

Board approves rate redesign

Key changes include elimination of LFA, implementation of three-part residential rate, retirement of temporary PCA, introduction of wholesale PCA

At its June meeting, the association's board of directors approved changes to update IREA's rates and regulations that will go into effect beginning Sept. 1. They include:

- Elimination of the load factor adjustment (LFA);
- Implementation of a three-part residential rate that includes a demand charge, an energy charge and a fixed monthly service charge;
- Retirement of the temporary power cost adjustment (PCA) that began in April 2021 and introduction of a quarterly wholesale power cost adjustment (WPCA).

"With advanced metering infrastructure (AMI) technology in place, members now have much more precise data around their actual peak demand and usage patterns. The three-part rate more fairly allocates demand-based charges and puts control over those costs in members' hands," said Jeff Baudier, IREA's CEO.

The new rate structure will result in an average increase of about 2.25%, which is the first increase in general rates since 2013. As a not-for-profit cooperative, IREA raises rates only when absolutely necessary to meet the costs of reliable service and returns a portion of annual margins to members in the form of capital credits.

Formal notice of amendments to the rates and regulations is included with this month's

bill and is available at www.IREA.coop, where members can also access IREA's full rates and regulations.

Please read on for important information that explains the changes and why each is necessary.

The rising costs of services, products

In the eight years since IREA last raised general rates, the rate of inflation has been more than 15%. The energy sources, materials and services IREA uses to provide electricity have all increased in price that much and more.

A rate increase of 2.25% is extraordinarily low compared to other products and services. An Apple iPhone that cost between \$199 and \$399 in 2013 now costs between \$600 and \$1,000 – an increase of about 200%. Netflix's basic monthly service cost \$7.99 in 2013 and is now \$13.99 per month – more than 75% higher. The average price of a new automobile has increased 32% since 2013. IREA has been able to avoid similar impacts during that time because of our incredible customer growth, which offsets the cost of inflation.

Elimination of the load factor adjustment

In 2016, before we installed AMI meters, IREA introduced the load factor adjustment

Continued on other side

Continued from front

(LFA) to recover capacity costs from members with low monthly energy usage but not reduced peak capacity requirements. Now that we have AMI meters, the three-part rate accurately recovers costs from members based on how they actually consume electricity. As a result, the load factor adjustment is being eliminated.

Three-part rate explained

The service charge

IREA previously applied a \$12.50-per-month fixed service charge designed to recover some – but not all – of the costs associated with maintaining the infrastructure needed to deliver electricity. Our actual costs are closer to \$20 per meter served, but the association’s board of directors believes that is too much to charge our members. The basic service charge will increase just \$1 per month – to \$13.50 – for all residential accounts. This \$13.50 service charge is still well below the \$20 average service charge for Colorado utilities.

The energy charge

IREA members are currently charged for the total energy they consume over a billing period via an energy charge. This charge is based on the volume of total kilowatt-hours (kWh) consumed and each member’s respective rate.

The demand charge

Electric demand is a measure of the rate at which your home or business consumes electricity over a short and specific period of time. The more energy you use at a given time, the higher your demand at that point. Your “peak demand” is the largest amount of energy consumed during any 60-minute interval during your billing period. The average peak demand among IREA customers is

7 kilowatts (kW), and 99% of peak demands are between the hours of 4 and 8 p.m. The introduction of a demand rate of \$1.50 per kW consumed during the “on-peak” period of 4 to 8 p.m. will allow IREA to more accurately recover the costs associated with maintaining reliable service when our customer base is consuming the most energy.

Members can use My Power to monitor consumption, reduce costs

With AMI now in place, IREA members have access to My Power, a free online portal that allows them to better view, manage and analyze their usage data; monitor consumption patterns; compare periods of energy use; and better understand how their energy habits can affect their monthly bill. My Power can also be used to identify peak demand, view usage data in weekly, daily or hourly increments, and set up custom alerts to notify members if their usage has exceeded an amount they specified in advance. My Power can be accessed through the My Account portal at www.IREA.coop.

Wholesale power cost adjustment

IREA has used a temporary power cost adjustment (PCA) on occasion to recover unexpected increases in power costs, such as those caused by the inoperability last year of the Comanche Unit 3 power plant. Due to the increasing volatility of power costs, IREA is replacing the temporary PCA with a new wholesale power cost adjustment (WPCA) that can be adjusted quarterly in response to, or in anticipation of, power cost variances so IREA may either recover from or return power costs to members. This variable rate rider will allow us to true-up actual wholesale power costs variances from previously forecasted amounts to better protect our overall financial stability.