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A New Mexico electricity co-op declares its independence

A co-op leaves its power provider, whose reliance on coal kept prices too high.

Bob Bresnahan | OPINION | May 9, 2017



Bob Bresnahan is a contributor to Writers on the Range, the opinion service of High Country News. He was one of the founders of Renewable Taos, Inc., a non-profit dedicated to the transition to 100 percent emission-free energy. He is also on the Board of Kit Carson Electric Cooperative.

In a dramatic move last year, the Taos-based Kit Carson Electric Cooperative ended its long-term wholesale electricity contract with Tri-State Generation and Transmission Association.

Now, Kit Carson and its new electricity supplier, Guzman Renewable Energy Partners, have announced a plan to build 30 megawatts of solar arrays with the groundbreaking ceremony scheduled for this May. When the project is completed in 2022, locally generated solar energy will supply around 30 percent of Kit Carson's total electricity demand, and provide 100 percent of its needs during daylight hours on sunny days. Solar production will exceed electricity demand during peak hours, so land is also being set aside for battery storage in 2020 or 2021.

Local generation of electricity should be the norm for rural electric co-ops, according to Luis Reyes, CEO of Kit Carson. It saves money, cuts transmission costs, provides local employment for construction and maintenance, earns tax revenues for local government and most importantly, helps stabilize electricity costs. Residents and businesses in the Kit Carson service area can plan on low-cost clean energy far into the future.



A solar mirror at Sandia Labs faces the New Mexico sunset.

Sandia Labs/Flickr

“Our abundant renewable resources make local generation a great opportunity for the mountain states and the desert Southwest,” Reyes says. “We can generate a lot of our own energy and even export to urban areas.” William Brown of the Sage Consulting Group estimates that more than \$100 million in energy costs leaves the Kit Carson service area each year, so the opportunity is sizable.

The Kit Carson Solar Project is only possible because Kit Carson and Tri-State agreed to sever their long-term contract. The break was amicable, but it was a long time in the making and had a hefty price tag for the local co-op.

In 2000, Tri-State signed 40-year contracts to provide wholesale electricity to 14 New Mexico cooperatives based on the promise of stable wholesale rates. But that promise was not kept as Tri-State raised wholesale prices *nine times* over the next 13 years. Kit Carson protested each rate increase, and eventually triggered rate hearings in Santa Fe, which delayed the latest increase for over two years.

In order to exit from its contract, Kit Carson agreed to a fee of \$37 million to cover Tri-State’s lost revenues and the transfer of some equipment. Amazingly, the price of freedom from the contract turns out to be very affordable, and that’s an important part of this story. Guzman Renewable Energy Partners bid for and won Kit Carson’s business with a 10-year wholesale electricity agreement that included Guzman paying the exit fee from Tri-State.

Guzman's wholesale price for electricity was way below Tri-State's because of the plummeting costs for wind and solar energy and the historically low costs for natural gas. So Guzman will keep Kit Carson's wholesale energy price equal to Tri-State's for five to six years in order to recover the \$37 million exit fee. Then Guzman will lower the price for electricity by around 45 percent, a truly unusual event in today's utility market.

Kit Carson and its members will save more than \$50 million dollars in wholesale electricity costs over the life of their contract with Guzman. And prices for solar, wind and battery storage just keep going down. But saddled with obsolete coal plants and other obligations, Tri-State is only able to meet its rising costs with price increases, the latest of which — in Colorado — was over 4 percent.

The icing on the cake in this deal is that Guzman Renewable Energy Partners, as its name suggests, is a strong supporter of clean energy and distributed generation. Within a couple of years, you will be able to plug any appliance into an outlet in Taos on a sunny day, and the sun will be supplying the electricity.

Guzman does not own transmission or generation facilities. It exemplifies a growing number of businesses that provide services to distribution utilities. Guzman buys blocks of electricity from generators and provides it at stable wholesale prices. In Kit Carson's case, the energy is delivered to the Four Corners transmission hub, and from there it is transmitted 150 miles to north-central New Mexico.

A good question is, "Why couldn't Guzman provide the same service to other cooperatives?" The answer, of course, is that it can. That may create problems for Tri-State, but it would deliver low-cost energy to rural areas and provide a foundation upon which they can develop locally generated energy. That seems to be the way of the future. It just depends on the paths that the rural cooperatives choose to arrive there.

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