



The Voice of Arizona's Apartment Industry



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ARIZONA MULTIHOUSING ASSOCIATION DOCUMENT CONTROL

RESPONSE TO

ARIZONA CORPORATION COMMISSION RULE DOCKETED
RULEMAKING (RE-00000C-94-0165) Arizona Corporation Commission

JUN 24 1999

BACKGROUND The Arizona Multihousing Association (AMA) is the statewide trade association representing the rental housing industry, which constitutes 25 to 33% of the total housing stock in the state of Arizona. The AMA, now in its 33rd year of existence, represents approximately 200,00 rental units throughout the state.

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The AMA has consistently advocated for tax and regulatory policies that protect the industry and its customers, the residents, from unfair pricing and regulatory practices. For example, the AMA was instrumental in eliminating the state sales tax on residential rents, reducing the property tax assessment ratio to insure equity between rental and owner-occupied housing and modifying municipal water, wastewater, solid waste rates and development fees to insure that the cost of serving the residential rental classification was fair and equitable.

The AMA's effort regarding deregulation of the utility industry is reflective of the consistency demonstrated in other policy issues – to protect both the industry and its customer, the resident. To that point, the Arizona Multihousing Association asserts that the residential customer class should have fair and equitable access to a competitive energy market. With that objective in mind, the AMA respectfully requests the Arizona Corporation Commission to consider the following amendments to (RE-00000C-0165) in the matter of competition in the provision of electric services throughout the state of Arizona.

R14-2-205 Master metering (B)

This rule specifies that "Master metering shall not be allowed for new construction of apartment complexes and condominiums unless the building or buildings will be served by a centralized heating, ventilation or air conditioning system and the contractor can provide to the utility an analysis demonstrating that the central unit will result in a favorable cost/benefit relationship." The rule further stipulates that "At a minimum, the cost/benefit analysis should consider the following elements for a central unit as compared to individual units: a. Equipment and labor costs; b. Financing costs; c. Maintenance costs; d. Estimated kwh usage, e. Estimated kw demand on a coincident demand and non-coincident demand basis (for individual units); f. Cost of meters and installation and g. Customer accounting cost (one account vs. several accounts)."

The Arizona Multihousing Association asserts that the greatest potential for reducing energy costs for rental housing in a competitive market lies with the ability to aggregate within the residential class and possibly with other classes of energy users. Clearly, the ability to aggregate within the industry is dependent on the ability to master meter apartment properties.

The benefit of aggregation is more apparent when you consider annual energy usage for multiple properties versus a single dwelling unit. The AMA, in cooperation with a local utility company conducted an analysis of multihousing energy usage for 55,000 rental residential meters. The annual energy cost for these properties, including common area and residential usage components was \$50M and this accounts for only 25% of the total dwelling units within AMA membership and approximately 12 % of all rental housing units throughout the state. When you consider the total collective buying power of multiple apartment properties versus a single residential rental unit, the potential for cost savings increases exponentially.

The master metering prohibition for new apartment complexes contained in R14-2-205 (B), except when utilizing a centralized heating, ventilation or air conditioning system, is counter productive to achieving the critical mass necessary to benefit from aggregation. The ultimate consumer savings will result from the ability of the industry to aggregate – not from constructing a central heating and air conditioning system versus installation of individually metered units. This prohibition ultimately leaves the resident with fewer and less attractive choices in a competitive market place.

As the public policy debate heightened over moving from a regulated to a competitive energy market, the Arizona Corporation Commission consistently demonstrated the importance it attaches to deregulation of Arizona's energy market. It is clear that the ACC wants to develop programs that will deliver benefits of competition to residential customers as well as larger commercial and industrial users. The ability to master meter apartment communities is critical to delivering competitive energy pricing for tenants. **The Arizona Multihousing Association, therefore, recommends that R14-2-205 (B) be stricken from the rule.**

In addition, there does not appear to be any express consent for electric service providers to aggregate loads within or across customer classes. The only reference to aggregation appears in R14-2-11604 (A)(2) which allows commercial/industrial customers with single premise non-coincident peak load demands of 40 kW or greater to be aggregated by an electric service provider into a combined load of 1 MW or greater. R14-2-1604 (B) specifies the phasing schedule for residential but provides no reference to aggregation during the phase in period or after full competition has been achieved January 1, 2001. **The Arizona Multihousing Association recommends that the issue of aggregation be clarified by adding a specific provision similar to that contained in HB 2663 wherein Public Power Entities are required to allow the aggregation of loads by multiple customers.**