10.7 Relationship Between Rents and Utility Allowances

Utility allowances are provided to families paying income-based or ceiling rents when the cost of utilities is not included in the rent. Utility Allowances should not be confused with excess utility charges.

- Utilities include gas, electricity, fuel for heating, water, sewerage and solid waste disposal for an assisted unit. In addition, if the PHA does not furnish a range and refrigerator, the resident must be granted a utility allowance for the range and refrigerator they provide.
- Telephone and cable television are not considered utilities.
- The amount of the utility allowance is equal to the estimate of the monthly cost of the reasonable consumption of utilities and other services for the unit by an energy-conservative household of modest circumstances.
- Utility allowance amounts will vary by the rates in effect, size and type of unit (single family, duplex, row, town home), climatic location and sitting of the unit, type of construction, energy efficiency of the dwelling unit, and other factors related to the physical condition of the unit. Utility allowance amounts will also vary by residential demographic characteristics affecting home energy usage.
- The allowance amount must be sufficient to maintain the requirements of a safe, sanitary and healthful living environment. Existing technical standards (i.e., local building codes) should be used where available in determining what is necessary to provide for safe, sanitary and healthful living.

10.8 Utility Reimbursement

The amount, if any, by which the utility allowance for a unit exceeds the total tenant payment for the family occupying the unit must be provided as a utility reimbursement, either directly to the family or to the utility supplier on the family's behalf each month (This definition is not used in the Housing Choice Voucher Program, or for a public housing family that is paying a flat rent.)

Example 1: No Reimbursement	Example 2: Utility Reimbursement
Total Tenant Payment = $120	Total Tenant Payment = $ 120
Minus Utility Allowance = $ 75	Minus Utility Allowance = $ 130
Rent paid to the PHA = $ 45	Utility Reimbursement = $ 10

14.3 Utility Allowances

The PHA must establish fair and reasonable utility allowances for individually metered utilities. The objective in establishing an allowance is to estimate as closely as possible a reasonable consumption of utilities by an energy-conscious household. In making the determination of what consumption is to be attributed to an energy conscious household, a PHA should distinguish between necessary appliances and luxury appliances. A PHA must be mindful of additional utility use by individuals with disabilities due to the need and use medical equipment or other needs. This distinction should reflect local usage and custom patterns. The utility allowance is generally determined by or in consultation with the supplier of utilities following an energy audit.

In check-metered developments, where utility allowances are based on usage, the PHA will generally read the meters on a quarterly or monthly basis. This meter reading helps overcome any single month's fluctuations in usage. The resident is then charged for any use above the allowance at the rate paid by the PHA.

In developments with retail service between the resident and the utility company, the utility allowance is a cash allowance. The PHA may either establish a flat, monthly allowance by unit size and type (which works effectively if residents are on a budget billing system with the utility company) or can adjust the utility allowances seasonally.

If residents use more utilities than the amount covered by the allowance, the resident must pay the higher amount. On the other hand, if residents use less than the allowance, they receive the benefit of their conservation.

PHAs are required to review their schedule of utility allowances annually, revise them if needed, as discussed below, and make them available for inspection by the residents. According to the regulations in 24 CFR § 965.502, no later than 60 days before the proposed effective date of the revision, the PHA must inform the residents of the planned allowances, surcharges and revisions. Residents must be provided with an opportunity to make comments during a period no longer than 30 days before the proposed effective date of the revised schedule. The schedule of allowances or surcharges is not subject to HUD approval before becoming effective by the PHA.

PHAs are required to revise their schedule of allowances before the end of the year if there is a change in the utility rate of 10 percent or more from the rate on which the allowance was based. A PHA would then be required to readjust the resident payment retroactive to the first day of the month following the month in which the last rate change taken into account became effective. Changes in costs passed through an automatic adjustment clause (such as, for example, a fuel adjustment clause, a purchase gas adjustment clause, or a gas recovery clause) shall be considered a "rate change" for this procedure. This type of rate change is not subject to the 60-day notice requirement (24 CFR § 965.507(b)).

This requirement applies to non-tariffed home energy sources as well as to tariffed utility costs. If at the end of the current winter heating season (October 1 through April 30 of each year), the average price of a non-tariffed fuel has increased by 10 percent or more, relative to the price of the same fuel for the winter heating season in or immediately preceding the date on which the resident payment became effective, the PHA shall readjust the resident payment retroactive to the month following the month in which the last rate change taken into account became effective.