A. I don't know specifically what their project</p> <p>17 entailed.</p> <p>18 Q. Do you have any other examples that you can</p> <p>19 cite?</p> <p>20 A. I'm trying to think back. Ace Hardware in</p> <p>21 Socorro, they also got an LED rebate and it was to</p> <p>22 retrofit their commercial building with all new LED</p> <p>23 fixtures.</p> <p>24 The Socorro County Fairgrounds Association</p> <p>25 also got a rebate for retrofitting, and they added LED</p>
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<p>1 for LED projects, such as retrofitting --</p> <p>2 A. Yes, ma'am.</p> <p>3 Q. -- lights? Is Tech one of those commercial</p> <p>4 customers who has done that?</p> <p>5 A. Yes, ma'am, in 2017.</p> <p>6 Q. What is your understanding of the project that</p> <p>7 Tech undertook in 2017?</p> <p>8 A. That they retrofitted LED lighting in their</p> <p>9 street -- parking lots and on campus, to receive a</p> <p>10 rebate from Socorro Electric.</p> <p>11 Q. Did Socorro Electric ultimately pay any rebate</p> <p>12 to Tech?</p> <p>13 A. Yes.</p> <p>14 Q. Do you recall the amount of the rebate that</p> <p>15 was paid to Tech in 2017 for a project?</p> <p>16 A. I don't know specifically off the top of my</p> <p>17 head.</p> <p>18 Q. Is \$13,050 in the ballpark?</p> <p>19 A. Yes, yes.</p> <p>20 Q. Does that refresh your memory?</p> <p>21 A. Yes.</p> <p>22 Q. So the total amount of rebates for 2017 was</p> <p>23 how much?</p> <p>24 A. Over \$13,000 for Tech.</p> <p>25 Q. Do you recall any other commercial accounts or</p>	<p>1 lighting to their show pens for the county fairgrounds.</p> <p>2 Those are the only ones I can recall off the</p> <p>3 top of my head.</p> <p>4 MS. WIGGINS: No further questions.</p> <p>5 HEARING EXAMINER GLICK: Okay. Mr. Herrmann?</p> <p>6 MR. HERRMANN: No redirect, or no recross.</p> <p>7 HEARING EXAMINER GLICK: Any questions?</p> <p>8 COMMISSIONER FISCHMANN: Yes.</p> <p>9 CROSS EXAMINATION</p> <p>10</p> <p>11 BY COMMISSIONER FISCHMANN:</p> <p>12 Q. Do you have a sense of the percentage of</p> <p>13 customers that -- your commercial customers that take</p> <p>14 advantage of the rebate programs?</p> <p>15 A. I have never --</p> <p>16 Q. Rebate programs.</p> <p>17 A. I have never calculated that percentage.</p> <p>18 COMMISSIONER FISCHMANN: Thank you.</p> <p>19 HEARING EXAMINER GLICK: Thank you, Ms.</p> <p>20 Montoya, you are excused.</p> <p>21 (Witness excused.)</p> <p>22 HEARING EXAMINER GLICK: And SEC may call its</p> <p>23 next witness.</p> <p>24 MS. WIGGINS: At this time SEC calls Justin W.</p> <p>25 Proctor.</p>

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<p>1 JUSTIN W. PROCTOR, 2 having been first duly sworn, testified as follows: 3 DIRECT EXAMINATION 4 5 BY MS. WIGGINS: 6 Q. Would you state your full name for the record, 7 please. 8 A. Justin Will Proctor. 9 Q. What is your position, Mr. Proctor, with 10 Guernsey and Company? 11 A. Managing consultant. 12 Q. As a managing consultant, did you have any 13 participation in the rate application that has been made 14 by Socorro Electric in this case? 15 A. Yes, ma'am. 16 Q. Did you submit any testimony in support of the 17 rate application? 18 A. I did. 19 Q. Would you turn in your book to what I believe 20 is tab 5, to what's called Direct Testimony of Justin 21 Proctor on behalf of Socorro Electric Cooperative, 22 please, that was filed on December 3rd, 2018. 23 A. I'm on tab 5, I'm looking for the day. I'm 24 sorry. 25 MS. WIGGINS: May I approach the witness, your</p>	<p>1 Q. It is the second full -- 2 A. -- line. 3 Q. Is it the second full paragraph, sir? 4 A. Yes. Yes, it is. 5 Q. And can you tell us what words need to be 6 stricken from that testimony? 7 A. "And the amortized loss on retired meter 8 plant." 9 Q. Are there any other corrections or changes you 10 need to make to your direct testimony from December of 11 2018? 12 A. No. 13 Q. With this correction, is your testimony true 14 and correct? 15 A. Yes. 16 Q. If you were asked these questions today, would 17 your answers be the same? 18 A. Yes, ma'am. 19 MS. WIGGINS: At this time, Madam Hearing 20 Examiner, I move the admission of -- let me back up. 21 I'm misstating. 22 Mr. Proctor's testimony was included as a part 23 of the initial rate application, so it's already 24 included in an admitted exhibit. 25 HEARING EXAMINER GLICK: Okay.</p>
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<p>1 Honor? 2 HEARING EXAMINER GLICK: Yes. 3 THE WITNESS: Thank you. 4 BY MS. WIGGINS: 5 Q. Do you see that testimony, sir? 6 A. Yes, ma'am. 7 Q. Did you prepare that testimony? 8 A. I did. 9 Q. Have you had an opportunity to review that 10 testimony before today's proceedings? 11 A. I have. 12 Q. Are there any corrections or additions to that 13 testimony at this time? 14 A. Yes, there was one correction where we 15 reference an adjustment to the operating activities that 16 was related to the meter. 17 Q. Can you tell us what page that testimony 18 appears on? 19 A. Well, I had it marked on mine, but I'm looking 20 for it here. 21 Q. Would you look at page 4 -- 22 A. Thank you. 23 Q. -- please. 24 A. Yes. It's page 4, there is no line numbers, 25 it's about --</p>	<p>1 MS. WIGGINS: For the record. 2 HEARING EXAMINER GLICK: So it's part of 3 Exhibit 1. 4 MS. WIGGINS: Yes, thank you. 5 HEARING EXAMINER GLICK: Okay. 6 BY MS. WIGGINS: 7 Q. Mr. Proctor, would you now turn to 8 supplemental direct testimony, filed on March 22nd, 9 2019. 10 Do you see that? 11 A. Yes, ma'am. 12 Q. Did you prepare this testimony? 13 A. I did. 14 Q. Have you had an opportunity to review the 15 supplemental testimony? 16 A. Yes. 17 Q. Have you reviewed the exhibits to the 18 testimony? 19 A. Yes. 20 Q. Are there any corrections that are necessary 21 to your supplemental testimony? 22 A. No. 23 Q. If you were asked these questions today, would 24 your answers be the same? 25 A. Yes, ma'am.</p>

Page 222	<p>1 MS. WIGGINS: At this time, Madam Hearing 2 Examiner, Socorro Electric moves for admission 3 Exhibit -- 4 HEARING EXAMINER GLICK: 8. 5 MS. WIGGINS: Thank you. I'm looking at Ms. 6 Williams. 7 MS. WILLIAMS: Oh, I have 8 written down. 8 MS. WIGGINS: Thank you. 9 HEARING EXAMINER GLICK: Any objection? 10 MR. BORMAN: No. 11 HEARING EXAMINER GLICK: SEC Exhibit 8 is 12 admitted. 13 (Admitted SEC Exhibit 8.) 14 BY MS. WIGGINS: 15 Q. Would you turn now to the second supplemental 16 direct testimony, submitted on April 5th. 17 Do you see that? 18 A. The next tab is cost of service study. Do I 19 have it? 20 MS. WIGGINS: May I, your Honor? 21 HEARING EXAMINER GLICK: Yes. 22 THE WITNESS: There is March 22nd. 23 BY MS. WIGGINS: 24 Q. Do you see that now? 25 A. I see the light here. Thank you. Yes, ma'am.</p>	Page 224	<p>1 Q. Have you had an opportunity to review it -- 2 A. Yes. 3 Q. -- and the exhibits before today's hearing? 4 A. Yes. 5 Q. Are there any corrections or additions to your 6 rebuttal testimony necessary at this time? 7 A. No. 8 Q. Is your testimony true and correct? 9 A. Yes. 10 Q. If you were asked these questions today, would 11 your answers be the same? 12 A. Yes, ma'am. 13 MS. WIGGINS: Socorro moves for admission at 14 this time, Madam Hearing Examiner, Socorro Electric 15 Exhibit 10. 16 HEARING EXAMINER GLICK: Is there any 17 objection? 18 MR. HERRMANN: Yes, Madam Examiner. The City 19 objects to the inclusion of testimony page 8, the 20 sentence that starts on line 6 and goes to page 9, 21 ending on line 6. This information was deemed 22 irrelevant in the order striking testimony of the City. 23 HEARING EXAMINER GLICK: So beginning at line 24 6, is that what you said, on page 8? 25 MR. HERRMANN: Yes. It starts with "in</p>
Page 223	<p>1 Q. Did you prepare the second supplemental direct 2 testimony? 3 A. Yes. 4 Q. Have you had an opportunity to review that 5 before today's hearing? 6 A. Yes. 7 Q. Are there any changes or corrections that are 8 necessary to the second supplemental direct? 9 A. No. 10 Q. If you were asked these questions today, would 11 your answers be the same? 12 A. Yes. 13 MS. WIGGINS: Madam Hearing Examiner, we move 14 the admission of Socorro Exhibit 9 at this time, the 15 Second Supplemental Direct Testimony of Justin Proctor. 16 HEARING EXAMINER GLICK: Is there any 17 objection? 18 SEC Exhibit 9 is admitted. 19 (Admitted SEC Exhibit 9.) 20 BY MS. WIGGINS: 21 Q. Would you turn now to the rebuttal testimony 22 submitted on June 12th? 23 A. Yes, ma'am. 24 Q. Do you see that testimony? 25 A. I do --</p>	Page 225	<p>1 comparison the city." 2 HEARING EXAMINER GLICK: I'm just reading it 3 over. Just a minute. 4 Okay. Ms. Wiggins? 5 MS. WIGGINS: Madam Hearing Examiner, I do not 6 believe that the June 21st order struck that testimony 7 and it is relevant to the issues that have been made a 8 part of this case by New Mexico Tech. 9 HEARING EXAMINER GLICK: Okay. I'm denying 10 the motion. In fact in my June 21st, 2019 order I 11 believe that I expressly denied the motion to strike 12 part of that testimony. Let's see. 13 MR. HERRMANN: If I may direct your attention, 14 Madam Examiner, to page 3 of that order. The last 15 sentence of the first paragraph where you determined 16 that the two City of Socorro ordinances, or describing 17 how they affected NM Tech finances are vague, 18 irrelevant, and those answers to the interrogatory 19 should not be compelled. 20 HEARING EXAMINER GLICK: Okay. Now I'm 21 remembering. Right. I -- that was for -- with respect, 22 I think, for the interrogatories that I found were vague 23 and irrelevant, with respect to the questions about the 24 City of Socorro ordinances. But I did require New 25 Mexico Tech to respond to four of the interrogatories</p>

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<p>1 regarding the City of Socorro ordinances. 2 And right -- so I'm looking at page 7 of that 3 order, New Mexico Tech had moved for exclusion of 4 evidence related to its financial condition, and had 5 moved to strike pages 8 and 9 of that rebuttal testimony 6 and the associated exhibits and I denied that motion. 7 So I'm denying your motion. So Mr. Proctor's 8 rebuttal testimony is admitted as SEC Exhibit 10. 9 (Admitted SEC Exhibit 10.) 10 MS. WIGGINS: And at this time we tender this 11 witness for cross-examination. 12 HEARING EXAMINER GLICK: Mr. Adams or Ms. 13 Loehr? 14 CROSS EXAMINATION 15 16 BY MR. ADAMS: 17 Q. Good afternoon, Mr. Proctor. 18 A. Good afternoon, sir. 19 Q. My name is Mark Adams, I'm one of the counsel 20 for New Mexico Tech in this proceeding. 21 Would you please turn to page 6 of your 22 supplemental direct testimony. 23 A. The first supplemental? 24 Q. Yes. 25 A. Yes.</p>	<p>1 A. That chart illustrates the rates of return as 2 a result of the current and proposed rates. 3 HEARING EXAMINER GLICK: So I don't think you 4 answered the question, actually. 5 A. Okay. It's the results of the cost of service 6 what they do not reflect. It does indicate fairness or 7 inequities that may exist. What it does not indicate is 8 the steps that were taken in order to resolve those or 9 to address them. 10 BY MR. ADAMS: 11 Q. Thank you. Would you please refer to page 5 12 of your rebuttal testimony. 13 A. Okay. 14 Q. Does the chart following line 8 also 15 illustrate the unfairness that you've testified about? 16 A. It illustrates the unfairness. It also 17 illustrates, again, how the cooperative board of 18 directors is addressing the issue. 19 Q. Thank you. You have heard testimony and you 20 yourself have just testified that the cooperative is 21 moving toward addressing the unfairness issue. How long 22 ago was the last rate proceeding by Socorro Electric, 23 the one preceding this one? 24 A. I believe the date of that is 2011. 25 Q. I believe that's correct. If the unfairness</p>
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<p>1 Q. I'm going to direct your attention to lines 14 2 through 19 at the bottom of the page. Starting at about 3 the middle of line 14, would you please read those aloud 4 to us? 5 A. Sure. 6 "Results of the cost of service study, COSS, 7 indicates certain classes are not paying their fair 8 share and are receiving a rate subsidy from other 9 classes. Those classes that are not paying their fair 10 share are Residential, Irrigation and Lights. As a 11 result, other rate classes, Large Commercial, Small 12 Commercial and Large Load Management are paying more 13 than their fair share." 14 Q. Thank you. Would you please refer to page 7 15 of your initial direct testimony. 16 Does the chart there summarize or illustrate 17 the unfairness that you have referred to? 18 A. I'm sorry. I was looking still in the 19 supplemental. 20 Q. Okay. This is the initial direct testimony. 21 A. Page 7 of the direct? 22 Q. Yes. 23 A. Okay, go ahead. 24 Q. Does the chart there summarize or illustrate 25 the unfairness that you've testified about?</p>	<p>1 were addressed at the rate, say once every eight years 2 that it's been addressed to date, how long would it take 3 to eliminate the unfairness? 4 A. I don't know how long it would take to 5 eliminate. I do know what the Socorro Electric 6 Cooperative would like to do, and that's to make more 7 frequent changes and not wait so long in between rate 8 proceedings. 9 Q. So you don't have an idea of how long it would 10 take to remedy the unfairness that's illustrated here? 11 A. Well, I have not calculated it, no, sir. 12 Q. Would you calculate it assuming the rate 13 proceeding is every eight years? 14 A. Well -- 15 MS. WIGGINS: Objection, calls for 16 speculation. Improper hypothetical. 17 HEARING EXAMINER GLICK: Overruled. 18 A. The cost of service study schedule H-1 and H-2 19 reflect the required rate change in order to have a 20 uniform rate of return. And so the Residential rate 21 class requires, in order to have a uniform rate of 22 return, a nearly \$3 million rate increase. The question 23 is, are we really striving to get to a 1 or some number 24 that fairly distributes this. 25 And so it's impossible to answer that question</p>

<p style="text-align: right;">Page 230</p> <p>1 because again, we don't know what the board of directors 2 is desiring to do in terms of addressing the subsidy, to 3 what extent, or even to eliminate. 4 It will take some time, sir. I just -- we all 5 recognize the issue here in terms of the rate inequities 6 that currently exist. 7 BY MR. ADAMS: 8 Q. Would you please refer to page 6 of your 9 rebuttal testimony. At the bottom, line 19, continuing 10 on to the next page. 11 A. Okay. 12 Q. There is testimony that a -- an increase of 10 13 percent in the Residential class would be excessive. 14 A. That was the thought. 15 Q. Is that your testimony? 16 A. I say here a 10 percent average increase for 17 the Residential class would result in a significantly 18 larger increase for these consumers, referring back to 19 those who use 300 kilowatt hours who are already going 20 to receive over a 10 percent increase. 21 Q. Are you aware that in -- as a result of the 22 2011 proceeding the Residential rate was increased by 23 more than 10 percent? 24 A. I've seen that notice, yes. 25 Q. Was that excessive?</p>	<p style="text-align: right;">Page 232</p> <p>1 That's all I have. 2 HEARING EXAMINER GLICK: Okay. Ms. Winter or 3 Mr. Herrmann? 4 CROSS EXAMINATION 5 6 BY MR. HERRMANN: 7 Q. Good afternoon, Mr. Proctor. 8 A. Good afternoon, sir. 9 Q. In your direct testimony what data was 10 provided to you by SEC to conduct your cost of service 11 study? 12 A. Well, I wish I would have brought the data 13 request, but I can tell you that once you print it out 14 it takes up about three of these volumes. 15 Q. Uh-huh. 16 A. And so just thinking out loud at the data 17 request it's about 12 pages, and we start out with 18 requesting ten years' worth of form 7s, we ask for the 19 trial balance and general ledger, we ask for the 20 continuing property records, we ask for the audit, we 21 ask for financial forecast, we ask for tariffs, we ask 22 for the cooperative's financial goals and objectives as 23 reflected in any board-related documents. 24 We ask for, again, with the current tariffs if 25 there has been any rate changes or any changes in the</p>
<p style="text-align: right;">Page 231</p> <p>1 A. I would not have recommended that at the time 2 but I was not a part of that proceeding and I don't know 3 what the results of the cost of service study indicated. 4 Q. Are you able to express an opinion on whether 5 or not that was excessive or not? 6 A. I don't believe that I've ever increased rates 7 that much. But, you know, we strive for gradualism 8 because an average 10 percent rate increase for a class 9 means that some people receive a greater increase 10 depending on their consumption level. We are only 11 talking about the average consumer when we cite these 12 numbers. Not everybody is an average consumer. 13 Q. Right. But you've testified that a rate 14 increase of 10 percent for Residential class customers 15 would be high, excessive. 16 A. Had the board of directors at the time asked 17 me if they thought that we should have a 10 percent rate 18 increase for the Residential customer class, I would 19 have said that's a lot. 20 Q. And do you think it was a lot to increase that 21 rate by more than 10 percent in 2011? 22 A. I wasn't a part of that proceeding, sir. 23 Q. But you can express an opinion. 24 A. It does seem like a large number. 25 MR. ADAMS: Okay, thank you.</p>	<p style="text-align: right;">Page 233</p> <p>1 billing, you know, in the last 12 months for the test 2 year. 3 Regarding usage data, we ask for 12 months of 4 sales reports. We ask for 12 months of power bills. We 5 ask for the calculations of any adjustment factors, such 6 as the PCA, or the DCA in the case of Socorro. And 7 excuse me if I use PCA and FCA interchangeably or even 8 PCRF, because that's what it is in Texas. The Power 9 Cost Recovery Factor, the Fuel Cost Adjustment, Power 10 Cost Adjustment. 11 HEARING EXAMINER GLICK: And the debt. 12 THE WITNESS: And the DCA is Debt Cost 13 Adjustment, yes, ma'am. 14 A. We ask for specific data about lights and how 15 many lights there are because that's not generally 16 identified in the -- in some of the billing reports, 17 depending on the vendor service. The number of kilowatt 18 hours that are used in calculating the PCA, which are 19 also reflected in the tariffs. 20 We ask for individual customer data for all 21 customers who have known metered NCP data. We ask for 22 bill frequency data. I think that -- in order to 23 calculate, you know, things like block rates or things 24 of that nature. 25 We ask for construction cost, current</p>

<p style="text-align: right;">Page 234</p> <p>1 construction cost for single phase, three phase miles of 2 line, primary backbone, we ask for the current cost for 3 meters, services, account 368, 369 -- I'm sorry, 369 and 4 370. Type equipment. We ask for the individual 5 consumers who are primary metered. We ask for all 6 invoices from lenders for long-term debt, and a 7 long-term debt summary. 8 And we ask about depreciation, you know, 9 what's the most recent depreciation expense so we can 10 take into consideration the depreciation for general 11 plant. But then also the depreciation rates for all of 12 the plant accounts. 13 We also ask for payroll information, 14 historical payroll, overtime, ratios and things of that 15 nature. Current wage rates. We ask for current 16 benefits and most recent invoices. Any special changes 17 in programs and things of that nature. 18 We have a thorough data request for the cost 19 of service study that's standard for all electric 20 cooperatives that we do cost of service work for. 21 BY MR. HERRMANN: 22 Q. That was impressive. Is there anything else 23 you are maybe omitting? 24 A. I'm sure there is. Like I said, there is 12 25 pages of information. I tried to get the highlights,</p>	<p style="text-align: right;">Page 236</p> <p>1 kilowatt hours identified in the file tariffs have been 2 in place and predate the current SEC management team. 3 And it's unclear if the estimated values were based on 4 actual meter devices, or if they are estimated values or 5 based on actual meter devices. 6 And then on page 11, lines 1 through 4, you 7 cite Mr. Blank's use of the Astronomical Applications 8 Department of the US Naval Observatory in order to 9 determine the likely number of hours for lighting 10 devices is common when estimating consumption for 11 fixtures when actual metered or test data is not 12 available. 13 Did you have access to any actual metered or 14 test data when you reviewed the street light analysis? 15 A. We generally don't. We use the data that's 16 available to us in the tariffs. In this particular 17 case, I'm assuming you are referring to the LED analysis 18 that they ended up putting together in response to Mr. 19 Blank's request. 20 Q. Yes. 21 A. The kilowatt hours that I used I believe were 22 in the proposed tariffs. 23 Q. Do you know if any other co-ops or utilities 24 have actual metered or test data? 25 A. I can't speak to that with any certainty.</p>
<p style="text-align: right;">Page 235</p> <p>1 so. 2 Q. Okay. Regarding your supplemental testimony, 3 page 15, lines 8 through 11, you said: SEC promotes -- 4 A. I need to get it, I apologize. I'm still 5 trying to learn the layout of the book. The cost of 6 service is in the middle of it. Okay. Supplemental. 7 What was the page, Mr. Herrmann? 8 Q. 15, lines 8 through 11. 9 A. Okay. 10 Q. You mention efforts to promote its energy 11 efficiency and conservation through monthly newsletters, 12 direct mail, internet advertising and other member 13 communications and audits. 14 A. Correct. 15 Q. Did you perform or did SEC provide you with 16 any quantification of the effectiveness of those 17 programs? 18 A. No. SEC did not provide me with any 19 quantification of the effectiveness. They did provide 20 me the things that they generally do for the membership. 21 Q. Did you review or quantify any totals of 22 rebates issued in any test year or any other years? 23 A. That wasn't part of the analysis. 24 Q. If we can move to page 10 of your rebuttal 25 testimony. At lines 10 through 13 you state: The</p>	<p style="text-align: right;">Page 237</p> <p>1 Q. Have you seen them, in your experience? 2 A. The kilowatt hours that are generally in place 3 and used on the tariffs for cooperatives have been 4 around, and I recognize them from even when I was 5 working for an electric cooperative 20 years ago. Those 6 figures are -- have been around for a long time and they 7 are very common. 8 Q. But in absence of the Astronomical 9 Applications Department of the US Naval Observatory, 10 or -- let me rephrase that. 11 In absence of actual metered or test data, Mr. 12 Blank's approach would be appropriate, wouldn't it? 13 A. We have actually used that in our own 14 calculations before, yes. 15 Q. Okay. 16 A. But in Socorro's case we had kilowatt hours 17 identified and used in the tariffs that are on file with 18 the Commission. And most of them appear to be in line 19 with what other cooperatives are using. 20 Q. But do you know if that was based on any 21 actual test data or was that in place? 22 A. Like I said, those kilowatt hours have been 23 used for a very long time by many co-ops in the 24 southwest. I'm familiar with the values that are there. 25 In fact, I believe there is a comparison that</p>

<p style="text-align: right;">Page 238</p> <p>1 I provided that actually shows some of those kilowatt 2 hours here in the State of New Mexico that other 3 cooperatives use. They vary. They really do. They 4 vary from entity to entity. 5 Q. Could you locate what you've referred to as 6 SEC Exhibit 17? I believe that's -- 7 A. Can you tell me what that is? 8 Q. Comparison of SEC Proposed Charges and Actual 9 Kilowatt Hours to Other Electric Utilities. 10 A. Yes. 11 Q. You referenced it in your -- 12 A. I just referred to it a moment ago in my -- 13 Q. Yes. You have it? 14 A. Yes. 15 Q. So under that Exhibit 17, you have amounts for 16 a 150 watt HPS. Do you recall Dr. Blank's 17 recommendation from his table 1? 18 A. I do not. 19 Q. If I could refer you to the Larry Blank 20 direct. 21 A. That would be all right if you would just tell 22 me. 23 Q. Refers to it as 53.2 kilowatt hours. 24 A. Right. That number is actually very low. I 25 don't know that I have ever seen 150 kilowatt HPS at 53</p>	<p style="text-align: right;">Page 240</p> <p>1 85. 1, 2, 3, 4, 5. 2 Q. And the 400 watt HPS, SEC uses 176 and Dr. 3 Blank recommended 141.8; correct? 4 A. I don't recall what he recommended. If that's 5 what -- I mean, I can look, I trust -- 6 Q. Would you stipulate to it? 7 A. Sure. 8 Q. Thank you. 9 A. And I'm sorry, so what did he recommend? I'll 10 write it down. 11 Q. 141.8. 12 A. Okay. 13 Q. And the lowest in your sample is 150 at 14 utility No. 12; correct? 15 A. Yes. There appears to be one at 150 and they 16 go all the way up to 180. There is a 180, 176, 180, 17 176, so again, there is a wide variety and a wide range. 18 Q. Let's move on to your concern about double 19 recovery on LEDA? 20 A. Okay. 21 Q. In your rebuttal testimony on page 11, lines 8 22 through 12 you state: When a member pays for 23 material -- 24 A. Hold on. I'm sorry. Let me get there, 25 please.</p>
<p style="text-align: right;">Page 239</p> <p>1 kilowatt hours. You can see here there is somebody on 2 No. 2 who has 50. There is a 56. But you also see 75, 3 66, 60. And 70 is a common number. 4 Q. But there are two utilities, utility No. 2 at 5 50, and utility IOU No. 2 at 56, which is pretty close 6 to 53.2. 7 A. Sure, yes. Yes. 8 Q. And moving down to the 250 watt HPS. 9 A. Uh-huh. 10 Q. SEC uses 110 kilowatt hours and Dr. Blank 11 recommended 88.7; correct? 12 A. He did. And then there is also a 107, a 110, 13 a 111, used by other entities in the State of New 14 Mexico. As I mentioned, these are really all over the 15 place. 16 Q. And utility No. 2, what do they recommend? 17 A. I'm sorry, I moved away from that schedule. 18 Whoever utility No. 2 is, and this is for 250 19 watt? 20 Q. Yes. 21 A. They are 85. 22 Q. And four other utilities are below a hundred 23 kilowatt hours; correct? 24 A. Well, there is 1, 2, 3, 4. Actually there 25 appear to be five. There is a 97, a 98, a 90, a 95, and</p>	<p style="text-align: right;">Page 241</p> <p>1 All right. Go ahead. On line what? 2 Q. 8 through 11. 3 A. Okay. 4 Q. When a member pays for materials such as a 5 lighting fixture, that fixture is recorded in the 6 accounting records as an asset owned by the cooperative 7 with the member contribution offsetting some portion of 8 the cost. 9 A. Yes. 10 Q. Do you have any evidence from the materials 11 provided to you by SEC to substantiate that statement? 12 A. I do not have any evidence from SEC, no. But 13 I'm just telling you that's the general accounting 14 procedure recommended by RUS, and that's what they do. 15 Q. Did you include the installation costs in your 16 cost estimate for LED lights? 17 A. Which cost estimate? 18 Q. Your Exhibit 16 to your rebuttal. 19 A. Okay. Exhibit 16 is the quote from the vendor 20 for the cost of the lights. 21 Q. And were those prices you used for calculating 22 LED rates? 23 A. In the cost of service study? 24 Q. Yes. 25 A. No. The rates for the lights were established</p>

<p style="text-align: right;">Page 242</p> <p>1 to be equivalent lights or equivalent rates to the 2 non-LED fixtures that they are replacing, and that's all 3 based on embedded costs. We did not calculate the LED 4 rates based on any kind of incremental cost or marginal 5 cost or anything of that nature. 6 Q. And do you think that method is more 7 acceptable than actual cost-based analysis? 8 A. Yes. Because we are working with embedded 9 cost. The existing plant in service and the existing 10 expenses associated with operating and maintaining 11 lights. This is an embedded cost of service study. And 12 this is the way that -- I mean, we have done the 13 analysis in the past to look at the differences in the 14 cost. 15 As you can see, the LED lights are just more 16 expensive. We are offering -- the cooperative is 17 offering them and we found that it's appropriate for 18 other clients that we, you know, don't want to charge 19 extra for the LED lights, so we set the rates 20 equivalent. 21 Q. So under that approach, does the city get any 22 benefit from the reduced energy use? 23 A. Yes. 24 Q. What is that? 25 A. The -- assuming there is -- well, the benefit</p>	<p style="text-align: right;">Page 244</p> <p>1 summary according; correct? 2 A. Yes, sir. 3 Q. On page 4 -- excuse me, on page 12, item 4, 4 LED fixture costs, you address a concern that Dr. Blank 5 raised on page 14 of his direct testimony. We can jump 6 to Larry Blank's direct testimony, page 4. 7 A. Do I have that here in this? 8 MS. WIGGINS: It's in a different book. 9 May I approach? 10 HEARING EXAMINER GLICK: Yes. 11 MS. WIGGINS: Oh, I think -- the witness I 12 think has located the proper book. 13 THE WITNESS: Seems to be a common problem 14 here. 15 BY MR. HERRMANN: 16 Q. I apologize. I keep having you jump around. 17 A. So where would you like for me to go? 18 Q. Page 4 of Mr. Blank's direct. 19 A. Okay. 20 Q. Oh, excuse me, table 4. 21 MS. WIGGINS: Can we have a citation to Mr. 22 Blank's testimony, Counsel, please? 23 MR. HERRMANN: Yes. It is on page 14. 24 MS. WIGGINS: Thank you. 25 A. Okay.</p>
<p style="text-align: right;">Page 243</p> <p>1 is, is the calculated kilowatt hours for the use of any 2 flow-through like the PCA and DCA is less. So the 3 adjustment factors are calculated on a lower kilowatt 4 hours. The 31 kilowatt hours, I believe, which is 5 the -- for one of the LEDs, I don't remember. 6 Q. And you believe that's equivalent to the 7 actual cost? 8 A. I'm sorry? I don't understand the question. 9 Q. You believe that benefit through the PCA or 10 the fuel cost adjustment is equal to the cost savings in 11 energy? 12 A. Well, that calculation merely reflects the 13 consumption of the light and flowing through the proper 14 either surcharge or credit for the PCA and DCA based on 15 the kilowatt hours that are assumed for that fixture. 16 Q. Okay. Referring to page 11 of your rebuttal 17 testimony. 18 A. Okay. 19 Q. Item 3 -- sorry. Let me restate that. 20 We are in your rebuttal testimony, page 11. 21 Are you there? 22 A. Yes, sir. 23 Q. You agree with Dr. Blank's conclusion at 24 February and October should not have been included as 25 on-peak months and you revised your cost allocation</p>	<p style="text-align: right;">Page 245</p> <p>1 BY MR. HERRMANN: 2 Q. Mr. Blank only proposed one change to your LED 3 fixture cost; correct? 4 A. Apparently, yes. The highlighted one, the 5 510? 6 Q. Yes. 7 A. Okay. 8 Q. On your Exhibit 16 that you exhibited as 9 evidence for LED fixture cost, can you explain the 10 difference in fixtures between your source for these 11 figures and the source in table 16? 12 A. I believe that Mr. Blank calculated these on a 13 per watt basis. And on Exhibit 16 these are actual 14 quotes from the vendor. 15 So we are not attempting to try to come up 16 with a calculation that derives what the cost of a 17 fixture ought to be. This is just the quote from the 18 co-op's vendor. It's just -- it's their price quote. 19 On line 16 he says reducing the cost per watt by, and 20 that's fine, but we don't need to do that. We have 21 actual quotes. 22 MR. HERRMANN: If I may approach. 23 HEARING EXAMINER GLICK: Yes. 24 BY MR. HERRMANN: 25 Q. Could you please identify the title of this</p>

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<p>1 document?</p> <p>2 A. The Socorro Electric Cooperative's Responses</p> <p>3 to City of Socorro New Mexico's Third Set of</p> <p>4 Interrogatories and Request for Production of Documents.</p> <p>5 Q. And on the fourth page, is that your</p> <p>6 signature?</p> <p>7 A. Yes.</p> <p>8 Q. And you verify these were responses to the</p> <p>9 third set of interrogatories from the city?</p> <p>10 A. Yes.</p> <p>11 Q. If I asked you these questions today, would</p> <p>12 any of your answers change?</p> <p>13 A. No.</p> <p>14 MR. HERRMANN: I'd like to move to admit the</p> <p>15 third set of interrogatory responses as City Exhibit 3.</p> <p>16 HEARING EXAMINER GLICK: Is there any</p> <p>17 objection?</p> <p>18 MS. WIGGINS: No objection.</p> <p>19 HEARING EXAMINER GLICK: City of Socorro</p> <p>20 Exhibit 3 is admitted.</p> <p>21 (Admitted City Exhibit 3.)</p> <p>22 BY MR. HERRMANN:</p> <p>23 Q. Do any of these fixture costs match any other</p> <p>24 information that you've previously provided the city?</p> <p>25 A. No. The fixture costs are different.</p>	<p>1 rebuttal testimony, item 5.</p> <p>2 A. Yes, sir.</p> <p>3 Q. You state that the proposed LED light rates</p> <p>4 are equivalent rates to the comparable non-LED fixture?</p> <p>5 A. Correct.</p> <p>6 Q. So it's your position that the rate should</p> <p>7 simply be set to match the existing or proposed</p> <p>8 comparable non-LED lights?</p> <p>9 A. I'm sorry, ask that question again.</p> <p>10 Q. Let me back up.</p> <p>11 So you didn't perform an analysis on the</p> <p>12 actual cost of the LED lights.</p> <p>13 A. Correct.</p> <p>14 Q. I think we have covered this topic enough.</p> <p>15 But just one last. For one last time. Your</p> <p>16 proposed rates, or you feel that -- never mind. Scratch</p> <p>17 that.</p> <p>18 Moving to page 14 of your rebuttal. And</p> <p>19 again, at the top of page 15. Do you have a copy of --</p> <p>20 A. 14 or 15?</p> <p>21 Q. Excuse me?</p> <p>22 A. 14 or 15? I'm sorry for interrupting.</p> <p>23 Q. Both places.</p> <p>24 A. Oh, okay.</p> <p>25 Q. I wanted to ask you about the SEC rule No. 12.</p>
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<p>1 Q. Why is that?</p> <p>2 A. If you will look at the top left, the date</p> <p>3 that I developed this, was --</p> <p>4 HEARING EXAMINER GLICK: What are you looking</p> <p>5 at?</p> <p>6 THE WITNESS: I'm sorry. I'm looking at the</p> <p>7 exhibit that I was handed.</p> <p>8 MR. HERRMANN: Exhibit 6.</p> <p>9 HEARING EXAMINER GLICK: Okay.</p> <p>10 A. So the date that this was developed was April</p> <p>11 25th. Do you see that? On the top left.</p> <p>12 BY MR. HERRMANN:</p> <p>13 Q. Yes.</p> <p>14 A. Okay. The date on the e-mail from the quote</p> <p>15 is June the 10th. This was updated information that Mr.</p> <p>16 Herrera -- sorry Joseph, provided me in response to the</p> <p>17 city's interrogatory. It's an updated vendor quote.</p> <p>18 Q. Have you updated your study with these</p> <p>19 numbers?</p> <p>20 A. The study -- these numbers here, these quotes,</p> <p>21 have nothing to do with the cost of service study. The</p> <p>22 cost of service study was based on the embedded cost for</p> <p>23 existing plant in service and existing operations and</p> <p>24 maintenance expenses.</p> <p>25 Q. Going back to page 5 -- or page 13 of your</p>	<p>1 Do you have a copy of that?</p> <p>2 A. Is that the line extension policy?</p> <p>3 Q. Yes.</p> <p>4 A. I don't know if I have a copy or it or not.</p> <p>5 Q. I have an additional copy.</p> <p>6 HEARING EXAMINER GLICK: Mr. Herrera, do you</p> <p>7 have the copy that I gave you? Would you give that to</p> <p>8 Mr. Proctor? Thank you.</p> <p>9 THE WITNESS: Good. I can stretch my legs.</p> <p>10 BY MR. HERRMANN:</p> <p>11 Q. So on page 14, lines 4 through 6, you state:</p> <p>12 If SEC and the member agree, any portion of the cost of</p> <p>13 installation shall be borne by the member based on the</p> <p>14 line extension policy, then the cost of the installation</p> <p>15 shall be based on the actual time and materials.</p> <p>16 Are you saying that SEC and the member can</p> <p>17 agree to any amount of installation to be paid by the</p> <p>18 customer?</p> <p>19 A. What I'm saying, based on my knowledge of the</p> <p>20 line extension policy, is that normally the engineering</p> <p>21 staff would meet with the member requesting the</p> <p>22 extension of facilities, and they would go over whatever</p> <p>23 it is that they would like the cooperative to do in</p> <p>24 order to connect service.</p> <p>25 Generally speaking, the staking engineer would</p>

<p style="text-align: right;">Page 250</p> <p>1 then provide a cost estimate for the project at which 2 they would compare whatever the practice is of the 3 cooperative in terms of its line extension allowance. 4 Q. That was not -- 5 HEARING EXAMINER GLICK: Let him finish. 6 A. If it doesn't exceed the line extension 7 allowance, then there is no cost to the member for the 8 extension of the facilities. If the cost of the project 9 exceeds whatever the line extension allowance states, 10 then generally the member would be responsible for the 11 difference. 12 A lot of times what ends up happening is the 13 member will pay whatever the estimated portion is and 14 then there is a -- the project that occurs and then they 15 would get the actual costs that are incurred by the 16 cooperative, and there is some form of true-up, which 17 may explain some of the invoices and why they don't 18 reflect a contribution in aid and things of that nature 19 that the cooperative, or that Mr. Blank's testimony 20 included. 21 In other words, that may not have included the 22 actual true-up that occurred after the fact. There 23 would be follow-up action that's generally required. 24 BY MR. HERRMANN: 25 Q. But the line extension rule doesn't say that,</p>	<p style="text-align: right;">Page 252</p> <p>1 what that current dollar figure amount is that equals 2 the line extension allowance for Socorro Electric 3 Cooperative? 4 THE WITNESS: I do not know what that current 5 figure is. It's updated annually based on average cost 6 in the CPR, I believe is the methodology. 7 HEARING EXAMINER GLICK: All right. Do you 8 know that in fact Socorro Electric Cooperative does 9 that, or are you just talking in general? 10 THE WITNESS: I'm speaking in industry 11 practices. 12 HEARING EXAMINER GLICK: Okay, thank you. 13 I may ask Mr. Herrera to come back and answer 14 that if he knows the answer. If they in fact do that. 15 If there is a number that constitutes that they have 16 calculated that is the line extension allowance. 17 BY MR. HERRMANN: 18 Q. Referring some mentions to miscellaneous fees 19 you included in your cost of service. 20 A. Yes. 21 Q. Have you provided any cost justification for 22 the magnitude of the proposed fees? 23 A. I have not provided any cost justification, 24 no. 25 Q. Are you relying solely on the fees charged by</p>
<p style="text-align: right;">Page 251</p> <p>1 does it? 2 A. I'm just telling you in general how a line 3 extension policy works and how a cooperative implements 4 that. 5 The line -- the allowable line extension for 6 the cooperative, it's my understanding that it says that 7 there will be no cost to the member as long as the 8 investment doesn't exceed the cost of a wood pole, a 9 security light fixture and 125 feet. And so the 10 cooperative has costs that it maintains and updates on 11 an annual basis so that they have a dollar figure 12 associated with those three pieces of property or 13 equipment, or so on and so forth. 14 So that's the metric that, you know, that the 15 cooperative will provide to the member of its estimate 16 and say this is how much you may or may not be 17 responsible for. 18 Q. Are you familiar with the filed rate doctrine 19 prohibiting negotiated rates that deviate from filed 20 rates or rate formula approved by the Commission, unless 21 otherwise approved by the Commission? 22 A. I'm not familiar with that. 23 HEARING EXAMINER GLICK: I'm going to 24 interrupt for just a minute. And I apologize. 25 Do you know what -- Mr. Proctor, do you know</p>	<p style="text-align: right;">Page 253</p> <p>1 other co-ops? 2 A. And prior experience working with cooperatives 3 across the nation, and understanding that the fees that 4 they generally charge for things like service 5 connections and connects and disconnects come nowhere 6 close to recovering actual cost to the cooperative's 7 effort, time and material to do these things. 8 Q. Moving to rebuttal, page 17, lines 3 and 4. 9 You state that the city has caused members of SEC to 10 incur tens of thousands of dollars in regulatory 11 expenses in order to raise an issue with lighting costs. 12 How exactly did the city cause the members to 13 incur this expense? 14 A. Well, regretfully that's my opinion in this 15 case, because it seems as though we are here surrounding 16 other matters that I believe that we have stricken from 17 testimony and things of that nature. 18 In other words, the cooperative members will 19 bear the cost of all of the attorneys and consulting 20 fees that are associated with this effort in the end. 21 Q. Is it your testimony that the city should not 22 represent its interests in the pricing of lighting 23 services? 24 A. The city is a member just like everybody else. 25 It's not my opinion that they should not be concerned</p>

<p style="text-align: right;">Page 254</p> <p>1 about rates or cost of service and things of that 2 nature. 3 MR. HERRMANN: All right. No further 4 questions. 5 THE WITNESS: Thank you. 6 MR. HERRMANN: Thank you. 7 HEARING EXAMINER GLICK: Mr. Borman? 8 MR. BORMAN: Thank you. 9 CROSS EXAMINATION 10 11 BY MR. BORMAN: 12 Q. Good afternoon, Mr. Proctor. 13 A. Good afternoon. 14 Q. How does SEC currently bill Large Commercial 15 customers? 16 A. Their current rate is energy and demand of 17 customer charge rate. The current rate is \$75 a month, 18 \$15 per NCP kW and 7.75 cents per kilowatt hour. 19 Q. Okay. That's large power service rate No. 3; 20 correct? 21 A. It's the Large Commercial rate, yes, sir. 22 Q. Okay. Now, your rebuttal, page 34, I'll give 23 you a few seconds to get there. I think it's line 18. 24 A. Okay. 25 Q. You ask yourself -- above that, you ask</p>	<p style="text-align: right;">Page 256</p> <p>1 their monthly bill. 2 Q. Okay. Can you point to where in your 3 testimony, either the direct, supplemental direct, 4 second supplemental direct or rebuttal, where you 5 explain how the hours use rate works? 6 A. I don't remember exactly where it is. Just 7 bear with me and we will find it. I believe that I may 8 have responded to that question in the first 9 supplemental in response to staff questions. 10 Q. So are you saying that's in your supplemental 11 direct, or are you saying that's in response to 12 discovery? 13 A. Well, what I'm saying is I don't remember 14 exactly where it is. I'm hoping that somebody can help 15 me find it. We responded to many, many things over the 16 last couple months -- 17 Q. Okay. I apologize. 18 A. Here it is. Page 19. 19 Q. Of? 20 A. It appears on -- in my supplemental, page 19, 21 there is a paragraph beginning on line 1 that talks 22 about rate. And it's cost recovery. And beginning on 23 line 7, it talks about the notion as to what the benefit 24 of that is, for the member and the cooperative. 25 There may be other references, I'm sorry, I</p>
<p style="text-align: right;">Page 255</p> <p>1 yourself the question, is the rate unnecessarily 2 complicated to understand, and you say that no, current 3 customers on the Large Commercial rate understand how 4 demand is determined and billed. 5 Do you see that? 6 A. Yes, sir. 7 Q. Are you saying that they understand how SEC 8 currently bills them? 9 A. I'm saying that generally Large Commercial 10 customers are familiar with how their rates, or how the 11 bills are calculated. In other words, they establish a 12 demand, and there is a cost associated with that. They 13 consume energy, and there is a per unit charge 14 associated with that. That's -- I'm presupposing that 15 they do understand, yes -- 16 Q. Okay. 17 A. -- our experience. 18 Q. So I guess what I'm trying to ascertain is, 19 are you saying they understand how they are currently 20 billed or are you saying they understand how SEC 21 proposes to bill them in this proceeding? 22 A. I am not saying they understand how SEC is 23 proposing to bill them. I'm saying that they understand 24 that they establish a demand each month under the 25 current rate structure and that drives a component of</p>	<p style="text-align: right;">Page 257</p> <p>1 just don't remember all the places that may have 2 appeared. 3 Q. So this -- really this paragraph beginning on 4 page 19, line 1, which begins "the proposed rate design 5 for Large Commercial class," that's your, I guess, 6 description of how this rate works; is that correct? 7 A. Yes. 8 Q. Okay. Now, and I think -- well, let me ask 9 you this question. 10 A. Yes, sir. 11 Q. Does the hours use rate reward large customer 12 usage that is high load factor? 13 A. It doesn't overcharge them, and so in that 14 sense I guess you could say it's more fair. I don't 15 want to say it rewards, but it also doesn't overcharge 16 or penalize low load factor customers. 17 Q. Okay. Well, maybe you can explain, what is a 18 high load factor? 19 A. Well, it's somebody that establishes a demand 20 in a period of time but continues to use energy over 21 that period of time, and so the load factor is higher. 22 They are not just starting a motor, running it for a few 23 minutes and then turning it off. They are operating 24 longer periods of time. 25 Q. So would it be incorrect to say that a high</p>

<p style="text-align: right;">Page 258</p> <p>1 load factor is a result of kilowatt hour usage that is 2 relatively greater compared to the kilowatt demand? 3 A. Yeah, I mean, it's -- it's establishing a 4 demand and using energy over a period of time that 5 increases the load factor. 6 Q. Okay. You said that this hours use rate 7 doesn't penalize a low load factor customer; is that 8 correct? 9 A. In comparison to the existing rate. 10 Q. Okay. Maybe you can explain that a little 11 more, because I'm struggling to understand that. 12 A. Okay. Yeah. The way that the hours use rate 13 works is unlike the current rate, which has a \$15 demand 14 charge that's based on the NCP demand and a flat energy 15 rate. 16 That rate structure, that current rate 17 structure, what it's intended to do is to recover, 18 ideally, the purchase power capacity related cost and 19 the distribution wires demand cost. 20 Now, we know from load research data that a 21 very low load factor customer has a much lower 22 coincidence with the peak, for instance the power supply 23 peak. 24 The existing rate is just based on the average 25 coincidence factor. The hours use rate, what it does is</p>	<p style="text-align: right;">Page 260</p> <p>1 Q. This is in your supplemental direct. 2 A. All right. Let's go back over there. 3 Q. I apologize. 4 A. All right. So what page is that again, sir? 5 Q. Page 14. 6 A. All right. And now we are looking at line 9. 7 Q. The paragraph that begins on line 9. 8 A. Okay. 9 Q. You state that the primary reason for 10 modifying the rate structure is to more closely align 11 the cost recovery from consumers with cost causation 12 taking into consideration load factor; correct? 13 A. Yes, sir. 14 Q. And then the next sentence says it does not 15 provide a pricing signal that encourages consumption. 16 A. Correct. 17 Q. And in essence there you are arguing that the 18 hours use rate is not a declining block rate. 19 A. The hours use rate is not a declining block 20 rate. 21 Q. I think that's what you are arguing. 22 A. Yes. And also the proper sizing of motors and 23 things of that nature that encourage efficiency. 24 Q. Well, you say it does not provide a pricing 25 signal that encourages consumption?</p>
<p style="text-align: right;">Page 259</p> <p>1 it recovers the power cost and the hours used blocks. 2 And so if a low load factor customer doesn't have much 3 consumption, i.e., they are not coincident with the 4 peak, they are not billed as much embedded demand, if 5 you will, in the rate. 6 And then of course the cooperative 7 distribution wires are recovered in the actual NCP 8 demand charge. And so there is two different cost 9 recovery methods for two different capacity-related 10 costs. 11 Q. Okay. Now still in your rebuttal testimony if 12 you could turn to page 14. 13 A. Okay. 14 Q. Okay? And you have a paragraph there that 15 begins on line 9, and then a sentence that begins on 16 line 11 in that paragraph. And I believe you are 17 talking about the power use rate design. It does not 18 provide a pricing signal that encourages consumption; do 19 you see that? 20 A. On -- in my rebuttal on page 14? 21 Q. Yeah. 22 A. On line 9 it says -- 23 Q. You know what, I'm sorry. It's not your 24 rebuttal, it's my fault. 25 A. All right.</p>	<p style="text-align: right;">Page 261</p> <p>1 A. It does not. 2 Q. Does it provide any sort of pricing signal? 3 A. Well, if you have the appropriately-sized 4 motor, then you are -- the number of kilowatt hours will 5 change that you are billed, as opposed if you have a 6 motor that is way too large for what you are wanting to 7 use, and in other words load factor -- load factor 8 decreases, but the demand, contribution you put on the 9 system, is higher. 10 Q. So I guess I'm still struggling to understand 11 this. 12 So a Large Commercial customer trying to 13 adjust their operations to minimize their electricity 14 costs, they are not able to -- there is no price signal 15 here that's provided to them to like increase 16 consumption or decrease consumption or anything; 17 correct? 18 A. The rate encourages the proper sizing of 19 motors and things of that nature. So in other words, 20 you know, if you have the proper-sized motor that's 21 smaller than maybe one that's a size too large, then 22 that particular load will get into the bottom billing 23 blocks quicker and it also reduces the amount of 24 distribution wires demand that you are billed for 25 that -- for that, you know, piece of equipment.</p>

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<p>1 It's not encouraging consumption, it's just 2 encouraging proper use of energy. 3 Q. So absent a capital investment by the 4 customer, they are not going to be able to change their 5 usage to adapt to the hours use rate; is that correct? 6 A. I don't -- I don't believe that -- I believe 7 that you are correct. 8 Q. You just said they put in the right-sized 9 motor, don't you have to pay a little money to do that? 10 A. You are saying -- I'm sorry, repeat the 11 question. I must have misunderstood. 12 Q. Absent the large capital investment from the 13 Large Commercial customer, they are not able to adjust 14 their operations in order to minimize their electricity 15 costs under the hours use rate. 16 HEARING EXAMINER GLICK: Five. 17 A. The hours use rate might actually benefit them 18 if they are a low load factor or a high load factor 19 customer, just by the nature of the rate. 20 BY MR. BORMAN: 21 Q. But I don't think you answered my question. 22 A. They can benefit from the rate without having 23 to do anything, because in comparison of the existing 24 rate, that's -- that's really what we ought to be 25 thinking of is the existing rate bills us in one way,</p>	<p>1 rate. 2 Q. Are there other ways to focus primarily on 3 increasing recovery of fixed costs? 4 A. Well, we can charge a higher customer charge. 5 Or we can charge the higher demand charge. Or we can 6 charge a fixed charge. 7 MR. BORMAN: Okay. I have no further 8 questions. 9 HEARING EXAMINER GLICK: Okay. Do you have 10 any questions for Mr. Proctor? 11 COMMISSIONER FISCHMANN: Yeah, a couple. 12 HEARING EXAMINER GLICK: Okay. 13 CROSS EXAMINATION 14 15 BY COMMISSIONER FISCHMANN: 16 Q. Earlier I was trying to, with Mr. Herrera's 17 testimony, get a sense of how margins are calculated for 18 distributing the capital, the annual capital 19 distribution. 20 A. Right. 21 Q. And I understood him to say, and I may have 22 misunderstood, that the margins that were earned on each 23 customer was what drove how much they got of that 24 capital distribution. Is -- was my understanding 25 correct and is this an area you know anything about?</p>
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<p>1 the proposed rate bills us in another. So who are the 2 people that may benefit from that and the proposed rate 3 designs that maybe are not being treated equally or 4 fairly in the current rate designs. 5 In other words, this rate addresses an 6 interclass rate subsidy by virtue of the rate design. 7 Q. Okay. 8 A. So -- 9 Q. Go ahead. 10 A. No. Go ahead. I'm fine. 11 Q. Could you turn to page 15 of the same 12 testimony, supplemental direct. 13 A. Yes, sir. 14 Q. Starting on line 3, you state that SEC does 15 not charge an accounting block rate in its current rate 16 designs because the proposed rate changes are focused 17 primarily on increasing the recovery of SEC's fixed 18 costs and its fixed charges. 19 A. Correct. 20 Q. Okay. So, the -- is it fair to say, then, 21 that the hours use rate is designed to focus on 22 increasing the recovery of SEC's fixed costs and its 23 fixed charges? 24 A. Yes, all of the rates are intended to better 25 capture the fixed cost recovery, including the hours use</p>	<p>1 A. Well, there is a number of different ways that 2 the cooperative may calculate the return of patronage 3 capital. One of them being margins, one of them being 4 just regular consumption. In other words, kilowatt 5 hours. 6 Q. Yeah. And do you happen to know which is used 7 by Socorro Electric? 8 A. I do not. 9 Q. Oh, okay. If it's margins, how typically does 10 that get calculated? And maybe I should have asked this 11 from a previous witness, she is -- 12 A. Generally revenues less power cost, I believe 13 is the calculation. 14 Q. Revenues? 15 A. Less power cost. 16 Q. Less power cost. And power cost is calculated 17 how? 18 A. I believe it's on the average rate for that 19 particular year. 20 COMMISSIONER FISCHMANN: I think at some point 21 maybe I'm just have to get back to the prior witness, if 22 that's possible. 23 HEARING EXAMINER GLICK: Sure. I mean, we can 24 have them come back now to clarify that if you want. 25 THE WITNESS: That would be fine. That's a</p>

Page 266	<p>1 good idea. He is going to be intimately familiar.</p> <p>2 COMMISSIONER FISCHMANN: She. Shall we do</p> <p>3 that right now?</p> <p>4 MS. WIGGINS: It's Witness Montoya that's best</p> <p>5 able to answer the question about how margins are</p> <p>6 allocated.</p> <p>7 HEARING EXAMINER GLICK: For patronage</p> <p>8 capital?</p> <p>9 MS. WIGGINS: Yes. And how they are allocated</p> <p>10 to each member.</p> <p>11 MR. STEINNERD: Ms. Hearing examiner, I was</p> <p>12 going to respectfully remind you you were going to give</p> <p>13 me a few minutes to address Exhibit 8.</p> <p>14 HEARING EXAMINER GLICK: So yes. So Mr.</p> <p>15 Proctor will be coming back tomorrow, so I have that</p> <p>16 down.</p> <p>17 MR. STEINNERD: Thank you. Sorry to</p> <p>18 interrupt.</p> <p>19 HEARING EXAMINER GLICK: Well, I would just as</p> <p>20 soon wait and do that tomorrow because you are going to</p> <p>21 be coming back anyway.</p> <p>22 THE WITNESS: Okay.</p> <p>23 HEARING EXAMINER GLICK: But do you have any</p> <p>24 more questions for Mr. Proctor before we call Ms.</p> <p>25 Montoya back?</p>	Page 268	<p>1 right now and answer Commissioner Fischmann's question</p> <p>2 about allocation of patronage capital.</p> <p>3 (Ms. Rauni Montoya recalled.)</p> <p>4 THE WITNESS: Can I bring my notes?</p> <p>5 HEARING EXAMINER GLICK: Sure.</p> <p>6 CROSS EXAMINATION</p> <p>7</p> <p>8 BY COMMISSIONER FISCHMANN:</p> <p>9 Q. Thank you.</p> <p>10 A. You are welcome.</p> <p>11 Q. Sorry I didn't ask this earlier. In terms of</p> <p>12 patronage capital we heard two potential ways of doing</p> <p>13 it, kilowatt hour allocation or some calculation of the</p> <p>14 actual margins generated from that customer?</p> <p>15 A. Sure.</p> <p>16 Q. Which method does Socorro Electric use?</p> <p>17 A. So after the audit we allocate the available</p> <p>18 margins to each rate base, based on the percentage of</p> <p>19 revenue, less the power cost that each of those rates</p> <p>20 provide.</p> <p>21 So we say this is the revenue that we have,</p> <p>22 less the power cost portion for each of those. Then we</p> <p>23 take that and then we divide it into a percentage base</p> <p>24 off of the members. So it's allocated to each member</p> <p>25 account, so it would be to your member account, your</p>
Page 267	<p>1 COMMISSIONER FISCHMANN: Yeah.</p> <p>2 Q. And again, this is really kind of industry</p> <p>3 focused and maybe my curiosity. So in the -- well,</p> <p>4 whichever testimony it was stated that Tri-State doesn't</p> <p>5 send any price signals in the way it prices power.</p> <p>6 A. Correct.</p> <p>7 Q. So Socorro Electric --</p> <p>8 A. As a flat charge, and a flat industry charge.</p> <p>9 Q. Have there ever been discussions to change</p> <p>10 that pricing structure? And again, you probably don't</p> <p>11 have the answer. Is this an industry issue that people</p> <p>12 are raising with transmission and generation providers?</p> <p>13 A. I probably shouldn't comment on discussions of</p> <p>14 Tri-State and what goes on with their ideas of pricing</p> <p>15 and so on and so forth.</p> <p>16 COMMISSIONER FISCHMANN: Okay. So I'll cover</p> <p>17 that with someone else.</p> <p>18 THE WITNESS: Thank you.</p> <p>19 COMMISSIONER FISCHMANN: Thank you.</p> <p>20 HEARING EXAMINER GLICK: Okay. I think that's</p> <p>21 the end of your questions for today, Mr. Proctor.</p> <p>22 THE WITNESS: Okay.</p> <p>23 HEARING EXAMINER GLICK: We will resume with</p> <p>24 you tomorrow at nine o'clock.</p> <p>25 Why don't we have Ms. Montoya come forward</p>	Page 269	<p>1 member account, her member account, based on the</p> <p>2 percentage of that patronage affecting revenue that each</p> <p>3 member provides.</p> <p>4 Q. Okay. So I'm going to kind of restate this in</p> <p>5 small pieces. Tell me if I've got it right.</p> <p>6 So first of all, in terms of the power cost,</p> <p>7 what specifically is included in power cost?</p> <p>8 A. The amount of power costs that we pay to</p> <p>9 Tri-State.</p> <p>10 Q. So that would be the bill from Tri-State?</p> <p>11 A. We take that amount that we pay throughout the</p> <p>12 year and divide it up. By rates.</p> <p>13 Q. Okay.</p> <p>14 A. And then we subtract that from the margins</p> <p>15 that they contributed to that year.</p> <p>16 Q. So would that power cost be the same across</p> <p>17 all customer classes per kilowatt hour, or would it</p> <p>18 change?</p> <p>19 A. I'd have to reference the calculation to</p> <p>20 specifically look to -- to specifically know. Because I</p> <p>21 think it's a percentage of that rate class.</p> <p>22 Q. So maybe -- it sounds like maybe we will need</p> <p>23 to make an information request to get there.</p> <p>24 A. Yeah. And again, I can have the calculations.</p> <p>25 COMMISSIONER FISCHMANN: Okay. That's fine.</p>

<p style="text-align: right;">Page 270</p> <p>1 HEARING EXAMINER GLICK: It might be easier if 2 she comes back. 3 COMMISSIONER FISCHMANN: Or you can look it up 4 and come back. Whatever works. 5 HEARING EXAMINER GLICK: Are you available to 6 come back tomorrow? 7 THE WITNESS: Oh, I'll be here all week. 8 HEARING EXAMINER GLICK: So you could come 9 back with an answer to his question. 10 THE WITNESS: Yes, I think so. 11 HEARING EXAMINER GLICK: That might be more 12 efficient. 13 THE WITNESS: Can you write your question so I 14 know specifically. 15 COMMISSIONER FISCHMANN: Yeah. I can do that 16 if you -- how would we do that? Is there a procedure 17 that that goes on the record. It feels kind of funny. 18 HEARING EXAMINER GLICK: Are you able to just 19 restate your question now? 20 COMMISSIONER FISCHMANN: I'll give it a try 21 and see if this works. 22 THE WITNESS: She is writing it down. 23 BY COMMISSIONER FISCHMANN: 24 Q. So in the power cost, I just want to be sure 25 that we capture each element that goes into calculating</p>	<p style="text-align: right;">Page 272</p> <p>1 if there is a particular time we should call Ms. Montoya 2 back to make sure that you are here to hear her answer. 3 COMMISSIONER FISCHMANN: I will be hanging 4 around all day with a couple appointments, so you can 5 let me know when it fits your schedule, give me a ring 6 and I will be down. 7 HEARING EXAMINER GLICK: Okay. Why don't we 8 plan to do it after Mr. Proctor is finished. 9 COMMISSIONER FISCHMANN: Thank you. 10 THE WITNESS: May I be excused? I'm sorry. 11 HEARING EXAMINER GLICK: Yes. For today. 12 Okay. So, that concludes today. Let's go off 13 the record. 14 (The proceedings recess at 5:01 p.m.) 15 16 17 18 19 20 21 22 23 24 25</p>
<p style="text-align: right;">Page 271</p> <p>1 the power cost for each customer class. And so the 2 power cost might include charges from Tri-State, it 3 might -- I don't know if it includes any other charges 4 that are fixed and allocated. But if it does, we should 5 -- you know, I would like to know what those are. 6 And then I would like to know -- probably a 7 good way to do it would be to give an example of a 8 particular class of how it was calculated so we could 9 just see the actual numbers. 10 A. Sure. 11 Q. And then just describe that. 12 A. Okay. 13 Q. Because, you know, I do have a concern that 14 whenever you do a calculation like that, certain 15 customer classes might benefit disproportionately. So I 16 want to understand how that's done just to be sure that 17 that is not happening. 18 A. Sure, yeah. 19 HEARING EXAMINER GLICK: So do you understand? 20 THE WITNESS: Yes. 21 HEARING EXAMINER GLICK: Okay. Are you going 22 to be here tomorrow? 23 COMMISSIONER FISCHMANN: I'll be here for 24 that. 25 HEARING EXAMINER GLICK: I was just wondering</p>	<p style="text-align: right;">Page 273</p> <p>1 REPORTER'S CERTIFICATE 2 3 I, Allison Ash-Hoyman, New Mexico CCR #18, do 4 hereby certify that the proceedings of the 5 above-entitled cause were reported by me 6 stenographically on Monday, June 24, 2019, and that the 7 within transcript is a true and accurate transcription 8 of my shorthand notes. 9 I FURTHER CERTIFY that I am neither an attorney 10 nor counsel for nor related to or employed by any of the 11 parties to the action, and that I am not a relative or 12 employee of any attorney or counsel employed by the 13 parties hereto or financially interested in the action. 14 15 16 Allison Ash-Hoyman, RPR, CSR, CCRR 17 New Mexico Certified Court Reporter #18 18 License Expires: 12/31/2019 19 20 21 22 23 24 25</p>