

October 08, 2014

IOWA UTILITIES BOARD

**STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD**

IN RE: IRONWOOD DEVELOPMENT, LC And PROFESSIONAL PROPERTY MANAGEMENT, INC.	DOCKET NO. WRU-2014-0013
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**REPLY TO MIDAMERICAN ENERGY COMPANY
RESPONSE TO WAIVER REQUEST**

COMES NOW, Ironwood Development, LC (“Ironwood”) and Professional Property Management, Inc. (“PPM”) (collectively the “Petitioners”), and hereby file their Reply to MidAmerican Energy Company (“MidAmerican”) Response to Petitioners’ Waiver Request and state as follows:

1. On September 11, 2014, Petitioners filed a Request for Waiver with the Iowa Utilities Board (“Board”) requesting a permanent waiver of 199 I.A.C. 20.3(1)(b). In their Request, Petitioners demonstrated that the requested permanent waiver allows the Petitioners to more effectively achieve the goals of Rule 199 IAC 20.3(1)(b) by providing controlled energy consumption and energy savings.

2. On September 30, 2014, the Office of Consumer Advocate (“OCA”) responded to Petitioners’ waiver request. In its response, the OCA found that Petitioners had “presented sufficient evidence and justification to find that the requirements for a waiver set forth at 199 IAC 1.3 have been satisfied.” Indeed, the OCA found “Petitioner’s evidence, particularly the Technical Report prepared by Mr.

Curtis J. Klaassen, PE, regarding the energy efficiency benefits made possible by master metering in this case to be thorough and compelling.” See Response from OCA at ¶ 3.

3. On October 1, 2014, MidAmerican filed a Response to Petitioners’ Waiver Request. In its Response, MidAmerican requests that Petitioners provide more information about a number of issues, including how master metering makes energy conservation features more feasible than individual metering and how energy savings will be measured. However, as discussed below, the information requested by MidAmerican is already contained in Petitioners’ Waiver Request and the Technical Report attached to Petitioners’ Waiver Request as Exhibit B.

4. Specifically, in paragraph 3 of its Response, MidAmerican requests that Petitioners explain how master metering makes energy conservation features more feasible than individual metering. In paragraph 6 of their Waiver Request, Petitioners discuss in detail the “split incentive” problem found with individual metering and how master metering makes energy conservation features more feasible for property owners by allowing the property owner to recover the costs incurred when installing the energy efficient strategies. Further, the Technical Report in Section 7, found on pages 16-18, explains how master metering makes energy conservation more feasible than individual metering. Therefore, Petitioners have set forth the basis for their assertion that master metering makes energy conservation features more feasible than individual metering.

5. In addition, contrary to MidAmerican’s assertions, the Technical Report sets forth how energy savings and strategies will be measured and verified. Section 9 of the Technical Report explains how Petitioners maintain comprehensive records of

energy use to track energy performance, monitor energy use patterns, identify variations and assist in diagnosing shortcomings. These tools and techniques have been effectively used at other PPM properties. Further, Petitioners propose to use Energy Star Portfolio Manager (or equivalent energy performance software) which is a program where energy consumption is imputed and energy efficiency is evaluated and compared to a number of measures. Moreover, as stated on page 20 of the Technical Report, Petitioners are participants of a new construction program sponsored by MidAmerican. As a part of that program, The Weidt Group will conduct a review of final construction documents, plans and specifications, and conduct an on-site physical verification to assure substantial conformance of the proposed energy efficient strategies. Specific details of Petitioners' proposed review and verification procedures are provided in the Appendix to the Technical Report at Section 1.1.D.

6. In its Response, MidAmerican asserts that Petitioners are going to charge \$30-\$45 per unit in electric charges. However, MidAmerican's assertions are misplaced. The \$30-\$45 figure was provided in the Technical Report as an example of what can be achieved by energy efficiency strategies and such figure refers to the Sun Prairie Apartment Complex in West Des Moines, Iowa. Specifically, the \$30-\$45 figure is the amount that PPM guarantees to Sun Prairie Apartment tenants that their energy rate will not exceed; it is not the rate that is charged to Sun Prairie tenants as the tenants pay their own electric bills. Petitioners do not yet know what rate they are going to charge tenants at Altoona Towers for energy use. Petitioners need to work with MidAmerican to figure out what rate schedule is to be applied to the Altoona Towers project. If master metering is approved, the amount charged for Altoona Towers

tenants' energy use will be included as an unspecified portion of the tenant's rent pursuant to 199 IAC 20.3(1)(b). Further, the analysis in the Technical Report at page 17 to predict energy cost savings at Altoona Towers is based on residential rates for the tenant, not commercial rates. Petitioners are requesting permission to meter both apartment buildings together under one master meter.

7. MidAmerican also believes that additional information should be provided regarding how master metering encourages energy savings over individual metering. Again, in the Technical Report, there is a discussion regarding how master metering encourages energy savings. Pages 21-24 of the Technical Report establish that either the tenant or the property owner receives the economic incentive to reduce energy use. The Technical Report establishes that when the economic incentive is provided to the property owner it results in greater energy savings than when the tenant has the economic incentive. Moreover, as discussed in the Waiver Request on pages 6-7 and the Technical Report on page 20, the installation of energy efficiency strategies will educate tenants on the importance of energy savings. Indeed, in other apartment complexes managed by PPM, PPM has educated its tenant population on energy efficiency through the use of energy efficiency products and educational materials available at the facility. The Petitioners will implement the same educational strategies at Altoona Towers.

8. In addition, it is not the intent of the Petitioners to profit from the rate charged for energy consumption. The Board's Rules, specifically 199 IAC 20.3(1)(b), provides that if a multioccupancy building is master-metered, the occupants may be charged for electricity "as an unidentified portion of the rent." Petitioners will charge for

electricity use as an unidentified portion of the rent and tenants will then have the choice of whether to rent at Altoona Towers or another facility. Petitioners do not have a monopoly on the apartment market and the rental market will provide a check on the total rent the Petitioners are able to charge. In addition, Petitioners will work with MidAmerican to determine the appropriate MidAmerican rate schedule for Altoona Towers.

9. Finally, as discussed in the Waiver Request, the risk that other multi-occupancy property owners will seek a waiver if the Board decides to grant the Petitioners' waiver request is minimal. Petitioners are not seeking a change in the Board's rules, but only a waiver as it relates to their Altoona Towers project. In addition, Petitioners are unique in that they incorporate energy saving features as part of their initial design that provides for energy savings of up to forty percent. If, however, other property owners file waiver requests on the same grounds as the Petitioners, MidAmerican and the Board should support such waiver requests because it would mean that more property owners are installing energy efficiency strategies in their multifamily housing properties.

10. Accordingly, as seen in the Technical Report attached as Exhibit B to Petitioners' Waiver Request, the requested permanent waiver allows Petitioners to more effectively achieve the goals of Rule 199 IAC 20.3(1)(b) by providing controlled energy consumption and energy savings. If the Board has any questions or concerns, Petitioners would be happy to schedule a conference with all parties involved to answer any questions or address any concerns.

WHEREFORE, Ironwood Development, LC and Professional Property Management, Inc. request that the Board issue an order permanently waiving the provisions of 199 IAC 20.3(1)(b) which would allow them to use master metering for the properties listed on Exhibit A to their Waiver Request.

Dated: October 8, 2014.

Respectfully submitted,

/s/ Rachel T Rowley

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