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**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Public Service Commission  
Public Utilities  
Rulemaking**

**Case No. PU-12-162**

**PUBLIC SERVICE COMMISSION STAFF TESTIMONY**  
**July 12, 2012**

My name is Jerry Lein. I am a Public Utility Analyst with the Public Service Commission. I will explain the proposed change to the Commission's administrative rules which will repeal Section 69-09-02-37 of the North Dakota Administrative Code pertaining to the master metering of electric service.

Master metering is the practice of using a single meter to measure electricity consumed in a multi-tenant building, for example an apartment or business complex, where the cost of the electric service is paid by the landlord. The landlord recovers electric service costs in a manner similar to other operating expenses, most often through rent. Master metering is not the same as resale or submetering. A different section of the rules, Section 69-09-02-15, prohibits the landlord from submetering or reselling the electricity and the proposed repeal of the master metering prohibition would not change that.

Section 69-09-02-37 prohibits master metering of electric service in new or substantially remodeled buildings with certain exceptions. The rule is only applicable to electric service provided by the investor owned utilities

which are subject to the Commission's regulatory jurisdiction: Montana-Dakota Utilities Co., Northern States Power Company dba Xcel Energy and Otter Tail Power Company. The rule does not apply to cooperatives and municipal utilities as they do not fall within the Commission's regulatory jurisdiction.

A similar rule does not exist for natural gas; there is no prohibition in Commission rules against the master metering of natural gas service. Natural gas service is often paid for by the landlord in multi-tenant buildings where heat is from a central natural gas fired boiler or furnace.

It is my understanding the Commission adopted Section 69-09-02-37 following enactment of the federal Public Utilities Regulatory Policies Act of 1978 (PURPA) 16 U.S.C. § 2623 which was enacted in response to the energy crisis during the 1970's. PURPA required state regulatory agencies to consider adopting specific standards intended to encourage conservation and efficient use of energy.

One of the specific standards in PURPA was a prohibition against the master metering of electric services. The theory behind the standard is that people who directly pay their own electric bills will use less electricity. Separate metering also protects tenants who use less electricity from subsidizing the higher usage of other tenants.

The rule has always contained exceptions and the possibility of obtaining a waiver. Commercial and residential buildings not subject to the rule include hotels, motels, dormitories, nursing homes, homes for the elderly,

and low income rental housing where the cost of electricity is included in the rent and where rent is based on a tenant's ability to pay. In addition, an owner or builder of a new or substantially remodeled building may request a waiver if they are able to affirmatively demonstrate that the costs of purchasing and installing separate meters in each building would exceed the longrun benefits of separate metering.

Over the years, concerns regarding the master metering of electric services have included the following:

- **Competitive disadvantages:** Apartment buildings served by non-jurisdictional electric service providers are permitted to master meter, thus landlords receiving service from jurisdictional utilities are sometimes at a competitive disadvantage when renters prefer electricity included in their rent. Landlords with electric heat can be further disadvantaged when competitors heating with natural gas offer "heat paid" apartments.
- **Construction costs:** Separate metering requires additional space for the meters and meter sockets. Additional expenses are also incurred for wiring.
- **Multiple customer charges:** Separate metering causes each tenant to incur a monthly residential customer charge from the utility. In addition, the landlord incurs a monthly commercial customer charge for

common areas. Master metering results in a single monthly commercial customer charge for the entire building.

- Back-up generation is not feasible with separate meters: Back-up generation provides tenants with convenience and security and offers landlords the ability to participate in load management programs. Sometimes, back-up generation is necessary during storm related outages to ensure sump pumps work and buildings are not damaged by flooding.
- Rewiring for tenant changes: Separate metering can require rewiring of commercial multi-tenant buildings when reconfiguring floor space for new tenants.

Discontinuation of electric service for non-payment is another concern. Many of the customers whose services are being disconnected for non-payment owe large balances. Some of these customers have failed to keep previous payment arrangements and utilities are often unwilling to restore service without full payment of the amount due, an additional deposit payment, and reconnection charges. Customers either find the money or do without electricity. Repealing section 69-09-02-37 may provide customers in this situation with the option of renting an apartment where electric service is included.

Un-collectable accounts cause all customers to pay higher rates. If the master metering prohibition were to be repealed, perhaps the level of un-collectable accounts will decrease.

This concludes my testimony. I would be happy to answer any questions at this time.