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# Recover Utility Costs by Sub-Metering

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**A**re you continuously raising your rents to keep up with increasing utility costs? Are your tenants not conserving energy? Do leaky fixtures go unreported? Do your tenants complain about paying more than "their fair share" of the utility bills?

These problems often arise when rental properties have utility meters that service the whole property rather than individual meters for each tenant. Perhaps the utility has installed an electric meter for each tenant but only installed one gas meter for the whole building. Tenants, because they aren't paying directly for the gas they consume, are likely trying to heat their apartment with their gas fireplace instead of turning on their electric heat. This ends up just costing everyone more.

Accurately allocating utility usage is a common problem for many landlords and property managers. The State of Washington allows you to meter your tenants individually and then charge them for the actual amount they've used? This process is called sub-metering. You still pay your normal utility bills from the main utility meters as you always have been but now you get to recover that cost by billing your tenants for their usage as measured on their new individual meters.

There are three main utilities that are generally considered for sub-metering: water, gas, and electric. Here is how it works:

**Water:** The water utility, and often the sewer usage too if the sewer charge is based on water consumption, can be sub-metered. This is accomplished by installing a water meter for

each unit. The best case is where a plumber has access to a single water line going into a tenant unit that services all hot and cold water fixtures. In this case you may purchase a water meter, often times under \$100, and have them install it in-line with the feeding water pipe. It is ok if the meter isn't easily accessible for reading. There are options for remotely reading the meter. In many older buildings, however, the water pipes into each tenant unit may not have a single point of access. In this case we suggest installing a meter at each tenant's hot water tank. Though this doesn't capture all the water used by the tenant, the landlord will use the percentage of hot water used by this tenant compared to the other tenants as a way to allocate the water bill accordingly.

**Gas:** Small gas sub-meters are available for under \$200. With remote reading options you may install these meters in tight places inside the tenant's unit. No venting is required. Building contractors can typically save building costs by distributing the meters throughout the property and installing a remote sub-metering solution rather than locating the meters all in one location. This cuts down on expensive piping costs back and forth to each tenant's unit.

**Electricity:** Small electric sub-meters are available that attach to existing electrical panels or individual circuits. Cost per meter is around \$300. Usually no changes are needed to your existing wiring. So typically this means no permit is required!

You have the option of simply reading the meters directly yourself and then send your tenant a bill based on their usage. For meters that are not in one location or hard to access you can get options to connect up with remote displays which can then be located in an accessible location for your reading. Your

meters may also be connected, via wires or wirelessly, to a sub-metering solution that allows you or a 3rd party billing service to access your property remotely to do the meter reading and billing from a local PC.

When billing your tenants for their individual utility usage you are not allowed to make a profit. You may only charge them at the same rate at which you were charged. You may, however, be able to charge them a small billing fee. Within the City of Seattle, for example, you may charge an additional \$2 per utility per billing period not to exceed \$5 if multiple utilities are billed.

If this process seems too much of a hassle, too complicated, or you just don't want to deal with it but still want to do sub-metering, there are companies that will provide you the complete solution, from installation to billing.

I hope I have given you some ideas of how you might be able to charge your tenants for the utilities they use thus saving you money and promoting conservation.

*This article contains general information and the author makes no claims to the accuracy of the information provided in this article. It is data and understanding that has been gathered about sub-metering over the years.*

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