



OFFICE OF PUBLIC AND INDIAN HOUSING

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

August 4, 2022

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

FROM: *Danielle Bastarache*
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: ██████████

Details of your Electric Charges
Residential-R - service number ██████████
Electricity you used this period

Meter Number Energy Type	Current Reading	Previous Reading	Difference	Multiplier	Total Use
██████████	May 5 057043 (actual)	Apr 4 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

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

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

*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]

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**

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)

Category	Description	Amount
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 Adjustments		-\$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

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**