DIVIDER

STATE OF NORTH DAKOTA

□INFORMATION TECHNOLOGY DEPARTMENT

SFN 2053 (4-2002)

PU-06-480
Sterling Companies
Master Meter Waiver
Approval 06
Filed 11/14/2006 **Closed 12/7/2006**

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Sterling Companies
Master Meter Waiver
Approval

Case No. PU-06-480

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL AND ORDINARY MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **7th day of December, 2006**, she deposited in the United States Mail, Bismarck, North Dakota, **two** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Order

The envelopes were addressed as follows:

Kevin J Bartram
Sterling Companies
505 N Bdwy Ste 201
Fargo ND 58102
Cert. No. 7005 3110 0003 6265 3686

Kevin Kroke P E
LHA Engineers Inc
302 N University Dr
Fargo ND 58102
Cert. No. 7005 3110 0003 6265 3693

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Sharon Helbling

Subscribed and sworn to before me
this **7th day of December, 2006**.

Sandra L Scott
Notary Public

SEAL

SANDRA L SCOTT
Notary Public
State of North Dakota
My Commission Expires June 11, 2010

Affidavit of Service

by Public Service Commission
12/07/2006 C: Comm Legal Illona, Jerry, Annette . .

APPROVED
DATE: 12-6-06

MOTION

December 6, 2006

Sterling Companies
Master Meter Waiver
Approval

Case No. PU-06-480

I move the Commission adopt the Order granting Sterling Companies's petition to master meter electric service, Case No. PU-06-480.

JRL/sdh

4 **PU-06-480** Pages: 1

Motion

by Public Service Commission

12/06/2006 C: Comm Legal Illona, Jerry, Annette . .

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Sterling Companies
Master Meter Waiver
Approval

Case No. PU-06-480

ORDER

December 6, 2006

On June 30, 2006, Sterling Companies (Sterling) filed a petition to master meter electric service at a 46,000 sq. ft. warehouse that it is renovating into a multi-tenant commercial building at 503 N 7th Street in downtown Fargo. Sterling plans to provide two separately metered electric services to the building. One electric service would be for the entire ground floor, which is planned for restaurant occupancy. The other service would be master metered to serve leasable office space planned for the remaining upper levels 1-3 of the building. Electric service to the building is provided by NSP d/b/a Xcel Energy.

North Dakota Administrative Code section 69-09-02-37 generally prohibits master metering, but provides that the Commission may approve a petition for master metering if "the owner or builder effectively demonstrates to the satisfaction of the Commission that the costs of purchasing and installing separate meters in such building exceed the long run benefits of separate metering to the customers in such building."

69-09-02-37. Electric master metering prohibited - Exception.

1. Applicability. This section is applicable to any new or substantially remodeled commercial or residential building containing more than one unit or any other multiple use facility in which the occupant of each unit has control over a portion of the electric energy used in the building or facility. This section is applicable to those buildings or facilities on which construction or substantial remodeling is commenced on or after November 1, 1980. This section is not applicable to hotels, motels, dormitories, nursing homes, homes for the elderly, or similar facilities, or to low income rental housing in which the cost of electricity is included in the rent and where the amount of the rental payment is based upon the tenant's ability to pay.
2. Master metering of electric service in new or substantially remodeled buildings is prohibited, except to the extent determined appropriate by the commission pursuant to subsection 3.
3. An owner or builder of a new or substantially remodeled building may petition the commission for approval of master metering of electric service. The commission may approve the petition if the owner or builder affirmatively demonstrates to the satisfaction of the commission that

the costs of purchasing and installing separate meters in such building exceed the long-run benefits of separate metering to the customers in such building.

Sterling's engineering consultant estimates the initial capital cost for installing separate meters for 24 rental units to be approximately $26,000 more than the costs for installing a master meter, plus an un-quantified cost for space to house the additional meters and electrical panels. He explained that 24 meter panels would be installed, but the actual number of office units would vary depending on tenant needs. Sterling points out that most downtown office tenants are small businesses subject to rapid growth or downsizing. As a result, Sterling expects to configure office spaces to meet the needs of tenants such that separate metering would result in additional on-going costs for rewiring when floor plans change.

Sterling contends that the costs of separate metering include the lost opportunity to install standby generation that could enable a lower electric rate while providing backup power during outages. Sterling further contends that the costs of separate metering include the ongoing NSP monthly customer charges each tenant would pay under separately metered commercial electric service accounts.

Sterling asserts that the long-run benefits of separate metering would be minimal. The building is being completely gutted down to the structure and will be renovated with new windows, roofing, mechanical and electrical systems all to current energy efficiency standards. The rental units would be offices with similar electrical needs for computers, lighting and typical office equipment such that there would be little opportunity for energy management savings.

The Commission finds that Sterling has affirmatively demonstrated to the satisfaction of the Commission that the ongoing costs of purchasing and installing separate meters exceed the long-run benefits of separate metering.

Order

The Commission Orders:

1. The petition of Sterling Companies to master meter electric service is GRANTED.

2. Sterling is reminded that both sub-metering and resale of electricity are prohibited under section 69-09-02-15 of the North. Dakota. Administrative Code.

PUBLIC SERVICE COMMISSION

Susan E. Wefald	**Tony Clark**	**Kevin Cramer**
Commissioner	**President**	**Commissioner**

North Dakota Public Service Commission
INFORMAL HEARING
November 22, 2006

Sterling Companies
Master Meter Waiver
Approval

PU-06-480
Filed: 11/14/06

Summary of Proposal: Sterling Companies, a property management and real estate development company operating out of Fargo, has filed a petition to master meter electric service at a 46,000 sq. ft. warehouse being renovated into a multi-tenant commercial building at 503 N 7th Street in downtown Fargo. Sterling plans to provide two separately metered electric services to the building. One electric service is for the entire ground floor, which is planned for restaurant occupancy. The other service would be master metered to serve leasable office space planned for the remaining upper levels 1-3 of the building. Electric service to the building is provided by NSP d/b/a Xcel Energy.

Recommendation: It appears that the costs of purchasing and installing separate meters for the upper levels 1-3 of the building would exceed the long-run benefits of separate metering. Therefore, I recommend the petition be granted.

Discussion: N.D. Admin. Code section 69-09-02-37 provides that the Commission may approve a petition for master metering if *"the owner or builder effectively demonstrates to the satisfaction of the Commission that the costs of purchasing and installing separate meters in such building exceed the long run benefits of separate metering to the customers in such building."*

> ***69-09-02-37. Electric master metering prohibited - Exception.***
>
> *1. Applicability. This section is applicable to any new or substantially remodeled commercial or residential building containing more than one unit or any other multiple use facility in which the occupant of each unit has control over a portion of the electric energy used in the building or facility. This section is applicable to those buildings or facilities on which construction or substantial remodeling is commenced on or after November 1, 1980. This section is not applicable to hotels, motels, dormitories, nursing homes, homes for the elderly, or similar facilities, or to low income rental housing in which the cost of electricity is included in the rent and where the amount of the rental payment is based upon the tenant's ability to pay.*
>
> *2. Master metering of electric service in new or substantially remodeled buildings is prohibited, except to the extent determined appropriate by the commission pursuant to subsection 3.*
>
> *3. An owner or builder of a new or substantially remodeled building may petition the commission for approval of master metering of electric service. The commission may approve the petition if the owner or builder affirmatively demonstrates to the satisfaction of the commission*

that the costs of purchasing and installing separate meters in such building exceed the long run benefits of separate metering to the customers in such building.

Sterling's engineering consultant estimates the initial capital cost for installing separate meters for 24 rental units to be approximately $26,000 more than the costs for installing a master meter, plus an un-quantified cost for space to house the additional meters and electrical panels. He explained that 24 meter panels would be installed, but the actual number of office units would vary depending on tenant needs. Sterling points out that most downtown office tenants are small businesses subject to rapid growth or downsizing. As a result, Sterling expects to configure office spaces to meet the needs of tenants such that separate metering would result in additional on-going costs for rewiring. Sterling contends that the costs of separate metering include the lost opportunity to install standby generation that could enable a lower electric rate while providing backup power during outages. Sterling further contends that the costs of separate metering include the ongoing NSP monthly customer charges each tenant would pay under separately metered commercial electric service accounts.

Sterling contends that the long-run benefits of separate metering would be minimal. The building is being completely gutted down to the structure and will be renovated with new windows, roofing, mechanical and electrical systems all to current energy efficiency standards. The rental units would be offices with similar electrical needs for computers, lighting and typical office equipment such that there would be little opportunity for energy management savings.

Prepared by: Jerry Lein

505 North Broadway
Suite 201
Fargo, North Dakota 58102

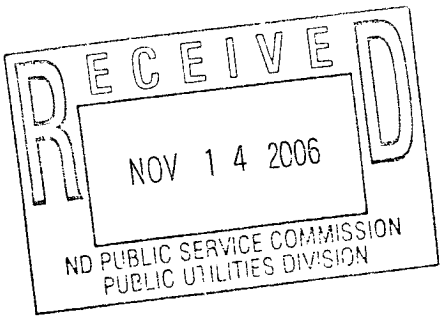
(701) 271-1551 Telephone
(701) 235-5435 Fax

STERLING COMPANIES

Property Management

Real Estate Development

November 13, 2006



Illona A. Jeffcoat-Sacco
Executive Secretary
ND Public Service Commission
600 East Boulevard Avenue
Bismarck, ND 58505-0480

RE: Petition to Master Meter Office Space
Electric Service at
KRJ Building
503 N. 7th Street
Fargo, ND 58102

Dear Ms. Sacco:

We are seeking a petition for a waiver to provide a master meter on the electrical service for the major portion of the above referenced building, in lieu of multiple meters as described in section 69-09-02-37 of the North Dakota Century Code. The building in question is a 46,000 SF warehouse building constructed in the 1920's in downtown Fargo, which is currently being renovated into a multi-tenant office building.

The design intent for the above project is to provide two separately metered electrical services to the building. One service would be in place to serve a potential restaurant that may occupy the lower level of the building at some point in the future (there was a restaurant in the lower level in the past). The second service would be master metered and in place to serve the remainder of the building - leasable office spaces located on the upper levels 1-3 of the building. Energy costs for the office tenants would be included in the rent as part of a Gross Lease which includes expenses. They were not intended to be sub-metered.

Our firm has a history of renovating and leasing spaces in the downtown Fargo area and is very familiar with the market conditions in the downtown area. A typical lease for small office tenants in the downtown area is written as a Gross Lease, which includes all expenses such as utilities (electricity, gas, and water), taxes, and other common area expenses. This type of lease is typical for a number of reasons:

- Most small tenants request a Gross Lease because they want a single bill for all costs for their space. It allows these small business to budget their expenses better without seasonal fluctuations in utility costs.
- Master metering is less expensive to the Landlord and those savings are reflected in the rental rates to the tenants.

- Most leases are short term (3 to 5 year) leases. As tenants leave and new tenants are sought, it is often necessary to make the available space slightly larger or smaller, which is made more difficult and costly by individual metering. These added costs would need to be passed along to the end users.
- Most downtown office tenants are small businesses who are subject to rapid growth or downsizing. Master metering allows more flexibility in meeting the rapidly changing space needs of a small business at a reduced cost.
- Gross Rents for downtown Fargo office spaces are typically $10-$14 / SF. By contrast, Net Leases in other areas of Fargo are typically $10-$12 / SF plus common area charges and utility costs of $5-$6 / SF for a total lease rate of $15-$18 / SF.
- The building in question is being completely gutted down to the structure and will be renovated with new windows, roofing, mechanical and electrical systems all to current standards of energy efficiency. All 1st – 3rd floor spaces in the building will be office spaces with similar electrical needs (computers, lighting, typical office equipment) and little if any, opportunity for any energy management savings.
- Our company owns several other buildings with load shedding emergency generators to provide emergency power to tenants along with reduced energy rates that are passed on to the tenants. An emergency generator is not currently planned for this particular project, but a multi-metered facility will most likely eliminate this possibility in the future.
- We believe this provision is being selectively enforced by the utility companies at this time. Examples of master metered buildings with multiple tenants include Fargo Federal Courthouse Building and Federal (Post Office) Building, both of which are owned by the General Services Administration and leased to numerous public and private tenants. In addition there are literally scores of other private buildings in the Fargo market metered similar to the KRJ Building in question.

In summary, multiple metering is the ideal situation where energy needs vary substantially between end users, such as an industrial space adjacent to warehouse storage spaces or in a strip mall with a variety of different tenants. In this instance, however, multiple metering is not beneficial to the end user who is typically a short-term tenant subject to planned changes in space needs. These tenants typically have similar utility needs and are requesting that all their expenses be combined into a Gross Lease so they know with certainty what their costs will be on a monthly basis. Multiple metering would add to the upfront costs which would need to be passed along to the end user. It does not offer any direct savings to the end users.

For the reasons listed above, we respectfully submit this petition to the North Dakota Public Service Commission and ask a waiver pursuant to Subsection 3 of Section 69-09-02-37 of the North Dakota Century Code. Due to the fact that the remodeling of the building is in progress, we request that our petition be reviewed as soon as possible.

Please let me know if you have any questions or require additional information.

Sincerely,

Kevin J. Bartram
President

Engineers, Inc. Electrical Engineers/Consultants
302 North University Drive, Fargo, ND 58102 Bus. 701-232-8391 Fax 701-237-0645

November 11, 2006

Illona A. Jeffcoat-Sacco
Executive Secretary
ND Public Service Commission
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0480

RE: Petition to Master Meter Office Space
Electric Service at
KRJ Building, Fargo, ND

Dear Ms. Sacco,

My name is Kevin Kroke. I am the Electrical Engineer responsible and liable for the design of the electric systems at the above- referenced building. Please accept this petition for a waiver to provide a master meter on the electrical service that would serve the office spaces. I make this request on behalf of the owner.

The intent is to provide two separately metered electrical services to the building. One service would be in place to serve a potential restaurant that may occupy the lower level of the building at some point in the future. The second service would be master metered and in place to serve the office spaces located on the upper level, floors 1-3. Energy costs would be sub-divided among the tenants, based on size of space, and included in the rent. They will not be sub-metered.

A brief description of the building and its intended use is as follows: The KRJ building, located in downtown Fargo, is an early 1900's vintage building consisting of three floors above grade and a lower level with a total area of approximately 46,000 square feet. The square footage per floor range is from 10,800 to 12,470 square feet. The building is to be remodeled into office spaces for multiple tenants at the upper floors, and possibly a restaurant on the lower level. The quantity of separate spaces has not yet been determined as they will be sized and fit-up to accommodate the tenant desires. These office spaces could range in size from 600 to possibly 2,500 square feet. The size and shape of tenant spaces will change as tenants come and go.

The intent of the mechanical design will be to provide residential type electric furnaces, with cooling coils, and associated condensing units throughout the building. All units in building will receive a fresh air supply from one roof-top unit.

With a master meter scenario, we would provide a total of (4) 200 amp panelboards per floor to serve all spaces on that floor. These panelboards would be located in utility closets off the central corridor. A design such as this would be a one-time cost to purchase and install and would remain in place and provide flexibility as building layouts are revised or expanded to suit tenants. The electrical gear quote from the local supply house for this situation is approximately $23,000. This does not include associated panel feeders or labor costs for installation. I can only go with an educated guess using historical values as to the total install costs and believe it would be in the $45,000 range. The space required for electrical equipment will be based on this one-time installation. A system like this would fall under the Excel General Service Rate with one meter charge of $15.40 per month, usage charges of $0.0289 per kWh used and an applied demand charge of $8.93 per kW during the months of June through September and dropping to $6.62 per kW from October through May. Most buildings result in an average cost per KWH with demand and energy to range from 5.5 to 6 cents per KWH.

With a multi meter arrangement distribution system, we can only pick a target number of anticipated spaces required and supply a separate meter and panelboard for each. These panelboards would be located in the tenant spaces. At this stage, I would use a tenant space quantity of 24 at the outset to make sure enough space was budgeted for the electrical gear and to cover all future needs. This is a dynamic situation where the number of tenants would vary from

time to time. Using catalog pricing from the Siemens catalog, the service disconnects and metering gear alone would be priced at approximately $31,200. This does not include the cost of panelboards for each space, the associated panelboard feeders, and the labor for the installation. Once again without bid market pricing, I can only use historical costs to estimate as to the exact install cost but using a value of $1700 per space for a panelboard and feeder adds $40,400 to the first install cost for a total of $71,600. As stated before, there will be a turnover in tenants from time to time that will require panelboards to be deleted and relocated which I feel is an ongoing cost of purchasing and installing a multiple meter system. This metering system would fall under the Excel Small General Service rate with a meter charge of $8.25 per meter installed, and usage charges of $0.0617 per kWh used from June through September and dropping to $0.0533 per kWh used from October through May. Meter charges alone could exceed $2,000 per year and I feel this is also an ongoing cost of purchasing and installing the multiple meter system. Also if any tenant has a demand over 25 KW they will be changed to a General Service Rate.

We have also seen numerous building owners incorporate power generators on their master metered buildings to obtain reduced rates that can be passed on to the tenants, and provide back-up power during outages. With a mutimetered building, most tenants do not qualify for the reduced rates that may be offered that could provide savings of 15 to 25%.

I understand that the whole point of the prohibition of master metering is to promote conservation of energy. The load profile for this building will basically consist of general efficient flourescent lighting of office spaces, seasonal electric heating and cooling, work station computers, and miscellaneous office equipment. I believe the seasonal usage will be much the same regardless of how it is metered.

We respectfully submit this petition to the North Dakota Public Service Commission and ask for a waiver pursuant to subsection 3 of section 69-09-02-37 of the North Dakota Century Code.

Due to the fact the remodeling of the building is in progress, we request that our petition be reviewed as soon as possible and would like to have owner representation at the meeting.

Please let me know if you require any additional information. Thank you for your time.

Sincerely,

Kevin Kroke, P.E.
LHA Engineers, Inc.

PY-06-480

THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Kevin J Bartram
Altitude Companies
505 N Broadway Ste 201
Fargo ND 58102

A. Signature
X ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery
12/1/06

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 3110 0003 6265 3686

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

PY-06-480

N

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Kevin Kruke PE
KLJA Engineers Inc
302 N University Dr
Fargo ND 58102

A. Signature
X ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery
Kevin Kruke 12-11-06

D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 3110 0003 6265 3693

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540