

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

IN RE:

IRONWOOD DEVELOPMENT, LC

And

**PROFESSIONAL PROPERTY
MANAGEMENT, INC.**

DOCKET NO. WRU-2014-0013-0004

**RESPONSE TO ORDER
REQUESTING ADDITIONAL INFORMATION**

COME NOW, Ironwood Development, LC (“Ironwood”) and Professional Property Management, Inc. (“PPM”) (collectively the “Petitioners”), and hereby respond to the Order Requesting Additional Information issued by the Iowa Utilities Board (“Board”) on October 29, 2014 (the “October 29 Order”) as follows:

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.

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. The OCA also stated that as an alternative to a permanent waiver, the Board could properly find that the evidence supports a finding that the Petitioners’ proposal fits within the exception to the prohibition of master metering found at 199 IAC 20.3(1)(b)(4). See Response from OCA at ¶ 1. Petitioners agree with this analysis as an alternative way to allow master metering at Altoona Towers without issuing a permanent waiver request.

On October 1, 2014, MidAmerican Energy Company (“MidAmerican”) filed a Response to Petitioners’ Waiver Request. In its Response, MidAmerican requested 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. On October 8, 2014, Petitioners responded to MidAmerican’s Response, providing further explanation regarding the energy conservation features of its proposed master metering arrangement. However, the Board subsequently issued the October 29 Order requesting additional information regarding Petitioners’ proposed master metering at the two multi-occupancy buildings located in Altoona, Iowa.

Petitioners’ responses to the Board’s questions posed in the October 29 Order are set forth below. In addition, Petitioners request a conference with Board staff and the other parties to this case in order to answer additional questions. The undersigned counsel has contacted Board staff, counsel for the OCA and counsel for MidAmerican, and has determined that these parties could hold a conference at 1:00 PM on

November 13, 2014, at the Board's location at 1375 E. Court Ave., Des Moines, IA 50319, to answer any additional questions or address any additional concerns.

1. Explain the basis of the assertion that "in order to make the purchase of high efficiency, Energy Star rated equipment and other energy conservation features economically feasible, the Applicants would like to implement master metering."

Response:

As described in Petitioners' initial request for waiver, the traditional belief that if the tenant is responsible financially for its actual electric usage then the tenant would be more motivated to reduce energy use, is not that simple. While a tenant may reduce his or her energy use in an individual metering scenario, maximum energy efficiency overall is not achieved in these rental situations. A tenant does not have an incentive, nor even the right or ability, to purchase energy efficient appliances and fixtures nor properly maintain them, so over time those appliances and fixtures become less efficient; offsetting any energy savings achieved through the tenant's awareness of his/her energy use via individual metering. Additionally, in an individual metering scenario, the property owner has little incentive to maintain the efficiency of appliances and fixtures because it does not receive the financial benefit of lower energy use. The property owner also has no incentive to purchase the more costly energy efficient appliances.

It is this split incentive between the tenant and property owner that makes it economically infeasible for the property owner to provide the more expensive Energy Star appliances and other energy efficiency equipment when the tenant alone receives the benefit of the savings. Master metering is the only effective way of dealing with this split incentive issue. Based upon surveys of Petitioners' existing residents, they know that it is very appealing to have just one bill that includes in the rent all utility services

such as cable, internet, water, sewer, trash, and electricity. Petitioners have no doubt that there will be a reduction in energy usage, as the equipment that is going to be installed is well above the efficiency required by code. Master metering aligns Petitioners' economic interests with the tenants as Petitioners will ensure the equipment is well maintained and that tenants are encouraged to conserve energy.

The Technical Report prepared by Mr. Curtis J. Klaassen, PE, summarizes the economic impact for the energy efficient strategies as applied to the metering options in Section 7, Figure 7.2. The construction costs and energy cost savings are accumulative from Bundle 1 to Bundle 3 under the comprehensive and integrated energy design for the project. Bundle 2 represents the additional construction costs to implement the energy efficiency strategies on the tenant side of the meter that reduce energy consumption for the 103 individual residential apartments units in addition to the strategies for the common building areas described under Bundle 1. However, the energy reduction and energy cost savings for Bundle 2 would accrue to the tenant under individual metering, resulting in no payback to the property owner. More specifically, the incremental construction cost to implement the Bundle 2 tenant strategies would be approximately \$292,050 with an energy cost savings potential of approximately \$30,219 per year (Bundle 2 values minus Bundle 1 values).

In this case, the property owner would invest \$292,050 to purchase and install the energy efficient equipment, Energy Star appliances and other energy conservation features. The property owner would receive a \$103,815 MidAmerican incentive, but receive no payback since the energy savings would be under the tenant meter. This scenario is not economically favorable for the property owner, and it is to the property

owner's economic advantage to avoid the additional construction cost by installing standard efficiency appliances and equipment described under the baseline scenario. Under master metering, however, the property owner would pay the energy bill and accrue the savings to offset the additional upfront cost of installing the higher efficiency appliances and equipment with a simple payback of approximately 6.2 years. This is the much more economically feasible option for the property owner.

Specific examples of the construction cost and energy savings comprising the above totals are developed in the Technical Report, Appendix Section 1.1.c – CNC Bundle Report. For example, Page 10, Line header 13 Appliance Efficiency Strategies of that report describes the energy and construction cost values for the various Energy Star appliances. Line item ARF01 lists the Energy Star Refrigerators designated for Bundle 2 with an additional first cost of \$9,600 and annual energy cost savings of \$794.

On the same report page under line header 5 Lighting Design Strategies, the impact of LED and CFL lighting and control systems for the 103 tenant apartments is summarized by Line item LO2AP Apartment lighting alt.2 As-designed. An annual energy savings 5.4% of total kWh is predicted with an energy cost savings of \$6,328, an additional Construction First Cost of \$62,574 and 9.9 year payback. Another significant example is included under Line header 7 HVAC efficiency strategies; Line item MPT01 As-designed mini-split heat pumps (Apartments) with a 13.5% kWh savings of total energy, annual energy cost savings of \$13,593, and incremental Construction First Cost of \$38,509 and simple payback of 2.8 years for providing the high SEER/HSCP mini-split heat pump to serve tenant spaces in lieu of energy code standard HVAC equipment. These are only some specific examples of the energy

efficiency strategies proposed for tenant apartment spaces under the comprehensive energy plan for the facility which are affected by the split incentive barrier. Master metering eliminates that economic barrier by allowing the property owner to recover the investment cost in energy efficiency through energy cost savings. Collectively these strategies provide the 40% energy reduction to baseline.

2. Explain how energy savings will be measured to ensure that the energy efficiency measures are effective. Provide details of the methodology used to estimate savings.

Response:

Because the apartment buildings at issue are not yet constructed or occupied, Petitioners will not be able to measure before and after results of the energy efficiency features. In fact, these will be first of their kind buildings for Petitioners, as they have built no other building with all of the features planned for the two at issue. Petitioners do have plans to install individual disconnects for each apartment for safety purposes, and they plan to install meters or include some type of data logging equipment to determine the amount of energy that each apartment uses. This will give them an opportunity to compare to similar types of apartments to draw meaningful conclusions.

In addition, as stated in Petitioners' Reply to MidAmerican's Response, 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, which have been effectively used at other PPM properties. Further, Petitioners propose to evaluate and compare energy consumption/efficiency against 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 where all final

construction documents, plans, and specifications will be reviewed in addition to on-site inspections 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. In addition, Section 6 of the Technical Report describes the energy estimating by the Department of Energy 2 energy model building simulation program, which is described in even greater detail under Appendix Section 1.1.B – CNC Strategy Report, page 8.

As part of the comprehensive energy planning this project has several important elements to ensure that the energy efficiency measures are effective: First, to provide accurate and reliable estimates of energy savings, the methodology used to predict energy savings is the Department of Energy Building Simulation Energy Modeling program, version 2.2 (DOE-2.2). This program is recognized worldwide as the benchmark standard energy modeling software for the building industry. The program performs hour by hour thermal and luminous calculations on the subject building using Des Moines, IA weather files. DOE-2.2 provides a reliable means as possible of predicting the energy use of buildings that have not yet been built. Additional information on DOE-2.2 methodology is presented on pages 10 and 12 of the Technical Report; and in even greater detail under Appendix Section 1.1.B – CNC Strategy Report, page 8.

Second, a final review of project plans and specifications and an on-site field verification of installed energy efficiency strategies will be conducted under the Commercial New Construction Program to confirm that the energy efficient strategies have been implemented and are functioning properly. Additional information on this process is presented

in Section 8, page 20 of the Technical Report and specific details of the proposed review and verification procedures are provided in Technical Report Appendix Section 1.1.D.

Third, to measure energy use, track energy performance and monitor energy use patterns in the actual operation of the buildings, comprehensive energy use records will be maintained as part of the standard PPM building management practices. Energy Star Portfolio Manager (or similar energy performance monitoring software) would be used to document actual energy consumption data and evaluate energy performance against specific energy targets and other key benchmark values. In addition, portable energy monitoring instrumentation and data loggers are employed by PPM maintenance staff to identify variations and assist in diagnosing shortcomings in energy systems operation. These techniques have been effectively used at other PPM properties to ensure energy efficiency strategies are functional and effective.

Lastly, since the property manager is responsible for all energy use and costs with a master metering arrangement, it is in their best interest to monitor and maintain the energy systems so that the energy efficiency measures are effective and operating expenses are minimized.

3. Provide typical usage of each type of apartment and compare that usage with the savings projected with master metering versus individual metering.

Response:

Without taking into consideration all of the energy efficiency measures planned for the apartment buildings at issue, an individual apartment's usage would be the same whether it was an individual meter or a master meter scenario. The apartment does not know whether it has an individual meter or a master meter. However, by these

buildings being designed for master metering by the incorporation of numerous energy efficiency measures, Petitioners predict that it will lower consumption by forty percent compared to an new energy code and equipment standard compliant equivalent apartment building.

4. Explain how energy efficiency will be affected by the removal of the incentive for individual renters to conserve energy within their own apartments if the apartment buildings are master metered and individual renters are not responsible for managing their individual energy usage and resulting individual bills.

Response:

The energy efficiency of systems, equipment and appliances designed into the project is passive and would not be affected by the removal of incentive for individual renters to conserve energy. Little if any tenant input is required to reduce or control energy consumption with energy efficient strategies such as high performance wall insulation and window systems; LED and CFL lighting systems; and high efficiency mini-split heat pump systems. These energy systems essentially reduce energy use by forty percent regardless of the actions of the renter to manage energy use and the resulting utility bill. The tenant would have control only over the use of the appliance or equipment, not the efficiency – and the tenants' options for control are limited. While an irresponsible individual renter may alter energy use by leaving lights on, the LED or CFL lighting is four times as efficient as standard lighting thereby significantly reducing the impact. That individual renter may also adjust space temperatures to excessive levels, however the extremely high SEER/HSPF mini-split heat pump system would have a minor impact on energy use and electrical demand. These energy incentive behavior issues are also discussed in Technical Report Section 10. Petitioners' business plan for Altoona Towers is to make capital investments to bring utility costs down and then

package the utilities into an unspecified share of the rent, and by doing so, attract tenants who desire this great rental value. Petitioners will provide a complete package and the market place will determine the fair and reasonable rent.

It is also important to note that the energy use comparison for this project is a comparison of alternate energy use systems, equipment and appliances. It is not a before and after comparison with the same types of systems, equipment and appliances with the only variable being tenant behavior influenced by directly paying the utility bill. Also, 199 IAC 20.3(1)(b)(4) clearly refers to “reduced and controlled energy consumption”. (Emphasis Added). Energy costs are not addressed or referred to as a criteria. From a broader perspective, there are many factors at play regarding behavior modification and responsibility for personal management of energy use that the energy efficiency industry is attempting to address. In reality, the issue is completely dependent on the energy attitude of the individual renter. Consider the following scenarios:

- For the average tenant with engrained energy habits the energy use would not be expected to change significantly. The tenant would be expected to use appliances and electronics for their intended purpose with discretionary control dependent on the tenant’s actual needs. Heating and cooling temperatures would be adjusted to comfortable levels for that individual. Water usage from toilet flushing would be consistent even with a reduced flow toilet. When the tenant drives to work in his/her Ford Fusion, the tenant may be inclined to leave a light on. However, the light would be an energy efficient LED or CFL resulting in a very modest energy impact. The tenant would respond positively to the free replacement light bulbs available at no cost for their personal fixtures since it

eliminates the renter from buying new lamps. The tenant would have limited interest in managing individual energy use or changing air filters.

- The energy and environmentally aware progressive tenant would be expected to embrace the high performance apartment housing package which provides energy efficiency as well as water efficiency; a healthy environment; security; and potent internet and communications services. A low energy profile would be maintained by the tenant. The LED and CFL light fixtures along with added features and conveniences of Energy Star appliances serve as a reminder for maintaining an energy efficient and “green” lifestyle. This tenant immediately turns in a maintenance request on a dripping faucet even without paying the water bill. The tenant owns a Prius, rides a bike or takes the bus to work. The tenant would have a strong interest in managing their environmental footprint, individual energy use, and recognize that the global environmental incentives are enhanced and have not been removed. The renter recognizes that the energy provider has transferred from the utility company to the property manager and understands that responsible energy use is a primary factor for maintaining low energy expenses.
- Some tenants may be considered energy unconcerned, taking advantage of a no utility bill situation for water, natural gas and electric. This tenant may adjust space temperatures to extremes, allow all lights to remain on and the refrigerator door open. This renter drives a Hummer SUV to work and does not change air filters. In this case the passive energy efficiency of the equipment or appliance limits the actual energy expended without concern for control by the tenant. The high SEER/HSPF factors of the energy efficient equipment results in less heating and cooling energy use compared to

conventional energy standard compliant heating and cooling equipment under control of a renter attempting to manage energy use and resulting utility bills. The unconcerned renter may be influenced to more responsibly manage their individual energy usage and resulting bill, but would have little discretionary control over actual net energy use.

Finally, Petitioners note that the total gross energy use and energy cost for housing energy would increase 30% to 40% for the average tenant under individual metering due to the lower efficiency appliances, equipment and building envelope components being available to the tenant over the life cycle of the apartment building. In addition, the tenant would be subject to the higher unit electric costs for the residential apartment rate which includes a fixed monthly service charge up to 15% of the total monthly bill. The fixed charge is a constant and cannot be translated to energy savings.

5. Please clarify the statement “the Technical Report shows that master metering solves these issues by allowing the property owner to recover its costs associated with implementing energy efficient strategies.” It appears this means that the costs of implementing energy efficient strategies would be recovered by charging the renters an additional charge for these measures. If this is correct, what will be the amount of the charge per individual unit? Explain why such a charge is reasonable.

Response:

As stated in Section 7 of the Technical Report (at page 17), “[t]he incremental construction cost is recovered by the potential reduction in annual energy costs. From a business perspective, the investment in energy efficiency is returned through reduced monthly energy expenses.” The up-front costs will be included in the overall capital cost of the project.

6. Explain why costs of implementing energy efficient strategies at the proposed facility could not be recovered through an undisclosed portion of the rent if master metering is not allowed?

Response:

If master metering is not allowed, this means the Petitioners or the tenant would pay meter charges on every single meter. This is over \$11,000 per year. In addition, each tenant or Petitioners would pay more per kWh due to the residential rate structure with a higher unit cost per kWh. Petitioners assume that their rate per kWh will be lower than what individual tenants would pay. These savings allow Petitioners to provide a better rental value to the tenants. Further, the value to the tenant of utilities and other items being included will be a part of the prospective tenants' determination of whether to rent the unit.

7. Explain what allocation method will be used to determine electricity costs allocated to individual meters.

Response:

Section 9 of the Technical Report (at page 20) summarizes PPMs past practice in monitoring and managing master metered natural gas and water utilities and that “the process includes closely monitoring master metered utilities, equitably assessing and pro-rating those expenses into the total rental cost for the individual apartment types. That process would also be applied to the master metered electric utility expenses for this project, though the cost would be an unidentified portion of the total rent as allowed by 199 IAC 20.3(1)(b).

Petitioners' pricing methodology for this project does not price the apartments with specific amounts allocated to the following (list not inclusive of everything offered):

1. Rent;
2. Granite countertops;
3. Washer and Drying provided;
4. Dishwasher;
5. Vaulted ceilings

6. 8' by 12' galvanized decks;
7. Heat;
8. Water and sewer;
9. Air conditioning;
10. Electricity;
11. Trash;
12. 100 meg Internet;
13. DirecTV;
14. Electric car charging;
15. 24-hour 3,000 square foot fitness center; and
16. 1,0000 square foot community room.

None of the above items are offered on an a la carte basis. What Petitioners offer is a complete package and prospective tenants will determine if they feel it is fair and reasonable given all that is included in that one price.

8. Please explain your statement “not allowing master metering at the two apartment buildings would increase energy consumption at the buildings and would cause Applicants undue hardship.” (a) Explain how the installation of individual meters, which is designed only to measure consumption, would increase energy consumption; (b) Explain how the method of measurement causes hardship to property owners.

Response:

(a) Petitioners agree that the meters only measure energy consumption and by themselves do not affect consumption. It is the split incentive described in Petitioner’s response to Question No. 1 that causes the hardship. Either the property owner or the tenant has the direct economic incentive to reduce energy use – the option is not available to both and cannot be shared. With the master metering option, however, that split incentive barrier is removed. Because Petitioners would receive the benefit of reduced energy costs with the installation of energy efficient systems, appliances and other equipment, Petitioners are motivated to install that equipment and thus bring overall energy consumption down for the entire property. It is important to note that the energy use comparison for this project is a comparison of alternate energy

use systems, equipment, and appliances. It is not a before and after comparison with the same types of systems, equipment and appliances with the only variable being how the energy is metered and who is directly paying the utility bill.

(b) Installation of the extensive energy efficiency measures is a part of Petitioners' business and marketing plan for these buildings, as they want to attract environmentally conscious tenants. Additionally, it is a part of Petitioners' marketing plan to appeal to tenants' desires to have an all-inclusive total rental charge. It would cause Petitioners hardship to individually meter each apartment because of the meter charges that would apply and higher rates. In addition, if individual meters were required, the financially prudent property manager would only invest in the baseline level of energy efficiency which meets current building energy codes and equipment efficiency standards for the tenant apartments. He or she would have no incentive to invest the \$292,050 to provide the ultra-high level of energy efficient systems, equipment and appliances proposed for the Altoona project tenants when the energy savings accrue on the tenants' meter. This result does not fit with Petitioners' business and marketing plan for these buildings.

Those baseline systems, equipment and appliances - while meeting those current minimum energy standards – are projected to use 7,914 million BTU per year for the entire building, including the house meter. The ultra-energy efficient systems, equipment and appliances proposed on this project with master metering would use only 4,788 million BTU per year. The math is simple – the tenant metered baseline building would use sixty-five percent more energy than the master metered apartment building.

Studies do indicate an energy reduction of five to ten percent for individual metered tenant apartments. So an apartment building with energy concerned tenants could theoretically save ten percent of the 1,516,393 kWh, or 151,639 kWh per year on the baseline apartment building. The savings from an integrated energy design with Bundle 3 is 573,184 kWh per year, or 3.7 times as much as with the tenant incentive to reduce energy consumption through tenant metering with standard energy systems, equipment and appliances.

9. Provide an estimate of how much it would cost to master meter the building versus installing individual meters at each rental unit. How do these metering costs compare to the overall capital costs for the project?

Response:

Since it is necessary to have similar transformer capacity and disconnects to isolate each individual apartment, the equipment cost to master meter is only slightly more. Any savings Petitioners might have had in construction by doing master metering has been eliminated by the fact that Petitioners are putting in meter sockets for every apartment. The real issue of cost has to do with Petitioners' cost to incorporate energy efficiency into the building rather than the cost of installing master metering. The installation of these extensive energy efficiency measures is all a part of Petitioners' business and marketing plan to attract environmentally conscious tenants. It would cause Petitioners hardship to meter each apartment since there would be individual meter charges and higher rates. The marketing plan is also to appeal to tenants who desire an all-inclusive rent.

10. Explain how the Board can be assured that the total charge for electric service shall not exceed the total electric bill charged by the utility for the same period as required by 199 IAC 20.3(1)"b"(4). How will it be handled if the total charge exceeds the electric bill charged by the utility?

Response:

199 IAC 20.3(1)"b"(4) expressly allows occupants of master-metered buildings to be "charged for electricity as an unidentified portion of the rent, condominium fee, or similar payment, or, if some other method of allocating the cost of the electric service is used, the total charge for electric service shall not exceed the total electric bill charged by the utility for the same period." (Emphasis added). Note that the requirement that the total charge for electric service not exceed the total electric bill charged by the utility only applies when "some other method of allocating the cost of the electric service is used." Petitioners have chosen the model of incorporating its electricity costs as an unidentified portion of the rent – the same as water, sewer, natural gas and other common utility services. 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 market will provide a check on the total rent that Petitioners are able to charge.

11. What is the total estimated electric monthly bill for the property using a single master meter? How does this estimate compare to the total for individual bills?

Response:

The total annual energy costs including natural gas for the various bundles are presented in red color on Figure 7.1 of the Technical Report. The total electric only cost would be: \$131,065 for Baseline; \$126,371 for Bundle 1; \$97,323 for Bundle 2; \$96,161 for Bundle 3; and \$93,806 for Bundle 2 w/Supplemental. These are the total electric costs for the property including the general service house meter and individual tenant meters using the MidAmerican

RHS (Residential Apartment with Electric Space Heating) as noted in Section 7 of the Technical Report (page 17).

A rough estimate of total electric costs for master metering would reduce the above costs for Bundle 2; Bundle 3; and Bundle 2 w/Supplemental by about \$15,000 per year for each Bundle. The majority of that amount would be the \$11,000 from elimination of the \$9.14 fixed monthly charge for each of the 103 tenant meters. The final electrical cost amount would be dependent on the electrical demand and energy charges from the MidAmerican Rate schedule assigned the project. That rate schedule has not been determined at this time.

Since the primary issue on master metering concerns reduced energy consumption, detailed estimates of monthly electric cost at alternate rate schedules were not developed. The bottom line is indisputably that the energy efficiency features that have been incorporated into the proposed project will dramatically reduce the amount of electricity used. Although Petitioners have many other energy efficient buildings for which they have won state and national recognition, a building with all of the planned features that are proposed to be used at Altoona Towers has never been built by Petitioners or anyone else, so it is difficult to determine what the total bill will be, except that Petitioners expect it will be much less than comparable buildings.

Master metering is the only way to address the split incentive issue. If Petitioners install all of these energy efficiency features, whether the building is individually metered or master metered, the consumption will probably be very close to the same. We do not think tenants are likely to significantly change their life style or their usage patterns, and if they do slightly, the amount of energy is likely nominal. Any hypothetical increase in energy usage in a master-metered scenario would be offset by the fact that Petitioners

would have the incentive to monitor the equipment, change the furnace filters frequently, and give them free light bulbs for all the fixtures provided by Petitioners as well as the tenants' lamps. Petitioners would also investigate open windows see if there is some malfunction that they could address. To not allow master meter would eliminate the opportunity to address the split incentive issue.

12. Page 3 of the Technical Report discusses master metering for gas usage at this property. Explain whether one or two gas master meters will be used for the development.

Response:

The current plan is for each building to be served by separate gas meters.

13. Explain the reasoning why installation of gas master meters at this facility does not require a waiver of Board rules.

Response:

Natural Gas will only be used in a centralized water-heating system to provide service hot water for each apartment building. The MidAmerican Gas Metering Facilities requirements and the provisions of 199 IAC 1.3 specifically allow an exception to individual metering where gas is used in centralized heating, cooling or water heating systems. 199 IAC 19.3(1)(b)(1). Because the gas exception is so clear, Petitioners believe MidAmerican's gas operations division is responsible for making the determination without an official waiver request.

14. What rate schedule will be used for billing of the proposed gas master meter?

Response:

This will be discussed with MidAmerican, but MidAmerican provides the natural gas for central heating and hot water for dozens of other apartment buildings owned and

operated by Applicants. Petitioners assume they will use the same rate as they are using in the other apartment buildings.

15. Explain the allocation methodology that will be used to allocate the master meter gas bill to individual tenants.

Response:

This will be an unidentified portion of the rent as previously discussed.

16. Figure 7.2, on page 17 of the Technical Report, shows No Payback to the owners under three scenarios (Bundle 2, Bundle 3, and Bundle 2 w/supplemental) with tenant meter installation. Provide an estimate of energy savings and dollar savings to individual tenants under these scenarios.

Response:

The estimate of energy and dollar savings to individual tenants under the three Bundle scenarios would be zero with a tenant meter installation. If the comprehensive energy efficiency strategies reducing energy consumption and cost as described in the report would be theoretically replaced with the conventional energy standard and code compliant systems, equipment and appliances provided under the Baseline scenario, there would be energy or energy efficient cost savings. The split incentive resulting from individual tenant metering would make it a challenge for the property owner if they proceed with the energy efficiency improvements without the ability to master meter, though they may feel good about having done the right thing environmentally. It is also possible that an individually-metered tenant might choose to pay more for rent if their utilities are likely to be less due to the energy efficient features, but frankly, most tenants look only at the rent cost and do not fully factor in what utilities might cost. This is substantiated by the fact that in Petitioners' experience, most tenants never call to get budget billing.

Should the energy and dollar saving accrue to the tenant under the three Bundle scenarios with the cost for implementation borne by the property manager, the energy savings can be derived from the values listed in Technical Report Figures 6.1 and 7.2. For Bundle 1 the savings would be essentially nothing since that bundle only reflects energy strategies on the house meter. Savings to the tenant meters for Bundle 2 would be 1,965 million BTU / \$30,219 (Bundle 2 – Bundle 1 savings), 2,056 million BTU / \$31,379 for Bundle 3; and 2,144 million BTU / \$33,734 for Bundle 3 w/Supplemental.

WHEREFORE, Petitioners 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. Alternatively, Petitioners request that the Board determine that sufficient evidence exists to support a finding that the master metering proposal meets the requirements of the exception to the prohibition on master metering at 199 IAC 20.3(1)"b"(4). In addition, Petitioners request that a meeting be held on November 13, 2014, at 1:00 PM in Conference Room No. 4 at the Board.

Dated: November 7, 2014.

Respectfully submitted,

/s/ Leanna D. Whipple

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