

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

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**IN RE:**

**ALTOONA TOWER CONDOMINIUMS,  
LLC, f/k/a IRONWOOD  
DEVELOPMENT, LC**

**And**

**PROFESSIONAL PROPERTY  
MANAGEMENT, INC.**

**DOCKET NO. WRU-2014-0004**

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**APPLICANTS' REPLY TO MIDAMERICAN ENERGY COMPANY'S RESPONSE TO  
APPLICANTS' RATE INFORMATION**

**NOW COMES** Applicants, Altoona Tower Condominiums, LLC, formally known as, Ironwood Development, LC ("ATC") and Professional Property Management, Inc. ("PPM") (collectively the "Applicants") and for their response to MidAmerican Energy Company's Response to Applicants' rate information filed on March 4, 2015 state as follows:

**I. Introduction**

On September 11, 2014, Applicants filed a Request for Waiver with the Iowa Utilities Board ("Board") requesting a permanent waiver of 199 I.A.C. § 20.1(1)(b). On November 13, 2014, the Office of Consumer Advocate ("OCA"), Board staff members, MidAmerican, and Applicants participated in a conference to discuss Applicants' waiver request. At the conference, it was agreed by all parties, including Board staff and MidAmerican, that Applicants would submit a proposal for a pilot project regarding their

project, Altoona Towers. The parties also discussed the need for an appropriate rate to be used for billing Applicants' energy usage at Altoona Towers.

Thereafter, Applicants and MidAmerican attempted to reach an agreement on all the issues raised by the pilot project. However, MidAmerican and Applicants could not reach an agreement regarding the rate to be applied to the pilot project. As a result, on February 27, 2015, Applicants submitted a proposal for a pilot project in which it proposed that the appropriate rate should be a commercial rate (the "Pilot Project"). In response, on March 4, 2014, MidAmerican filed a response to Applicant's filing in which it proposed a residential rate and, for the first time, proposed a winter step in its rate. Applicants now submit the following reply to MidAmerican's proposed rate.

## **II. Applicants' Reply**

In MidAmerican's response, MidAmerican alleges that the most appropriate rate to bill the pilot project facilities is a "Residential Master Metered Service Rate" which constitutes a new residential, special pilot project rate, not a commercial rate. However, MidAmerican's proposed rate is inappropriate in this case for two reasons: (i) The reason for Applicants' request to master meter was to recover the energy savings normally recovered by the tenant on the tenant side of the meter. MidAmerican's proposed rate schedule prevents the developer from recovering the energy cost savings by increasing the energy costs for the developer and offsetting most of the energy cost savings; and (ii) Altoona Towers has a consolidated monthly electrical load and demand profile and service is more akin to a commercial building than a residential home and therefore a large service commercial rate, not a residential rate, is appropriate for the Pilot Project.

A. MidAmerican's Suggested Rate is Contrary to the Goals of the Pilot Project

Applicants initiated this action to request approval for master metering because master metering would allow the energy savings achieved by energy efficient strategies to be recovered directly by the developer financially responsible for implementing the energy efficiency strategies. In its Response MidAmerican argues that allowing “the Petitioners to gain benefits for their project in addition to the incentives already provided through MidAmerican’s energy efficiency programs” is inappropriate. See MidAmerican’s Response at 2. In particular, MidAmerican argues that applying a commercial rate to the Pilot Project is inappropriate because it is “simply a way for the Applicants to gain benefits for their project in addition to the incentives already provided through MidAmerican’s energy efficiency programs.” See MidAmerican Response at 2. However, MidAmerican’s argument is misplaced. The purpose of allowing the master metering of the Pilot Project facilities is to make it practical and cost effective for the developer to install energy efficient strategies in a multifamily facility setting and address the “split incentive” problem discussed in the Pilot Project. The energy efficiency strategies only make economic and business sense when the developer is allowed to both receive the incentives provided through MidAmerican’s energy efficiency programs and master meter at a commercial, or other appropriate rate.

Specifically, the rate proposed by MidAmerican in its Response has a projected annual energy cost of only \$2,000 less than if Applicants implemented individual meters. This savings does not even allow for the recovery of the almost \$11,000 that MidAmerican will save by not having to read individual meters. Under the rate proposed by the Applicants, the LS Large Electric Service rate, Applicants would have a projected

annual energy cost that is \$32,854 less than if individual meters were used. This rate would allow the developer to receive the energy savings achieved as a result of the energy efficiency strategies and the electric cost savings resulting from consolidating the electric service to one master meter. The rate proposed by the Applicants allows the energy efficiency strategies to be economically feasible and allows Applicants to recover associated costs, *i.e.*, legal and engineering costs, to initiate and pursue this Pilot Project. Conversely, the rate proposed by MidAmerican takes away any incentive by the developer to implement energy efficiency strategies and is contrary to the purpose of the Pilot Project.<sup>1</sup>

B. The Pilot Project Facility's Energy Use is a Commercial Load.

In addition, contrary to MidAmerican's assertions, the Pilot Project's energy use is more akin to a commercial load than a residential load. As demonstrated in the Memorandum from The Weidt Group attached as Exhibit B to Applicant's Proposed Pilot Project, Altoona Towers is projected to have a peak demand ranging from 259 kW to 845kW under winter heat operation and a monthly energy use ranging from 62 megawatt hours to 220 megawatt hours for winter electric heat use. This consolidated electric load presented at a single master meter is similar to a commercial load, not a residential load. Indeed, under MidAmerican's current tariffs, such energy load would be disallowed as a standard residential service due to exceeding the 50,000 kWh per year limit. Further, and importantly, service to Altoona Towers is 3,000 amps, 120/208 volt, three phase. Typical residential service is 200 amp, 240 volt, single phase.

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<sup>1</sup> It is important to note that the costs set forth herein are theoretical. As discussed in Applicants' Pilot Project, the costs are based on assumptions made by the Weidt Company and Curtis Klaassen. There is also uncertainty of how tenant behavior will impact the costs and numbers. However, the Pilot Project will provide valuable data to both the Board and MidAmerican regarding how to implement energy efficiency strategies in multifamily residences.

Therefore, the service to Altoona Towers is in the commercial service category, not residential.

In its Response, MidAmerican argues that the monthly usage pattern for the Pilot Project facilities is similar to a residential facility and provides average monthly load factors in support of its argument. However, MidAmerican's system average load factors are likely calculated based on electrical services where the majority of services that have gas heat, not electric heat which will be used in the Pilot Project facilities which alters the averaging numbers. In addition, under MidAmerican's analysis, the Applicants are punished for implementing energy efficiency strategies. MidAmerican argues that because Applicants have a lower load factor, due in large part because of the energy efficiency strategies implemented at the Pilot Project facilities, Applicant should be charged a higher special, residential rate. Such reasoning is contrary to the purpose of the Pilot Project, *i.e.*, to promote energy efficiency.

Based on the above analysis and as stated in Applicant's Pilot Project, the LS Large Electric Service rate is the most appropriate rate to be applied to the Pilot Project. As the Pilot Project becomes fully operational and actual energy use, demand profiles, and reactive demand become known, the parties will have a chance to evaluate the data and, at that time, a special rate schedule may be created for future projects by MidAmerican based on what was learned from the Pilot Project.

### **III. CONCLUSION**

The Pilot Project facilities, Altoona Towers, are the most energy efficient multi-family housing project built in Iowa to date. The proposed Pilot Project will provide valuable data to MidAmerican and the Board regarding how energy efficiency may be

implemented into multifamily housing situations and how tenants respond to the implementation of the energy efficiency strategies discussed in the Proposed Pilot Project. In addition, Applicants look forward to working with MidAmerican during the Pilot Project. However, if MidAmerican's proposed rate is approved for the Pilot Project, Applicants will have no choice but to regretfully forego the Pilot Project and install individual meters at the Pilot Project facilities. Although Applicants have already purchased and installed the energy efficiency strategies discussed in the Proposed Pilot Project, Applicants will still incur costs and expenses in developing the data and the report discussed the Pilot Project. Without the possibility of recovering some of their costs associated with the energy efficiency strategies and the administrative work involved in the Pilot Project, it simply does not make economic sense for the Applicants to continue with the Pilot Project particularly since the Applicants bear all the economic risk for the Pilot Project. Accordingly, the LS Large Electric Service rate, not a special residential rate, should be used for the Pilot Project.

WHEREFORE, Altoona Towers Condominium, LLC, formally known as, Ironwood Development, LC and Professional Property Management, Inc. request that the Board issue an order granting Applicant's Request for Approval of the Pilot Project and order that the first annual report regarding the Pilot Project be submitted to the Board after monthly data is available for reasonably well-occupied buildings at Altoona Towers for a full 12 months. In addition, Applicants request the Board schedule a hearing on the Pilot Project so Applicants may answer any questions the Board may have regarding the Pilot Project.

Dated: March 20, 2015.

Respectfully submitted,

/s/ Rachel T Rowley

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