

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: 09 July 2014

AT (OFFICE): NHPUC

FROM:  Tom Frantz – Director, Electric Division

SUBJECT: DE 14-125; Petition to Waive Puc 303.02; Master Metering

TO: Chair Ignatius and Commissioners Scott and Honigberg
Executive Director Howland

On May, 14, 2014, Paul Stewart, President of Stewart Property Management, filed a Joint Request of Waiver (Joint Request) of the Commission's Master Metering provision of the Puc 300 rules, Rule Puc 303.02, on behalf of Pondview Conway LLC and Ossipee Affordable Housing LP (aka Mountainview). Both projects are subsidized housing projects that serve the low income elderly in Conway and Ossipee, respectively. Staff supports the waiver request.

These two properties, Mountainview and Pondview, were acquired by Paul Stewart and his partner, Ryan Stewart in July 2012. Both buildings were constructed in the late 1970s to house low income elderly persons and the disabled under the federal Housing and Urban Development's Section 8 rental subsidy agreement, according to the Joint Request. The Joint Request states that the acquisition of the properties involved financing from New Hampshire's Housing Financing Authority. The financing included a first mortgage loan and funding from the "Greener Homes Program," as well as funding from the Low Income Housing Tax Credit program. The purpose of the Greener Homes program is to improve the energy efficiency of eligible low income housing properties. The Joint Petitioners state that funding for these two projects for the Greener Homes program was through HUD's HOME program. Participation in the Greener Homes program required both properties to receive an energy audit which was done by Buffalo Energy, Inc., an energy firm pre-approved by New Hampshire Housing Finance Authority (NHHFA) to conduct energy audits of this nature.

Buffalo Energy prescribed a number of similar energy savings measures for each property. Central to this Joint Waiver request of Puc 302.02 was Buffalo Energy's recommendation to keep the existing electric heat source and replace the resistance baseboard heat with PSNH's "HEATSMART" program. The audit identified HEATSMART as a way for the two properties to reduce their electricity costs as HEATSMART offers a reduced electric rate to water heating or space heating customers if the customer agrees to allow PSNH to control and shut-off electricity to electric thermal storage units using, in this case, a radio-control device.

Buffalo Energy projected energy savings of 20% by installing HEATSMART units, a level of savings that affected NHHFA underwriting and the budget for electricity expenses. Combined, the HEATSMART units cost approximately \$128,000. According to the Joint Request, despite the energy efficiency measures that were installed, the bills at the two properties increased dramatically though the electricity usage apparently decreased once adjusted for degree-days. The Joint Request provided evidence of the increase in the electric bill for the months of October through December for 2012 and 2013 and indicated that the first quarter of 2014 had additional increases over 2013.

The Joint Request states that the increased bill reflects the increase in customer charges associated with changing from one meter and customer charge under Rate G at each property to multiple meters and customer charges at each property. The increased number of meters associated with HEATSMART and moving to Rate R, the residential tariffed rate, caused the customer charge to increase at Mountainview from \$10.29 per month to \$600.16 per month. Similar increases occurred at Pondview. The energy savings associated with HEATSMART were more than outweighed by the increased monthly customer charges. Based on that bill change, the Stewarts asked PSNH to eliminate their properties from the HEATSMART rate and return the properties to Rate G and a single meter charge for each property, a request that was denied by PSNH according to the Joint Waiver. The reason PSNH gave the Stewarts, according to the Joint Waiver Request, was that master metering is no longer permitted though it had been in effect for thirty-three years at each property prior to the renovations and conversion to HEATSMART.¹

The Joint Waiver Request clearly states that the residents of each facility are not directly affected by the increased electricity bills since the rent includes all utilities and is based on individual incomes of the residents; however, the filing does infer that such a substantial increase in electricity costs would have secondary effects on the services provided to residents due to the large increase in the operating budgets of the facilities.

Staff has reviewed the Joint Waiver Request and associated materials supporting the request to return to Rate G and billing based on one meter at each property. The Commission has approved similar waiver requests in the past, including in DE 10-067, a waiver request of the Commission's Master Metering rule by PSNH and BM-CAP for an elderly housing project in Pembroke, though this request is more complicated due to the installation of the electric thermal storage devices and change to Rate R from the existing Rate G tariff. The increased bill that resulted from a conversion that was either not fully understood or well communicated has resulted in some hardship to the project owners and possibly to the residents of the two facilities.

¹ A letter dated January 15, 2014, from Buffalo Energy to PSNH indicates the Buffalo Energy's role in the project and an overview of their role in the project, including a discussion of energy usage and the rationale to enroll in the HEATSMART program. It is also clear that Buffalo Energy was upset by the lack of information it received from PSNH concerning the change in customer charges associated with moving from Rate G to Rate R. Buffalo Energy requested that PSNH permit the properties to return to Rate G. In an e-mail to Staff, PSNH disputes a number of the statements made by Buffalo Energy, including that it did convey to the contractors that there would be changes in meter costs associated with HEATSMART. PSNH states that it specifically did not recommend HEATSMART for these two projects though it supports the Joint Waiver Request.

It is important to recognize that all involved in this project, the Stewarts, Buffalo Energy, and PSNH support the Joint Waiver Request. Energy efficiency measures have been installed and appear to be saving energy at the two buildings. Staff believes that this request should be granted so that the savings realized from returning to master metering and Rate G can be utilized by the owners to better serve the residents at each property. OCA was contacted concerning this Joint Waiver and indicated to Staff that it supports the petition.

Staff understands that HUD, through NHHFA, has placed a 99-year land use restriction on the two properties which is recorded in the Registry of Deeds; however, Mountainview and Pondview should be on notice that, if the two facilities no longer meet their contractual obligations with HUD, they should promptly notify the Commission and the Commission may wish to re-visit this waiver at that time.

Please contact me if you have any questions or would like to discuss this matter.

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with: DEBRA A HOWLAND
EXEC DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.