

IN SUPPORT OF *Governor's Bill No. 6360*

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Ladies and Gentlemen of the Committee, my name is Michael Foote, Regulatory and Corporate Counsel for NWP Services Corporation, the largest utility billing provider in the Country to the multi-family industry, and representing the interests of apartment owners throughout Connecticut.

I'm here today to not only speak in support of Governor's Bill No. 6360, but propose that it be amended to specifically allow multi-family property owners the ability to bill back for a portion of their water and sewer charges either through the use of a submeter or a Ratio Utility Billing System ("RUBS").

Proposed Section 6 of this bill would require that each electric company or electric distribution company allow the installation of submeters for, among other enumerated uses, multi-family residential or multiuse buildings where the electric power or thermal energy is provided by a Class I renewable energy source, as defined in section 16-1, or a combined heat and power system, as defined in section 16-1, or (4) in any other location as approved by the authority [and] where submetering promotes the state's energy goals, as described in the Comprehensive Energy Strategy, while protecting consumers against termination of residential utility or propane service or other related issues.

While we believe this is a great start, it does not go far enough in promoting overall conservation of natural resources, nor does the rest of the bill elaborate on a stated goal of the legislation, which is "conservation of water resources."(C) (3) (H).

In an effort to help unify the treatment of energy conservation with the importance of water conservation, we believe it is appropriate to include language in this legislation authorizing the use of water submetering by statute without further review and approval from PURA, as well as clarifying the legality of RUBS billing in Connecticut.

While water submetering has historically been allowed upon petition and review by PURA, the legality of RUBS billing, which will be described in more detail in this testimony has been a grey area.

CONSERVATION

As you may be aware, both submetering and RUBS billing have become extremely common throughout the United States over the past 15 years because they produce significant conservation benefits. Submetering of water and sewer usage is a way to measure exact consumption (in the case

of submeters that measure all water usage) or partial consumption (in the case of meters that capture only the hot or cold water used in a unit).

RUBS is an economic allocation methodology by which a resident pays for his or her consumption taking into account factors such as the number of occupants in an apartment unit, the size of the unit, the number of water using fixtures or a combination of these and other factors. A large study compiled by the National Apartment Association ("NAA") and the National Multi Housing Council ("NMHC"), demonstrated that properties that submeter or use RUBS billing use between 6 and 39 percent less water than properties that keep these costs embedded in rent. Specifically properties that used RUBS allocation methods saw a reduction of approximately 6-18%. \* This is the case because when an apartment resident is required to pay for his or her share of water service, regardless of the means used, they will manage usage more carefully.

In addition, we have observed that submetering and RUBS billing also benefits the wastewater treatment side of this process. When a person draws less water from the tap, less water is necessarily sent down the drain. Thus, for every gallon of water that is saved as a result of water conservation, approximately one less gallon of wastewater is created. This often means that the local sewage treatment plant has less stress on it, and the plant's operating costs may be lower. More importantly, the treatment plant will not need to expand as often, which may result in significant taxpayer savings.

If water and sewer billing are left in rent, (which is the case in most of Connecticut because of the burdensome process of having submetering approved by PURA and the uncertainty surrounding the legality of RUBS billing,) a resident has absolutely no incentive to conserve. Separate those same commodity charges from rent, whether through submetering or RUBS billing, and now the resident sees the impact their conservation has on their bill and as a result, uses less precious natural resources.

Nationwide, for apartment properties that have no billing program in place, the average dwelling unit uses about 150 gallons per day of water. Using the conservation results from the NAA/NMHC study, estimates can be developed for the conservation levels that are achievable in Connecticut.

- If a dwelling unit were subject to a billing program, the residents of that unit would save up to 58 gallons of water per day.
- During the course of a year, the residents of that dwelling unit would save up to 21,000 gallons of water.
- During the course of a year, the residents of a typical apartment property of 250 dwelling units would save as much as 5.3 million gallons of water.
- If all of the approximately 140,000 apartment units in Connecticut were allowed to be billed separately for water usage, this could save up to 3 billion gallons of water per year.
- The flow of wastewater would similarly be reduced in the billions of gallons.

\*Submetering, RUBS, and Water Conservation. Prepared by Doug Koplow and Alexi Lownie of industrial Economics, Inc. for National Apartment Association and National Multi Housing Council. June, 1999.

## BUSINESS CONSIDERATIONS

Property owners across the country now submeter or use RUBS billing on a significant

percentage of their portfolios. If Connecticut does not provide a property owner with the freedom or opportunity to submeter without the current burdensome process, and clarify that RUBS is in fact not prohibited, this can easily cause a Real Estate Investment Trust or other property owner to avoid investing additional funds in Connecticut, thereby potentially reducing Connecticut's tax base. Submetering and RUBS billing have become such a big deal that the valuation of a property when purchased or sold often rides on the ability to pass on a fair share of cost to residents through these types of programs.

## APARTMENT RESIDENT REMEDIES

At the same time, we understand and agree with the need for fairness and resident protections. Payments to the landlord by its resident, whether for rental or other services such as utilities are governed by the rental agreement. Whether the resident or the landlord has breached that agreement is a matter for the civil courts to determine. These civil courts provide the resident with adequate remedies in cases where the landlord engages in submetering or RUBS billing of their property. Complaints regarding submetering and RUBS billing are similar in nature to complaints involving improper rent increases, uninhabitable premises, failure to make necessary repairs and other historically landlord-tenant issues that can and are routinely and best solved by the landlord and tenant.

Additionally, most national billing companies have better and more responsive customer service than even local utility providers for resolution of concerns.

## POTENTIAL FOR RENT INCREASES

It is also the case that if a property owner cannot easily submeter and has no clarity over the legality of RUBS billing, the ever rising costs of utilities will certainly be passed along to the residents in the form of rent increases each year.

### Tenant Benefits

Submetering and RUBS billing also empowers residents. We believe billing of residents puts them into a position to control their own utility costs. Conversely, if utility costs remain embedded in the rent, individual residents will have little or no opportunity to lower their utility costs through conservation.

### Environmental Benefits

Submetering and RUBS billing also benefits the environment. In many areas, we have seen drought conditions so severe that local water providers are forced to make property owners adhere to mandatory conservation plans, allowing them only to irrigate on a staggered schedule. Proactive conservation by making water submetering less burdensome and clarifying the legality of RUBS billing could help to avoid situations such as these.

## BEST PRACTICES GUIDELINES FOR RECOVERING WATER AND SEWER COSTS IN APARTMENT PROPERTIES

We propose that this bill add the following best practices used in most areas of the Country which provide a balance between allowing the property owner to bill, while still affording the resident with many built-in protections.

1. Billing method. *Water and sewer utility bills may be issued to residents on a submetered or RUBS basis.*
2. Not dedicated to public use. *Water and sewer service will not be provided to anyone who is not a resident of the property.*
3. Pass through of costs. *The property owner may only recover amounts up to the total utility bills received by the property owner from the local utility. In addition, they may charge a reasonable billing fee, account setup, late fees and NSF fees. Billing fees cover the costs of reading the submeters, calculating RUBS bills, collecting data, preparing and mailing bills, and collecting money remitted from the issuance of bills. They are also used to cover the costs of providing a highly knowledgeable customer service group to handle resident inquiries.*
4. Resident complaints. *Methods shall be specified to express and resolve complaints regarding the billing service. In some cases, property owners have put language in the lease agreement, notifying residents of the process by which complaints will be resolved.*
5. No shutoff of service. *The residents' water and sewer service shall not be shut off if they do not pay their bill.*
6. Rental agreement. *The details of the water and sewer billing arrangement shall be fully disclosed in the rental agreement.*
7. Information to be included in regular billings. *The bills should clearly set forth all relevant charges and other pertinent information, including information on how to question a bill.*

### Conclusion

With the overwhelming conservation benefits of submetering and RUBS billing and the almost universal acceptance of the practice in the United States, NWP Services Corporation respectfully urges that this Committee include language that would make submetering automatic by way of statute without the need for further PURA approval, as well as clarifying that RUBS billing is legal in Connecticut. At the same time, the best practices outlined above should be incorporated to clarify the balance between the owner's right to bill and resident protections.