



City of Seattle
 Seattle City Council

MEMORANDUM

Date: May 31, 2011

To: Monica Martinez Simmons, City Clerk

HARD COPY: City Hall, Third Floor, Main Reception

ELECTRONIC COPY: clerkfiling@seattle.gov

From: Susana Serna, Council Central Staff
 (Sahar Fathi, Staff Analyst)

Re: Request to Create Clerk File –
 Response to 2011- 2012 Council Statement of Legislative Intent

Title of Clerk File: Seattle City Light’s (SCL) Response to 2011 – 2012 Statement of Legislative Intent (SLI) No. 20-1-A-1: Evaluate options for minimizing burden of City Light bills on extremely low-income customers.

Please cross-reference: Resolution No. 31269 (2011-2012 SLI Adoption Resolution)
 Ordinance No. 123442 (2011-2012 Budget Adoption Ordinance)
 Clerk File No. 311072
 (City Council Changes to the 2011-2012 Proposed Budget and the 2011-2016 Proposed Capital Improvement Program)

Please create a Clerk File for the SCL response, and related documents to 2011-2012 Council SLI No. 20-1-A-1.

I am attaching hard and electronic copies of all materials related to this SLI.

Clerk File Table of Contents:

Item	Title	File Name
1	SLI 20-1-A-1 SCL Memo Response Extremely Low Income.	SLI 20-1-A-1 Response Memo.pdf
2	2011-2012 Statement of Legislative Intent 20-1-A-1.	SLI 20-1-A-1.pdf



DATE: May 31, 2011

TO: Seattle City Council Energy, Technology & Civil Rights Committee Members:
Councilmember Bruce Harrell, Chair; Council President Richard Conlin, Vice
Chair, Councilmember Nick Licata and Councilmember Mike O'Brien, members

FROM: Jorge Carrasco, Seattle City Light

COPY: Ethan Raup, MO
Beth Goldberg, CBO
Cameron Keyes, CBO
Calvin Chow, CBO
Tony Kilduff, Council Staff

SUBJECT: Response to **SLI 20-1-A-1** "Evaluate options for minimizing burden of City Light bills on extremely low-income customers"

Executive Summary

City Council Statement of Legislative Intent (SLI) 20-1-A-1 passed by the Council in November 2010 asks City Light to make recommendations by June 1, 2011, about what might be done to reduce the burden of City Light bills on a small subset of extremely low-income customers in Seattle Housing Authority (SHA) subsidized housing. There are currently about 750 customers of City Light in SHA housing whose incomes are so low that they qualify for the minimum rent available. However, because they receive this minimum rent, they are then ineligible for the federal subsidy for utilities available to other residents of SHA.

Although the original SLI only referenced SHA renters, City Light found that an identical situation exists in King County Housing Authority (KCHA) affecting another 150 renters.

This study covers the major issues covered by the SLI:

1. Cost to other ratepayers of providing some rate relief to this group;
2. Threshold for enrollment;
3. Conservation incentives; and
4. Other options including challenges posed by federal subsidized housing regulations.

City Light's recommendation is to extend standard low-income rates to the estimated 900 customers, along with applicable one-time emergency assistance as appropriate and targeted conservation education. This alternative would cost other ratepayers about \$282,000/year, or about \$0.38 per year for a typical Seattle City Light residential ratepayer.

1.0 Existing City Light Low-Income Assistance Programs

City Light offers a rate discount for low-income, senior, and disabled customers, as well as three emergency assistance programs for customers who fall behind in their bill payments. All City

Light low-income assistance programs are administered by The City of Seattle's Human Services Department (HSD).

Customers who qualify for City Light rate assistance rates receive a 60% discount on their bills. To qualify for rate assistance, applicants must be identified as low income, 65 or older, or disabled. The low income guidelines vary with the number of people in the household, but are generally based on 70% of State median income. In addition, the applicant's name must be on the residential Seattle City Light bill and they cannot be a resident of federally subsidized housing. (This final exclusion is discussed in more detail in the following section.)

There are three sources of emergency bill assistance available to customers, and a customer is eligible for assistance from each program only once in each 12-month period. Most residents of subsidized housing are eligible for City Light emergency assistance. City Light's three programs are:

a) Emergency Assistance Program (EAP): a federally funded program to assist with winter heating and fuel expenses for eligible customers. The amount of the assistance ranges from a minimum of \$25 to a maximum of \$1000.

b) Emergency Low-Income Assistance (ELIA) program: provides an emergency credit of 50% of a customer's delinquent bills up to a maximum credit of \$200.

c) Project Share: assists customers with delinquent bills who have received a 24-hour shut-off notice, up to \$500. Project Share is funded by public donations.

2.0 Subsidized Public Housing Exclusion

SHA and KCHA provide long-term rental housing and rental assistance to more than 8,000 people in City Light's service territory. Renters in federally subsidized public housing, even if they are low-income, are not eligible for City Light low-income rates because they receive a federal subsidy for their utilities. Both SHA and KCHA set rents so that the rent plus estimated utilities is no more than 30% of the renter's income. If utilities go up the rent goes down to maintain the 30% target. Similarly, if the utilities go down the rent goes up to maintain the 30% target. For this reason, the City previously determined that it would not allow renters to avail of the low-income rates for utilities because it would simply result in an equal increase in the rent paid.

For most residents, the arrangement described above supplies sufficient assistance. However, SHA and KCHA have identified about 900 extremely low-income individuals who qualify for minimum rent (currently \$50 per month for SHA and \$25 per month for KCHA). For these individuals, rent is already at its minimum, so they do not receive any subsidy from the authorities for their City Light bills. (All customers in subsidized housing receive a subsidy for their SPU bills because these are paid directly by the authorities to SPU, whereas the renters are responsible for paying their electricity bills to City Light themselves.)

As a result, SHA and KCHA's lowest income renters are responsible for paying their City Light bills, at full residential rates, with no assistance.

3.0 Rate Options and Cost to City Light Ratepayers

City Light has developed three potential alternatives for providing bill assistance to minimum rent public housing residents. The annual costs of the subsidies for this group of customers are based on an annual bill estimated using the 2011 rates for 900 eligible customers.

Rate Option 1: Allow Existing Level of Low-Income Rate Assistance

Expand or reinterpret eligibility requirements such that SHA/KCHA minimum rent residents may qualify for City Light's existing low-income discounted rate. Eligibility would be defined as customers residing in public subsidized housing and have a maximum annual gross income of \$15,000, or paying minimum rent as defined by the Department of Housing and Urban Development (HUD).

Residents would receive the 60% rate discount, making their average annual bill approximately \$207. The annual additional cost to City Light ratepayers would be \$282,000. For a typical City of Seattle residential customer who uses an average monthly consumption of 710 kWh per month, their bills would increase by \$0.38 per year, only pennies per month.

This alternative would be the simplest to implement and may not require new legislation. The City's prohibition on low-income rates in subsidized housing (SMC 21.49.040) says the rates "shall not apply to any subsidized unit operated by the Seattle Housing Authority, King County Housing Authority, or the Federal Government where utility allowances are provided."

The City has previously interpreted this as disallowing rate assistance for all subsidized housing customers. However, since SHA and KCHA minimum rent households do not receive a utility allowance for their electricity service, one could argue that they qualify for City Light low-income electric rates even under the existing code. Should this option be pursued, City Light would consult with the City Attorney's office for a legal opinion on this issue.

Rate Option 2: Create a New Rate Class with Higher (70% to 100%) Discount

Create a new rate that provides a discount larger than that of the existing low income rates. The table below summarizes the average bills that would result for extremely low income customers and the associated cost for ratepayers.

Rate Subsidy Options and Cost to Ratepayers

Option	2011 Average Annual Bill	Annual Subsidy To Customers	Bill Impact for Typical City Residential Customer*
100% Discount	\$0	\$467,658	\$0.63
90% Discount	\$52	\$420,804	\$0.56
80% Discount	\$104	\$374,175	\$0.50
70% Discount	\$156	\$327,402	\$0.44
60% Discount	\$207	\$281,646	\$0.38

* Average monthly consumption of 710 kWh.

This option would be most cleanly implemented if eligibility mirrored existing low income eligibility requirements (e.g. 30% of King County median income) and was not limited solely to subsidized housing residents. This new rate class would extend assistance to a larger pool of low income customers, but quantifying the cost impact of providing this subsidy is difficult. The cost would certainly be higher than the amounts shown above.

An issue with limiting a new low-income rate class to KCHA and SHA residents only is that the authorities do not operate in all City Light jurisdictions. Cost allocation principles suggest that the cost for subsidized customers should be borne by ratepayers in that jurisdiction only. In other words, since neither KCHA nor SHA operates in Burien, it would arguably not be appropriate to allocate subsidy costs for these non-Burien residents to Burien customers. Currently, all ratepayers contribute to the rate subsidy for low-income customers in aggregate. Therefore the cost allocation complexity makes creating a very narrowly defined rate class less attractive.

Option 3: No Change to Rates, Provide Subsidy via SHA and KCHA

Keep extremely low-income customers on the regular residential rate, and provide a subsidy through waivers or a lump sum grant to SHA/KCHA, and allowing the housing authority to administer bill assistance to minimum rent residents. Cost to ratepayers would be identical to the table above; a grant sufficient to provide a 100% subsidy would be an annual average cost of about \$468,000.

4.0 Conservation and Other Approaches to Saving Energy

Conservation can additionally help reduce low income customers' bills, and the City has several programs in place that encourage conservation. The Homewise program provides energy analysis, low interest loans, and grants to income-eligible households in the City. City Light might offer a class to educate low-income high-consumption households about ways they can reduce their use. In addition, Seattle Public Utilities offers free low-flow toilets, showerheads and faucet aerators for qualifying low-income households, which could help reduce energy costs as well. City Light notes that offering fully subsidized bills (Option 2) could create a disincentive to conserve, since customers would not see any economic benefit.

5.0 Administration Cost and Implementation Issues

The Human Services Department estimates that the administrative cost for enrolling 900 new rate assistance customers is \$2,500 to \$7,000, a minor incremental cost for City Light. If eligibility were expanded beyond the 900 households, incremental administrative costs for HSD would be larger.

City Light does not see any significant rates or billing implementation issues arising from any of the options presented in this paper. Depending on the option chosen, legislation may be required to alter eligibility requirements or create a new rate class. There would also be minor costs involved in establishing new billing codes in the Utility's Billing System—an estimate of this work has not been developed, but the cost would be small.

6.0 Recommendation and Conclusion

City Light recommends proposed Option 1 (allow extremely low income SHA and KCHA customers to receive existing low-income rates). It is the simplest alternative to implement, as well as one that would continue to encourage conservation. It is also an option that specifically meets the need identified in the Council SLI and keeps the burden on other ratepayers to a minimum.

As an alternative to Option 1, City Light would recommend Option 3 (subsidy via SHA and KCHA). This is even simpler to implement than Option 1 but may remove the price-induced conservation incentives for very low-income customers. The SLI responsiveness and rate burden effects are the same as Option 1.

Seattle's municipal utilities offer some of the most comprehensive and generous assistance programs in the United States. Allowing these customers to sign up for a discounted rate would provide significant assistance, and they would also still be eligible for help from City Light's existing bill payment assistance programs, potentially providing 100% assistance if needed.

2011 - 2012 Statement of Legislative Intent

Approved

Tab	Action	Option	Version
20	1	A	1

Budget Action Title: Evaluate options for minimizing burden of City Light bills on extremely low-income customers

Councilmembers: Burgess; Licata; O'Brien; Rasmussen

Staff Analyst: Sahar Fathi

Budget Committee Vote:

Date	Result	SB	BH	SC	TR	JG	NL	RC	TB	MO
11/10/2010	Pass 9-	Y	Y	Y	Y	Y	Y	Y	Y	Y

Statement of Legislative Intent:

Background: Most renters in Seattle Housing Authority (SHA) and Section 8 housing pay standard utility rates because the SHA or Section 8 housing provides an allowance that covers renters' utility bills and because the SHA is reimbursed for utility subsidies from the federal Department of Housing and Urban Development (HUD).

Previous Central staff analysis identified a small number of City Light customers living in subsidized SHA housing for whom City Light bills can still be a significant burden. For most residents, rent and utility costs are capped together to be no more than 30% of their income and thus there is no need to provide subsidized electricity rates. However, a small number of extremely low income residents have net qualified incomes of less than \$50 per month who pay SHA's minimum rent of \$50 per month and are also responsible for paying their City Light bills. For these customers the usual SHA mechanisms of providing rent discounts to offset electricity bills does not work.

The Council requests that City Light review this earlier staff analysis, and if the results are confirmed, develop specific recommendations for how best to relieve the burden put on these customers, including perhaps a new rate class for protecting particularly vulnerable low-income customers.

The recommendations should address the following issues:

1. Cost to other ratepayers: The report should identify what the cost would be to other customers of providing various levels of support to this group of rate payers.
2. Threshold for enrollment: In addition to possibly proposing a new rate class for extremely-low income customers, the recommendations should identify which customers would be best served by being included in this class. The recommendations should identify the threshold for admissibility to this rate class and take into consideration the burden to ratepayers of implementation and outreach. It should also identify potential incentives to assist people in conserving energy to lower their rates and eventually exit the rate classification.

3. Other options: The City Council welcomes other options that Seattle City Light might propose in addition to the creation of a specialized rate class. In doing so, it would be important to identify the challenges with Section 8 vouchers and Seattle Housing Authority's regulations interacting with the current emergency low income assistance program.

The recommendations will be the basis for a possible change in the Seattle Municipal Code and results of new practices will need to be monitored. Results of the change in legislation may require additional outreach to the ratepayers in question and resources may need to be reallocated toward outreach activities as part of the Council's 2012 budget.

Responsible Council Committee(s): Energy Technology and Civil Rights

Date Due to Council: June 1, 2011