

**June 02, 2015**

**IOWA UTILITIES BOARD**

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
BEFORE THE IOWA UTILITIES BOARD

<p>IN RE:</p> <p>ALTOONA TOWER CONDOMINIUMS, LLC f/k/a IRONWOOD DEVELOPMENT, LC,</p> <p>and</p> <p>PROFESSIONAL PROPERTY MANAGEMENT, INC.</p>	<p>DOCKET NO. WRU-2014-0013-0004</p>
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**OFFICE OF CONSUMER ADVOCATE’S ANSWER TO APPLICATION FOR  
REHEARING FILED BY ALTOONA TOWERS CONDOMINIUMS, LLC**

The Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, files this Answer to the Application for Rehearing (Application for Rehearing) filed by Altoona Tower Condominiums, LLC (Altoona Towers) on May 19, 2015 pursuant to 199 Iowa Admin. Code 7.28. OCA continues to believe that the pilot project proposed by Altoona Towers represents a unique opportunity to gather valuable data related to energy conservation. The data provided by the project would allow the Board for the first time to give concrete meaning to its rule allowing for master metering of multi-family dwellings “where the benefits of individual metering (reduced and controlled energy consumption) are more effectively accomplished through a master meter arrangement.” 199 Iowa Admin. Code § 20.3(1)(b)(3). Master metering would help the state capture the energy savings currently stuck in the so-called “split-incentive problem.” The importance of this problem and the energy savings available from its solution have been acknowledged by MidAmerican Energy Company (MidAmerican) itself.<sup>1</sup>

Among other concerns about the Board’s Order, Altoona Towers claims that the approved rate structure is insufficient to allow it to proceed with master-metering and the pilot. OCA urges the Board and the Parties to find a solution that saves this pilot project. The split-

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<sup>1</sup> 2014 Annual Report, filed in Docket No. EEP-2012-0002 on May 1, 2015, pp. 58 and 61.

incentive problem has plagued energy efficiency efforts in Iowa for decades. Iowa is not likely to see another opportunity to address the problem with relevant data for some time.

With the goal of saving the pilot project, OCA responds to the statements in the Altoona Towers' Application for Rehearing as follows (numbered paragraphs are intended to match the numbering scheme of the Application for Rehearing):

1. OCA agrees that further proceedings, up to and including rehearing, are appropriate to address the unresolved issues raised in Altoona Towers' Application for Rehearing and in this Answer.
2. OCA takes no issue with Altoona Towers' statement of the timeliness of its filing.
3. OCA responds to the grounds for rehearing cited by Altoona Towers as follows:
  - a. OCA agrees with Altoona Towers that the total number of meters to be used in the subject property remains unclear. OCA further notes that if an additional meter or meters are to be used, the Board should explain which rate should apply to usage recorded at the additional meter[s]. Specifically, the question remains regarding which rate to apply to separately metered common areas. OCA understands that these areas are sometimes billed at the commercial rate depending on how the areas are used.
  - b. OCA agrees that MidAmerican should turn over usage data (whether from meters, submeters or other tracking method or device) promptly. At the very least, MidAmerican should deliver the data to Altoona Towers on a monthly basis.
  - c. OCA believes that Altoona Towers has provided data and other evidence sufficient to support application of the commercial rate (or a rate closer to commercial than the currently approved Rate RMS) at least for the initial period of the pilot project. If, after the initial period, actual usage and load profile data does not correspond to a typical commercial load profile, the Board could revise the rate accordingly and MidAmerican's customers would have suffered very little harm. If the property's usage and load profile data

does match that of a commercial user, then the commercial rate would be justified from a cost basis and MidAmerican's customers would suffer no harm from the commercial rate.

Finally, OCA notes that when determining the appropriate rate structure for this pilot project the Board can be creative and need not restrict itself to existing rate structures or close derivations therefrom. The Board should consider any reduced revenue to MidAmerican during the pilot project not as a loss or subsidy to other customers, but as a cost of obtaining incredibly valuable and elusive energy efficiency data and of attaining valuable energy efficiency savings. OCA knows of no alternative means of collecting the data this project would provide, but believes any alternative would be more costly to MidAmerican's customers than the modest and short term rate reductions envisioned by Altoona Towers' proposed rate structure. Further, the cost associated with any pilot rate would be self-limiting because it would be *i)* limited to Altoona Towers, *ii)* would not be precedent setting, and *iii)* would end subject to the terms of the pilot project established by the Board.

- d. As discussed in OCA's response to paragraph "c" above, OCA agrees that the Board can consider alternative means of reducing the rate for the pilot project, including a reduction to the threshold for the "stair-step" rate reduction. In particular, OCA notes that under MidAmerican's previous rate regime, the threshold for the stair-step discount was set lower for apartments. Under the previous rates, the threshold for apartments was set at 600 kWh per month. The threshold for free-standing single family dwellings was set at the current 1,000 kWh per month. This reduced threshold for apartments sensibly acknowledges the fact that apartments tend to use less energy than free-standing houses. It would be reasonable for the Board to look to this old, per apartment threshold level and set the stair-step threshold substantially lower than the threshold used in Rate RMS.

- e. OCA agrees that the currently approved Rate RMS would likely deprive Altoona Towers of much of the benefit intended by the winter stair-step rate reduction. When considering the appropriate threshold for the stair-step rate reduction the critical comparison is to what the charges would be, in the aggregate, for each apartment unit billed as an individual dwelling. Many of the units in the project are expected to be small and to never exceed 1,000 kWh per month in usage while other, large units would. Under the current Rate RMS the smaller units would likely “cancel out” the increased usage of the larger units and deprive Altoona Towers of the stair-step benefit available to individually metered units. It would alleviate this problem if the Board adopted the compromise stair-step threshold discussed in paragraph “f” above.
- f. OCA agrees with Altoona Towers that clarity is required regarding the duration of rates under the pilot project. Altoona Towers is considering a significant investment the returns of which will be dictated by a rate regulation scheme. Just like a rate-regulated utility, Altoona Towers deserves some level of certainty regarding the economics of its investment in advance. Here, OCA believes that the Board should establish an initial rate to be used at the start of the pilot for an initial period of at least three years. After actual usage data is collected, the initial rate could be revisited. The success of the pilot should be judged in connection with two variables. The first relates to the total energy savings of the project. For example, did the project attain most of the projected energy savings compared to a “standard” apartment building? OCA believes that it would be reasonable for the Board to consider the project a success with respect to energy savings if the project attained 30% energy savings over a standard building. The second key variable relates to the load profile. Does the actual load profile conform to the typical commercial load profile, or does it more closely follow a typical residential load profile? To the extent the load

profile matches the typical commercial load profile, the rates should match the commercial rate or a new, similar multi-family rate set by the Board.

4. OCA strongly agrees with Altoona Towers that the proposed pilot offers a unique, valuable and potentially irreplaceable opportunity to collect data which has been sorely lacking for decades. The Board may not get an opportunity like this again anytime soon. Accordingly, OCA request that the Board find a rate solution that allows Altoona Towers to proceed with the pilot master-metering project and that is cost effective as a data gathering scheme from the perspective of MidAmerican's customers. OCA believes that there is plenty of room to compromise on rates while still maintaining cost effectiveness for MidAmerican's customers.

5. OCA accepts the incorporation by reference of Altoona Towers' previous filings.

WHEREFORE, for the reasons stated herein OCA respectfully request the Board grant rehearing pursuant to Iowa Code Section 476.12 and establish such other further proceedings as the Board deems appropriate to address the issues raised in this Answer and in Altoona Towers Application for Rehearing.

Dated: June 2, 2015

Respectfully submitted,

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