Good morning Chairman Amstutz, Vice Chairman Boose, Ranking Member Sykes, and members of the House Finance and Appropriations Committee. I am Bruce Weston, the Ohio Consumers’ Counsel. Our agency is the advocate for Ohioans regarding their residential electric, natural gas, telephone, and water services. I appreciate the opportunity today to recommend protections for Ohio consumers regarding the master-metering, submetering and reselling of public utility services. (See Amendment HC0448X2)
In many apartments, manufactured homes and other housing communities, the public utilities do not directly meter and bill individual residents for the utility services that they use. Instead, the utility services are provided through a master meter that registers aggregate usage for entire buildings or properties. A landlord, park operator, condominium owners association or other third party then “resells” the service of the public utility (or other provider) to tenants and residents.

The resale of utility service often results in higher bills than what customers would pay if they were billed directly by the utility (or other provider). This problem was highlighted last fall in newspaper stories (that are attached to my testimony). It was reported in those news articles that reselling has inflated customers’ utility bills through added fees and charges by as much as 40 percent in some cases.

This amendment (HC0448X2) is a step in the right direction for improving the current lack of consumer protection on this issue. I thank Representative Duffey for reaching out to OCC to ask for our additional recommendations for consumer protection. Therefore, I respectfully ask the Committee today to make additional amendments, beyond those in the Omnibus Amendment, to include more protections for Ohioans who purchase resold utility services. I also note my appreciation for Representatives Foley and Blair, among others, for their sponsorship of House Bill 422 to protect
consumers who purchase resold utility services. My general list for amending the Omnibus Amendment to House Bill 483 is as follows in this area for consumer protection (subject to additional details I may have for these issues).

First, please address the circumstance of customers who purchase resold water and sewer services. The monthly bills of Ohioans who purchase resold water and sewer customers should be added for protection in this Bill. For water and sewer customers of resold services, customers should pay no more than the rates of the water and sewer provider in their area, whether that is a public utility or a non-utility provider.

Second, Section 4934.03 (Lines 60-65) appears to be an exception to consumer protections, that could allow resellers to charge consumers more than the public utility’s charges. We do not support inclusion of this section as written.

Third, please prevent allowing a public utility service “reseller” to enter into a rental agreement with consumers, per Section 4934.06, that circumvents the protections provided in Section 4934.05. (Amendment HC0448X2, Lines 66-80) Thus, Section 4934.06 (Lines 81-94) should be eliminated from the Bill.
Fourth, please use a definition for resellers that provides for comprehensive consumer protection for resold service transactions, regardless of the entity involved in the reselling. We therefore recommend clarification and uniformity regarding the term third-party resellers appearing in Amendment HC0448X2, lines 176-187. Third-party resellers, along with landlords, park operators and condominium owners associations, should be consolidated into one term (“third-party resellers”) in Section 4934.01. (Lines 10-50) Section 4934.19 (Lines 176-187) should then be eliminated. This new definition should then be used throughout Chapter 4934.

Fifth, the resale of natural gas service should be limited by the Standard Choice Offer or Gas Cost Recovery rate in the same manner that the resale of electric service is limited by the Standard Service Offer in Section 4934.05. (Amendment HC0448X2, Lines 66-80) With regard to all other electric and natural gas services and rates, customers of resold services should pay no more than the rates of the applicable public utility serving the consumers’ area.

Sixth, the public utility service used in so-called “common areas” and “common usage equipment” should also be billed at a rate no higher than the caps on rates in other parts of the Bill (Section 4934.05). What is currently written for common areas in
Section 4934.09 (Amendment HC0448X2, Lines 105-114) could become a loophole for overcharging customers. The loophole should be closed.

Seventh, it should be stated that this Bill does not limit the authority of the Public Utilities Commission to prohibit or limit the reselling of utility services. For example, there are tariffs in effect for natural gas utilities that do not permit the reselling of natural gas service.

Finally, this Bill needs an enforcement mechanism that would allow customers to seek damages, reparations and injunctive relief from those who violate this chapter. Please incorporate the enforcement mechanism from lines 98 to 111 of House Bill 422.

I should add that I recommend addressing utility issues in stand-alone bills and not in budget bills, as you may recall in my testimony last week on utility charges to customers for former manufactured gas plants. But I do appreciate your efforts to protect consumers. I look forward to working with Members of this Committee and with other Members in the House to protect consumers on these issues. Thank you.
Hot Links:

Shocking cost investigation: Utility middle men charge renters inflated prices

By Dan Gearino
The Columbus Dispatch  •  Sunday October 20, 2013 5:50 AM
Comments: 14  30  31  376

Consumer protection for utility customers sometimes stops at the apartment door in Ohio.

Unlike most states, Ohio allows unregulated, third-party “submeter” companies to make big profits by reselling electricity and water to residents of apartments and condominiums.

“They pretty much told me that I don't have a choice and this is how it is,” said Rachelle Sexton, who rents at the Enclave at Albany Park in Westerville.

Her August bill was $176.24, which was 30 percent more than she would have paid for the same usage at regulated prices.

A 10-month investigation by The Dispatch found that residents pay markups of 5 percent to 40 percent when their landlords enter into contracts with certain submeter companies. If the customer fails to pay, the companies sometimes resort to collection tactics that would be illegal for regulated utilities, including shutting off heat in winter and even eviction.

The problems stem from an absence of regulation, a blind spot in Ohio law that affects an estimated 18,000 to 20,000 housing units in the Columbus area, and that has the potential to affect any of about 3 million Ohioans who live in apartments or condominiums.

“What it gets down to is the individual consumer,” said Ohio Attorney General Mike DeWine in response to the Dispatch findings. “We made a public-policy decision years ago in this state that we were going to put in place certain protections for the individual utility consumer.

“It seems to be a problem when you have a small minority of consumers who do not have those protections. That, to me, would raise a lot of questions.”

Yet no state agency has the authority to respond. That would require action by the Ohio legislature, DeWine said.

Here’s how it works: A submeter company buys the utility meters and distribution system within an apartment complex. It then buys electricity or water, or both, from utilities and sells them to tenants, often at inflated prices and with fees.

In some cases, the submeter companies are owned by principal owners of the apartment complexes. And the submeter companies have names that sound like big, well-known businesses — names such as Nationwide Energy Partners and American Power & Light.

Complaints and questions about these companies are on the rise, with 5,137 inquiries to the Central Ohio Better Business Bureau about submeter companies since October 2012, up 33 percent from the year before.

The most-common complaints are about high bills and unresponsive customer service, said Joan Coughlin, a vice president in the office. “We had consumers state that they moved from a larger residence to a smaller apartment and had their utility costs increase,” she said.

And, when a building is served by a submeter company, tenants are not eligible for money-saving programs available to most Ohioans. This includes the “choice” program, which allows customers to select a utility provider from among several. Instead, the submeter company is the only option.
Palackdharry, Nationwide Energy’s president, interviewed at the company’s Arena District offices.

He said his company delivers value that justifies the costs, including the convenience of a combined bill for water and power, and helping consumers reduce energy use.

“We are moving toward complete transparency with the residents and the developers,” said Mike Palackdharry, Nationwide Energy’s president, interviewed at the company’s Arena District offices.

He said his company delivers value that justifies the costs, including the convenience of a combined bill for water and power, and helping consumers reduce energy use.

“We are trying to do things the right way and to bring a positive impact to our residents,” he said.

When presented with examples of customers paying more than the regulated price, Palackdharry said it was not a fair comparison, because his company’s bills include charges for electricity use in common areas, such as hallways. If the tenants were not served by his company, those costs would lead to higher rents, he said.

After not responding to requests for an interview, Bill Finissi, American Power’s vice president, provided The Dispatch with emailed responses to questions.

“(A)ll tenants enter into agreements with our company with eyes wide open and with full knowledge of the leasing contract provisions,” he said.

“Our costs also include a share of common-area electrical usage, and a charge for submetering and administration,” he said. “This is our business model which prospective tenants have complete freedom to accept or not. By the way, if we didn’t do it this way, these extra costs, which are essential costs of providing apartment housing, would need to be included in the rent.”

Consumer advocates say they would prefer that such charges were included in rent to make it easier for tenants to see the true costs when they shop for housing, as opposed to being surprised by high utility bills.
While submetering is legal throughout Ohio, the large majority of consumer complaints are in the Columbus area. Why not in other places? Consumer advocates can only guess. They point to a lack of well-organized tenants’-rights groups and the fact that Nationwide Energy and American Power happen to be based in the area.

Ohio’s unique regulatory structure means that the business model easily could spread across the state. The model also could spread to other states with a similar lack of rules.

“Columbus is absolutely ground zero for these rebilling schemes,” said Spencer Wells, a former tenant-outreach coordinator for the Coalition on Homelessness and Housing in Ohio, an advocacy group.

If residents are late with payments, American Power will sometimes evict them, even if the consumer’s rent is up to date and even though American Power is not the landlord.

“If you enter this slippery slope, where a third party has the ability to order evictions, that’s shocking,” said Emily Crabtree, a lawyer with Columbus Legal Aid who has defended American Power customers.

American Power initiated 51 eviction cases last year, according to Franklin County Municipal Court records. The company has opened 159 of the cases since 2010. Nationwide Energy opened 278 such cases from 2002 to 2011, but none since.

No connection to AEP

Despite familiar-sounding names, Nationwide Energy and American Power are not affiliated with two of Columbus’ most-prominent companies, Nationwide Insurance and American Electric Power.

Housing-rights advocates say American Power’s name is confusing for tenants who think they are dealing with the local utility, AEP. It’s not as much of an issue for Nationwide Energy because Nationwide Insurance doesn’t sell electricity.

Many of their practices would be illegal if the provider was a state-regulated utility like FirstEnergy or AEP.

In central Ohio, AEP sells electricity to the submetered complexes. The difference is that it sells in bulk to the property owner or submeter company, instead of to the end user.

Although AEP does not directly serve submeter customers, the company still gets calls from confused residents. AEP would prefer it if those customers were hooked up to AEP meters, but the company understands that submeter companies are following Ohio law, said spokeswoman Terri Flora.

“As people make choices to rent in an apartment, they need to be fully aware of what that choice involves,” she said of the possibility of paying higher prices with a submeter company. “It’s a different environment than consumers are used to.”

According to AEP, there are about 130 submetered apartment or condominium complexes in central Ohio. When asked to estimate how many units are in the complexes, AEP said it is likely 18,000 to 20,000.

The state regulatory system was developed early in the last century to stop utilities from abusing local monopolies over the meters, wires and other delivery systems. Submeter companies did not exist then.

“As a matter of policy, we want all customers to be treated fairly and equally,” said Todd Snitchler, chairman of the Public Utilities Commission of Ohio, which regulates utilities and is the type of agency that oversees submetering in many states.

While that might be the aim of Ohio’s regulation, his agency lacks jurisdiction over submeter companies. He said that the Ohio General Assembly would need to take action for the PUCO to assert authority.

“That’s a policy call for them to make,” he said.

Customer bills tell story

When a customer questions the rates of Nationwide Energy or American Power, the companies reply that the charges are the same as those charged by the local utility. But that’s not accurate, based on a Dispatch analysis of bills from a wide variety of customers.

In each case, the bills are based on the equivalent rates that would be charged by regulated utilities, except with added fees. When you include fees, customers are paying an extra 5 to 40 percent.
At the same time, the bills do not give customers the benefit of bulk-buying discounts and other savings that the submeter companies use to make their wholesale cost much lower than the regulated price.

To illustrate this, The Dispatch looked at a hypothetical 100-unit apartment complex in which each tenant used 750 kilowatt-hours of electricity in a month, which experts say is typical. At AEP’s central Ohio regulated price, each household would get a bill for $113.57, a figure confirmed by the utility.

However, if a submeter company bought the same amount of electricity for all 100 units, it would qualify for a commercial rate and it could also shop for a bulk-buying deal on Ohio’s open market. Based on the commercial prices available in central Ohio, the complex could obtain the power for the equivalent of $70.93 per unit.

By reselling power to the tenant at the full AEP rate of $113.57, the submeter company’s rate is 60 percent higher than its own wholesale power cost. And that doesn’t include a host of submeter fees, which can easily exceed $30 a month.

When presented with this, Palackdharry said the example overstates the potential profit because it does not take into account seasonal factors and other technical issues.

His boss, Nationwide Energy founder and CEO Mike DeAscentis Jr., went into great detail about the business model in a 2010 presentation to investors. “How we make money is we buy power at a commercial rate and we resell it at the residential rate and there is arbitrage in the rate structure,” he said, according to a transcript obtained by The Dispatch.

DeAscentis is also the CEO of Lifestyle Communities, an apartment developer. He is the son of that company’s founder and chairman, Mike DeAscentis Sr. Nationwide Energy provides its services to Lifestyle Communities and other large property managers, such as Crawford Hoying, which is owned by Brent Crawford and former Ohio State football player Bob Hoying.

Property owners are willing to sign these contracts because submeter companies often cover costs of setting up meters. Also, the submeter company will bill customers for electricity and water used in common areas and pass the money to the property owner. A regulated utility will not handle such payments.

“Our philosophy here is we are a real-estate company,” said Dave Carline, president of Crawford Hoying’s apartment division, explaining why his company hired Nationwide Energy. “We really wanted to get out of any energy business. We wanted to allow energy companies to do their own thing and let customers deal directly with them.”

Nationwide Energy began in 1999 by installing its metering systems in newly built apartments. It later expanded to also serve older properties, including some in which tenants previously had individual meters and billing from the utility, and had no choice but to switch to the new provider. The company has about 40 employees.

“NEP is the new utility,” DeAscentis said in the 2010 presentation. “We do everything that a utility does except generate power. NEP builds electrical-distribution systems for residential communities, and we were very deliberate when we started the business 10 years ago to put it in a place where it was not regulated.”

He spoke of plans to expand into Pennsylvania, New York and the Washington, D.C., area. The company is now active in Pennsylvania.

“Our business is very unique,” he said. “As we went across the country and did management presentations of people who see 300 or 400 deals a year in the energy space, no one ever saw a business that had a model like ours and what we were doing.”

American Power was founded in 2003 by developer Donald R. Kenney Sr. It shares office space with many of his other ventures, including Ardent Property Management, Village Communities and Metro Development. His companies have built more than 35,000 apartments or condominium units, according to the Metro website.

**Outside the mainstream**

There are reasons other companies have not tried this. It is illegal in most states, and established submeter companies say that such a model has a high risk of lawsuits, intervention by regulators and blowback from angry consumers.
The submeter industry has been around for decades and has customers across North America and Europe. Most of these companies make money by selling equipment and services, and they comply with industry standards that say it is unethical to charge a markup on the cost of electricity or water.

“When you start trying to get creative (with pricing), you create problems for the entire industry, and we don’t want that,” said Matt White, president of Meter Technology Works of Tampa, Fla. He sells meters to submeter companies and is past president of the national submeter trade group, the Utility Management and Conservation Association.

The current president, Arthur Blankenship, owner of Argen Billing, an Atlanta-area submeter company, said he is concerned by reports of “rogue companies” in Ohio.

“Our industry doesn’t have anything to hide, and if there are companies out there doing something dubious, that needs to be addressed,” he said.

Neither Nationwide Energy nor American Power is a member of the trade group. But another local submeter company, Guardian Water & Power of Grandview Heights, is a longtime member.

Founded in 1983, Guardian has customers in 30 states. For its Ohio customers, Guardian typically charges about a $3-per-month service fee for each apartment served, which the landlord can pay or pass along to the tenant. The company makes no profit from marking up water or power, and it has never evicted anybody.

Harry Apostolos, Guardian’s co-founder and owner, declined to comment specifically about Nationwide Energy or American Power, which he said are competitors.

In general, he said, some companies have chosen business models that go against industry best practices, and they have “created a black eye for the industry in central Ohio.”

Click here to read more about Guardian Water & Power’s business practices

**State officials no help**

Consumers often do not know what is happening. When they find out, they are shocked that this is legal in Ohio.

“It was inexplicable,” said Gabriel Santiago of Reynoldsburg, a former Nationwide Energy customer who moved out of his apartment this year because of what he saw as excessive electricity charges.

Guy Fulcher, a former American Power customer who now lives in Galena, was fed up with the response when he tried to file a complaint.

“The attorney general back then was Richard Cordray, and his office just rolled over and said, ‘We don’t regulate that,’” he said. “They said to go to PUCO. PUCO said, ‘We don’t regulate that.’”

Consumer advocates say that these extra charges, and the fact that they are legal in Ohio, should be a source of shame.

They would like to see the Ohio General Assembly or PUCO rein in the most-abusive of the practices. But first, they say, there must be awareness that a problem exists.

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**COMMENTS**

Login or register to post a comment.

**SAMUEL RANDAZZO (RANDAZZOSC)**

To the extent that the companies described in this article are for-profit and in the business of supplying electricity to consumers in Ohio, they may well be “public utilities” subject to regulation by the Public Utilities Commission of Ohio. Also, if the practices are not subject to supervision and regulation at the state level in Ohio, there
should be an opportunity in Ohio for these practices to be regulated and supervised at the local level. While tenants can and should make choices that do not put them in the position of being captive to excessive electric bills, Ohio’s public officials may have more tools to address these problems than this article suggests.

Robert Pointer (POINTER)
Time to get educated on a better way. Support and advocate for the advancement of Free/New Energy and the ban of harmful technology 1) Free Energy is a Reality not a Conspiracy https://www.youtube.com/watch?v=Dji0q59ZGuV 2) Take Back Your Power documentary https://www.youtube.com/watch?v=2JpcGAv4Tko 3) Stay informed, get involved, create a better future for all http://www.thrivemovement.com/take-back-your-power-documentary

Frederick Sheeman (FREELOADER)
It is a SCAM for which the landlord feels no need to disclose. Why is it that companies associated with utilities (and utilities) feel that they have to force the regulation issue? Unregulated and competitive utilities are a great ideal - but there are those that will do everything possible to spoil the landscape for everybody.

K W (KINETICS)
Welcome to unfettered capitalism. This activity is known as “rent seeking” in economic circles - making profit from manipulation of social/political environment with no wealth creation. It came with the deregulation binge that brought us Enron & the financial debacle. That is not to say free-market capitalism is bad, it just needs reasonable regulations to prevent excesses like this one.

Lynda Howard (SHADBURN)
Free market? There is no end to the greed. Paying fair market rent is no longer enough. There should be some type of standard disclosures for tenants and laws to protect them from this. To further exploit tenants, some landlords of large complexes like the one we live in, also employ the use of additional billing services. You’re told it’s for water, sewer, trash and common electric but find out after you sign the lease that you also pay a set up fee for the billing service ($19.99), monthly administration fee ($8.99), pest control charge (was $7.95, just changed to 10.99%). In addition, all charges within one month increased by 38% to 77% with no explanation or notice. My husband and I hadn’t rented for many years and have discovered after down-sizing that it’s impossible for renters to compare fairly because of all these hidden fees. The lease is very vague and when asked for the previous 12 month history of charges, it’s not available and there is no other disclosure. We’ve also discovered that the heat pumps don’t run when the heat is on, so it’s like running the emergency heat all the time. We can only conclude it’s to lengthen the life of the already old heat pumps. We can’t wait to see the electric bill. Fortunately, we aren’t forced to use another electric provider–we hope our landlords don’t get any ideas!

Tonya Edgell (TON32678)
I live at Remington Station Apartments part of Crawford Hoying Management Company in Westerville, OH and I too am one of the victims forced to use Nationwide Energy Partners as my energy and water provider with no say in the matter. I was told that it would be "cost effective and energy efficient"... LOL! JOKE! The following are this years bills I have received fluctuating erratically (who can make a budget and stick to it with this)?... : Jan: 107.10 Feb: 106.73 Mar: 113.57 Apr: 159.21 May: 232.74 Aug: 249.40 Sept: 225.94 Jul: 249.40 Based on a spreadsheet of my NEP vs my AEP bills and the City of Columbus Water System online worksheet. I have determined that I believe that there water billing is accurate however I do not think that the electric billing is. I was being charged on an average with AEP 0.135 per kwh and with NEP it averages 0.149. Why such a difference? Please lets not forget their so called "Community Charge" that gets kicked back to our property owner as mentioned in this article that has ranged anywhere from $2-8.24 for water and $3-6.90 for electric and this is for each tenant! How is this determined and how can it fluctuate as it does? I have 76 apartments on my street alone and based on my charge last month at $14.35 that's $1090 dollars each month for my street! This guy is making a fortune on us and all they while he says it's keeping rent costs lower? LOL! JOKE again... My rent was up $68 dollars at my last signing (scared to see what happens next May)! And who has ever heard of your electric company evicting you? Glad to hear that this is not legal, however I'm sorry for those who do and have fell behind on their electric bill and live in one of these communities because they more than likely can't afford an attorney to fight it if they can't pay there ridiculous electric bill that keeps adding late fees for non payment! I too have just received a disconnect notice this past month before the new bill was even available. Thankfully I was able to pay my $272.90 bill which included $23.56 in late fees and 13.63 for that dang "Community Charge" without being evicted thank goodness! I think that it is time for someone to do something about this! If it is illegal in 29 other states why not work to make it illegal in Ohio?! Crawford Hoying owner Bret Crawford & Dave Carlone President should consider their tenants before their own greed and at least drop this company and let us have AEP and Columbus City Water back. It's the least they could offer as their maintenance services here are very poor and huge issues are not being addressed properly.

2013-10-20 18:36:40.0

KATHLEEN MUNDY (KMUNDYS2)
NEP have been gouging Gabriels Landing Condos for 6 years now. When I lived in Hilliard my water bill was $40 at the highest, here my lowest is $67 for the same number of people...and the electric is ridiculous. They offer no grace period, you pay your bill when it is due, if you are one day late you are charged a late fee. Get over 30 days behind and you are disconnected, no notice just disconnect. Then they charge an additional $50 to turn it back on. They do not work with customers that is a lie. The builder that hired them went bankrupt and left Ohio before finishing our development. We the condo owners have begged our management company to get us out of their contract that we had no say in from the beginning; we were told we had to pay $20,000 to break the contract plus give up our meters and purchase new ones. As a small struggling condo development with several people on disability and several single parent families we cannot afford to buy out. Some of our homeowners would qualify for assistance but we can’t get it. They offer no budget and we often feel we are overcharged with our usage being exaggerated. Sept. I hardly used AC at all and still the bill was close to $290. Please we need our state representatives to offer us some protection from these companies. After being overcharged for 6 years our meters should belong to us and we should be able to purchase directly from AEP and Columbus City water. When there is a water break or downed line we cannot call NEP for help...all they do is rip us off from our money!

2013-10-20 20:26:46.0

KATHLEEN MUNDY (KMUNDYS2)
Thank You Columbus Dispatch for bringing this to light...Ohio State Representatives please take notice and help us!

2013-10-20 20:37:00.0

MEGAN SMITH (OHIOCHIC123)
As most the most terrible things about NEP were listed in the article, I do want to point out their billing practice. In mailing their bills, they do so that it is almost impossible to not be late paying them. The most frustrating part about this company is the fact that it is legal for them to charge more than if another company were to provide services to the complex. Without any choice, residents are forced to pay much higher fees and get the added luxury of fees to be their customer. When the fee to use the company for water is more than my actual usage of water, one has to wonder how these practices are allowed.

2013-10-20 23:18:32.0

JOHN CONDO (HILTCONDO1)
this is good reporting

2013-10-21 09:30:12.0

OHIO GIRL (OHUGIRL13)
I am urging every person impacted by this situation to contact the Better Business Bureau, Attorney General, Senators and House Reps about this issue. It is very real and has created and continues to create hardship for good citizens who deserve to be assessed reasonable costs for basic needs like heat and water. It is important to note that the communities that use submetering practices also charge very substantial rent to residents. In contrast to the article written, NEP does NOT offer reasonable payment plans for large bills-unless you count $500 a month as ‘reasonable.’

Impact Change...Take Action!

2013-10-22 00:04:16.0

DON FOREMAN (DONFOREMAN)

Does this article represent all submetering companies? I know several that are truly passing along the rates as billed by the providing utility. Add to that the regulating bodies that control more than the billing process further. The NCUC has an approval process that prevents residents from being unjustly charged inflated rates. Plus, they do not allow for reads to be estimated. The TCEQ of Texas, has pages of regulations on how to bill residents, what can be billed to the residents, and billing fees are not allowed to be charged to tenants. Like Texas, Miami has similar protections for residents. California is starting to require units to be submetered, and does not allow for a billing fee to be charged. There are submetering companies out there that are taking the stance that the rates charged to the property should be applied to the residents, and they are striving to stay within the law. The two companies listed in this article are making the others look bad. I’m sorry that there residents subjected to their billing practices. As regulations come around, and allow, disallow, or control the process I hope that more submetering companies fall in line. Until then, I can only hope that ethical billing without regulation becomes the way to go in these hard times for the people that are struggling to survive. Which, unfortunately is most of us. I know I am.

2013-10-22 09:17:46.0
Shocking cost investigation: Pay electricity bills or face eviction

By Dan Gearino
The Columbus Dispatch • Monday October 21, 2013 1:07 PM

Comments: 7 3 19 70

Among the dozens of people who face eviction each morning in a Downtown courtroom, there are some who have made all of their rent payments.

Their mistake was a late utility bill.

While regulated utility companies do not evict customers, the same does not apply to “submeter” companies that handle electricity and water billing for some apartments and condominiums.

A Dispatch investigation shows that some submeter companies use a lack of regulation in Ohio to make substantial profits on the resale of utilities to a largely captive audience. They charge a premium of 5 to 40 percent compared with the regulated price of electricity, with little or no disclosure. This practice would be illegal in most states.

For these companies, threatening eviction is a tool to get customers to pay bills, some of which have been weighed down by above-market prices and a host of fees.

“It was a horrible experience and it threw me off track,” said Simone Stevens, 26, who moved out of her Northeast Side apartment this year after receiving an eviction notice from a submeter company, American Power & Light.

The electricity bills in her small unit were sometimes more than $200 per month, and she fell behind. Once the late fees began to accumulate, the monthly total rose to more than $350.

“I didn’t think the bills were going to be that high,” she said.

In May, she hastily moved out ahead of an eviction, following two years at the address. Her court file is thick with paperwork from American Power documenting the charges, fees and late payments.

Consumer advocates look at cases like this and see a system that they think is out of control. While they acknowledge that tenants must take responsibility for their bills, the advocates place much of the blame on what they call predatory pricing and aggressive collection tactics.

“To me, it’s not any different than if the landlord hired a lawn-care service, and a lawn-care service could evict people,” said Emily Crabtree, a lawyer who represents low-income tenants for Columbus Legal Aid.
Is this legal? Like so many aspects of the submeter industry in Ohio, there are no clear rules.

“I didn’t think they could evict you,” said a woman, in her 20s, who got an eviction notice this year from American Power. She was able to negotiate a payment plan and stay in her home. She asked that her name not be printed because she is concerned about retaliation by American Power.

“One minute, when I got the bill, it was $200 and something dollars, and then it was $500 and then it was $1,000, and I was like, ‘How is that possible?’” she said.

American Power initiated 51 eviction cases last year, according to Franklin County Municipal Court records. The company has filed 159 such cases since 2010, and has several current cases in the system.

Bill Finissi, American Power’s vice president, would not agree to an interview. On Friday, he e-mailed the following statement:

“As a proportionate share of the utility costs are part of the tenant’s monthly rental obligation, the landlord uses the eviction process in lieu of disconnection to enforce payment as well as all other terms and conditions in the mutually agreed-upon signed rental document. Prior to eviction proceedings, we work hand-in-hand with the individual tenants in order to assist with any difficult financial times. The eviction process is our last resort after attempting to work through the situation with the individual tenant.”

Another submeter company, Nationwide Energy Partners, opened 278 of the cases from 2002 to 2011, but none since.

“We never will evict a customer because of late energy bills,” said Mike Palackdharry, Nationwide Energy’s president.

In Ohio, it is not unusual for a lease to say that the tenant must maintain payments for water and electricity. The contracts often say that failure to pay those bills can be grounds for eviction by the property owner or manager.

What is highly unusual about the American Power cases is that the property owner is not the one taking the action. The owner allows the electricity provider to initiate the process and file for a court order.

Consumers seek help from the Public Utilities Commission of Ohio and the attorney general’s office, and they find that the agencies can’t do anything because submeter companies are not regulated.

Many customers reach out to the Central Ohio Better Business Bureau, a nonprofit group with no legal authority, which has seen a sharp increase in inquiries about submeter companies in the past few years.

For someone who might be days away from eviction, there isn’t much the BBB can do, said Joan Coughlin, a vice president in the office. “We would hear that by the time the complaint could be closed, the renter would be evicted,” she said.

Crabtree, the legal-aid lawyer, has said in court filings that submeter companies do not have the legal authority to do evictions. When she made this argument in a July case against American Power, the company stopped trying to evict the customer.

An Ohio court has never ruled on the limits of eviction powers in situations like this.

Crabtree also questions the legality of another American Power practice: charging customers for court and attorney fees, even if the tenant’s case is resolved before going to court. The extra charges can add up to several hundred dollars, on top of what the customer already owes.

“To charge someone for court costs when you haven’t incurred the costs, that’s unjust enrichment, and you can’t do that,” she said. “It’s unconscionable.”

The threat of eviction makes consumers less likely to fight utility charges that they see as excessive. This is what happened for a man at Northpark apartments on the Far North Side. He refused to pay an electricity bill while he waited for American Power to give him an explanation for some of the fees.

“They said, ‘If you don’t pay it, we’ll evict you,’” said the man, who asked that his name not be used because he is still in the apartment and is concerned about retaliation.

Soon after, American Power posted an eviction notice on the outside of his door. He paid his bill.
Many of the people who face eviction are in apartment complexes that cater to low-income tenants. They did not budget for above-market electricity costs and sometimes cannot afford to pay.

If they are evicted, though, they lose their security deposit and they have a black mark that will show up on background checks. So, tenants will go to great lengths to avoid eviction, even if it means spending less on groceries, medication and other necessities, Crabtree said.

“You’re asking tenants to make a choice they shouldn’t have to make,” she said.

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COMMENTS

Login or register to post a comment.

CLINTONVILLE MAN (1974CLINTONVILLE)

Franklin County Municipal Court records list plaintiff attorneys in these eviction cases as Charles T. Williams and Amy M. Milam, both of Williams and Strohm, LLC, Two Miranova Place suite 380.

2013-10-21 07:56:14.0

ELEANOR ARMENTROUT (EGA8@WOWWAY.COM)

I hope we see a list of the apartment and condo communities that are using these abominable utility companies. The average person probably does not realize that this practice exists. Thank you Dispatch for bringing this to the attention of the public!

2013-10-21 08:04:41.0

FREDERICK SHEEMAN (FREELOADER)

Just as with the home mortgage fiasco of recent years, find this out: can the plaintiffs (power suppliers, landlords, etc.) PROVE contractual rights to their assertions? Ask for that evidence when you get to court, and if they cannot produce proper written documentation and/or valid contracts - ask for a dismissal. Next, when you move (you likely will and should), ask the next landlord if they participate in such a scam.

2013-10-21 09:51:18.0

CLINTONVILLE MAN (1974CLINTONVILLE)


2013-10-21 10:28:08.0

SUSAN RILEY (SULEE)

Do some research to determine who the owners of these sub-metering companies are, and you may find the same name(s) as those appearing as owners of the apartment complexes. If there is the last name of "Kelly" anywhere, run like the wind.

2013-10-21 10:41:12.0

A FREEMAN (NEWSWATCHER)

So what happens if you sign a lease, and in the middle of the lease, they start using one of these submetering companies? That should be addressed in the law, also.

2013-10-21 21:03:42.0

OHIO GIRL (OHUGIRL13)

I am urging every person impacted by this situation to contact the Better Business Bureau, Attorney General, Senators and House Reps about this issue. It is very real and has created and continues to create hardship for good citizens who deserve to be assessed reasonable costs for basic needs like heat and water. It is important to note that the
communities that use submetering practices also charge very substantial rent to residents. In contrast to the article written, NEP does NOT offer reasonable payment plans for large bills-unless you count $500 a month as 'reasonable.'

Impact Change...Take Action!

2013-10-21 23:38:47.0
Shocking cost investigation: Lawmakers call for action on electricity markups

Rules protecting utility customers do not apply to thousands of apartment residents in Ohio, and that's a problem that should be fixed, according to a wide range of elected officials and regulators.

Over the past two days, a Dispatch investigation showed how some “submeter” companies use a lack of regulation to make a profit on the resale of electricity to apartment and condominium residents. The companies charge premiums that are 5 to 40 percent higher than regulated prices, often with little disclosure.

Submetering markups are legal in this state — although not in many others — but most state officials contacted were not aware of it.

They said the General Assembly should investigate.

“I didn’t know this problem existed,” said Sen. Bill Seitz, R-Cincinnati, chairman of the Ohio Senate Public Utilities Committee. “This bears some degree of looking into and some degree of regulation.”

Ohio Attorney General Mike DeWine, who also learned of this issue from the newspaper report, said he would welcome action by the legislature to investigate and potentially regulate these practices.

“Really, the regulations that are in place for most consumers are not in place for a certain minority of consumers that fall into this category, and that’s really no fault of their own. It’s just by chance of where they live,” he said.

He thinks the use of evictions by submeter companies also should be part of the discussion. One of the companies, American Power & Light, goes to court to evict some tenants who fall behind on their utility bills, a practice that consumer advocates say is unconscionable.

Rep. Mike Foley, D-Cleveland, was the only legislator interviewed who was familiar with submetering in Ohio. He is former executive director of a tenants-rights group in his city and has sponsored several bills that deal with water submetering.

“It’s something that isn’t too hard to fix,” he said.

What might be difficult, he said, is raising awareness and concern about rental-housing issues among his colleagues. Such issues don’t come up often at the Statehouse.

“It’s not something that people have a high knowledge base on,” he said.
That isn’t the case elsewhere.

In 29 states, officials have addressed submetering, making illegal at least some aspects of the practices employed by submetering companies doing business in Ohio.

For example, George Jepsen, the Connecticut attorney general, helped to arrange refunds for tenants in his state. “Submetering of electricity is restricted by state law because it does not afford consumers the same protections the law provides for utility customers,” he said in a statement in June.

Ohio lawmakers seeking a model to emulate could look to Texas, a state whose electricity market is structured much like Ohio’s. Texas is different because the state offers additional protections for apartment residents.

In Texas, a submeter company must pass through its cost of electricity to tenants. So, if the company uses its bulk buying power to get a big discount, the customers must receive all of the benefit. To verify that this is happening, the landlord must disclose the wholesale electricity cost to tenants. Submeter companies there make their money from service fees, which the law caps at 10 percent of the electricity bill.

Unlike Ohio, in which no agency regulates submeter companies, the Texas utility commission will investigate complaints. Since 2002, the agency in Texas had received 583 complaints about submetering, according to records provided in response to a request from The Dispatch.

That works out to about 50 per year, not a huge number to investigate, said Carol Biedrzycki, executive director of Texas Ratepayers Organization to Save Energy, an advocacy group.

"On this narrow issue, I would say this is a good rule and it’s been well-enforced," she said.

Concern about workload was one of the reasons that Ohio regulators at one point decided not to get involved in regulating submeter companies.

In 1992, the PUCO ruled that it would not intervene in a dispute between a landlord and tenant over water submetering in a mobile-home park. That 4-1 ruling has served as a precedent when similar issues have come up.

The dissenting vote was from Ashley Brown, who now works for an energy research group at Harvard’s Kennedy School of Government. He is not surprised to learn that some companies have built businesses on the idea of unregulated utility markups.

“IT’s an abusive monopoly power,” he said. “These guys are providing nothing but gouging people.”

Neither the PUCO nor the General Assembly has revisited the issue in a substantial way since then. This is despite major changes in the state’s electricity market that stem from the 1999 decision to let consumers choose their electricity provider.

The 1999 law is what allows landlords and submeter companies to shop for the best deal, and it has no requirement that residents receive any of the savings. So a system designed to provide options and savings has instead led to monopolies and high prices for a subset of consumers.

This outcome was not the intention of the lawmakers who wrote the 1999 law, said Priscilla Mead, an Upper Arlington Republican and former legislator who co-sponsored the measure.

“There’s a void in the law. That’s all there is to it,” she said.

She thinks the remedy is clear.

“IT’s up to the legislature to step in and do something about it,” she said.

If lawmakers want to look at the issue, the Office of the Ohio Consumers’ Counsel wants to be part of the discussion, said spokesman Marty Berkowitz. His agency is the state’s consumer advocate on utility issues.

“(W)e are troubled by what we’ve read in the Dispatch articles,” he said. “We are assessing options for protecting these customers who lack the usual state oversight for their utility services.”

The Ohio Poverty Law Center, an advocate for low-income consumers, also would like to be at the table.

“There should be some reasonable regulations about what kind of charges are reasonable as far as administrative costs and commodity costs,” said Joe Maskovyak, an attorney for the group.
For now, though, the best way to change the system is for renters to contact their legislators and ask for new rules, said Foley, the Cleveland lawmaker.

"Part of this is organizing within your own building," he said.

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