

WATTS & VOLTS

The Official Publication of 

December 2018

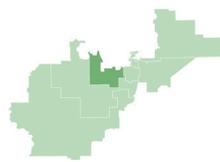
DIRECTOR NEWSLETTER

Season's Greetings and Happy Holidays. Some of you may not previously have received a newsletter from me. IREA is required by our bylaws to redraw our director district boundaries every eight years to ensure each director district has, as nearly as practicable, the same number of customers. A Board redistricting committee was appointed to review and recommend revised district boundaries and, with the help of our mapping department, recommended changes to account for high growth in some areas, particularly in the Castle Rock and Parker areas. New boundaries were designed to keep neighborhoods intact and to keep each current director in their district. In October the new boundaries were approved. The new boundaries can be viewed by visiting www.IREA.coop/board-of-directors and opening the Interactive Director Districts Map. Whether I have represented you on the board for years or you are new to my district, please know that it is my honor to serve as your representative on the IREA Board of Directors and I look forward to serving the needs of all IREA customers in 2019 and beyond.

In 2018 we approved plans to expand our portfolio of renewable energy sources. In August the Board of Directors approved a power purchase agreement to purchase the output of a planned 80-megawatt, utility-scale solar facility near Bennett, in the eastern portion of IREA's service territory. This project will be significantly larger than our previous utility-scale solar project, the 12.8-megawatt Victory Solar facility, which entered operation in late 2016 and also is located near Bennett. In November the Board approved IREA's participation in another solar project planned to be built in Elbert County. IREA will purchase 30 megawatts of capacity from that project. These purchases will provide energy at a lower cost than the Association otherwise would pay, significantly increase IREA's carbon-free generation resources and allow us to meet state renewable energy requirements. This new addition represents a very large change for IREA. With this project, approximately 13% of our energy will come from solar. When combined with the existing Victory Solar facility, Western Area Power Administration hydroelectric and customer-owned renewable sources, the amount of renewable energy on IREA's distribution grid will be very significant.



MICHAEL KEMPE
District 1



One of next year's biggest ongoing infrastructure improvements will be our Advanced Metering Infrastructure (AMI) project. An initial deployment of 1,000 new meters is scheduled to begin soon in the Castle Rock area. We plan to install an additional 100,000 AMI meters in 2019. New meters will be installed by the end of 2020 at all 158,000-plus locations we serve. They automatically will alert us to outages, allow our field personnel to respond more quickly to service interruptions and improve reliability. We will continue to provide updates regarding the AMI project via Watts & Volts, social media and other channels. Customers also can visit www.IREA.coop/AMI for additional information.

I am happy to report that the end of 2018 sees the Association in very good financial condition. Because IREA is a customer-owned cooperative, our earnings are used as working capital and invested in infrastructure. We refund part of that capital to customers each year if we are financially able. Because our finances are sound, my fellow board members and I likely will vote to pay out capital credit refunds this coming March, likely totaling \$15 million or more. IREA has refunded more than \$73 million since 2014, even as we have increased our equity and completed significant system improvements.

IREA has not raised rates since February 2013. Last month we published notice of proposed changes to the association's rates and regulations that may take effect in 2019. The proposed changes include increasing the monthly residential service charge from \$10 to \$12.50 with a corresponding reduction to the energy charge paid by customers for energy. This rate change is designed to be revenue-neutral to the Association, so it will decrease the monthly bill for some customers while slightly increasing the monthly bill for others, with customers who use the average amount of energy seeing no change. The highest bill increases possible are just \$2.50 per month and will only be seen by customers who use no energy at all. We also are

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considering reducing disconnect and reconnect fees for customers with AMI meters and creating rates that give commercial and other large power customers options to reduce energy costs, depending upon their load profiles. It is anticipated the changes will reduce by an estimated \$1.5 million the revenue we collect from customers when compared to our current rates.

While IREA seeks to maintain reliable service at low rates, there are steps customers can take to lower their monthly bills, too. Increased heating system use likely will increase energy bills as temperatures fall. Consider scheduling a free home energy audit if your bill is consistently higher than what you expect during cold months. Our energy efficiency expert will collect data on your home's heating system and provide you recommendations for increasing its energy efficiency. Simple, inexpensive steps such as changing patterns in your energy use and more conscientious use of electrical devices can often reduce your monthly bill. Free energy audits can be scheduled by visiting www.IREA.coop/energy-audits.

A step we have taken to help cut costs and gain efficiency was to contract with a dedicated payment processor to handle mailed payments. Customers who physically mail their bill payments to IREA – only about 27% of you! – will notice that the address has changed to P.O. Box 6437, Carol Stream, IL 60197-6437. This new mailing address is pre-printed on the remittance portion of your monthly bill for your convenience. Those who prefer to hand-address their own envelopes or who use third-party payers to pay their bill might need to update IREA's mailing address with their bank or biller. We have confirmed that the following banks and third-party payers will require an update: Bill Payment Processing Center, Chase Online Bill Payment, Citibank N.A., Conservice REO Utilities, Engie, Online Bill Payment Processing Center, Payment Operations, Payment Processing Center, PlastiQ and WRG.

Did you know that 73% of IREA customers now pay their bill electronically? I encourage those who still pay their IREA bill by mail each month to consider signing up for our Auto Pay program. This free, easy-to-use service automatically deducts your amount due from a checking or savings account of your choice on the due date. No check, stamp or electronic payment action is needed. This keeps the money in your account as long as possible and avoids the risk of a late payment. Also, any customers signed up for Auto Pay by Dec. 31 are eligible to win one of 10 third-generation Nest Learning Thermostats. A Nest will prove particularly useful

these winter months, as it adjusts to your household members' habits and the outside temperatures to reduce your heating bill an average of 10%. Enroll in Auto Pay right now by visiting www.IREA.coop and logging into My Account, or by calling our Consumer Services department at (800) 332-9540.

Speaking of energy efficiency, our inaugural holiday lights recycling effort was such a success that we again are offering it this holiday season. Those of you who missed out last year or still have non-LED holiday lights you no longer want can bring them to any of our four offices during regular business hours, 8 a.m. to 5 p.m. Monday through Friday, and leave them in the designated bins. We will have them recycled and donate the proceeds to Energy Outreach Colorado, which provides home energy assistance to Coloradans in need. Last year we recycled more than 3,000 pounds of holiday lights and donated \$1,200 to Energy Outreach. Help keep fellow Coloradans warm while replacing your unwanted lights with safer, longer-lasting, more efficient LED lights.

Winter snow and ice often cause trees to break and bend, which makes this the worst season for outages, especially in areas served by overhead lines and above-ground equipment. Though we work year-round to trim and maintain problematic vegetation throughout our 5,000-square-mile service territory, winter outages sometimes are unavoidable. When they do occur, however, you can look to our online Outage Center for updates on service interruptions and our efforts to restore service. Bookmark www.IREA.coop/outage-center, where you also can report an outage and sign up for text-based outage alerts.

Finally, you may have seen in previous editions of Watts & Volts that IREA is offering high school juniors and seniors a chance to participate in a weeklong, all-expenses-paid trip to Washington, D.C. Three lucky students will be selected for next summer's Youth Tour, which is organized by the Colorado Rural Electric Association and National Rural Electric Cooperative Association. After touring Tri-State Generation and Transmission in Westminster and the State Capitol in Denver, they will join 1,800 other students in the nation's capital to visit prominent D.C. landmarks and meet with elected officials. Students interested in participating must submit by Jan. 11 an application and accompanying written or video essay. A downloadable application and additional info are available at www.IREA.coop/youth-tour.

I wish all of you a happy New Year, and look forward to further updating you on these and other exciting developments in 2019.