

## **COMMENTS TO DRAFT ENERGY MASTER PLAN & ENHANCED ENERGY CONSERVATION THROUGH UTILITY SUBMETERING OF MULTI-FAMILY RENTAL HOUSING**

NWP Services Corporation (NWP), is one of the largest third party utility billing providers to the Multi-Family industry. NWP not only provides various billing solutions, but has also been a leader in providing submetering solutions for all types of utilities including water, sewer, gas and electric. NWP has been in a unique position to witness first hand, the conservation that can be achieved through submetering.

NWP views New Jersey as a leader, by having the foresight to design and implement a comprehensive energy plan. The nation is struggling to find alternate energy solutions, but one thing is clear: to find these alternate solutions will take time. It is now more important than ever to find ways to conserve on existing energy consumption. One of the best means of accomplishing this objective is through the use of submetering in multi-family dwelling units.

We strongly believe that in order to achieve the conservation levels discussed in these comments, New Jersey must join the other 49 states and adopt programs that not only allow submetering, but encourage it by providing incentives for multi-family owners to install these devices.

### **BACKGROUND ON SUBMETERING**

Historically, in older apartment units, it was common to have master metered electricity and gas. The end result is that apartments share energy supplied by one or more master meters. Doing so has a negative impact on conservation.

When apartment residents are able to view their consumption patterns on a monthly basis and they are billed based on that consumption, it sends appropriate price signals to that resident, thereby resulting in reduced consumption. Because there are over 1 million rental units in New Jersey, allowing submetering of energy has the potential to result in tremendous amounts of energy conservation throughout the state.

Conversely, when an apartment resident is not required to pay for his or her usage, there is no incentive to conserve. It is not uncommon for apartment owners to observe residents leaving lights on all day, leaving their heaters on all day during the winter, and air conditioners on during the summer. All of this results in tremendous waste of precious natural resources. Meanwhile, single family homeowners are required to pay for these costs and are in a position to conserve. It is our desire that single family home owners and multi-family residents be treated the same for purposes of energy consumption and conservation. At the same time, NWP is supportive of built in consumer protections to make sure that apartment residents are treated fairly.

However, because BPU policies have traditionally prohibited gas and electric submetering in all but condominiums and co-ops, this has created an uneven playing field, the result of which is that conservation has suffered. While consumption reductions benefit the apartment owner as it relates to expenses incurred by the community, conservation also benefits the community at large by

reducing the demand for a natural resource. In the long run, reduced consumption benefits everyone.

## **FREQUENT QUESTIONS RELATED TO ELECTRIC AND GAS SUBMETERING AND BILLING**

### **Are Residents being charged for gas or electricity consumed in common areas?**

Common area consumption is typically deducted before the resident is billed. When a submeter is installed, the submeter measures only consumption within that resident's unit, and in turn, the resident is billed for consumption as measured by that particular meter.

### **Why can't you just build your electricity and gas costs in to rent?**

Originally gas and electric costs were a lesser expense and they could be absorbed in to overhead and considered to have been paid with rent by the resident.

Unfortunately electric and gas rates have grown at a much faster and larger rate than rental rates. In fact, utility rates have increased dramatically. At the same time, demand has grown in apartments because of wasteful practices by residents. Keeping electric and gas costs bundled in rent, provides absolutely no incentive for a resident to conserve. Meanwhile, unbundling of utility costs from rent has been proven to result in dramatic conservation savings over time.

**What level of conservation can be expected from implementing a gas and electricity submetering program?** According to New York State's independent investigation into electric sub-metering, reductions of 10-26% were found. When similar studies were conducted to determine conservation that occurred for water submetering, reductions of 6-39% occurred. Because electric and gas tend to be much more expensive than water, it would not be unlikely to expect similar or better conservation results once electric and gas submetering are implemented. The bottom line is that when a resident feels the pain of high costs, they respond in turn by trying to control those costs.

**What type of resident safeguards are in place to ensure fair billing?** NWP supports the New Jersey Apartment Association's "ten key consumer protections" when implementing an electric or gas submetering program. Those protections are as follows:

1. Require property owners who opt to install sub-metering devices cannot pass-through the cost of sub-metering equipment or installation;
2. Require that gas and electric billing via sub-metering could only commence at lease renewal or inception of a new lease, not in mid-term of a current lease;
3. Require that copies of bills for six consecutive months must be provided to the current residents, as a resource to gauge personal consumption, before billing may commence;
4. Require disclosure in the lease agreement of bill method and description, specified charges and fees, if any, and late fees;
5. Require that bills sent to residents include clear identification of the billing company;
6. Require that sub-metering companies have a toll-free telephone number and website for residents to use for questions or to express concerns;
7. Require usage of stringent, nationally-recognized meter accuracy standards;

8. Monetary cap of \$7.50 on one-time account set-up fee, with increase tied to the CPI;
9. Monetary cap of \$4.00 on monthly service fee, again, tied to the CPI;
10. Direct regulatory authority over sub-metering in rental housing settings shall be placed with the Department of Community Affairs, as part of its authority under the Hotel and Multiple-Dwelling Act.

### **CONCLUSION**

Keeping NJ law the same, which currently prohibits a property owner from engaging in submetering of gas or electric unless the property is a condominium or co-op creates an uneven playing field. Conservation has suffered as a result. It is imperative that as a part of the Energy Master Plan, NJ fall in line with other states which have embraced submetering. Separating electric and gas costs from rent provides the appropriate price signals which can result in significant conservation. At the same time, NWP, along with the New Jersey Apartment Association believes that following the “ten key consumer protections” will provide more than adequate protection, and will reduce the need for regulatory oversight and monitoring by New Jersey state agencies. .

**Therefore, the NWP *strongly supports*** the adoption of sub-metering programs in accordance with the goals of the Energy Master Plan.

Respectfully,

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