



## Administrative Office of the Courts

FOR IMMEDIATE RELEASE

June 10, 2024

Contact: Barry Massey, public information officer  
[bmassey@nmcourts.gov](mailto:bmassey@nmcourts.gov)  
505-470-3436

Supreme Court rules state regulator can change rates proposed by rural electric cooperatives

SANTA FE – The state Supreme Court ruled today that the state Public Regulation Commission (PRC) has the power to set rates different from those proposed by a rural electric cooperative.

In a unanimous opinion, the Court upheld the Commission’s decision to reject a \$1.25 million rate increase proposed by Socorro Electric Cooperative (SEC) in 2018 and instead adopt a different rate structure for classes of customers without an overall increase in revenue for the utility.

“We conclude that the Commission’s decision to deny SEC’s proposed revenue requirement is consistent with the Commission’s duty to set just and reasonable rates,” the Court wrote in an opinion by Justice Julie J. Vargas. “Essentially, the Commission determined that SEC was not entitled to a revenue increase that would attain all SEC’s financial objectives because those objectives were outweighed by the interests of the public and of SEC’s members and customers.”

Rural electric cooperatives, in contrast to investor-owned utilities, are owned by their members, who elect a Board of Trustees. SEC provides electricity to about 8,500 customers in Catron, Cibola, Sierra, Socorro and Valencia County.

SEC argued in its appeal that the Commission could only approve or deny the rates proposed by a rural electric cooperative and the PRC exceeded its authority by reallocating revenues among customer classes, redesigning rates and calculating the cooperative’s revenue requirements through a method different from that used by SEC.

The state’s highest court rejected SEC’s arguments, concluding that the Commission acted within its authority, its decision was reasonable and supported by substantial evidence. The cooperative’s CEO testified during regulatory proceedings that the higher rates were not needed to preserve the company’s financial soundness or to maintain the cooperative’s ability to serve customers. The proposed rates, according to the CEO, were designed to meet the Board of

Trustees' financial objectives, including maintaining SEC's cash reserves and improving the cooperative's equity.

Under the state's Public Utility Act (PUA), the Commission can review a rural electric cooperative's rates only if a certain number of members file protests. Otherwise, a cooperative's proposed rates go into effect. But once enough protests have been filed, the Court explained, the regulatory agency "has authority to determine whether a cooperative's proposed rates are just and reasonable."

"If the Commission finds those rates are unreasonable, then the Commission may fix just and reasonable rates for that cooperative," the Court wrote.

Based on an analysis of state law, the justices determined the "Legislature has not distinguished between rural electric cooperatives and other public utilities with respect to the substance or nature of the Commission's ratemaking powers."

"Because the Legislature has identified a similar purpose for regulating both the rates of rural electric cooperatives and other public utilities, we conclude the Legislature has not expressed an intent to limit the Commission's powers to fix a just and reasonable rate" for rural electric cooperatives, the Court wrote.

###

To read the decision in *Socorro Electric Cooperative v. N.M. Public Regulation Commission*, No. S-1-SC-37948, please visit the New Mexico Compilation Commission's website using the following link:

<https://nmonesource.com/nmos/nmsc/en/item/530306/index.do>