

AIR FORCE

Housing Privatization



Questions and Answers for Residents Utility Allowance Policy Change

Your Basic Allowance for Housing (BAH) includes amounts to pay for your rent and utilities. The established Utility Allowance (UA) program for privatized housing residents identifies the portion of your BAH for natural gas and electricity consumption and empowers you to better manage your consumption within that allowance and share in the savings your conservation generates. Average users will not have to pay out of pocket for utilities. Residents who use above the average for utilities in like-type home groupings will have to pay out of pocket for their utility consumption above the average. Residents who use below the average for utilities in like-type home groupings will receive rebates for their utility conservation.

Why did the AF change the UA Policy?

After more than a decade of experience with the Department of Defense UA program, the Air Force modified the methodology it uses to calculate the UA to more accurately capture utility costs and usage, while still offering a financial incentive to Airmen and families who conserve electricity and natural gas. Residents will still be individually responsible for their utility consumption. With the capability to monitor actual consumption rates each month within like-type categorized homes, the current UA methodology sets the UA each month for the majority of homes based on real-time monthly meter readings without adding a 10-percent buffer. The previous UA methodology, with the five-year rolling average utility consumption and 10-percent buffer, set UA rates above utility costs and resulted in HP project funds being diverted to rebates rather than maintaining the homes and the community amenities.

The Air Force objectives for the new UA calculation methodology are:

1. Promote energy conservation by holding privatized housing residents accountable for their utility consumption and by offering rebates for below-average consumption.
2. Zero out-of-pocket costs for the average utility consumer with the potential to earn rebates.
3. More accurately capturing utility costs based on actual average monthly expenses instead of historical annual averages.

How did the UA change?

Previously, the UA was an annual allowance calculated as 110 percent of the five-year rolling-average consumption in groupings of like-type homes. Like-type homes are homes with similar characteristics, such as number of bedrooms and bathrooms, square footage, number of floors, age, new or renovated, etc. The 10-percent buffer was intended to protect residents from seasonal fluctuations that may not have been reflected in the five-year average. Through the use of this calculation method, residents received rebates even if they consumed more gas and electricity than the average resident in the same unit type.

The new UA for the majority of privatized homes is based on the average of actual consumption in like-type homes and is recalculated every month using utility meter readings. The 10-percent buffer is unnecessary because actual monthly consumption accounts for seasonal fluctuations. Residents who consume less than the

average will continue to receive rebates. Residents who use more than the average will pay out of pocket for the amount above average.

Residents in projects that already receive a monthly bill directly from a local utility provider will continue to do so, but will remain on the five year rolling average without the historic 10% buffer. Additionally, for groupings with fewer than 10 homes, the UA may be calculated on either a per-square-foot or the rolling five-year average basis, but also with no buffer. Projects where the Project Owner (PO) pays for utilities on behalf of the residents will transition to the new system as development is completed and meters are completely installed.

What are the differences between the old and new UA policies?

	Old UA Policy	New UA Policy
Energy Calculation	110% of the 5-year historical average of like-type homes	100% of the actual average monthly consumption of like-type homes*
Rebates	Residents earn rebates for usage below 110% of the average	Residents earn rebates for usage below 100% of the average
Seasonal Fluctuation Calculations (Buffer)	10% buffer mitigated seasonal fluctuations not reflected in the 5-year average	Buffer not needed since UA accurately captures cost including seasonal fluctuations on a monthly basis
Impact on Airmen	In the first year of billing, tenants using 30% above average utility consumption received rebates	Residents using above average consumption will pay the difference out of pocket. Residents using average consumption will pay \$0 out of pocket.

** For groupings of fewer than 10 homes, the allowance may be calculated on either a per-square-foot or a rolling five-year average basis, with no buffer. For projects where residents receive a bill from the local utility provider and pay the provider directly, the allowance will continue to be calculated on the five-year rolling average, with no buffer.*

What are “like-type” units?

Your UA will continue to be based on the type of unit you live in. Housing communities can have 50 or more housing profiles depending on the number of floor plans and housing types in the privatized housing project.

- Only similar homes are grouped together (for example, new 3-bedroom homes are NOT grouped with older or renovated 3-bedroom homes; one-story homes are NOT grouped with two-story homes).
- Only occupied units are included in the calculation (periods of vacancy are not included in the average calculation).
- Each month, the actual energy consumption of each home in a group are added together and then divided by the number of homes in the group—that figure determines that group’s average utility consumption for that month.

How will the UA impact my family?

The Air Force estimates that 75 percent of all residents will be within \$8 (above or below) of the monthly average. If a household’s total consumption falls at or below the average for all homes in their housing profile, the resident will have zero out-of-pocket costs. Savings generated by conservation will be reinvested in the housing communities.

Who determines the UA for my home?

The POs must submit what they determine to be like-type units for AF approval before a unit can be included in a housing group (a "Housing Profile"). The UA will be calculated based on the average monthly consumption for like-type units. The average monthly consumption is based on actual metering.

How will I pay for utilities?

After the UA program is implemented at your base, you will be responsible for the cost of the natural gas and electricity you consume. The project will continue to provide, at no cost to the resident, water, wastewater and trash collection as part of your rent. If you consume less energy than your UA, you will pocket the savings. If you consume more than your allowance, you will be required to pay out of pocket for the difference.

The actual billing process may vary from base to base because of differences in utility distribution systems. In most cases, the property manager will collect your full BAH and track any credits or debits owed until a specific threshold is met. In order to avoid the administrative burden associated with several small transactions each month, the PO will generally issue refunds/bills once the amount credited or owed reaches this threshold, usually \$50.

You should receive a monthly bill from the third-party provider, which will look similar to the bills your fellow Airmen receive downtown. The bill will clearly show the UA for the month based on the average use in your Housing Profile, your usage, and the bill or credit for consumption. The bill should also show a graphic depiction of your consumption over the past year compared to your UA.

What about houses that were built before privatization that were not wired for individual metering?

During housing privatization, the developers installed meters on every home so they could individually monitor each residents consumption of utilities and bill residents appropriately. Individual metering of new homes was completed during construction and appropriately segregated the housing units from common areas. During the development phase, the housing privatization Project Owners investigated the utility distribution systems in existing housing units and remedied cross wiring and other connections to common areas. The Project Owners are responsible for assuring the conversion to reliable metering and billing. If errors are discovered, the situation is corrected. Each project implements a mock billing period during which residents, the Air Force, and the Project Owner monitor utility consumption and resolve any anomalies if identified. The Project Owner and the installation investigate any suspected problems and remedy them prior to implementation of live billing. Project Owners monitor the homes that use above average gas and electricity and conduct energy audits to determine if anything is amiss with the home's heating and ventilating system or with the distribution system itself.

Will my allowance be negatively impacted by my neighbors who go to extreme measures to ensure they are below average including living in austere conditions?

The Air Force calculation methodology excludes the top and bottom ten percent of users from the average calculation thereby eliminating extreme users and extreme conservers from the average.

What will happen if I can't afford to pay my utility cost overage (if any)?

If you use more than the average and incur overage charges, you will be responsible for paying for the overage. As with any creditor who approaches the Air Force with a claim of indebtedness, the command might get involved to assist service members to avoid negative credit implications or adverse housing actions, such as eviction.

What if I live in a house that is not as energy efficient as my neighbor's?

In Air Force housing privatization projects, project owners group like-type homes by the characteristics of the homes including construction characteristics (building envelope), age, number of stories, and duplex vs. single detached. The Air Force reviews the project owner's proposed groupings and confirms they are appropriate before granting approval. During its review, the Air Force reviews historic consumption trends and confirms the homes are appropriately grouped. Homes with newer appliances, more insulation, fewer windows, etc., are grouped with homes with similar characteristics when calculating the consumption average for that like-type group. Homes with different installed equipment are not grouped together. Kitchen appliances can vary slightly between homes in the same like type group. However, the energy usage impact is minimal in those situations.

How does family size impact my UA?

BAH as set by DTMO does not vary by family size whether a service member lives on- or off-base. Rather, BAH is intended to pay for a service member's average housing cost. Likewise, the Air Force utility allowance is intended to cover the average consumption by like-type group. Differences in the size of homes, the HVAC equipment or insulation levels are used to define appropriate groupings. Like the service member's BAH, which does not vary based on family size, groupings are by home type; family size is not a factor.

What does the Air Force do to ensure the fair administration of this program by the Project Owners?

The Air Force is monitoring the consumption data of every project that has implemented a utility allowance. During its review, the Air Force: 1) confirms the like-type groupings are appropriate (does the logic for grouping them make sense and does the historic data from those units confirm they are similar enough to be grouped together); 2) confirms the average consumption calculations are completed in accordance with Air Force policy; 3) determines what percent of residents are paying out-of-pocket, and what percent are receiving rebates; 4) assesses whether any adjustments are needed.

Couldn't the Project Owners manipulate the consumption data?

The Air Force has not seen any evidence of the consumption data being manipulated at its projects. The Project Owners hire a third party billing agent, experts in the field, to read the utility meters and/or collect the utility consumption data and aggregate it in accordance with the Air Force utility allowance policy.

Does the UA program actually prompt energy conservation?

The Air Force analyzed utility consumption data from projects that have implemented a utility allowance and determined that on average, the program prompted a 21 percent reduction in electric consumption and a three percent decrease in gas consumption. Most of this reduction in consumption came from residents being good stewards. Before residents were responsible for their utility consumption, it was common practice in military family housing for residents to turn the heat up in the winter and open the windows.

For more information

Contact your local Property Management Office (or government Housing Management Office) if you have UA program questions, such as how your UA was calculated for your unit type, the billing process, when a UA will be implemented at your base, or any other questions.