

Despite inflation electric utility formation still viable option

Story by [Wanda Moeller](#) | Jun 6, 2024

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Is the formation of an electric utility still viable for the City of Socorro?

A recent feasibility study presented to the council last week says it is. However, it will depend heavily on the right financing options, wholesale power supply costs as well as adding solar energy to the mix.

Ed Reyes of Enchantment Energy Consulting presented the council last week with an updated feasibility study. The last feasibility study was completed in 2017 by Forsgren and Associates and considered two service options: an overhead construction or purchase of Socorro Electric Coop facilities or a new underground system construction. Initial capital costs were \$5.5 million for the overhead construction and \$7.5 million for underground construction. Bond financing for 20 years was estimated at 3.526 percent.

A lot has changed since then, according to Reyes. First, there was the 2020 pandemic followed by supply chain constraints. In addition, the New Mexico Energy Transition Act legislation act was passed which allows for the accelerated development of solar and battery storage projects. Plus, interest rates and federal fund rates increased.

In June 2017, interest rates were 1.16 percent. In May of 2023, those same rates soared to 5.33 percent.

Seven years after the initial study, there have been modifications made to the city starting an electric utility.

Those modifications include: the competition of a preliminary substation and system design; the target load data would include New Mexico Tech, Socorro schools and the rest of the industrial corridor; a operational and functional budget was developed; as well as whole power costs updated including adding city-owned solar facility to the project.

Financing option also were updated and included three options: municipal bonds at federal funds rate; private/bank financing then convert to public financing with the New Mexico Finance Authority; and finally, private/bank financing then converting to public financing with the New Mexico Finance Authority along with only partial grant funding for a solar facility.

Reyes presented the council with three scenarios for consideration as well as presented the financial breakdown of each project.

Scenario 1

- The city would receive bonds financed at the federal funds rate
- Installation of the 7MW solar facility funded through federal and state grants
- Service would be to city facilities, New Mexico Tech, the Industrial Corrido as well as 200 plus service accounts at nearly 8MW peak demand
- Produces annual enterprise surplus of averaging \$500K for the first five years.

Scenario 2

- The city would look at private/bank financing converted to public financing with a New Mexico Finance Authority loans
- Installation of the 7MW solar facility funded through federal and state grants
- Service would be to city facilities, New Mexico Tech, the Industrial Corridor as well as 200 plus service accounts at nearly 8MW peak demand
- Produces annual enterprise surplus of averaging \$32K for the first two years then annual average of \$500K after conversion of financing to New Mexico Financing Authority.

Scenario 3

- The city would look at private/bank financing converted to public financing with a New Mexico Finance Authority loans
- Installation of the 7MW solar facility with partial funding (50 percent) through federal and state grants
- Service would be to city facilities, New Mexico Tech, the Industrial Corridor as well as 200 plus service accounts at nearly 8MW peak demand
- Produces nearly balanced annual enterprise fund over the first 5 years of operations with no rate changes

The chart above estimates the amount of annual surplus projected during the first five years of operation of the municipal utility.