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Calculation of Utilities Expense Level (UEL) Inflation Factor for Calendar Year (CY) 2014

The data for calculating the UEL Inflation factor for CY 2014 is extracted from the Bureau of Labor Statistics (BLS) 'Consumer Price Index for All Urban Consumers (CPI-U). The reporting periods for operating subsidy calculation run from July 1 to June 30. Using the monthly indices for the 12-month period, an average index is calculated for each of the reporting periods, by utility type. Nationally, the weighted change in utility price between the CY 2013 and CY 2014 reporting periods (weighted by the percentage of total public housing spending on utilities, by type) was 01.58% (see Table 1).

The rate of change in the reporting period (01.58%) is then multiplied by 1.5 to reflect the anticipated rate that PHAs will pay during the funding period. In essence, the funding period lags the reporting period by 18 months (1.5 years). As shown below, this calculation results in a CY 2014 UEL inflation factor of 2.36%. The 01.58% (weighted rate of change in reporting period) x 1.5 (18 month lag) = 2.36% (2014 UEL Inflation Factor). **The inflation factor to be used on the CY 2014 HUD-52722 is 1.0236 (1 + 0.0236)**

Table 1: Calculation of CY 2014 UEL Inflation Factor

Utility Type [a]	Percent of Total Utility Costs [b]	July 2011-June 2012 CPI Average [c]	July 2012-June 2013 CPI Average [d]	Inflation Factor [e]	Weighted Inflation Factor [f] = [b] x [e]
Water	30%	\$ 414.81	\$ 440.69	6.24%	1.87%
Electricity	36%	\$ 197.72	\$ 197.75	0.02%	0.01%
Gas	18%	\$ 174.34	\$ 171.12	-1.85%	-0.33%
Fuel	14%	\$ 373.28	\$ 373.58	0.08%	0.01%
Other Utilities	2%	\$ 219.59	\$ 221.65	0.94%	0.02%
Total Utility Costs	100%				
Weighted Average Inflation Factor					1.58%
CY 2014 UEL Inflation Factor - Using 18-months Adjustment					2.36%

See Table 2 for details on the computation of utility specific CPI indices.

Table 2: Calculation of Inflation Factor by Utility Type Using CPI-U

Reporting Period	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Average Index	Inflation Factor
Water & Sewerage Maintenance														
CY 2013 (Jul 11 - Jun 12)	403.385	405.874	408.108	409.102	409.527	411.067	414.691	418.722	420.614	424.463	425.355	426.863	414.814	
CY 2014 (Jul 12 - Jun 13)	429.460	435.793	435.246	436.200	437.628	438.486	442.190	444.814	446.071	446.612	447.548	448.234	440.690	6.24%
Electricity														
CY 2013 (Jul 11 - Jun 12)	205.963	205.362	205.812	197.003	193.193	192.777	193.612	193.183	192.148	192.472	196.159	204.907	197.716	
CY 2014 (Jul 12 - Jun 13)	203.318	202.870	202.628	194.544	191.837	191.879	194.525	194.739	193.856	194.553	199.557	208.737	197.754	0.02%
Utility Gas Service														
CY 2013 (Jul 11 - Jun 12)	186.719	186.808	184.144	181.220	179.708	178.193	176.044	169.753	168.196	163.692	156.863	160.714	174.338	
CY 2014 (Jul 12 - Jun 13)	162.972	165.953	164.528	165.966	171.243	173.098	171.597	171.888	171.248	176.159	179.173	179.557	171.115	-1.85%
Fuel Oil														
CY 2013 (Jul 11 - Jun 12)	368.867	367.286	364.563	362.809	372.654	369.085	374.377	384.747	395.016	390.483	379.681	349.807	373.281	
CY 2014 (Jul 12 - Jun 13)	348.104	364.165	379.131	383.117	382.355	382.532	381.889	393.782	385.552	368.552	357.838	355.966	373.582	0.08%
All Utilities														
CY 2013 (Jul 11 - Jun 12)	The infla	226.493	226.409	220.450	218.199	217.674	218.199	217.189	216.667	216.006	216.388	221.789	219.588	
CY 2014 (Jul 12 - Jun 13)	221.449	222.769	222.634	218.287	217.964	218.496	220.228	220.992	220.251	221.382	224.847	230.506	221.650	0.94%