**Procedure for Establishing and Adjusting Utility Allowances**

**General**

Since the public housing program was first enacted in 1937 rent has included utilities. Consequently, when tenants pay any utilities directly to the utility supplier, HUD requires PHAs and other owners to grant utility allowances to those tenants to prevent such tenants from effectively paying a higher proportion of their income in rent than tenants in all-bills-paid properties.

**Establishing Utility Allowances**

1. The amount of utility allowance[[1]](#footnote-1) established for each size and type of unit is to “approximate a reasonable consumption of utilities by an energy-conservative household of modest circumstances consistent with the requirements of a safe, sanitary, and healthful living environment”. **(24 CFR §965.505).**
   1. In public housing properties the utility consumption taken into consideration should include use all the PHA-supplied appliances (range and refrigerator) and equipment (furnace, water heater) but not air conditioning in units where the windows open and screens are provided. In public housing properties where windows do not open (some senior high-rise buildings) the PHA may include consumption of air conditioning in the utility allowance (**24 CFR §965.505(e))**
   2. In project-based voucher properties utility allowances are permitted to include consumption of air conditioning.
2. The above standards **does not mean** that PHAs must adjust their utility allowances regularly as their residents’ utility usage changes. Rather, adjustments in utility allowances should reflect only 2 things
3. Changes made by the PHA in the design, condition or equipment in units (that would typically increase energy-efficiency and reduce usage); and
4. Changes in utility rates. An increase or decrease in utility rates by 10 percent or more requires the PHA to adjust the utility allowance accordingly.
5. PHAs are directed to establish separate monthly utility allowances for each utility (electricity, gas/propane/fuel oil, water/wastewater, trash collection) and each category/size of dwelling units with comparable utility usage. (**24 CFR §965.503 and 24 CFR §965.504)**
6. The amount of utility allowance granted to families who pay utilities directly to the utility supplier will depend on several factors
7. The equipment and functions to be covered by the utility allowance

1. The climatic location of the housing
2. The size of the units and number of people living in of units (a two-bedroom unit in a Senior building will usually be occupied by only two people, but in a family property a two-bedroom unit might very well house four family members)
3. The type of construction and design of the project: A first floor one-bedroom apartment in a four-story building would receive a lower utility allowance than a single family one-bedroom house.
4. The energy efficiency of PHA-provided appliances and equipment. If all a property’s appliances are “energy-star” rated the utility allowance would be lower than at a property with old inefficient ranges and refrigerators.
5. The physical condition of the property: Properties that are old and have not been well maintained usually experience significantly greater heat loss in winter and cooling loss in summer due to infiltration than those where caulking and weather-stripping are regularly addressed.
6. The temperature setting of domestic hot water: There is a sweet spot for hot water setting – too high and there is a risk of scalding, too low and people use more of it.

**Reviewing and Revising Utility Allowances**

1. PHAs are required to review their utility allowances annually and make changes in the allowances to reflect changes in the units themselves due to modernization or energy performance contracting (or any other change to the units that would affect energy usage) as well as rate changes.
2. A PHA that has had a qualified consultant/engineer prepare the HUD-required five-year energy audit should have been provided with unit consumption figures for each size and type of unit.
3. Once the PHA has these consumption figures it is not necessary to hire a consultant every year to update utility allowances unless modernization or installation of new appliances/equipment could affect utility consumption.
4. If no changes in the units have been made that would affect consumption PHA staff should be able to adjust the utility allowances for rate changes.
5. If utility rates change by more than 10 percent between utility allowance reviews, the PHA must implement the change as quickly as possible.
6. When PHAs change utility allowances they must make the proposed allowances available to all tenants at least 60 days before the effective date of the change and make the documents upon which the changes were based available for tenant review and comment.
7. Utility allowances are not subject to HUD approval and are “final and valid unless they are determined to be arbitrary, capricious, an abuse of discretion or otherwise not in accordance with law”. (**24 CFR §965.502)**

**Reasonable Accommodation in Utility Allowances**

Residents whose families include individuals with disabilities who use equipment or apparatus that requires electric power (an electric scooter, an oxygen generator, auxiliary air conditioning, etc.) are entitled to increased utility allowances to permit them to use the equipment or apparatus deemed necessary by a qualified medical practitioner. Such residents should request these reasonable accommodations through PHA’s 504/ADA Coordinator.

1. Measured in kilowatt hours for electricity, thousand cubic feet of natural gas or propane, and gallons of water. [↑](#footnote-ref-1)