

## **About the Load Factor Adjustment**

On October 6, the IREA Board of Directors adopted proposed changes to the Association's Rates, Rules and Regulations. The adopted rate schedule creates a "Load Factor Adjustment" (LFA) that will be applied to new services and new interconnections with our system after December 30, 2015. The LFA does not apply to existing IREA customers unless they take an action after that date that would require the installation of a new service or interconnection, such as the construction of a new service location or the interconnection of a rooftop solar system or other net-metered generator.

The load factor adjustment would add a charge to those new customers' bills in months in which their peak demand is high when compared to their overall energy usage. When this happens, their load factor falls so low that IREA cannot fully recover its capacity-related costs of providing service.

IREA's current residential rate is designed to recover capacity-related costs through the energy charge, so if a customer uses a small amount of energy compared to the capacity they used, some capacity-related costs go unrecovered. Under the LFA, a customer with very low usage, but comparatively high peak demand would have a low load factor and the LFA would apply at a cost of \$4.04 to \$4.13 per kilowatt of peak usage, depending on where the customer lives.

Overall, this new LFA does not apply to the vast majority of new residential customers. Load factor is calculated as the average demand over a period of time divided by the peak demand over the same period of time. The proposed LFA is only triggered if the load factor for an unincorporated residential customer falls below 9% or below 10% for an incorporated residential customer. For reference, the typical load factor for an average residential customer is about 23%.

As a non-profit electric cooperative, our interest isn't profit. Neither is our interest the expansion – or decline – of the solar industry. Our interest, rather, is to find a way to provide our customers what they want in a way that doesn't favor or disadvantage one group at the expense of or to the benefit of others. To that end, we are proposing a way to recover costs for services in circumstances where our current rate structure causes us to provide service at a loss.