

## **Kevin Bacon**

3<sup>rd</sup> Ohio Senate District



### **Committees:**

Judiciary, Chair

Finance

Finance – Higher Ed Subcommittee

Energy and Natural Resources

Government Oversight and Reform

Insurance and Financial Institutions

### **Sponsor Testimony**

#### **Senate Bill 157**

**June 15, 2017**

**Senator Kevin Bacon**

**Senate Public Utilities Committee**

Chairman Beagle, Vice-Chair LaRose, Ranking Member Williams, and members of the Senate Public Utilities Committee, thank you for the opportunity to provide sponsor testimony on Senate Bill 157, which regulates electric utility submetering in Ohio. This legislation will establish regulations in an industry which currently provides utility services to more than 30,000 Ohio tenants. S.B. 157 represents a starting point for facilitating a discussion of a modern business model and I hope that it produces a fair and even-handed regulatory approach.

Generically, submetering entails a utility billing strategy of monitoring individual tenants' utility usage rates (including water, gas, and electricity) through submeters. While submetering has sparked public interest in the last few years, the practice itself is not new. Many landlords have historically utilized submeters as a means of tracking tenant utility usage for billing purposes. However, utility deregulation in 1999 spurred the creation of an innovative business model which revisited the use of submeters. The more modern, primarily electric, form of submetering involved the purchasing and reselling of utility services. Modern electric utility submetering businesses assist developers by constructing their own electric distribution system for a property or group of properties. In return, the developer permits the submetering business the right to purchase and resell electricity to each individual tenant of the property. Submetering businesses profit by purchasing power at a discounted bulk rate from the utility company and reselling that same power at an increased rate to property tenants. Unfortunately, current utility law offers very little in

terms of consumer protections for submetered tenants. Because of that deficiency, submetering businesses sometimes circumvent traditional utility regulations and overcharge consumers.

S.B. 157 addresses the deficiency in current law by providing the following protections to Ohio consumers: As drafted, S.B. 348 will:

- Permit consumers to file suit and be awarded treble damages if they are overcharged;
- Prohibit submetering companies from charging consumers more than the market-based rate for the immediate service area;
- Prohibit submetering companies from charging customers more than the actual costs for supplying public utility services to common areas;
- Prohibit property owners from instituting more than one administrative fee each month for all public utility services;
- Mandate that the administrative fee be disclosed to the consumer at the time of the agreement;
- Mandate that submetering property owners provide a description of how customers will be billed for utility services;
- Mandate that submetering property owners provide customers with a written estimate of typical monthly utility costs;
- Empower customers to require submeter accuracy testing;
- Specify that all submeters meet the accuracy and quality standards established by the Public Utilities Commission of Ohio (PUCO);
- Mandate submeter companies to include contact information on utility bills in case of a dispute;
- Protect customers from liability for any costs related to the routine operation, repair, and maintenance of service lines; and,
- Empower the Ohio Attorney General to enforce the statute.

As a number of recent news articles have shown, the submetering industry clearly lacks sufficient regulatory oversight. I believe that establishing upfront disclosure requirements, capping additional fees and surcharges, and limiting the permissible charging methods are essential in order to protect consumers from being overcharged. Ohio regulates utilities in order to ensure that basic necessities are available and affordable to all of its citizens. However, submetering businesses are exploiting loopholes in Ohio's utility regulatory framework. I believe we should address those loopholes by extending protections to tenants and residents and regulating businesses that resell utilities much as we do traditional utilities.

Thank you for allowing me to testify today and for your consideration. I am happy to answer any questions you may have.