

Editorial

We urge PRC to protect utility consumers

It comes as no surprise that El Paso Electric plans to return for a second bite of the rate-hike apple, given the significant reductions made to its last request.

The company started that process with its sights set on a whopping \$8.6 million (7.1 percent) increase. They had lowered that to \$6.4 million by the time the official hearing started. Once that process was completed, the hearing officer was able to find justification for just a \$640,000 bump.

That was eventually increased to \$1.1 million by the New Mexico Public Regulation Commission in the final decision. But clearly, that will not be enough to cover the company's grand plans for \$1 billion in new generation, transmission and distributions projects now on the drawing board.

And so, they are coming back to take another swing. But what is not clear is, what conditions have changed in the past year to make their arguments any more persuasive.

Much of this boils down to the need for new investment. EPE has invested \$1.4 billion since 2009, and says another \$1 billion is still needed.

Opponents of the rate hike argued that EPE had over-invested. The company now has six power plants that are only in operation less than 1 percent of the time.

Company officials say those plants, which can fire on and off quickly, are needed to avoid blackouts at peak demand. But we know from the experiences of other communities that peak demand can be reduced through billing practices that charge significantly higher rates for peak hours of usage, and give discounts for all other hours. We are disappointed that the PRC did not include such a requirement for El Paso

Electric in its last ruling.

It becomes an important issue for regulators, because utilities make their profit by recouping on their investments, not on the electricity costs that they pass on to customers. It's a system that made sense 100 years ago, when government needed to encourage private investment to build the nation's infrastructure. But today it provides an incentive for companies to build more than they need.

We were also troubled by proposals in the last rate hike to disproportionately burden residents with a higher percentage of the proposed increase, and to establish a new rate for those with home solar systems.

Both the city and the county made large investments in helping the Attorney General's Office fight the rate increases last year. The city spent about \$400,000, and the county about half that much on attorneys and expert witnesses. Those investments paid off for residents.

The original plan by EPE would have raised rates by 9 percent for residential customers. The hike that was eventually approved was for about 1.3 percent.

An equally vigorous opposition will be needed again this time around.

As a regulated utility, El Paso Electric has the right to recoup its investments and turn a profit. But we have a hard time accepting that \$1 billion in new investment is needed when current plants are sitting idle 99 percent of the time and no real effort has been made yet to reduce usage at peak demand.

We are hopeful that the PRC will take a critical look at this latest request, just as it did the last time, and will protect consumers from unreasonable and un-needed rate hikes.