

## Direct Water Billing

Billing residents directly for their actual water usage, as opposed to including estimated use costs as part of residents' rent, is a common practice among apartment owners. There are two types of direct water billing: Submetering and Ration Utility Billing Systems, or RUBS. Submetering is the implementation of meter systems that allow property owners to bill each unit for individual utility usage through the installation of additional meters behind a utility meter. RUBS is a formula-based methodology for calculating a resident's water usage. It represents a viable option for owners who decide against investing in submeter installation or own a property with a configuration that makes submetering impossible.

These methods allow for the fair assessment of water usage costs to residents. Policymakers should exempt property owners when considering utility related legislation or regulatory code changes that require or encourage direct water billing practices. Housing providers should have the autonomy to decide what type of billing system best fits their business.

In the face of rising water costs, housing providers have increasingly moved to directly bill residents for water. Direct water billing practices relieve the financial and administrative burdens associated with anticipating resident's water usage, while also giving residents a stake in the water economy. Common sense dictates a person will use less of a resource when they are financially liable for its use. Charging residents for their water usage creates an incentive to conserve that has been proven to yield consumption drops between 6-39 percent and can save 8,000 gallons of water per dwelling per year.<sup>1</sup>

Utility regulators in some states and localities have attempted to curb the ability of apartment owners to bill residents directly for water usage, alleging the practice amounts to the resource's sale or resale. In making these arguments, regulators frequently take issue with the fees related to such billing programs, implying that property owners and third-party billing companies are unfairly profiting from the billing process. In such cases, regulators typically seek to require apartment owners to cease the practice or register as a public utility.

This is a flawed analysis, as sub-metering firms by definition are not utilities. They do not supply potable water, nor do they set or receive utility rates, while charging a fee covers the cost of administrating the service. Multiple federal and state agencies agree. In 2003 the EPA adopted amendments to its policy with regard to the Safe Drinking Water Act, concluding that building owners utilizing submetering would no longer be regarded as – and should not be deemed to be – public utilities subject to utility regulation. The Kansas Corporation

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<sup>1</sup> Mayer, Peter W. Erin Towler, and William B. DeOreo. *National Multiple Family Submetering and Allocation Billing Program Study (2004)*

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Commission came to a similar conclusion in 2006. According to the KCC, “the character of the landlord’s business operation [in directly billing residents for utilities] is readily discernible, and the nature of the landlord’s business cannot be transformed from that of renting units to residents to that of “public utility.”

## **NAA Position**

States and localities should take care to exempt property owners when considering utility-related legislation or regulatory code changes that require or encourage direct water billing practices. Lawmakers should leave the choice of whether or not to implement submetering or RUBS to property owners.