

AT A REGULAR SESSION of the Public Utilities Commission of the State of South Dakota, held in its offices, in the City of Pierre, the Capital, this 13th day of June, 1980.

PRESENT: Commissioners Klinkel, Fischer & Stofferahn

IN THE MATTER OF THE)
INVESTIGATION OF MASTER)
METERING.)

DECISION AND ORDER

(F-3237)

On May 12, 1978, the Commission opened its investigation herein to determine present practices, policies and procedures of public utilities under the Commission's jurisdiction with respect to master metering. Pursuant to Order and public notice, hearings were held in Pierre, South Dakota on May 23, 1979 at which testimony was given and evidence presented by Northern States Power Company, Montana-Dakota Utilities Company, Minnesota Gas Company, Black Hills Power and Light Company, Otter Tail Power Company, Northwestern Public Service Company and Iowa Public Service Company, all public utilities under the Commission's jurisdiction.

On November 9, 1978, Congress enacted Public Law 95-617, entitled "Public Utility Regulatory Policies Act of 1978". Section 113(b)(1) of the Act establishes a federal standard on master metering of electric service, providing that "(t)o the extent determined appropriate under Section 115(d), master metering of electric service in the case of new buildings shall be prohibited or restricted to the extent necessary to carry out the purposes of this title". Those purposes, as set forth in Section 101, are to encourage (1) the conservation of energy, (2) the optimization of the efficiency of use of facilities by electric utilities, and (3) equitable rates to consumers. The Commission is required under the Act to consider the appropriateness of adopting this standard as to the electric utilities under its jurisdiction. The criteria for determining "appropriateness" are set forth in Section 115(d), which provides that individual metering shall be determined appropriate for any new multiple occupancy building in which the occupants of the individual units within the building have control over a portion of the energy used within the unit, and if the long run benefits in energy savings to be derived from individual metering of the building are greater than the cost of buying and installing the individual metered system.

Upon consideration of the testimony and evidence presented in this matter, the Commission makes the following:

FINDINGS OF FACT

I.

The Commission finds that Northern States Power Company (NSP) serves approximately 250 master metered residential buildings in its electric service territory in the Sioux Falls area of the State, and that this number includes duplexes and other two unit buildings. The Commission finds that of said master metered residential buildings, 50 to 100 contain 10 or more units. The Commission finds that NSP serves approximately 350 master metered commercial buildings in the Sioux Falls area. The Commission finds that testimony presented by NSP relates only to master metering of electrical service and not to gas service, as NSP has no gas customers in South Dakota.

The Commission finds that NSP testified that individual metering provides proper incentives to tenants to conserve energy and that it gives proper energy use signals to those tenants. The Commission finds that the Company further testified that although it had no definitive studies, all indications are that where a tenant does not directly pay for electric service in proportion to his use, the tenant consumes significantly more electricity. The Commission finds that NSP also testified that in master metered buildings tenants are not afforded the protection of the Commission's termination rules and other customer service rules, and cannot avail themselves of Commission assistance in resolving complaints about their electrical service because an unregulated middleman (the landlord) controls their electric service. The Commission finds that NSP testified that whereas master metering once offered a substantial cost savings, such savings have been virtually eliminated by the flattening of block rates. The Commission finds that NSP also testified that a master metered customer cannot take advantage of time-of-day rates.

The Commission finds that NSP testified that due to the cost of rewiring for individual meters in buildings which are presently master metered the cost of converting to master metered could far outweigh the benefits of individual metering such buildings. The Commission finds that NSP recommends that existing master metered buildings be permitted to remain so metered unless or until substantial remodeling of the building is undertaken.

The Commission finds that NSP testified that certain master metered buildings such as motels and hotels and other rental units of low energy consumption should be exempted from any ban on master metering because the opportunity for energy conservation by individually metering such

units is very limited. The Commission finds that NSP also recommended that should the Commission decide to prohibit master metering each utility company be allowed to prepare changes in its service rules to carry out the Commission's Order.

II.

The Commission finds that Montana-Dakota Utilities Company (MDU) presented testimony that it provides electric service to 21 master metered customers serving 161 separate units, and that among these, approximately 15 are low income or senior citizen facilities serving 132 units. The Commission finds that MDU testified that it has no preference for master metering over individual metering of its electric customers.

The Commission finds that MDU testified that it does not have a count of how many of its electric customers include facilities in which a basement apartment in the residence is served through the same meter as the main floor customer, and that the electric utility would not normally be aware of such an arrangement. The Commission finds that MDU testified that to rewire such existing buildings for individual metering would be costly for the customer and that because common facilities such as the water heater and furnace would still remain on one meter, the majority of the conservation effect of individually metering these buildings would be lost.

The Commission finds that MDU testified that multi-occupancy residences funded by government agencies may be operated under rules by which the cost of utility service is paid by the developer or operator of the facility, and that therefore the tenant would not be encouraged to conserve even if the master meters are replaced with individual meters. The Commission finds that MDU testified that converting existing electric master metered buildings to individual meters would be costly to the customer, and that finding adequate space for separate meters could also be very difficult.

The Commission finds that MDU provides gas service to 56 mobile home courts serving 1,771 individual stalls and that the cost of converting these units from master metered to individual metered is approximately \$200 to \$400 per unit. The Commission finds that MDU further testified that it provides gas service to many types of residential living units, including apartment houses, rooming houses, nursing homes, retirement homes, duplexes, mobile home courts, townhouses and individual residences which have basement apartments. The Commission finds that MDU also testified that it provides gas service to government subsidized low income housing in

which utility payments are included in monthly rent payments. The Commission finds that MDU testified that it would be an economic hardship to convert apartment houses, retirement homes, nursing homes and some duplexes from master metering to individual metering because of the requirement to install additional heating units, meters and piping, and that in large apartment complexes, individual heating units would require individual vents and raceways for piping to provide access for inspection. The Commission finds that MDU testified that in larger facilities one central heating plant may potentially be operated more efficiently than many smaller units.

The Commission finds that MDU further testified that additional gas piping within a building would increase safety risks and that gas bills to individually metered customers would be higher than gas bills to master metered customers because each individually metered customer would be required to pay the minimum customer charge in addition to his or her energy charges.

The Commission finds that MDU testified that mobile home courts, duplexes and side by side or row complexes of townhouses should in the future be served on individual meters, but that other types of multiple unit facilities should be allowed to be served on master meters with the cost of such gas service to be included in monthly rental charges.

The Commission finds that MDU gas operations are presently under a curtailment plan filed with the Federal Energy Regulatory Commission (FERC) which limits the number of new customers the company can connect during each year. The Commission finds that under the terms of this curtailment plan MDU can connect a customer who will use less than 50 Mcf per day on a peak day and count it as one customer if it is served by one meter. The Commission finds that MDU testified that under this provision, 30 to 35 individual dwelling units could be served on one master meter and counted as one connection and that this therefore makes natural gas service available to more customers than would be the case if individual meters were required of each of those same units. The Commission finds, therefore, that if Montana-Dakota Utilities Company were prohibited from master metering certain appropriate facilities it would have to refuse service to a greater number of potential customers and that those customers would instead have to turn to more costly energy sources, such as propane, oil and electricity.

The Commission finds that MDU testified that under its curtailment plan, where an existing single master metered facility converts to a number of individually metered separate units due to remodeling, the newly formed individually metered units are not counted as new customers for purposes of the curtailment plan.

III.

The Commission finds that Northwestern Public Service Company (NWPS), a utility which provides both gas and electric service to customers in South Dakota, testified that its metering policy is to separately meter each customer, although it has allowed some customers to be served through one meter where such service has seemed appropriate, such as in older buildings designed for master metered service, centrally heated buildings and HUD financed housing projects. The Commission finds that NWPS testified that should master metering of existing buildings be prohibited by the Commission, the primary responsibility for the conversion to individual meters should be placed on the owner or tenants of the buildings rather than on other customers of the company who are already individually metered.

IV.

The Commission finds that the Minnesota Gas Company (Minnegasco) testified that although studies have documented that tenants who are responsible for paying their own utility bill tend to be more energy conserving than tenants whose building owner pays the utility bills, such studies have referred only to discretionary use of electric appliances, and not to the use of centrally provided hot water and space heating facilities. The Commission finds that Minnegasco testified that there is conflicting evidence that the energy saved through tenant control over heat and hot water facilities is greater than that lost through less efficient mechanical systems. The Commission finds that Minnegasco testified that there is an inherent efficiency in central systems which is sacrificed when remote unit furnaces or boilers are used.

The Commission finds that Minnegasco testified that there will be added cost to the builder for piping, equipment, ventilation and labor if all multi-occupancy buildings are required to be individually metered for gas service. The Commission further finds that Minnegasco testified that individually metered gas service for large complexes is more costly for a utility company to service.

V.

The Commission finds that Black Hills Power and Light Company (BHPL) testified that it provides electric service to 106 master metered customers in South Dakota. The Commission finds that BHPL testified that it favors individual metering of all electrical accounts and has strongly discouraged use of master metering in multi-dwelling residential developments in recent years. The Commission finds that Black Hills Power and Light Company testified that many federally sponsored low income projects in which utility charges are subsidized by the government have required master metering. The Commission finds that BHPL testified that in multi-unit commercial developments

it has attempted to meet customer needs by installing either individual meters or master meters, and that although master metering of such facilities involves lower wiring costs to the builder or developer the company is aware that some tenants in such master metered facilities in the company's service area feel that they are paying an unfair share of the electric bill in such facilities.

The Commission finds that BHPL testified that elimination of master metering for existing customers would be difficult and costly and that the costs of conversion would ultimately be passed on to tenants in the form of higher rents.

The Commission finds that BHPL recommends to the Commission a policy which would prohibit master metering of new electric customers but would consider conversion of existing master metered customers on a case by case basis. The Commission finds that BHPL also testified that the only way to make a master metering policy enforceable is to have the company include such a policy in its tariffs filed with the Commission.

VI.

The Commission finds that Otter Tail Power Company (OTP) testified that it serves 37 master metered customers with 523 residential units and one mall customer with five commercial units in South Dakota. The Commission finds that OTP testified that approximately 70% of its master metered residential units are low rent housing units and that conversion of existing master metered facilities generally would not be feasible because of the cost of rewiring and possible structural changes which might be required.

VII.

The Commission finds that Iowa Public Service Company (IPS) testified that it has no master metered electrical customers in South Dakota and that it has 72 master metered gas customers serving 265 units in the State. The Commission further finds that IPS testified that it has had tariff sheets on file with the Commission since June 1, 1978 prohibiting master metering of gas and electric service to new customers, but allowing existing master metered customers to remain so. The Commission finds that IPS testified that it favors prohibiting master metering because it does not encourage conservation and because it can create problems between landlords and tenants. The Commission finds that IPS testified that it has had to disconnect master metered buildings where the landlord had not paid his bill to IPS, but where the tenants had paid their utility charges to the landlord.

The Commission finds that IPS testified that the cost of converting existing master metered buildings to individual meters outweighs the advantages of individual metering. The Commission finds that IPS testified that it was not opposed to prohibiting master metering of new gas service.

VIII.

The Commission finds that for the purposes of this Order the term "multiple occupancy building" shall mean any building of more than one residential or commercial unit.

IX.

The Commission finds that for the purposes of this Order the term "new multiple occupancy building" shall mean any such building, construction of which is begun after the date of this Order.

X.

The Commission finds that for the purposes of this Order, the term "existing multiple occupancy buildings" shall mean a building, the construction of which was begun prior to the date of this Order.

XI.

For the purposes of this Order, the terms "mobile home court" or "trailer park" shall mean any such mobile home courts or trailer parks in which residency is predominantly either permanent or long term, and shall not include mobile home courts or trailer parks in which residency is highly transient, such as seasonal campgrounds for recreational vehicles or trailers used for recreation or vacations.

XII.

For the purposes of this Order, the term "new mobile home courts and trailer parks" shall mean such courts or parks, construction of which was begun after the date of this Order.

XIII.

The Commission finds that for the purposes of this Order the term "existing mobile home courts and trailer parks" shall mean such courts or parks, construction of which was begun prior to the date of this Order.

XIV.

The Commission finds that for the purposes of this Order, the term "master metered service" shall mean gas or electric service provided to more than one residential or commercial unit through a single meter.

XV.

The Commission finds that for the purposes of this Order, the term "individually metered service" shall mean gas or electric service provided to one residential or commercial unit through a single meter which serves that unit only and no other unit.

XVI.

The Commission finds that its Order in Docket No. F-3303 ("In the Matter of Gas Rates Charged by Countryside Mobile Estates") sets forth an appropriate standard for the amount which may be charged to tenants of existing master metered multiple occupancy buildings for gas and/or electric service, to-wit: that gas or electric charges made by the owners or operators of such a building to each tenant or occupant thereof shall be equal to each tenant's or occupant's pro rata share of the total amount charged to the owner or operator of the building by the utility company delivering such gas or electric service in proportion to the ratio of the square foot floor area of each occupant's unit to the total square foot floor area of the building.

CONCLUSIONS OF LAW

Based on the foregoing Findings of Fact, the Commission concludes as a matter of law:

I.

That individual metering of all gas and electric service to new multiple occupancy buildings, as further provided herein, will significantly encourage conservation of energy supplies by gas and electric utilities, will produce more efficient use of facilities and resources by gas and electric utilities, and will result in more equitable rates for gas and electric consumers, and that therefore master metered gas and electric service to new multiple occupancy buildings should be prohibited.

II.

That residential multiple occupancy buildings of only two units, one of which unit is occupied by the owner of the building, should be exempted from the provisions of this Order.

III.

That the following multiple occupancy buildings and other listed facilities should be exempt from the provisions of this Order: hospitals, nursing homes, transient hotels and motels, dormitories, campgrounds and other residential facilities of a purely transient nature.

IV.

That existing multiple occupancy buildings which receive master metered gas or electric service should be exempt from the provisions of this Order prohibiting master metering.

V.

That where an existing multiple occupancy building receiving master metered gas or electric service is substantially remodeled or renovated for continued use as a multiple occupancy building, which remodeling or renovation is begun after the date of this Order, gas or electric service to the units of said building after completion of the remodeling or renovation should be individually metered; except that conversion of an existing master metered multiple occupancy building to individual meters in the case of substantial renovation and remodeling meters in the case of substantial renovation and remodeling shall not be required if the owner of such building demonstrates to the satisfaction of the Commission that such conversion would be impractical, uneconomical or unfeasible.

VI.

That gas and electric service to an existing master metered multiple occupancy building, if not otherwise prohibited by the provisions of this Order, shall be provided only upon condition that gas or electric charges made by the owners or operators of such a building to each tenant or occupant thereof shall be equal to each tenant's or occupant's pro rata share of the total amount charged to the owner or operator of the building by the utility company delivering such gas or electric service in proportion to the ratio of the square foot floor area of the building.

VII.

That the prohibition of master metered gas and electric service to multiple occupancy buildings as provided herein shall not apply to master metered gas or electric service provided for central heating or cooling systems, central ventilating systems or for central hot water heating systems.

VIII.

That individual metering of all gas and electric service to mobile home parks and trailer courts as further provided herein will significantly encourage conservation of energy supplies by gas and electric utilities, will produce more efficient use of facilities and resources by gas and electric utilities and will result in more equitable rates to gas and electric customers, and that therefore master metered gas and electric service to new mobile home parks and trailer courts should be prohibited.

IX.

That existing mobile home courts and trailer parks shall be exempt from the provisions of this Order prohibiting gas and electric service to master metered mobile home courts and trailer parks.

X.

That gas and electric service to an existing master metered mobile home court or trailer park shall be provided only upon condition that gas or electric charges made by the owner or operator of such a court or park to each tenant or occupant thereof shall be equal to such tenant's or occupant's pro rata share of the total amount charged to the owner of the mobile home court or trailer park by the utility company delivering such gas or electric service in proportion to the ratio of the square foot floor area of each tenant's or occupant's unit to the total square foot floor area of the mobile home court or trailer park.

XI.

That the prohibitions against gas and electric service to master metered mobile home courts and trailer parks as provided herein shall not apply to master metered gas or electric service provided for central heating or cooling systems, central ventilating systems or for central hot water heating systems.

XII.

That the Commission has jurisdiction over the subject matter and the parties to this proceeding.

XIII.

That the provisions of this Order shall not apply to any multiple occupancy building constructed, owned, or operated with funds appropriated through the Department of Housing and Urban Development, or any other federal or state government agency, if such building is subject to regulations promulgated by said department or agency which are inconsistent with the terms of this Order.

XIV.

That the Commission's Decision and Order herein constitute an adoption of the standard established in Section 113(b)(1) of the Public Utilities Regulatory Policy Act of 1978 (PURPA) but that said Decision and Order is not limited in any way by or to the terms of said sections of PURPA.

XV.

That due to the gas curtailment plan filed with the Federal Energy Regulatory Commission under which Montana-Dakota Utilities Company (MDU) operates, MDU shall not be required to provide individually metered gas service to any multiple occupancy building if said building otherwise qualifies to be connected as a single customer under the conditions of said curtailment plan. It is therefore

ORDERED, that Northern States Power Company, Montana-Dakota Utilities Company, Minnesota Gas Company, Black Hills Power and Light Company, Otter Tail Power Company, Northwestern Public Service Company and Iowa Public Service Company shall file with the Commission amended rate schedules and tariff sheets in compliance with the terms of this Order.

BY ORDER OF THE COMMISSION:

A handwritten signature in black ink, appearing to read 'Steve Blomeke', written over a horizontal line.

STEVE BLOMEKE, Executive Secretary

(OFFICIAL SEAL)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE)
INVESTIGATION OF)
MASTER METERING.)

ERRATA NOTICE

(F-3237)

DECISION AND ORDER

(June 13, 1980)

The Decision and Order is corrected as follows:

1. Page 9, Conclusion of Law VI, following the second to last line in the paragraph, insert, "the square foot floor area of each occupant's unit to".

Dated in Pierre, South Dakota, this 22nd day of December, 1980.

BY ORDER OF THE COMMISSION:


STEVE BLOMEKE, Executive Secretary

(OFFICIAL SEAL)