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**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"

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## **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.