

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

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| <p>IN RE:</p> <p>ALTOONA TOWER CONDOMINIUMS, LLC f/k/a IRONWOOD DEVELOPMENT, LC AND PROFESSIONAL PROPERTY MANAGEMENT, INC.</p> | <p>DOCKET NO. WRU-2014-0013-0004</p> |
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ORDER APPROVING PILOT PROJECT, SUBJECT TO CERTAIN CONDITIONS

(Issued April 29, 2015)

On September 11, 2014, Ironwood Development, LC (n/k/a Altoona Tower Condominiums, LCC), and Professional Property Management, Inc. (collectively, Applicants), filed with the Utilities Board (Board) a request to waive the individual metering requirements in 199 IAC 20.3(1)(b) to allow master metering at an apartment complex with two multioccupancy buildings in Altoona, Iowa. Applicants stated that they have a long track record of designing, building, and managing energy efficient and cost effective residential rental properties and Applicants wanted to utilize energy saving strategies at the apartment buildings in Altoona. According to Applicants, for certain energy saving strategies at the two apartment buildings to be economical, the buildings will require master metering.

On November 13, 2014, a conference was held between Board staff, Applicants, MidAmerican Energy Company (MidAmerican), and the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice. At the

conference, it was agreed that Applicants would submit a proposal for master metering as a pilot project which would include a special rate for electric service to be developed by MidAmerican for the two apartment buildings. On January 9, 2015, Applicants filed a preliminary proposal for the Altoona Towers Master Meter Pilot Project (Pilot Project). On January 30, 2015, the Board issued an order addressing the preliminary proposal for the Pilot Project. In the order, the Board stated that the Pilot Project should have well-defined goals "so that data collection and analysis strategies can be defined clearly to deliver credible results." The Board then addressed several issues with the preliminary proposal and set out issues the parties needed to address.

On February 27, 2015, Applicants filed a request for waiver with a revised Pilot Project proposal and responses to the Board's January 30, 2015, order. In the response, Applicants stated that the parties had reached agreement on the components of the Pilot Project; however, the parties had not reached agreement on the rate to be charged for electric service at the two apartment buildings. Applicants supported using MidAmerican's LS Large Electric Service rate for billing for electric usage at the two apartment buildings.

On February 27, 2015, MidAmerican filed a response to the January 30, 2015, order, and on March 4, 2015, MidAmerican filed a response addressing the issue of the rate to be charged for master-meter service at the apartment buildings. In the March 4, 2015, filing, MidAmerican proposed a revised residential rate

specially developed for the apartment buildings, Rate RMS-Residential Master Metered Service (Rate RMS).

On March 5, 2015, OCA filed a response addressing the rate to be charged for electric service at the apartment buildings. OCA stated that there is no dispute that the Pilot Project will result in efficiencies of operation and reduced risk to MidAmerican and, if the apartment buildings' load profile and usage more closely resemble a large commercial customer, the Pilot Project will result in energy efficiencies benefitting ratepayers. OCA strongly urges the Board to consider applying rates with lower usage charges than those proposed by MidAmerican.

On March 20, 2015, Applicants filed a reply to MidAmerican's response regarding the rate that should be charged for the master meter during the Pilot Project. On March 27, 2015, OCA filed a response to Applicants' March 20, 2015, reply. MidAmerican did not file a response to Applicants March 20, 2015, reply.

APPLICANTS' MARCH 20, 2015, FILING

In the March 20, 2015, filing, Applicants make some additional arguments in support of the commercial rate and state that "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." Applicants state that although they have already purchased and installed the energy efficiency strategies discussed in the Pilot Project, they will still incur costs and expenses in developing data and the report discussed for the Pilot Project. Without

the possibility of recovering some of those costs, the Pilot Project does not make economic sense for the Applicants since they will bear all of the economic risks of the Pilot Project. Applicants request a hearing to answer any questions the Board may have about the Pilot Project.

Applicants argue that MidAmerican's position with regard to the applicable rate to be charged for the master meter is misplaced. According to Applicants, the purpose of allowing the master metering of the apartment buildings is to make it practical and cost effective for the developer to install energy efficiency strategies in a multifamily facility and to address the split-incentive problem. Applicants state that the energy efficiency strategies "only make economic 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." (Emphasis in original.)

Applicants suggest that the Rate RMS proposed by MidAmerican has a projected annual energy cost of only \$2,000 less than if Applicants implemented individual meters. Applicants state that this savings does not even allow for the recovery of the almost \$11,000 that MidAmerican will save from not having to read individual meters. According to Applicants, the commercial rate would result in an energy cost that would be \$32,854 less than if individual meters were used. This rate would allow Applicants to receive the energy savings achieved as a result of

the energy efficiency strategies and the electric cost savings that result from use of a master meter.

Applicants state that the apartment electric load is more akin to a commercial load than to a residential load. The peak demand ranges from 259 kW to 845 kW under winter heat operation and monthly energy use ranges from 62 MWh to 220 MWh for winter electric heat use. This load presented at a single meter is similar to a commercial load. Applicants state that under MidAmerican's current tariffs a residential rate would be disallowed because it exceeded the 50,000 kWh per year limit. In addition, Applicants point out that service to the apartment buildings is 3,000 Ampere, 120/208 Volt, three-phase, which is also like a commercial customer. A typical residential service is 200 Ampere, 240 Volt, single-phase.

Finally, Applicants argue that the monthly usage pattern calculated by MidAmerican is likely based upon system load for electric services where natural gas is used for heat, not electric heating that will be used in the apartment buildings. Applicants argue that MidAmerican's analysis punishes Applicants for implementing the energy efficiency strategies at the apartment buildings. The lower load factor referenced by MidAmerican is partially due to the energy efficiency strategies installed at the apartment buildings. Applicants suggest that the commercial rate should be used for the Pilot Project and 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, if necessary,

develop a special rate schedule for future projects based upon the actual data from the Pilot Project.

OCA'S MARCH 27, 2015, FILING

In its March 27, 2015, filing, OCA states that the Pilot Project will test the hypothesis and provide valuable data to the Board, parties, and public. OCA states that Applicants have provided projected load profile information indicating that the two apartment buildings will have a load profile similar to that of a typical commercial customer served by MidAmerican. OCA states that it would be proper for the Board to set the rates for service at the master meter for the two apartment buildings at, or near to, MidAmerican's LS Large Electric Rates for the duration of the Pilot Project.

OCA states that, in the alternative, the Board could apply rates equal or similar to MidAmerican's LS Large Electric Rates for some shorter initial period, such as the first year of reasonable full occupancy, and then set a rate based upon actual usage and the load profile data.

MASTER METER RATE FOR THE PILOT PROJECT

The one issue not agreed upon between MidAmerican and Applicants with regard to the Pilot Project is the rate that MidAmerican should charge for the master-metered electric service. Applicants argue that the commercial LS Large Electric Service rate is the appropriate rate to be charged for the Pilot Project. Applicants state that the predicted energy use and demand profile for the apartment

buildings is a reduced summer demand peak and an increased winter use, which, according to Applicants, is a desirable utility load.

Applicants conducted a rate analysis using MidAmerican's standard electric rate schedules, Rate RS-Special Residential Service, Rate GE-General Energy Service, Rate GD-General Demand Service, and Rate LS-Large Electric Service. Applicants state that the Pilot Project Residential Rate proposed by MidAmerican has the second highest cost of the master meter rate options, while the Standard Residential RS Rate has the lowest cost of the master meter rate options.

Applicants state that the LS Large Electric Service rate is the most appropriate rate for the Pilot Project since the projected load at the apartment buildings is characteristic of a commercial load, and not a residential load. According to Applicants, the consolidated electric load presented at the single master meter cannot qualify for standard residential service due to exceeding the 50,000 kWh per year limit for the residential rate; therefore, a commercial rate should be used.

MidAmerican states that it has designed a new rate for the Pilot Project master-metered facilities. MidAmerican does not intend to offer this rate to any other customer. MidAmerican proposed Rate RMS-Residential Master-Metered Service (Rate RMS) for the Altoona Apartments. The rate assumes that the Pilot Project buildings' tenant loads will still have the same load shape as other residential customers, but that with their overall reduced usage levels, the buildings

should qualify for the lower second step of the winter rate. MidAmerican states that phase-in, equalization, and transmission cost adjustment factors will also apply.

In its March 5, 2015, filing, MidAmerican states that it considers the residential rate to be appropriate for the Pilot Project facilities, allowing master-metering addresses the split incentive identified by Applicants. MidAmerican states that the implementation of energy efficiency measures reduces overall usage but does not change the usage pattern for the Pilot Project facilities. MidAmerican points out the average monthly load factor for the Pilot Project facilities before energy efficiency improvements is projected by Applicants to be 44 percent. The average monthly load factor of the Pilot Project facilities after energy efficiency improvements is 37 percent. MidAmerican's load research shows that a typical residential aggregated multifamily monthly load factor is 55 percent. A typical MidAmerican residential customer, non-aggregated, monthly load factor is 25 percent and a typical MidAmerican large commercial/small industrial monthly load factor is 60-70 percent. MidAmerican states that this evidence does not support Applicants' requests for a commercial rate.

MidAmerican has revised the initial Rate RMS rate structure by adding a lower-priced winter step for the Pilot Project facilities' usage over 100,000 kWh per month. MidAmerican states that this would approximate the pricing for residential heat customers on an individualized basis, based upon 103 units. This revision was

made based upon Applicants' projected usage data for each apartment. The Rate RMS rates, as revised, are as follows:

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| Basic Service Charge | \$20.00 | |
| Energy Charge | Summer | Winter |
| First 100,000 kWh | \$0.10575 | \$0.08044 |
| All over 100,000 kWh | \$0.10575 | \$0.04536 |

BOARD DECISION

A. ALTOONA TOWERS MASTER METER PILOT PROJECT

The answers provided by the parties to the issues raised in the January 30, 2015, order offer sufficient information for the Board to approve the Pilot Project for a three-year period. However, the Board has determined that it should place certain conditions on implementation of the Pilot Project to ensure the data collected provides the information necessary to address the issue of whether similar multifamily complexes should be allowed to receive electric service through a master meter.

Although Applicants and MidAmerican have described several objectives of the Pilot Project, the Board considers the primary objective of the Pilot Project to be a determination of whether one or more multifamily buildings, with energy efficiency strategies similar to those in the Pilot Project buildings, meet the requirements in 199 IAC 20.3(1)(b)(4) to be allowed to take electric service through a master meter. To reach this determination, the data will have to demonstrate that the use of the

energy efficiency strategies sufficiently reduces the overall electric usage for the two apartment buildings when compared to similar apartment buildings that are individually metered and that have not been constructed with similar energy efficient technologies and strategies.

The data to be analyzed will be collected as described by MidAmerican for the two Altoona apartment buildings as the experimental group, and for comparable apartment buildings as the control group. MidAmerican will develop the control group with the help of a consultant. MidAmerican has requested that the cost of analyzing the data be recovered through the administrative budget dollars from the nonresidential electric energy efficiency budget; however, the Board considers it more appropriate to recover the cost of analyzing the data from the residential electric energy efficiency budget.

Applicants stated that MidAmerican will annually submit a confidential annual report to Applicants that includes the data and analysis. After Applicants review and comment on the report, then Applicants will submit the confidential report to the Board regarding the energy used by the tenants and Applicants' conservation efforts. MidAmerican has stated that the individual apartment usage collected is considered confidential information.

In the January 20, 2015, order, the Board raised concerns about the confidential treatment of any individual tenant information obtained by MidAmerican. The Board considers it important that Applicants include in the information provided

to tenants who will be residing at the two apartment buildings during the Pilot Project a statement that the apartment buildings are part of an energy efficiency pilot project with MidAmerican and individual apartment usage may be collected for load research purposes. MidAmerican should ensure that the individual tenant information collected is held confidential and should file for confidential treatment of the information when the annual report with the data and analysis are provided to Applicants, the Board, and OCA.

To evaluate the full merits of the Pilot Project, the Board will need full access to the data that was collected as well as MidAmerican's methodology and analysis of the data. MidAmerican will be required to file its initial annual report, and subsequent annual reports, with the Board at the same time it shares the report with Applicants. Applicants will then file their review and comments on the report and provide any additional information in a separate filing.

The Board will also reserve the right to request additional information or data collection after the Board has reviewed the annual report. Since the data is being collected as part of a pilot project, adjustments to the data collection should be expected if the data collected does not address all of the matters that are considered important by the Board. The first annual report should not be filed by MidAmerican until MidAmerican has obtained and analyzed 12 months of data.

B. MASTER-METERED RATE FOR PILOT PROJECT

In their March 20, 2015, filings, Applicants repeat the arguments and statements made in earlier filings concerning recovery of the costs of the energy efficiency strategies and facilities. Applicants have now stated that without a commercial rate for electric service for the two apartment buildings that would comprise the Pilot Project, the Applicants will not pursue the Pilot Project. In addition, Applicants request a hearing to answer any questions from the Board.

Paragraph 20.3(1)(b) states that the amount of electricity delivered to multioccupancy premises within a single building, where units are separately rented or owned, shall be measured on the basis of individual meter measurement for each unit, except in certain circumstances. Subparagraph 20.3(1)(b)(4) establishes that a master meter may be installed where individual metering is impractical. The subparagraph then lists four circumstances where individual metering could be impractical. The relevant circumstance applicable to the two apartment buildings in Altoona is 20.3(1)(b)(4)(3), which provides that master metering may be used "where the benefits of individual metering (reduced and controlled energy consumption) are more effectively accomplished through a master meter arrangement."

The Pilot Project has been developed to address whether multifamily facilities where the developer has installed certain energy efficiency strategies and facilities, and will charge for electric usage as an unidentified portion of the rent,

reduces energy usage sufficiently as compared to multifamily facilities where the tenant is charged for electric service, and the developer did not install the energy efficiency strategies and facilities, to allow electric service to be provided through a master meter. The only issue not resolved in developing the Pilot Project is the rate to be charged for electric service.

Applicants argue that MidAmerican's proposed rate makes the Pilot Project uneconomical and only the commercial rate will allow them to go forward with the Pilot Project. The argument is that the commercial rate should be approved for the Pilot Project and then a different rate can be approved based upon the data from the Pilot Project. In the March 20, 2015, filing, Applicants state that they will install individual meters if MidAmerican's proposed rate is approved for the Pilot Project.

The question before the Board is whether the Pilot Project is of sufficient value to warrant approving a commercial rate initially, before any data is collected, rather than a residential rate for the Pilot Project? Neither of the arguments concerning which rate should be applied during the first year of the Pilot Project can be verified until the data is collected and analyzed.

Where the correct rate cannot be verified until after an analysis of the data, the Board considers it more appropriate to approve the new residential rate developed by MidAmerican for the Pilot Project because the tenants at the two apartment buildings are residential tenants and the aggregated load profile for the total apartment building will most likely be similar to aggregated residential load

profiles. The Board understands Applicants' position that there may not be sufficient economic benefits on a permanent basis for them to take service through a master meter at the Rate RMS; however, there is no guarantee that the data will support the use of a commercial rate for the two apartment buildings at the end of the Pilot Project.

Section 20.3(1)(b)(4)(3) of the Board's rules puts the burden on Applicants to show that the two apartment buildings will meet the requirement to allow a master meter. The presumption in the Board's rules is that individual metering is the best way to ensure reduced and controlled energy consumption and, as a result of that assumption, Applicants are required to show that the installation of energy efficiency strategies and facilities more effectively accomplish this goal. Since the burden is on Applicants to meet the requirements for a master meter, the Board considers it more reasonable to approve MidAmerican's rate for purposes of the first year of the Pilot Project with the recognition that a commercial rate will be considered on a going-forward basis if the data and analysis support such a rate after the first year.

The Board understands that installation of energy efficiency strategies and facilities in multifamily buildings may result in a sufficient reduction in energy usage at the buildings to allow for master metering of the buildings. The Pilot Project is designed to provide the Board with data and analysis to determine whether that result will occur. Since the Board is also required by statute to ensure that rates charged for electric service are just and reasonable and one class of customers is

not subsidizing another class of customers, the Board considers it prudent to only allow a master meter of residential facilities where the data and analysis demonstrates the benefits of the energy efficiency strategies and facilities.

The Board encourages Applicants to agree to the Pilot Project to determine whether Applicants position that its apartment buildings reduce energy usage is supported by the data and analysis. Withdrawing from the Pilot Project will leave the question unanswered. Applicants have already received the benefit of the rebates approved by the Board for installation of energy efficiency facilities and the Board considers it reasonable for Applicants to accept the Rate RMS for the first year of the Pilot Project while the data is being collected.

C. REQUEST FOR A HEARING

The information regarding the Pilot Project provided by Applicants and the various pleadings have provided detailed information regarding the positions of the parties. Based upon a review of that information and the pleadings, it does not appear that a hearing will provide any more information regarding the Pilot Project proposal that has not already been provided. The Board will not set a hearing at this time. If, however any party believes there is a relevant issue of disputed fact that should be decided, that party may request rehearing pursuant to Iowa Code § 476.12.

D. CONDITIONS PLACED ON THE PILOT PROJECT

Based upon the Board's decisions addressed above, the Board places the following conditions on the Pilot Project:

- (1) The Pilot Project will have a term of three years.
- (2) The costs of the analysis performed by MidAmerican are to be recovered from the residential energy efficiency budget funds.
- (3) A full 12-months of data should be collected prior to the filing of an annual report and the analysis.
- (4) MidAmerican should establish the baseline between the Pilot Project apartment buildings and the control group prior to commencement of data collection.
- (5) MidAmerican shall file the data for the annual report with the Board and OCA at the time the data is provided to Applicants.
- (6) Applicants shall include in the information provided to tenants who reside at the apartment buildings during the Pilot Project, a statement that the apartments are part of a pilot project with MidAmerican and individual tenant usage data may be collected.
- (7) The rates to be charged for electric service are the rates established by MidAmerican in Rate RMS.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The Altoona Towers Master Meter Pilot Project is approved subject to the conditions described in this order.

2. The request for a hearing filed by Altoona Tower Condominiums, LLC, on March 20, 2015, is denied.

UTILITIES BOARD

/s/ Elizabeth S. Jacobs

/s/ Nick Wagner

ATTEST:

/s/ Joan Conrad
Executive Secretary

/s/ Sheila K. Tipton

Dated at Des Moines, Iowa, this 29th day of April 2015.