U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

August 4, 2022

MEMORANDUM FOR: Directors of HUD Regional and Field Offices of Public Housing
Public Housing Directors

*Danielle Bastarache*

FROM: Danielle Bastarache, Deputy Assistant Secretary, Office of Public Housing and Voucher Programs, PE

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 as well as 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. When 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 memorandum is to provide guidance to PIH field offices that may receive questions from public housing agencies (PHAs) 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 participants in the Housing Choice Voucher (HCV) Program and residents in Public Housing.

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

If the characteristics outlined above apply, the following two-step process may be used to determine whether the community solar credits should be included/excluded from the utility allowance schedule 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.

For the **Housing Choice Voucher program**, PHAs must set a utility allowance schedule "based on the typical cost of utilities and services paid by energy-conservative households that occupy housing of similar size and type in the same locality." In developing the schedule, the PHA must use normal patterns of consumption for the community as a whole and current utility rates (24 CFR 982.517(b)). Individual consumption or credits are not a consideration since the schedule is set on an area-wide basis. Thus, there would be no impact on the PHA's utility allowance schedule.

For **Public Housing**, PHAs must set utility allowances for each utility and for each unit type (size). The allowance must cover a reasonable amount of consumption for an energy-conservative household of modest means (24 CFR § 965.505(a)). PHAs have discretion in choosing the methodology used for calculating allowances which considers consumption and utility rates. If there is no connection between these credits and either the electricity consumption of tenants or the utility rate, PHAs must disregard the solar credit when calculating utility allowance schedules.

To determine the effect of a community solar credit on the utility allowance schedule, PHAs will need to determine whether the credit is tied to consumption and/or utility rates. PHAs will need a copy of the tenant's electricity bill (this can be accessed by the utility company if it is not already available).

If the credit reduces the cost of energy consumption by lowering actual utility rates, then the PHA will need to consider this information during its annual review of utility allowances. See the Public Housing Occupancy Guidebook chapter on Utilities for more information on setting and calculating utility allowances.

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 PHA ***is not*** required to adjust utility allowance schedules based on the credit (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 PHA will need to consider impacts to the utility schedule during the annual review.

b. No →Credit is not tied to the cost of utility consumption. The PHA ***is not*** required to adjust utility allowance schedules based on the credit.

*Step Two: Determine if Community Solar Credits Should be Considered Annual Income for Rent Calculation or Determining Eligibility*

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 Ashley Matthews, Senior Housing Program Specialist at Ashley.E.Matthews@hud.gov for questions about the HCV program or contact publichousingpolicyquestions@hud.gov for questions about the Public Housing program.

[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

**PEPCO CUSTOMER**
**Account number:** [redacted]

Your electric bill for the period
**April 4, 2015 to May 5, 2015**

## Details of your Electric Charges

Residential-R - service number [redacted]
Electricity you used this period

| Meter Number Energy Type | Current Reading | Previous Reading | Difference | Multiplier | Total Use |
|---|---|---|---|---|---|
| [redacted] | May 5 | Apr 4 | | | |
| **Use (kWh)** | **057043 (actual)** | **055628 (actual)** | **1415** | **1** | **1415** |

**Your next meter reading is scheduled for June 3, 2015**

**Delivery Charges:** These charges reflect the cost of bringing electricity to you. Current charges for 32 days, **winter rates in effect.**

| Type of charge | How we calculate this charge | Amount($) |
|---|---|---|
| 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** |

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

Page 2 of 3

*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

Page 2 of 3 Issued **11/10/21** Account [redacted]

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

**For Questions, Support, and Outages visit ComEd.com**

| | |
|---|---|
| English | 1.800.EDISONI (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 |

**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/fixedrate.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.

**(continued on next page)**

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

**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**