



# Seattle City Council

## Central Staff - Memorandum

**Date:** 5/20/2016

**To:** Chair Herbold, Civil Rights, Utilities, Economic Development and Arts Committee  
Chair Sawant, Energy Committee  
Councilmember O'Brien  
Councilmember Juarez  
Councilmember Gonzalez

**From:** Peter Lindsay, Council Central Staff  
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**Subject:** **C.B. 118687 and C.B. 118690 – Utility Discount Program**

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### Introduction and Summary

Seattle Housing Authority (SHA) tenants who would otherwise be eligible to receive steeply discounted electricity, water, sewer, and solid waste bills are not currently able to enroll in the City's Utility Discount Program (UDP) due to interpretation of SHA rules and an exception in the Seattle Municipal Code. C.B. 118687 and C.B. 118690 would remove the exception, clearing the way for an agreement between the City and SHA allowing about 10,300 low-income households to enroll in the UDP. This represents a nearly 60 percent increase in the number of UDP enrollees.

Both bills also update and clarify certain program provisions and authorize the General Manager of Seattle City Light (SCL) and the Executive Director of Seattle Public Utilities (SPU) to enter into cooperative agreements to carry out the intent of the UDP. These updates and clarifications will allow for more efficient and consistent administration of the UDP.

This memo provides background for two pieces of legislation that enact and enable broader implementation of the City's UDP. Since the legislation affects the financial position of both City-owned utilities, we discuss impacts to rate payers related to additional Seattle Housing Authority resident participation.

### Background

Seattle Public Utilities and Seattle City Light provide low-income residents assistance with their utility bills through the UDP. Seattle established a discount program for water, sewer, and solid waste rates for income-qualified elderly customers in 1975. The program was later expanded to include electricity rates.

One of the principal concerns for the UDP has been enrolling residents of federally subsidized housing programs. Customers of the SHA and King County Housing Authority (KCHA) are expressly ineligible to participate in the UDP under SMC 21.49.040.<sup>1</sup> The rationale for this long-standing exclusion is a concern that if tenants of federally subsidized housing program with utility allowances were enrolled in the UDP, the housing authorities themselves would benefit—through higher rents—from the UDP participation instead of the individual utility customers<sup>2</sup>.

SHA and KCHA have income guidelines more stringent than those for the UDP, so nearly all of their residents would qualify for the program. However, because of the concern about the ultimate beneficiary of the program these residents have been automatically excluded from the program. According to the Executive in 2016, about 10,300 SHA households would be eligible to benefit from current discount rates for SPU and City Light utility services.

### **C.B. 118687 – SPU related UDP changes**

C.B. 118687 clarifies and updates the purpose of the UDP, to assist qualified low-income residential utility customers with the costs of utility services provided by the City. The Bill authorizes SPU to enter into cooperative agreements and adds a provision, to be consistent with existing SCL UDP code provisions, to allow eligibility to be determined from information provided by low-income service providers receiving federal, state or local funding who are subject to annual compliance monitoring by their granting authority and enter into an agreement with the City.

The Bill clarifies the authority for the City to work with non-profits and government entities serving UDP-eligible customers to transmit customer eligibility data directly to the City for enrollment purposes. The data exchange process is commonly referred to as “auto-enrollment” and is the key tool provided by the legislation to help establish eligibility and expand access to the UDP in an efficient manner.

C.B. 118687 also clarifies UDP eligibility requirements for federally subsidized housing customers with utility allowances. The bill expressly provides rate discounts for SPU-provided utility services upon satisfactory proof that (a) a member of the household is billed directly for utility services provided by SPU and receives a bill from SPU or a third party biller or (b) the household pays for utility service provided by the City indirectly through its rent and is either

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<sup>1</sup> Note: Unlike City Light rate discounts, there is no explicit exception for ineligibility associated with SPU rate discounts. However, other language in the code has been interpreted to apply the same exception resulting in many potential customers being denied benefits of the UDP.

<sup>2</sup> Note: SHA requires its tenants to pay “rent and utilities” at an amount equivalent to 30% of household income. If a tenant receives a utility allowance, it is deducted from the “rent and utilities” amount. It was believed that a tenant’s participation in the UDP would cause a reduction in the utility allowance, which would, therefore, lead to an equivalent increase in rent (since they would still be required to pay 30% of their income), resulting in no net benefit to the tenant.

billed by City Light for electrical utility or the building owner of the household's residence has entered into agreement to pass on rate credits as part of a formal written agreement with the City.

UDP participants must also meet an income threshold such that the combined income of all household member does not exceed 70 percent of the Washington State median income for the number of individuals residing in the household or receive Supplemental Security Income pursuant to 42 USC Sections 1381 to 1383. The Bill makes no changes to the eligibility requirements.

The method of calculating rate discounts for SPU utility services depends on whether a resident receives direct billing for services or if they pay for services indirectly through rent. For UDP participants receiving a SPU bill, there is a 50 percent discount for water, wastewater and solid waste based on use; drainage discounts are static and adjusted based on the customer's dwelling type. For program-eligible customers who pay for utilities indirectly through rent, the discount for all SPU-provided utility services is calculated based upon the type of dwelling: single-family, duplex or multifamily. The Bill makes no changes in these methods or discount rates.

#### **C.B. 118690 – SCL related UDP changes**

C.B. 118690 amends Section 21.49.040 to remove language that explicitly precludes SCL from providing the discount to residents of SHA and KCHA. In lieu of this exclusion, the Bill adds language clarifying the City's intent that qualifying SCL customers be the sole beneficiaries of any discount provided.

The Bill further provides that the program may use eligibility information provided by low-income service providers receiving federal, state, or local funding who are subject to annual compliance monitoring by the granting authority. This will make it easier for the program to establish eligibility and should help expand access to it.

C.B. 118690 also provide authority to the General Manager of SCL to enter into cooperative agreements with low-income service provides to expand access to the program, provided that such agreements are consistent with, and support the intent of Section 21.49.040 of the Seattle Municipal Code.

#### **Financial Implications**

The UDP is a cross-subsidy whereby rates for all non-qualifying rate payers of each utility are increased to make up for the foregone revenue resulting from discounts provided to qualifying rate payers under the program. Expanding the program by almost 60 percent will mean that future rates for non-qualifying rate payers will be higher than they would be otherwise. Since rates are already set for 2016, the expansion of the program will result in a revenue loss to both utilities this year.

SPU forecasts participation in the UDP on a regular basis and includes enrollment assumptions as part of its rate setting process. Based on information provided by SHA, 10,300 SHA customers would be eligible to benefit from current discount rates if the legislation is adopted. SPU’s 2016 Adopted Budget anticipated growth in the UDP of an additional 1,600 enrollees. To accommodate the remaining 8,700 program participants not projected in the 2016 budget, SPU anticipates about \$2 million of reduced revenue in 2016 across all lines of business and a subsequent reduction of \$251,000 in utility tax receipts to the General Fund. For 2017, SPU anticipates about \$4.7 million in reduced revenue across all lines of business and a \$600,000 reduction in utility tax receipts to the General Fund.

SPU has not indicated a need to revisit or revise current rates as a result of passing this legislation, but until rates are adjusted, SPU will have less flexibility to meet financial planning targets due to increased UDP enrollments. Instead, SPU plans to monitor and manage risks consistent with current business practices and implement efficiencies in operations and capital project delivery. Table 1 describes the hypothetical rate impacts for a typical customer<sup>3</sup> across SPU’s three lines of business if the legislation passes.

Table 1: SPU Rate Impacts for Higher UDP Enrollment<sup>4</sup>

	% Rate Impact	Estimated Impact on Typical Monthly Bill	2016 Typical Monthly Bill
Water	0.72%	\$0.29	\$39.68
DWW*	0.64%	\$0.55	\$85.26
SW	0.58%	\$0.26	\$44.85

Rates for water and drainage and wastewater are set through 2018 and 2019 respectively. Solid waste rates are set through 2016 and the upcoming Solid Waste Rate Study will fully contemplate UDP expansion.

SCL estimates that retail revenue in 2016 will be \$2.4 million lower than budgeted, resulting in \$144,000 less in utility tax going to the General Fund. Rates for 2017 and beyond will be approximately 0.5 percent higher to make up for the higher number of UDP enrollees.

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<sup>3</sup> Note: For comparison purposes a “typical” customer represents a bill for single-family residential service—a common measure of rate impacts.

<sup>4</sup> Note: Rates are approved through different time periods and are influenced by a number of factors that can change over time.