

Utility Allowances

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1 Chapter Overview

To correctly calculate the Housing Assistance Payment (HAP), the PHA first calculates the gross rent for the family’s unit. The gross rent is the sum of the rent to owner plus an allowance for tenant-paid utilities, called the utility allowance. The PHA uses a utility allowance in the calculation of the gross rent if the family is required to pay utilities or supply the unit’s range/microwave or refrigerator.

This chapter provides guidance to the PHAs on calculating utility allowances as well as establishing, reviewing and revising utility allowance schedules.

2 Utility Allowances Overview

The Form HUD-52517, Request for Tenancy Approval (RFTA), submitted by the owner and the prospective tenant tells the PHA which utilities the tenant will pay for and which utilities are included in the rent. The RFTA also tells the PHA whether the family or the owner is providing the stove and refrigerator. The owner must¹ then incorporate these provisions into the lease. The PHA's inspector will also confirm the fuel types used for heating, water heating and cooking.

After ensuring that there is no conflict in utility/appliance responsibility and fuel types between the RFTA, the lease, and the Inspection Report, the PHA incorporates the provisions into Part A of the HAP contract. The HAP contract is the binding document between the owner and the PHA.

Any time a change is made in the responsibility for payment of utility expenses or provision of the stove or refrigerator, the owner and the tenant must² report the change to the PHA. Any such change requires³ a new lease and HAP Contract as well as an adjustment in the family's utility allowance.

A PHA is responsible for establishing and maintaining a utility allowance schedule that provides reasonable allowances for tenant-paid utilities. The utility allowance is intended to enable participating families to pay typical costs for utilities and services paid by energy-conserving households occupying units of similar size and type in the same locality. Any additional utility costs incurred by the family are not the responsibility of the PHA.

Payment of bills for tenant-paid utilities is the responsibility of the family, and any interruption or termination of utility services because of the family's failure to pay is considered a breach of the family's obligations under the HCV program. Likewise, failure to provide a working stove or refrigerator when responsible to do so is also a breach of the family's obligations⁴. PHA's policies regarding the termination of assistance to families who cause their unit to be in violation of HQS because of failure to pay for necessary utilities or services or failure to provide required appliances are detailed in the PHA Administrative Plan.

3 Utility Allowance Schedule

A PHA must⁵ to establish and maintain a utility allowance schedule for tenant-paid utilities, tenant-supplied refrigerators and ranges, and other tenant-paid housing services (such as trash collection). The utility allowance schedule must⁶ include the utilities and services necessary to provide housing that complies with HQS. In areas where most housing units provide central air conditioning or wiring for tenant-installed air conditioners, the utility allowance schedule must⁷ provide an allowance for tenant-paid air conditioning costs. The utility allowance schedule must not⁸ include allowances for personal expenses, such as telephone,

¹ Form HUD-52641, Page 5, Part B Section 5 c.

² 24 CFR § 982.308(g)(1)

³ 24 CFR § 982.308(g)(2)(i)

⁴ Form HUD-52646

⁵ 24 CFR 982.571(a)

⁶ 24 CFR § 982.517(b)(2)(i)

⁷ 24 CFR § 982.517 (b)(2)(ii)

⁸ 24 CFR 982.571(a)

cable/satellite TV, or wireless internet. The PHA must⁹ classify utilities and other housing services in the following general categories:

- Space heating;
- Cooking;
- Other electric;
- Air conditioning;
- Water heating;
- Water;
- Sewer;
- Trash collection;
- Tenant-provided range /microwave;
- Tenant-provided refrigerator; and
- Other specified housing services.

The cost of each utility and housing service category must¹⁰ be stated separately. For each category, the schedule must¹¹ take into consideration the type and size of the unit, and the energy source.

- Unit Types. PHAs must¹² have utility allowances for common structure types in their jurisdiction, e.g. garden/low-rise apartments, high-rise apartments, row houses or town houses, single family detached units, duplexes, and manufactured homes. Utility usage often depends on the unit's number of shared walls.
- Unit Sizes. Are classified by number of bedrooms. When calculating the utility allowance for a family, the PHA must¹³ use the lower of the unit size leased or the family's voucher size determined under the PHA's subsidy standards.
- Fuel Type. Refers to the type of fuel used. When establishing utility allowances for space heating, cooking, and water heating, PHA utility allowance schedule's often include allowances for each type of utility or fuel commonly used in the community. Fuel types include natural gas, bottle gas, oil/electric, and coal/other.

If the utility or fuel is available from more than one supplier, the PHA can determine an average cost across all suppliers, or can use different allowances for utilities or fuels purchased from different suppliers. The PHA's initial and revised utility allowance schedule must¹⁴ be submitted to HUD. The PHA must¹⁵ do so by submitting the utility allowance schedule directly to their local HUD field office on Form HUD-52667, *Allowances for Tenant Furnished Utilities and Other Services*.

⁹ 24 CFR § 982.517(b)(2)(ii)

¹⁰ 24 CFR § 982.517(b)(3)

¹¹ 24 CFR § 982.517(b)(3)

¹² 24 CFR § 982.517(b)(3)

¹³ 24 CFR § 982.517(d)(1)

¹⁴ 24 CFR § 982.517(a)(2)

¹⁵ 24 CFR § 982.517(b)(4)

The PHA must¹⁶ maintain supporting documentation used in determining both the initial allowances and any revisions. Such documentation might include the consumption estimates that are the basis of the dollar allowances, letters or rate schedules from local utility companies, as well as worksheets used to develop the schedule.

If directed by HUD, the PHA must¹⁷ revise the utility allowance schedule to correct any errors, or as necessary to update the schedule to reflect changes in utility costs.

3.1 Establishing a Utility Allowance Schedule

In developing the schedule, the PHA must¹⁸ use normal patterns of consumption for the community as a whole and current utility rates. The objective is to establish allowances based on actual rates and average consumption estimates, which allows most participating families an allowance that is adequate to cover expected average utility costs over a twelve-month period. Similar to the “budget plans” available through many local utility companies, the allowances are based on an estimated full year of usage divided equally over 12 months, although the family’s actual usage may fluctuate from month to month. Information regarding typical utility usage and the cost of utilities and services is generally available through the following local sources:

- Electric utility suppliers;
- Natural gas utility suppliers;
- Water and sewer suppliers;
- Fuel oil and bottled gas suppliers;
- Public utility commissions;
- Real estate and property management firms;
- State and local agencies;
- Appliance sales and leasing firms; and
- Neighboring PHAs.

3.1.1 Average Consumption Data

The consumption figures must¹⁹ be adjusted for the size of the dwelling unit. The allowances for units in the PHA’s locality may need to be adjusted to reflect the higher or lower cost of utilities resulting from variations in typical outdoor temperatures and/or the temperature of the local water supply.

The average number of heating or cooling degree days for the locality (the sum of the number of days that the indoor temperature must be raised/lowered from the outdoor temperature level to maintain a comfortable temperature on each day for which heating or cooling is required) is generally available from the National Weather Service or other local sources. Data on the average local “degree days” may provide a basis for making local adjustments to these average consumption figures.

¹⁶ 24 CFR § 982.517(c)(1)

¹⁷ 24 CFR § 982.517(c)(2)

¹⁸ 24 CFR § 982.517(b)

¹⁹ 24 CFR § 982.517(b)(3)

3.1.2 Allowance by Unit Size

An industry best practice is to obtain consumption data for each unit size and type. If consumption data is available only for an average unit size (2 ½ bedrooms), the utility costs can be multiplied by the following factors to determine the costs for a specific unit size. Example 1 shows how this calculation can be applied:

Example 1: Adjustment Factors by Unit Size

| Unit Bedroom Size | Adjustment Factor (times 2 ½ bedroom monthly consumption figure) |
|-------------------|--|
| 0 | 0.5 |
| 1 | 0.7 |
| 2 | 0.9 |
| 3 | 1.1 |
| 4 | 1.4 |
| 5 | 1.6 |

Example: The natural gas heating cost for an average sized unit is \$18 per month.
The allowance for a four-bedroom unit will be:
 $1.4 \times \$18 = \25 (rounded to the nearest dollar)

3.1.3 HUD Utility Schedule Model

The HUD Utility Schedule Model (HUSM) was developed by HUD to enable the PHAs to calculate utility schedules by housing type after entering locality and utility rate information. PHAs can use this model to compare the allowances that were determined using actual utility rates or average consumption measurements. PHAs can download HUSM and instructions on how to use this model by going to the following website: <http://www.huduser.org/portal/resources/utilallowance.html>. Example 2 shows sample calculations for estimating utility expenses from average consumption data.

Example 2: Estimating Utility Expense from Average Consumption Data

In this example, the average consumption data for domestic hot water is 340 KWH. The schedule rate \$.0552362 per KWH, the average monthly utility allowance for domestic hot water. The sample calculations by bedroom size would be as follows:

| | |
|---------------|-----------------------------|
| 2 1/2 bedroom | 340 KWH X \$.0552362 = \$19 |
| 0 bedroom | \$19 X .5 = \$10 |
| 5 bedroom | \$19 X 1.6 = \$30 |

3.1.4 Utility Rate Schedules

The cost of gas and electricity varies according to the amounts consumed, as shown on the utility suppliers' rate schedules. For this reason, it may not be possible to accurately calculate the cost for a utility in any one-service category until the usage of that utility for all service categories is known.

For example, a unit with electric heating may qualify for a lower “All-Electric” rate if electricity is also used for cooking, lighting, refrigeration, and domestic hot water. Rates for gas usage may decline with the volume of gas used, resulting in a lower cost for gas used for heating, cooking, and domestic hot water than for each use considered separately.

For convenience in calculating the utility allowances for any combination of utilities, it is recommended that the PHA use the higher rates. Allowances for electric cooking, water heating, and space heating should be calculated using the lower rates at the middle or bottom of the company’s rate schedule.

3.1.5 Ranges and Refrigerators

If rental units in the PHA’s jurisdiction are typically leased without owner-provided ranges and/or refrigerators, an allowance must²⁰ be made for the cost to the family of providing its own.

3.1.6 Other Utilities and Services

The utility allowance schedule must²¹ also provide allowances for all other utilities and services for which, in the PHA’s locality, the tenant is typically responsible, and which are required for compliance with HQS. For example, if firewood used as a primary heating fuel, or the required annual flushing of a septic tank in an area without public sewers, these would be included on the utility allowance schedule.

4 Using the Utility Allowance Schedule

HUD encourages PHAs to provide a utility allowance schedule to families. The schedule can help the family calculate the estimated cost for tenant-paid utilities, and compare gross rents for various units with local payment standards and personal affordability limits.

When a family has located a unit and submitted a request for tenancy approval (form HUD-52517) the PHA can calculate the actual utility allowance for the family.

As illustrated in the example 3 on the following page, section 11 of the *Request for Tenancy Approval* indicates tenant-paid utilities and the utilities the owner will cover. Using the information from the *Request for Tenancy Approval* and the utility allowance schedule the PHA can compute the appropriate utility allowance.

²⁰ 24 CFR § 982.517(a) and 982.517(b)(2)(ii)

²¹ 24 CFR 982.517

Example 3: Section 11 of Request for Tenancy Approval

11. Utilities and Appliances
The owner shall provide or pay for the utilities and appliances indicated below by an "O". The tenant shall provide or pay for the utilities and appliances indicated below by a "T". Unless otherwise specified below, the owner shall pay for all utilities and appliances provided by the owner.

| Item | Specify fuel type | Provided by | Paid by |
|------------------|--|-------------|---------|
| Heating | <input type="checkbox"/> Natural gas <input type="checkbox"/> Bottle gas <input type="checkbox"/> Oil <input type="checkbox"/> Electric <input type="checkbox"/> Coal or Other | | |
| Cooking | <input type="checkbox"/> Natural gas <input type="checkbox"/> Bottle gas <input type="checkbox"/> Oil <input type="checkbox"/> Electric <input type="checkbox"/> Coal or Other | | |
| Water Heating | <input type="checkbox"/> Natural gas <input type="checkbox"/> Bottle gas <input type="checkbox"/> Oil <input type="checkbox"/> Electric <input type="checkbox"/> Coal or Other | | |
| Other Electric | | | |
| Water | | | |
| Sewer | | | |
| Trash Collection | | | |
| Air Conditioning | | | |
| Refrigerator | | | |
| Range/Microwave | | | |
| Other (specify) | | | |

Because the allowances for utilities and services are subject to change over time, regulations require the utility allowance must²² be recalculated at reexamination. Whether this takes place at the first interim reexamination after the PHA revises its utility allowance schedule or at the first regular (annual) reexamination after the utility allowance schedule revision depends upon PHA policy. Industry practice is to apply the new, revised utility allowance schedule at the family’s annual reexamination.

5 Higher Utility Allowance as a Reasonable Accommodation

A PHA must²³ approve a utility allowance amount higher than the applicable amount on its utility allowance schedule if a higher allowance is needed as a reasonable accommodation to make the program accessible to, and usable by, a family member with a disability. The family may request the higher allowance and should provide the PHA with information to determine the amount of additional allowance required.

For example, if the PHA determined that a family member had a disability that required such accommodation, the PHA would be required to approve a family’s request for an allowance for air conditioning in a locality

²² 24 CFR § 982.517(c)(2)

²³ 24 CFR § 982.517(e)

where most rental units do not have air conditioning. For additional information on the requirement to make reasonable accommodations, please refer to 24 CFR part 100, 24 CFR part 8, and 28 CFR part 35.

6 Reviewing and Revising Utility Allowances

A PHA must²⁴ review its utility allowance schedule annually, and must²⁵ revise its allowance for a utility category if there has been a change of 10 percent or more in the utility rates or fuel costs since the last revision of the schedule. To conduct a utility allowance review, the PHA may obtain new rate schedules or quotes from utility and fuel suppliers. These new rates can be compared with the rates previously used to calculate the last revision to the utility allowance schedule to then determine whether an adjustment is needed.

When a utility allowance adjustment is required, it may be calculated in the same way as the original allowance. Revising the previously used consumption figures might not be necessary, as there is generally very little variation in these figures over time. The new rates should be applied to the consumption figures for the locality to calculate the revised new utility allowances.

7 Glossary

- **Housing Quality Standards (HQS)** is the HUD minimum quality standards for housing assisted under the tenant-based programs.
- **Utility Allowance** is provided to a tenant if the cost of utilities (except telephone) and other housing services for an assisted unit is not included in the tenant rent but is the responsibility of the family occupying the unit, an amount equal to the estimate made or approved by a PHA or HUD of the monthly cost of a reasonable consumption of such utilities and other services for the unit by an energy-conservative household of modest circumstances consistent with the requirements of a safe, sanitary, and healthful living environment.
- **Utility Reimbursement** is the amount, if any, by which the utility allowance for a unit, if applicable, exceeds the total tenant payment for the family occupying the unit.

²⁴ 24 CFR § 982.517(c)(1)

²⁵ 24 CFR § 982.517(c)(1)