

CPUC APPROVES HISTORIC REDUCTION IN ENERGY RATES FOR COMMERCIAL BUILDINGS AND EMBRACES USE OF ENERGY SAVING COMMERCIAL SUBMETERING

September 20, 2007

The California Public Utilities Commission has unanimously approved an agreement with twenty-two parties, including the **Building Owners and Managers Association of California** (BOMA California), which effectively reduces large commercial office buildings electricity rates by 9% beginning November 1st and will, for the first time in 45 years, allow building owners to submeter their tenants for their actual in-space energy consumption. The historic submetering agreement, approved over the objections of TURN (The Utility Reform Network), enables our industry to more actively engage tenants in understanding and reducing their energy usage.

This reduction in large commercial rates moves our industry closer to the cost of service model, which we have supported for many years, and should mean real cost reductions for large commercial customers totaling approximately \$23 million for BOMA members within the PG&E service territory over the next three years, and up to \$43 million in energy cost savings to all large commercial customers in the PG&E service area. Utility cost reductions to BOMA members are also shared with their tenants.

“This is a huge win for commercial real estate in California. BOMA International’s Industry Defense Fund and the monetary support of California BOMA local associations were essential in making sure commercial real estate was represented in these negotiations,” said Rob Cord, President of BOMA California

Ken Cleaveland, Director of Government and Public Affairs for BOMA San Francisco and Chair of BOMA California’s Energy Committee sees this as an industry-wide victory. “The recently approved submetering agreement with PG&E is extremely important to all the BOMA members, not just in California, but nationwide. This ruling finally recognizes the part that tenants can play in reducing overall energy consumption, and will allow owners to directly engage their tenants in both understanding and reducing their in-space energy usage.”

The agreement with PG&E to allow submetering effectively changes Rule 18 of commission's directives affecting this utility, and sets the stage to eliminate the same restrictions in the Southern California and San Diego Gas and Electric's utility districts. This new authorization to submeter tenants is voluntary, and can only be done with the approval of the tenant.

Prior to this decision, building owners were prohibited from charging tenants based on the individual tenant’s electricity usage. Instead, electricity bills were generally allocated on the basis of square footage. A tenant who uses a lot of energy may pay the same as another tenant that has taken advantage of the state’s energy efficiency and demand response policies, and is not consistent with the state’s focus on reducing greenhouse gases, the CPUC determined.

Use of submetering is must be mutually agreed upon between the tenant and building owner and is subject to a series of guideline set by the CPUC, which include:

1. The owners shall charge tenants at the same rate as PG&E bills the master meter.
2. Submeters shall not be used to allocate common area energy loads and costs to tenants.





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3. The submeters that are installed shall have "at least the same degree of sophistication as the master meter" and provide at least the same information to tenants as the Master Meter does to owners.
4. The submeters shall provide all tenants the following information: the PG&E rate schedule serving the master meter; the contact information for PG&E; the contact information for the California Department of Food and Agriculture, Division of Measurement Standards, who is responsible for regulating measuring devices, including submeters, by testing for accuracy, evaluating suitability of devices for installation and use, reviewing billing, pricing, and metering complaints.
5. Disputes concerning the billing and measuring of electricity are expected to be resolved between the tenant and landlord. PG&E should be able to assist tenants in understanding how their bills should be calculated.
6. The building owner shall provide the tenant with notice that they are entitled to have tenant controlled energy charges removed from rent when submetering commences.
7. The building owner shall provide sufficient information and guidance for their submetered customers to be able to replicate and verify their total bills.
8. The building owner shall provide information on dynamic pricing options and all energy efficiency programs that are relevant to submetered customers, including those programs that require landlord assistance for participation.
9. An administrative charge can be applied to the submetered bills, but it can only cover actual (documented) costs associated with the purchase and installation of the meters, and their monitoring and billing processes.
10. Owners interested in beginning to submeter tenants should contact PG&E to start the process.

BOMA California's energy advocacy has reaped immense benefits for its members throughout the state, with this decision being just the latest success story. BOMA is currently engaged in negotiations with the San Diego Gas & Electric utility over its rate structure, and submetering restrictions.

"We are pleased about this success, but the fight is not over. BOMA California must remain at the table to work on other energy issues that are important to the commercial real estate industry including expanding submetering to all areas of California, fighting for rate parity and direct access, and resisting critical peak pricing and mandatory demand response schemes," said Rob Cord.

BOMA California is committed to continuing its representation before the CPUC and other regulatory bodies to ensure commercial property owners and their tenants have a voice and to push for fair, consistent decisions affecting our industry.

For more information please visit the BOMA California website at www.bomacal.org.

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