



November 4, 2015

J. Vincent Jones  
[Vince.Jones@woodsfuller.com](mailto:Vince.Jones@woodsfuller.com)  
Extension 615

South Dakota Public Utilities Commission  
Capitol Building, First Floor  
500 East Capitol Ave  
Pierre, SD 57501-5070

Re: Amended Request for Variance to Master Metering Requirement for Gas and Electricity  
for Graystone Heights Apartments in Sioux Falls, South Dakota  
Docket No. GE15-003

Dear Commissioners:

This firm represents RMB Associates, LLC. On the morning of November 4, 2015, we submitted, on behalf of RMB, a request for a variance to the master metering requirement. In the request, RMB requested a hearing before the PUC. After discussions with a PUC staff attorney, we are clarifying our request. We wish our request be placed on the agenda of a regularly scheduled PUC meeting so that we may present our request and make ourselves available to the Commission for questions. We do not request a formal and separately scheduled hearing. This letter is intended to replace the previous letter and should be considered RMB's formal variance request.

RMB is currently developing the Graystone Heights Apartments—a 331 unit apartment project in southeast Sioux Falls. The apartment complex will consist of four buildings, each with approximately 80 apartments. The project will be located just north of 61<sup>st</sup> Street between Sycamore and Graystone Avenues.

With the scale of this project, there is an opportunity to consolidate the metering of utilities (both natural gas and electricity) to make the project more cost efficient, which would allow RMB to invest the savings to enhance the energy efficiency of the design and construction of the building envelope. However, PUC Administrative Rule 20:10:26:03(1) requires individual metering of each apartment unit. Consequently, we are writing to request a variance to the individual metering requirement under PUC Administrative Rule 20:10:26:05.

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### **Type of Project**

Graystone Heights Apartments will consist of four buildings, each with 80 units, plus a link building containing 11 additional units. Each unit will have a separate natural gas fired furnace and an air conditioning unit with condenser located on the deck. Tenants will have individualized thermostat control of the temperature in their apartment unit, and all units will be connected to a central hot water system.

RMB Associates proposes to centralize the metering of natural gas and electricity in order to eliminate the cost of more than 650 individual meters. We also seek to eliminate the associated costs and mechanical complications of bringing 160+ services into each building, when one service in each building for natural gas and one service for electricity at each transformer will be sufficient and will facilitate better efficiency and energy conservation. We intend to install master meters in each of the four buildings, which will result in a total of 8 meters—one electric and one gas meter for each of the four buildings. As a result of central metering, the owners have the incentive to incorporate improvements in the overall building envelope.

### **Cost-Effectiveness**

Installing individual meters in each unit, one for gas and one for electricity, will require space and mechanical equipment to support installation of 160 meters in each of three of the four buildings and 182 meters in the building that supports the 11 additional units in the link building. Additional meters will be required for the utilities in the common areas. Installing utility meters on such a significant scale is extremely costly. We anticipate that we will save approximately \$150,000 by avoiding installation of all 662 utility meters. Reducing the needed meters to four for electricity and four for natural gas will not only save the service providers the cost of installing the meters and the cost of administering up to 332 customers, but it will eliminate the need for multiple conduits, piping, and space within the building to split services to each off the apartments.

Combining gas and electric meters for each apartment building can drastically reduce the upfront costs to build the apartment complex due to reduced labor and material costs. Rents and utilities would be the same each month for each tenant to help establish a more consistent budget as opposed to fluctuating utility rates in higher heating and cooling months.

RMB proposes to simply charge a flat rate for rent and cover all of the utilities costs.

### **Energy Efficiency and Energy Conservation**

The savings RMB realizes from master metering will be invested in building a more energy efficient envelope and installing more energy efficient appliances within the apartments. RMB

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has an incentive to make such an investment because RMB will be responsible for paying the utility costs for the life of the project.

For example, when individual tenants are responsible for paying their own gas and electric bills, the building owner has less incentive to build an energy efficient building. Further, because apartment units are typically smaller spaces, little incentive exists for individual tenants to conserve energy. On the other hand, when the owner is responsible for paying the utilities for the entire life of the project, the owner has a much greater incentive to purchase and install higher efficiency windows and doors and to invest in higher efficiency HVAC equipment.

Should the variance request be granted, RMB will be able to invest the savings in a number of improvements to enhance the energy efficiency of the buildings. Specifically, RMB will increase wall, attic, and foundation insulation. In addition, RMB will install LED lights and Energy Star appliances. RMB will also install gas furnaces, which are more cost-effective than electric heat. Such improvements will be economically viable only if RMB's variance request is granted.

Because RMB proposes to build a more efficient envelope, we believe the need for tenants to use excessive amounts of energy to keep their individual units at a comfortable temperature will be minimal. Overall, the efficiency of the entire apartment complex will be increased.

**Request to be added to PUC Agenda**

RMB requests that its variance application be placed for consideration on the agenda of a regularly scheduled PUC meeting as soon as practicable after the running of the notice periods as set forth in PUC Administrative Rule 20:10:26:06.

With regard to the notice provisions of the PUC Administrative Rules, both Xcel Energy and Southeastern Electric Cooperative may have interests implicated by our variance request. As a result, both companies should receive notice of this request.

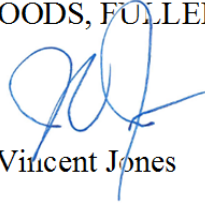
Thank you for considering our variance request.

**WOODS, FULLER, SHULTZ & SMITH P.C.**

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Sincerely,

WOODS, FULLER, SHULTZ & SMITH P.C.



J. Vincent Jones

cc: Xcel Energy  
Southeastern Electric Cooperative  
MidAmerican Energy Company