



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

MEMORANDUM FOR: Multifamily Regional Directors
Multifamily Asset Management Division Directors
Multifamily Owners and Management Agents
Section 8 Contract Administrators

FROM: Tobias Halliday, Director, Office of Asset Management and Portfolio Oversight, HTG

SUBJECT: Treatment of Community Solar Credits on Tenant Utility Bills

Background

A growing number of states offer community solar programs. These programs give families who live in properties, including HUD-subsidized properties and private market rental units, access to renewable energy, even though the property itself may not be suitable for solar panels. Community solar arrays have multiple subscribers who receive benefits on utility bills that are directly attributable to the solar project's energy generation. There are no upfront costs to subscribers, and they can receive benefits—typically in the form of an on-electricity bill credit. In the case there are ongoing costs or fees for low-income participants, it is typically mandated that any costs will not be more than 50% of the value participants get from their system.

Purpose and Applicability

The purpose of this notice is to provide guidance to HUD Multifamily Housing (MFH) field staff, owners, and management agents on the treatment of on-bill virtual net energy metering credits that commonly result from a resident's participation in a community solar program. This only applies in the case of tenant-paid electricity and where the solar credit appears as a negative amount on the electricity bill. This guidance does not apply to residents of master-metered multifamily buildings. In addition, this guidance does not change existing rules for utility allowance baseline analyses or income calculations; rather, it provides guidance for how to treat community solar credits within existing rules.

This notice applies to the following Office of Multifamily Housing Programs:

1. Project-based Section 8
 - a. New construction
 - b. State Agency Financed
 - c. Substantial Rehabilitation
 - d. Section 202/8
 - e. Rural Housing Services (RHS) Section 515/8
 - f. Loan Management Set-Aside (LMSA)

- g. Property Disposition Set-Aside (PDSA)
- h. Rental Assistance Demonstration Project Based Rental Assistance (RAD/PBRA)
- 2. Section 202/162 Project Assistance Contracts (PAC)
- 3. Section 202 Project Rental Assistance Contracts (PRAC)
- 4. Section 202 Senior Preservation Rental Assistance Contracts (SPRAC)
- 5. Section 811 PRACs
- 6. Section 811 Project Rental Assistance (PRA)
- 7. Section 236 Subsidized Mortgages

Determination of Treatment of Solar Credits in Utility Allowance and Annual Income Calculation

If these characteristics outlined above apply to residents in a covered program, the following two-step process may be used to determine whether the community solar credits should be included/excluded from the utility allowance baseline analysis or included/excluded from a family's annual income for purposes of rent calculation and/or eligibility determination.

Step One: Determine if Community Solar Credits Affect Utility Allowance Calculation

Step One is a test for determining the community solar credit's relationship to the utility allowance calculation. To understand the effect of a community solar credit on a unit's utility allowance calculation, you will need a copy of the tenant's electricity bill (this can be accessed by the utility company if it is not already available). Per this guidance, you will not need any additional information as the solar credit will appear as a negative amount on the tenant's electricity bill.

If the credit reduces the cost of energy consumption by lowering actual utility rates, then the owner **is** required to submit a new baseline analysis in accordance with Housing Notice 2015-04, regardless of when the last analysis was submitted to HUD/Contract Administrator for approval.

Factors for determining whether the credit is tied to the cost of consumption:

1. Is the credit a third-party payment (e.g., not from the electricity provider) on behalf of the tenant rather than a reduction in the cost of utilities?
 - a. Yes → Credit is not considered to reduce the cost of energy consumption as the cost for the utility provider to provide the consumed energy does not change. The owner **is not** required to submit a new utility allowance baseline analysis (see example bills with solar credits *not* tied to consumption in the Appendix).
 - b. No → Credit may be tied to the cost of consumption. Proceed to question #2 below.
2. Does the credit amount fluctuate every month and/or does the electric bill show a lowered utility rate per kilowatt-hour?
 - a. Yes → Credit is tied to the cost of utility consumption. The owner **is** required to submit a new utility allowance baseline analysis.

- b. No → Credit is not tied to the cost of utility consumption. The owner *is not* required to submit a new utility allowance baseline analysis.

Step Two: Determine if Community Solar Credits Should be Considered Annual Income for Rent Calculation or Determining Eligibility for HUD-assisted Multifamily Programs

The second step is to determine if the credits fall within HUD's definition of annual income.¹ In all foreseeable instances as of the date of this memo, if the solar credit is tied to the cost of consumption (i.e., utility allowance is affected) (addressed in Step One), then credit will not count towards income.

If a community solar benefit appears on a household's electricity bill as an amount credited from the total cost of the bill, HUD has determined that the credit should be treated as a *discount or coupon* to achieve a lower energy bill (rather than a cash payment or cash-equivalent payment being made available to a resident). In this case, the credit *will not* be counted towards income as discounts on items purchased by a tenant are not viewed as "annual income" to the family. Generally, income is not generated when a family purchases something at a cheaper rate than it otherwise would.

Note that if the credits are found to be third-party payments based on Step One, there may be instances when the credits are not mere discounts and must be treated as income. For instance, a recurring monthly utility payment made on behalf of the family by an individual outside of the household is not considered a discount but is considered annual income to the family.

Further Information

If you are evaluating the treatment of solar credits outside the program framework outlined above and require a state specific determination and/or have general questions about this guidance, please email Lauren Ross, Senior Advisor for Housing and Sustainability at Lauren.Ross@hud.gov.

¹ HUD definition of annual income 24 CFR 5.609. 5.609(a) says: "(a) Annual income means all amounts, monetary or not, which: (1) Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member; or (2) Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date; and (3) Which are not specifically excluded in paragraph (c) of this section. (4) Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access."

Appendix

Example 1: Utility Bill with Community Solar Credits *not* tied to Consumption

<p>PEPCO CUSTOMER Account number: ██████████</p> <p>Details of your Electric Charges Residential-R - service number 0012 3456 7890 7001 6762 64 Electricity you used this period</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Meter Number Energy Type</th> <th style="text-align: center;">Current Reading</th> <th style="text-align: center;">Previous Reading</th> <th style="text-align: center;">Difference</th> <th style="text-align: center;">Multiplier</th> <th style="text-align: center;">Total Use</th> </tr> </thead> <tbody> <tr> <td>1ND344415274</td> <td style="text-align: center;">May 5 057043 (actual)</td> <td style="text-align: center;">Apr 4 055628 (actual)</td> <td style="text-align: center;">1415</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1415</td> </tr> </tbody> </table> <p>Your next meter reading is scheduled for June 3, 2015</p> <p>Delivery Charges: These charges reflect the cost of bringing electricity to you. Current charges for 32 days, winter rates in effect.</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Type of charge</u></th> <th style="text-align: left;"><u>How we calculate this charge</u></th> <th style="text-align: right;"><u>Amount(\$)</u></th> </tr> </thead> <tbody> <tr> <td colspan="3">Distribution Services:</td> </tr> <tr> <td>Customer Charge</td> <td></td> <td style="text-align: right;">13.00</td> </tr> <tr> <td>Energy Charge</td> <td>First 400 kWh X \$0.0038440 per kWh</td> <td style="text-align: right;">1.54</td> </tr> <tr> <td>Energy Charge</td> <td>Last 1015 kWh X \$0.0113740 per kWh</td> <td style="text-align: right;">11.55</td> </tr> <tr> <td>Residential Aid Discount</td> <td></td> <td></td> </tr> <tr> <td>Surcharge</td> <td>1415 kWh X \$0.0002940 per kWh</td> <td style="text-align: right;">0.42</td> </tr> <tr> <td>Administrative Credit</td> <td>1415 kWh X \$0.0001855- per kWh</td> <td style="text-align: right;">0.26-</td> </tr> <tr> <td>CNM Credit: CREFA</td> <td>150- kWh X \$0.0809700 per kWh</td> <td style="text-align: right;">12.15-</td> </tr> <tr> <td>CNM Credit: CREFB</td> <td>100- kWh X \$0.0809700 per kWh</td> <td style="text-align: right;">8.10-</td> </tr> <tr> <td>Subtotal (Set by DC PSC)</td> <td></td> <td style="text-align: right;">6.00</td> </tr> <tr> <td>Energy Assistance Trust Fund</td> <td>1415 kWh X \$0.0000607 per kWh</td> <td style="text-align: right;">0.09</td> </tr> <tr> <td>Sustain Energy Trust Fund</td> <td>1415 kWh X \$0.0015000 per kWh</td> <td style="text-align: right;">2.12</td> </tr> <tr> <td>Public Space Occupancy Surcharge</td> <td>1415 kWh X \$0.0020400 per kWh</td> <td style="text-align: right;">2.89</td> </tr> <tr> <td>Delivery Tax</td> <td>1415 kWh X \$0.0070000 per kWh</td> <td style="text-align: right;">9.91</td> </tr> <tr> <td>Subtotal (Not set by DC PSC)</td> <td></td> <td style="text-align: right;">15.01</td> </tr> <tr> <td>Total Electric Delivery Charges</td> <td></td> <td style="text-align: right;">21.01</td> </tr> </tbody> </table>	Meter Number Energy Type	Current Reading	Previous Reading	Difference	Multiplier	Total Use	1ND344415274	May 5 057043 (actual)	Apr 4 055628 (actual)	1415	1	1415	<u>Type of charge</u>	<u>How we calculate this charge</u>	<u>Amount(\$)</u>	Distribution Services:			Customer Charge		13.00	Energy Charge	First 400 kWh X \$0.0038440 per kWh	1.54	Energy Charge	Last 1015 kWh X \$0.0113740 per kWh	11.55	Residential Aid Discount			Surcharge	1415 kWh X \$0.0002940 per kWh	0.42	Administrative Credit	1415 kWh X \$0.0001855- per kWh	0.26-	CNM Credit: CREFA	150- kWh X \$0.0809700 per kWh	12.15-	CNM Credit: CREFB	100- kWh X \$0.0809700 per kWh	8.10-	Subtotal (Set by DC PSC)		6.00	Energy Assistance Trust Fund	1415 kWh X \$0.0000607 per kWh	0.09	Sustain Energy Trust Fund	1415 kWh X \$0.0015000 per kWh	2.12	Public Space Occupancy Surcharge	1415 kWh X \$0.0020400 per kWh	2.89	Delivery Tax	1415 kWh X \$0.0070000 per kWh	9.91	Subtotal (Not set by DC PSC)		15.01	Total Electric Delivery Charges		21.01	<p>Your electric bill for the period April 4, 2015 to May 5, 2015</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;">Electric Distribution Summary - Pepco</th> </tr> </thead> <tbody> <tr> <td>Balance from your last bill</td> <td style="text-align: right;">\$60.02</td> </tr> <tr> <td>Payment Apr 30</td> <td style="text-align: right;">\$60.02-</td> </tr> <tr> <td>Total Payments</td> <td style="text-align: right;">\$60.02-</td> </tr> <tr> <td>Electric Charges (Residential-R)</td> <td style="text-align: right;">\$21.01</td> </tr> <tr> <td>New electric charges</td> <td style="text-align: right;">\$21.01</td> </tr> <tr> <td>Total amount due by Jun 1, 2015</td> <td style="text-align: right;">\$21.01</td> </tr> </tbody> </table> <div style="border: 1px solid red; padding: 5px; margin-top: 10px; width: fit-content;"> <p>Amount <i>not</i> to be included in utility allowance baseline analysis</p> </div>	Electric Distribution Summary - Pepco		Balance from your last bill	\$60.02	Payment Apr 30	\$60.02-	Total Payments	\$60.02-	Electric Charges (Residential-R)	\$21.01	New electric charges	\$21.01	Total amount due by Jun 1, 2015	\$21.01
Meter Number Energy Type	Current Reading	Previous Reading	Difference	Multiplier	Total Use																																																																									
1ND344415274	May 5 057043 (actual)	Apr 4 055628 (actual)	1415	1	1415																																																																									
<u>Type of charge</u>	<u>How we calculate this charge</u>	<u>Amount(\$)</u>																																																																												
Distribution Services:																																																																														
Customer Charge		13.00																																																																												
Energy Charge	First 400 kWh X \$0.0038440 per kWh	1.54																																																																												
Energy Charge	Last 1015 kWh X \$0.0113740 per kWh	11.55																																																																												
Residential Aid Discount																																																																														
Surcharge	1415 kWh X \$0.0002940 per kWh	0.42																																																																												
Administrative Credit	1415 kWh X \$0.0001855- per kWh	0.26-																																																																												
CNM Credit: CREFA	150- kWh X \$0.0809700 per kWh	12.15-																																																																												
CNM Credit: CREFB	100- kWh X \$0.0809700 per kWh	8.10-																																																																												
Subtotal (Set by DC PSC)		6.00																																																																												
Energy Assistance Trust Fund	1415 kWh X \$0.0000607 per kWh	0.09																																																																												
Sustain Energy Trust Fund	1415 kWh X \$0.0015000 per kWh	2.12																																																																												
Public Space Occupancy Surcharge	1415 kWh X \$0.0020400 per kWh	2.89																																																																												
Delivery Tax	1415 kWh X \$0.0070000 per kWh	9.91																																																																												
Subtotal (Not set by DC PSC)		15.01																																																																												
Total Electric Delivery Charges		21.01																																																																												
Electric Distribution Summary - Pepco																																																																														
Balance from your last bill	\$60.02																																																																													
Payment Apr 30	\$60.02-																																																																													
Total Payments	\$60.02-																																																																													
Electric Charges (Residential-R)	\$21.01																																																																													
New electric charges	\$21.01																																																																													
Total amount due by Jun 1, 2015	\$21.01																																																																													

*In this sample bill, the customer used 1415 kWh that month and they are being fully charged for that usage. The two lines of community net metering (CNM) credits are for -100 kWh and -150 kWh that carry their own kWh charge. Those are not at all connected to the 1415 kWh usage/cost.

Example 2: Utility Bill with Community Solar Credits *not* tied to Consumption

For Questions, Support, and Outages visit ComEd.com

English **1.800.EDISON1 (1.800.334.7661)**
 Español **1.800.95.LUCES (1.800.955.8237)**
 Hearing/Speech Impaired **1.800.572.5789 (TTY)**
 Federal Video Relay Services (VRS) **Fedvrs.us/session/new**

Total Amount Due by 12/2/21 \$18.05

METER INFORMATION

Read Dates	Meter Number	Load Type	Reading Type	Previous	Present	Difference	Multiplier	Usage
10/12-11/10	271741330	General Service	Total kWh	7979	Actual 8061	Actual 82	x 1	82

RENEWABLE COMMUNITY SUPPLY DETAILS

Generation Period	Project Name	Phone Number	Generation kWh	Rate	Total
9/29 - 11/1	Bunker Hill 2	866.826.1997	58.6648	-0.05924	-\$3.48

CHARGE DETAILS

Residential - Multiple 10/12/21 - 11/10/21 (29 Days)

SUPPLY			\$2.49
Electricity Supply Charge	82 kWh X 0.06424		\$5.27
Transmission Services Charge	82 kWh X 0.01353		\$1.11
Purchased Electricity Adjustment			\$0.41
Renewable Community Supply Credit			-\$3.48

DELIVERY - ComEd			\$13.87
Customer Charge			\$7.65
Standard Metering Charge			\$3.70
Distribution Facilities Charge	82 kWh X 0.02948		\$2.42
IL Electricity Distribution Charge	82 kWh X 0.00123		\$0.10

TAXES & FEES			\$1.69
Environmental Cost Recovery Adj	82 kWh X 0.00022		\$0.02
Renewable Portfolio Standard	82 kWh X 0.00189		\$0.15
Zero Emission Standard	82 kWh X 0.00195		\$0.16
Energy Efficiency Programs	82 kWh X 0.00188		\$0.15
Franchise Cost			\$0.43
State Tax			\$0.27
Municipal Tax			\$0.51

Service Period Total **\$18.05**

MISCELLANEOUS \$0.00

Community Supply Generation Credit -\$3.48
 Thank you for your payment of \$18.00 on October 15, 2021

Total Amount Due \$18.05

UPDATES

- ComEd
- **PRICE TO COMPARE:** The ComEd electric supply price to compare is 7.777 cents per kWh. This price does not include a monthly purchased electricity adjustment factor that may range between +\$0.005 and -\$0.005 per kWh. For more information and supplier offers visit <https://www.pluginillinois.org/fixrate.aspx>. For more information on ComEd bill line items go to ComEd.com/UnderstandBill.
 - **WAYS TO PAY:** Looking for ways to pay your bill? Visit ComEd.com/PAY
 - **STOP ENERGY SCAMS:** Scammers may threaten to disconnect service in exchange for immediate payment or personal information. We will never demand payment using prepaid cash cards, third-party banking apps, or cryptocurrency such as Bitcoin. Learn more: ComEd.com/ScamAlert.

Amount *not* to be included in utility allowance baseline analysis

(continued on next page)

A VARIETY OF METHODS TO PAY YOUR BILL

Visit ComEd.com/PAY for more information including applicable fees for some transactions.

- Online
- Mobile App
- Phone
- In-Person