STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

IN RE: ALTOONA TOWER CONDOMINIUMS, LLC f/k/a IRONWOOD DEVELOPMENT, LC AND PROPERTY MANAGEMENT, INC.	DOCKET NO. WRU-2014-0013-0004

ORDER DENYING REQUESTS FOR REHEARING AND A HEARING, AND CLARIFYING APRIL 29, 2015, ORDER

(Issued July 9, 2015)

On April 29, 2015, the Utilities Board (Board) issued an order approving a Pilot Project, subject to certain conditions, for a master meter at two apartment buildings in Altoona, Iowa. The Pilot Project was approved as a result of a request for waiver to allow the master metering of electric service at the two apartment buildings. The request was filed by Altoona Tower Condominiums, LLC, and Professional Property Management, Inc. (collectively, Applicants). The Pilot Project was approved based upon an agreement between Applicants, MidAmerican Energy Company (MidAmerican), and the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, that addressed all of the parameters of the Pilot Project except for the rate to be charged for electric service. In the April 29, 2015, order, the Board decided that the rate developed by MidAmerican, Rate RMS, was the appropriate rate to be charged for

service during the first year of the Pilot Project while usage data is collected from the two apartment buildings.

On May 19, 2015, Applicants filed a request for rehearing of the April 29, 2015, Board order. On June 2, 2015, OCA filed a response to Applicants' request for rehearing. On June 8, 2015, MidAmerican filed a response to the request for rehearing.

REHEARING REQUEST

Applicants request rehearing of the Board's decision that the special rate developed by MidAmerican should be charged for electric service at the master meter and clarification of other components of the Pilot Project. Applicants also request that the Board schedule a hearing to address the rate issue. The arguments in support of rehearing are summarized below.

Applicants state there is an unresolved factual issue regarding the number of meters to be used for the Pilot Project. Applicants point out that the Board approved the Pilot Project, which expressly states that there will be only one master meter for billing electric service for the two buildings. Applicants assert that MidAmerican's Rate RMS implies that additional meters are required for certain areas of the building regularly used for business and professional purposes. As a result, the Pilot Project and the Rate RMS are in conflict because there are portions of the two apartment buildings that are used for business purposes related to the two apartment buildings. Applicants request that this issue be resolved by a finding that there be only one billing meter for the Pilot Project.

Applicants state that the April 29, 2015, order provides that the data related to tenant energy usage collected by MidAmerican should be shared with Applicants when the annual report is filed. Applicants argue that they have the responsibility of providing energy education and behavior programs to tenants to reduce tenant energy usage. Without the monthly data they cannot provide meaningful energy education information to tenants. In addition, Applicants argue that they need access to the monthly data to assess how certain equipment is working and whether modifications or repairs need to be performed on the equipment. Applicants state that without the monthly data they would rather install individual meters and forego the Pilot Project.

Applicants assert that the information they provided in support of use of a commercial rate for the Pilot Project demonstrates that the load at the two apartment buildings will be similar to a commercial load. Applicants state that the order dismisses this information and finds that the Rate RMS is more appropriate for the Pilot Project based upon MidAmerican's unsupported statement that the usage at the buildings will be more similar to residential usage. Applicants request the Board reconsider this finding and find that Applicants have met their burden and have demonstrated that the apartment buildings will meet the requirements for use of the LS Rate (a commercial rate for large commercial customers).

If the Board decides a residential rate is the appropriate rate to charge for electric service for the Pilot Project, Applicants request that a more reasonable and equitable residential rate be charged rather than Rate RMS. Applicants point out that Rate RMS

contains a declining stair-step energy rate that charges a higher rate for the first 100,000 kWh (kilowatt-hours) used per month and a lower rate for any amount used thereafter in the winter months. It appears that the Rate RMS was generated by using the average residential monthly household energy usage of 1000 kWh and multiplying that number by the number of apartments at the two apartment buildings, or 100 apartments, to reach the 100,000 kWh per month threshold.

Applicants suggest that documentation presented to the Board demonstrates that the two apartment buildings are extremely energy efficient and the studio, one, and two bedroom apartments will not reach the 1000 kWh threshold. This means that the apartment buildings will not reach the lower stair-step rate and, according to Applicants, they are being punished for being energy efficient.

Applicants suggest that a more reasonable threshold would be 29,000 kWh per month. This threshold is obtained by multiplying the number of larger apartments, 29, by 1000 kWh per month. The threshold stair step should thus be set at 29,000 kWh per month, not 100,000 kWh per month.

Applicants state that establishing the lower initial stair-step or applying a commercial rate would not unjustly enrich Applicants or result in unreasonable rates. According to Applicants, if the LS Rate is applied to the Pilot Project, MidAmerican will receive the same revenue it would receive if the apartment buildings were office buildings. The difference is that people live in the apartment buildings and people work

in office buildings; the building size, structure, insulation, and demand would be equivalent.

If the lower stair step is adopted, Applicants are placed in the same position as other residential homeowners by allowing Applicants to receive a lower rate when individual residential usage is over 1,000 kWh. Use of the lower stair step recognizes that Applicants have implemented energy efficiency strategies that will reduce summer peak energy demand since large user demand rates are only available under commercial rates.

Applicants recognize that the Board determined that the Rate RMS should be used for the first 12 months until data has been collected to determine whether a different rate is more appropriate. Applicants contend that they have met their burden regarding the loads and demands of the apartment buildings and no contradictory evidence has been presented. Applicants have spent over $50,000 in pursuing the Pilot Project and they cannot afford to pursue the project another year. Applicants request a hearing to demonstrate that the LS Rate, or a residential rate with a more appropriate threshold, is the appropriate rate that should be charged for electric service for the Pilot Project.

Applicants state that the order does not establish the length of time that the master meter will be allowed to provide service at the apartment buildings. The agreement to the Pilot Project should be accompanied by an agreement that the apartment buildings may receive service from a master meter indefinitely.

The Pilot Project presents a unique situation for the collection of data and analysis regarding the split incentive that applies to rental residences and this opportunity may not arise again. The energy efficiency standards and hard data collected could establish criteria for high performance multifamily housing standards and electrical rates and could set a precedent for addressing the split incentive issue for other tenants and property owners. There could also be a benefit to society from the reduction of energy consumption and the resulting reduction in CO_2 and global greenhouse gas emissions and reduced summer peak demand.

Applicants state that with approval of the Rate RMS and without monthly sharing of data they will not be able to agree to the Pilot Project and will install individual meters instead. Without recovery of some of the costs associated with the energy efficiency strategies and the administrative work for the Pilot Project, agreement to the Pilot Project does not make economic sense. Applicants incorporate their February 27, 2015, response to the Board's January 30, 2015, order, and their March 20, 2015, filing as part of this rehearing request.

OCA RESPONSE TO REQUEST FOR REHEARING

OCA believes the Pilot Project represents a unique opportunity to gather valuable data related to energy conservation. OCA states that the data would provide concrete information relevant to interpretation of the rule that allows master metering "where the benefits of individual metering (reduced and controlled energy consumption) are more effectively accomplished through a master meter arrangement." 199 IAC 20.3(1)(b)(3).

OCA states that the data will also address the issue of the split incentive between landlords and tenants.

OCA urges the Board and other Parties to find a solution that saves the Pilot Project. Iowa is not likely to see a solution to the split incentive issue for some time without the Pilot Project. OCA makes several suggestions to save the Pilot Project.

1. OCA agrees that further proceedings, up to and including rehearing, are appropriate to address the unresolved issues raised by Applicants in the request for rehearing.

2. OCA responds to the grounds for rehearing as follows:

   a. OCA agrees with Applicants 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 the usage recorded at the additional meter(s). Specifically, the question remains regarding which rate to apply to separately-metered common areas. OCA understands that common areas are sometimes billed at the commercial rate.

   b. OCA agrees that MidAmerican should turn over usage data promptly; at least on a monthly basis.

   c. OCA believes that Applicants have provided data and other evidence sufficient to support the application of the commercial rate (or a rate closer to commercial than Rate RMS) at least for the initial period of

the Pilot Project. If, after the initial period, the profile data does not correspond to the typical commercial load profile, the Board could revise the rate accordingly and MidAmerican's other customers would have suffered little harm. If the property's usage and load profile data matches that of a commercial user, then the commercial rate would be justified from a cost basis and MidAmerican's other customers would suffer no harm from using the commercial rate at the apartment buildings.

d. OCA agrees that the Board should consider alternative means of reducing the rate for the Pilot Project, including a reduction to the threshold for the stair-step rate reduction. OCA notes that under MidAmerican's previous rate regime, the threshold for the stair-step discount was set lower for apartments. The previous threshold for apartments was 600 kWh per month while the threshold for free-standing single family dwellings was set at the current 1,000 kWh per month. The reduced threshold for apartments acknowledged the fact that apartments tend to use less energy than free-standing houses. OCA suggests that the Board look at this old rate structure and set the initial stair-step substantially lower in Rate RMS.

e. OCA agrees that the Rate RMS denies Applicants the benefit intended by the winter stair-step rate reduction. Many of the apartments will be small and will never exceed 1,000 kWh per month in usage while

other larger apartments would. Under Rate RMS, the smaller units would very likely cancel out the usage of the larger units.

f. OCA agrees with Applicants that clarity is required regarding the duration of the rates under the Pilot Project. Applicants deserve some level of certainty about what rates will be charged for electric service. OCA states that the rates can be revisited after actual data is collected. OCA states that the success of the Pilot Project will depend on the total energy savings and the load profile. OCA believes that a 30 percent savings over standard apartment buildings would mean the Pilot Project was a success. OCA states that the more like a commercial load profile the load profile for the apartments is, the more support there is for charging a commercial rate.

OCA believes a compromise on rates is possible and that a compromise should be reached to save the Pilot Project. The Board may not get another opportunity to address the energy efficiency issues that will be addressed in the Pilot Project.

MIDAMERICAN RESPONSE TO REQUEST FOR REHEARING

MidAmerican states that the request for rehearing should be denied because the Board in the April 29, 2015, order addressed the issues raised by Applicants and resolved the disputed material facts. MidAmerican's responses the issues raised in the request for rehearing are summarized below.

1. MidAmerican states that the number of meters located at the two apartment buildings is irrelevant to the issue of the apartment buildings' load factor and the rate design. MidAmerican states that the filings describing the Pilot Project make it clear that separate meters were to be installed for the common areas and the residences. MidAmerican states that the shared common areas are residential and not commercial. MidAmerican explains that the language "those portions regularly used for business or professional purposes" in Rate RMS was intended to cover the potential situation that businesses unrelated to the apartment buildings might at some point be located in the buildings and not for common areas of a residential building.

2. MidAmerican disagrees with Applicants offering energy education and tenant behavior programs while the Pilot Project is in effect and contends that offering these programs will taint the information gained from the project. The point of the Pilot Project is to test the effectiveness of energy efficiency and not to test energy education and behavior programs. In addition, MidAmerican states that in a real-life master metering situation the individual tenant information would not be available at all, since meters would not be installed to measure individual tenant usage. MidAmerican believes that the Pilot Project should be structured in a way that is similar to the likely structure of future projects. MidAmerican states if individual metering is essential to the success of the Pilot Project then Rate RMS should include the cost of the individual meters.

3. MidAmerican states that Applicants have provided no information that shows the load at the apartment buildings is more akin to commercial than to residential load. MidAmerican states that its assessment is based on the load information used to determine the energy efficiency rebate for the project as part of MidAmerican's Commercial New Construction program.

4. MidAmerican points out that since Applicants have failed to demonstrate that the load at the apartment buildings is a commercial load, Applicants request the Board require a special residential rate with a lower initial winter block. The suggested special rate is completely unrelated to the question of whether master metering can help reduce the split incentive for energy efficiency for rental properties. MidAmerican suggests that its energy efficiency programs exist specifically to provide financial assistance to make energy efficiency affordable to customers and, if those incentives are not adequate, then that issue should be addressed in MidAmerican's energy efficiency plan.

5. MidAmerican states that Applicants' suggestion that Applicants will not receive sufficient benefit from achieving lower demand in the summer because the apartment buildings will be billed on a non-demand rate does not address the extent to which Applicants can reduce their costs through lower energy usage related to lower capacity requirements. MidAmerican points out that the rates for summer usage were approved by the Board in Docket No. RPU-2013-0004 and include all the summer capacity costs assigned to the residential class.

6. MidAmerican suggests that any permanent waiver of the rates that will be charged to Applicants is conditioned on the outcome of the three-year Pilot Project. The data from the project should be reviewed before any determination is made on a permanent waiver.

BOARD DECISION

The Board understands that the Pilot Project is an opportunity to obtain data about the split incentive for property owners that want to install energy efficiency systems in multifamily buildings but do not install these systems because the benefit of those systems in reduced energy costs would flow to their tenants. Under current rules and cost constraints, property owners do not consider it economical to install energy efficiency systems when the tenant has control of the use of most of those systems and receives the benefit from lower energy costs. Even though the Board recognizes the opportunity that the Pilot Project offers, the Board begins consideration of the request for rehearing from the standpoint of existing Board rules that establish individual tenant metering as the best way to encourage efficient energy usage.

The Board will address the issues raised in the request for rehearing separately below.

1. Applicants raise the issue of whether the apartment buildings will have more than one meter for receiving electric service. Applicants see this as an unresolved factual issue. It is not clear from MidAmerican's response whether MidAmerican is in agreement that there is only one meter installed for billing purposes. MidAmerican

states that it is clear from the record that the Pilot Project was intended to have separate meters for the common areas and the residences and the intended use in all areas is residential. MidAmerican explains the language in the Rate RMS that "those portions regularly used for business or professional purposes" was to address the potential use of parts of the buildings by businesses other than those related to Applicants.

MidAmerican's clarification of the language in Rate RMS addresses the issue of electric service being provided to other businesses not related to Applicants that might utilize part of the apartment building facilities. It is the Board's understanding that Applicants do not intend to lease parts of either of the two buildings to other businesses for regular use; however, if Applicants do enter into such an arrangement, those business should be metered separately.

As far as the metering of the apartment buildings, under the Pilot Project there will be one master meter that will provide service to the two apartment buildings and that one master meter will measure the electric usage that will be billed to Applicants. Other meters, such as those in the common areas and for individual tenants, will be submeters that are installed for data collection purposes and not for billing purposes.

2. As approved by the Board in the April 29, 2015, order, MidAmerican would collect the data from the apartment buildings for a 12-month period and then provide that data and analysis to the Board, OCA, and Applicants. Applicants ask for rehearing of this arrangement and request that the data be provided to Applicants on a monthly basis. MidAmerican in its response to the request for rehearing disagrees with providing

the data to Applicants monthly and argues that offering educational programs while the Pilot Project is in effect will taint the information gained from the Pilot Project.

The Board does not consider Applicant's request for the data on a monthly basis to be consistent with the intent of the Pilot Project. The Pilot Project is to determine whether the data will support offering a specific rate for electric service at multifamily buildings where energy efficiency strategies and equipment have been installed. Providing the data on a monthly basis to Applicants for the purpose of tenant education would introduce an outside influence into the data and might make the data unreliable. Differences such as tenant education between the control group and the two apartment buildings add uncertainty to the data collected since the analysis will not be able to determine what influence the tenant education had on the usage by the tenants. Accordingly, the Board will not require MidAmerican to turn over monthly metering information from the submeters.

3. Applicants request that the Board reconsider the decision that Rate RMS, developed by MidAmerican, should be charged for electric service as measured by the master meter at the apartment buildings for the first year. Applicants contend that the information they provided supports charging a commercial rate and there is no evidence to support Rate RMS. MidAmerican argues that Applicants have provided no evidence that the load at the apartment buildings will be more like the load profile at a commercial building then the load profile at a residence.

As pointed out by the Board in the April 29, 2015, order, paragraph 199 IAC 20.3(1)(b) states that electricity delivered to multioccupancy premises within a single building, where units are separately rented or owned, shall be measured on an individual meter basis for each unit, except in certain circumstances. The Board pointed out that subparagraph 199 IAC 20.3(1)(b)(4) provides that a master meter may be installed where individual metering is impractical and lists four circumstances where individual metering could be impractical. One of those circumstances is in 199 IAC 20.3(1)(b)(4)(3) which provides that a master meter may be used "where the benefits of individual metering (reduced and controlled energy consumption) are more effectively accomplished through a master meter arrangement."

Based upon the provisions of the Board's rule described above, and the lack of data to support a commercial rate, the Board in the April 29, 2015, order decided that the Rate RMS was the appropriate rate for the first year of the Pilot Project. The Board decided that after the 12-month data was analyzed the Board would decide if a commercial or some other rate was more appropriate. In the order, the Board stated that until actual data has been analyzed the arguments concerning the appropriate rate could not be verified and the Board concluded that Rate RMS should be charged for electric service at the residential apartment buildings because it reflects a residential load profile.

The Board does not consider it necessary to change its position as stated in the April 29, 2015, order. Board rules favor individual metering in apartment buildings and, until the 12-month data is analyzed, a rate that reflects the residential nature of the

building should be charged. If the data shows that a commercial or some other rate would fit the load profile at the two apartment buildings, then a different rate can be considered by the Board. Rates for electric utilities are designed based upon usage characteristics and to receive a rate similar to a commercial load the apartments must show comparable usage characteristics.

The usage characteristics are reflected in the load profile of the facility. The load profile is the total monthly kWh usage divided by the maximum potential kWh usage, which is calculated by multiplying peak demand by the number of hours in the month. A higher load factor represents a more efficient use of the utility system by spreading total usage over a period of time more evenly.

There is no data in the record that the proposed residential apartment buildings' usage profile is similar to an average commercial building usage profile. The aggregate load profiles shown below are taken from tables 1-4 of the Weidt Group's January 23, 2015, memo to Curtis Klaassen, Energy Systems Engineering, filed as Exhibit E to MidAmerican's June 8, 2015, response to request for rehearing, and from MidAmerican's March 4, 2015, filing of Rate RMS:

Building Description	**Aggregate Monthly Load Factor**
Ironwood Apartment building baseline usage	44%
Ironwood building with improvements	37%
MidAmerican multioccupancy building average	55%
MidAmerican average residential customer	25%
MidAmerican average commercial customer	60-70 %

A simple comparison of building load factors does not support a commercial rate for the first year of the Pilot Project. To qualify for a commercial rate, the load factor at the apartment buildings will need to be close to the 60-70 percent range. This data tends to show the Applicants will have a much lower load factor. Until the 12-month data is collected and analyzed, the information provided does not support a commercial rate.

4. Applicants propose, if the Board decides that the Rate RMS is the appropriate rate to be charged at the apartment buildings, that the Board make an adjustment to the declining stair-step in Rate RMS which will be more favorable to the Applicants. Applicants believe that the 100,000 kWh threshold is unrealistic and the apartment buildings usage will never reach the lower usage rate. Applicants suggest that the studios and the one and two bedroom apartments are not expected to reach the 1,000 kWh per-month usage level which Applicants assume was used as the average usage to arrive at the 100,000 kWh threshold for the reduced rate. Applicants suggest that only a small number of units will use 1,000 kWh in any given month. Applicants

suggest that a more realistic step would be at 29,000 kWh, which is 1,000 kWh times the 29 three and four bedroom apartments. Applicants state they have spent over $50,000 to pursue this issue and they cannot absorb the same level of costs to litigate the issue next year.

MidAmerican contends that Applicants have failed to show that the load at the apartment buildings will be similar to a commercial load and MidAmerican is troubled that Applicants have asked the Board to develop a special rate because the two buildings will use less energy than similar customers. MidAmerican states that a proposed special rate is completely unrelated to the question of whether master metering can help address the split incentive for energy efficiency at rental properties. MidAmerican suggests that its energy efficiency programs exist specifically to provide financial assistance to make energy efficiency affordable for customers and, if the incentives in the energy efficiency programs are not adequate to achieve their intended goals, the issue should be addressed in MidAmerican's energy efficiency plan.

Since usage data for the apartment buildings that support a reasonable billing rate will not be collected and analyzed for another year, there is no definitive way to determine which of the two proposals for the initial threshold is appropriate for the first year of the Pilot Project. However, the available information provided by the parties in this case supports the 100,000 kWh threshold. It appears that MidAmerican’s 100,000 kWh break point was calculated by multiplying the number of residential units in the two buildings (100 was used for the calculation, although it appears there are 103 units) by

the standard winter break point for residential units in MidAmerican's system (1,000 kWh). Applicants, in contrast, propose to multiply only 29 of the units (the three- and four-bedroom apartments) by the 1,000 kWh minimum to arrive at an overall break point of 29,000 kWh. Applicants' calculation fails to account for the remaining 71 residential units and the common areas in any fashion. No basis has been shown for completely ignoring that usage.

As an alternative, Applicants propose a 60,000 kWh break point, based on multiplying all 100 units times 600 kWh, which was the previous threshold specified in MidAmerican's tariff for apartments, rather than the 1,000 used for stand-alone residences. Applicants conclude they "are, in essence, being punished for implementing energy efficiency strategies." However, the Weidt Group memo indicates that total monthly usage at the two buildings for residential apartment usage and public spaces will exceed the 100,000 kWh level during the months of December through March. The analysis in the Weidt memo does not support the 60,000 kWh threshold.

As stated earlier, Rate RMS has been approved for the first year of the project and a different rate can be approved once the data has been obtained and analyzed. It is clear from the Weidt Group memo that the apartment buildings' load will be winter peaking load (845.4 kW) and MidAmerican is a summer peaking utility. MidAmerican's Rate RMS approved by the Board in the April 29, 2015, order, which includes a lower priced winter rate for aggregated usage over 100,000 kWh, is an adequate and reasonable rate design for the first year of the pilot to reflect the fact that the apartment

buildings' peak usage will be non-coincident with MidAmerican's system peak. This rate design recognizes the anticipated usage patterns and allows recovery of costs associated with providing electric service to the two apartment buildings by including a reduced rate during the winter.

5. Applicants questioned whether the two apartment buildings would continue to be master metered beyond the three-year Pilot Project if the data does not support a reduced rate. Applicants suggest that the master meter and any reduced rate should be allowed to continue indefinitely. MidAmerican states that the Board's order is clear that the Pilot Project will last three years, and at the end of the three-year period any continuation of the master meter will depend on the analysis of the data.

The issue of the continuance of the Rate RMS, or other rate approved by the Board, at the two apartment buildings after the three-year Pilot Project is completed is premature. The Board will make that decision once the Pilot Project is concluded. However, at this point it seems likely that the apartment buildings will continue to receive service through a master meter at a reduced rate even after the end of the Pilot Project. Applicants will have provided a service to the Board and other similarly-situated customers regardless of the results of the Pilot Project and a continuation of the master meter arrangement and a reduced rate for this one location will have little effect on other customers, even if the data does not support requiring MidAmerican to develop a separate rate for other multioccupancy buildings with similar energy efficiency strategies and facilities.

6. The Board recognizes that the Pilot Project provides the opportunity to collect data to address the split incentive situation where property owners install energy efficiency systems and tenants receive any benefits from reduced energy usage that results from the systems. The Board has approved the Pilot Project with components that the Board considers reasonable for achieving that result. After consideration of the issues raised by Applicants in the request for rehearing, the Board has clarified some of the components of the Pilot Project; however, the Board will not grant rehearing of the rate to be charged for electric service for the first year of the Pilot Project.

In addition, the Board does not consider it necessary to conduct a hearing to address any of the issues raised by Applicants. A hearing would not provide any additional information that has not already been presented in the filings. The parties have not identified any material, disputed issues of fact. The only additional information that is important for the Pilot Project will be the results of the analysis of the data and those results will not be available until the end of a year. As discussed above, the Board will deny the request for rehearing and will also deny the request for a hearing.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The request for rehearing filed by Altoona Tower Condominiums, LLC, f/k/a Ironwood Development, LC, and Professional Property Management, Inc., on May 19, 2015, is denied.

2. The request for a hearing is also denied.

3. The order issued on April 29, 2015, in this docket is clarified as discussed in this order.

UTILITIES BOARD

/s/ Geri D. Huser

/s/ Elizabeth S. Jacobs

ATTEST:

/s/ Trisha M. Quijano
Executive Secretary, Designee

/s/ Nick Wagner

Dated at Des Moines, Iowa, this 9th day of July 2015.