

# 2024 Utility Allowance Methodology



## Summary

Utility allowances are calculated for all counties in which the HCV Program is administered by THDA. As required by HUD, THDA reviews the allowances on an annual basis. This analysis is based on HUD approved methodology. THDA creates allowances for each bedroom size for the following [HUD unit types](#): Single Family (detached), Single Family Attached, Lowrise Apartment Buildings (2-4 units), Larger Apartment Buildings (5+ units), and Manufactured Homes.

Utility allowances are based on average consumption data provided by HUD's Utility Schedule Model (HUSM) and rates of utilities collected by THDA's Research and Planning division. Additional information on the HUD Utility Schedule Model can be found on [HUD's website](#). Utility allowance adjustments were made for select utility rates, based on annual rate fluctuations. The cost of utilities is calculated for electricity, natural gas, liquefied petroleum gas (propane), water, wastewater and trash. Rates are collected from utility service providers serving the county seats of each county to determine the average monthly consumption cost for each utility.

In 2024, THDA adopted a staggered data collection methodology for establishing utility allowances. Only natural gas rates were updated for 2024. Electricity, propane, water, sewer, trash, and appliance rates from last year were not updated for this year. Furthermore, beginning in 2024, THDA will be publishing a combined energy efficiency discount variation of the utility allowances that averages together allowances for buildings equipped with Energy Star appliances, are LEED certified, or have been retrofitted to be "Significant Green," per [HUD's 2016 final rule reducing mortgage insurance premiums for qualifying Green and Energy Efficient Housing](#).

Last year, HUD released a new utility allowance schedule [form 52667](#), which includes an additional provision for Water Heating by Electric – Heat Pump. Unfortunately, the HUSM provided by HUD has not been updated since 2016. As a result, THDA is not able to provide allowances for this row. In addition, due to spacing issues, we have removed the Heating – Other line as this is also usually not calculated. Furthermore, RP utilized a new form of developing these allowances to ensure a more streamlined process. The result are pdfs that mirror the HUD form 52667. Therefore, we recommend that users of this information copy these data into a HUD form 52667 as needed.

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## Electricity

In 2023, electricity rates were collected along with customer service fees and the TVA Fuel Cost Adjustment (FCA). FCA is the mechanism TVA uses to help recover largely uncontrollable fuel and purchased power costs. A variety of factors affect these costs, including weather and global supply and demand issues.

## Natural Gas

In 2024, natural gas rates were collected along with customer service fees and the Purchase Gas Adjustment (PGA). A detailed explanation of the PGA can be found on the [American Gas Association website](#). If the natural gas provider utilizes seasonal rates, the weighted average of the rates was used to determine the average consumption cost.

## Liquefied Petroleum Gas (Propane)

In 2023, liquefied Petroleum Gas rates were calculated based on the national average and a sample of state rates. To view the progression of propane prices over time, visit the following link from the U.S. Energy Information Administration: <http://www.eia.gov/petroleum/heatingoilpropane/>. Weekly updates run until the end of heating season, meaning the propane price used was from the last week of March 2022.

## Water and Wastewater

In 2023, water and Wastewater rates were collected along with customer service fees and applicable taxes. In 2016, HUD significantly revised its water and wastewater consumption estimates, greatly affecting the allowance amounts. These revised estimates remained in the 2023 model as well. The utility model's projections for household water and wastewater usage are identical, and are uniform regardless of location, however estimated water usage has been revised downwards for 0 to 2 bedroom units. Simply put, the 2016-23 versions of the HUD model project that a 5 bedroom unit holds, on average, 7 residents, and a 4 bedroom unit holds, on average, 5.5 residents. Previously there had been no such assumption; in 2015, the per-person gallon estimate was simply multiplied by the number of bedrooms. Incidentally, the per-person gallon estimate was lowered after 2015, based on the HUD model's usage of the Tennessee state average (rather than the U.S. average used in 2015).

## Trash

In most cases, a monthly flat fee is charged for trash service. If provider information was unavailable for a specific county, data from TNHousingSearch.org was used. Based upon provider rates and TNHousingSearch.org data, a state average was calculated and used for counties where no data were available.

## Range/ Microwave and Refrigerator Fees

To determine the range and refrigerator fees for 2024, data was collected from online advertisements across the state in 2023. An average price was calculated from the data for each appliance and then divided by twelve to determine the monthly fee.