Public Housing Notice 2018-03

To:	All Local Housing Authorities & Fee Accountants
From:	Amy Stitely, Associate Director
Subject:	Changes to HAFIS Budget and Operating Statement Forms for LHAs with Solar Power Net Meter Credit Contracts
Date:	January 17, 2018

In 2017 DHCD made revisions to the HAFIS Operating Budget and Operating Statement forms, adding three new lines to allow LHAs who receive Net Meter Credits (NMC) to properly record their credits and payments, and ensure that they capture the appropriate level of savings to which they are entitled. This notice explains in detail how to record this data and provides examples for both surplus and deficit LHAs, and also explains how to enter electricity cost data in your monthly energy reports.

PLEASE NOTE: Per the FY17 and FY18 Budget Guidelines, ALL LHAs earning NMCs between 7/1/16 and 6/30/18 may retain 100% of the net savings received during that time as retained revenue, regardless of their surplus or deficit status. In the future we expect to return to DHCD's original policy in which deficit LHAs retain 25% of NMC savings (as described below), so deficit LHAs should factor that change into their financial planning for the period beginning 7/1/18. This policy will be reviewed in next year's Budget Guidelines.

BACKGROUND: More than 100 housing authorities have executed Net Meter Credit (NMC) contracts with solar power developers. In these deals, an LHA executes a contract with a solar power developer who constructs and owns an off-site solar electricity-generating facility. In exchange for contracting to purchase a percentage of the solar power produced, the LHA either receives a credit on its utility electric bill for each KWH purchased or, in some cases (particularly in eastern Massachusetts communities served by Eversource) the LHA receives a cash payment from the utility company. The savings – the difference between the credits (or cash) received from the utility company minus the payments made to the solar developers – can provide substantial savings to LHAs on their electric bills over the typical twenty-year term of these contracts.

In accordance with DHCD's policy stated in Public Housing Notice 2015-01, LHAs that do not require operating subsidy assistance from DHCD in a given year may retain 100% of the NMC savings accrued that year (the value of the NMCs minus the payments to the solar developer). Those that operate at a deficit and receive operating subsidy assistance from DHCD may retain 25% of the accrued savings each year, with the balance of the savings used to reduce the LHA's need for operating subsidy. Over the term of the contract, an LHA may require subsidy some years but not others, and so the percentage of savings they retain may vary from year to year. The decision as to the level of savings that the LHA may retain will be determined each year when DHCD approves the LHA's year-end operating statement and confirms whether the LHA operated at a surplus or a deficit.

DHCD temporarily revised this policy in both the FY17 and FY18 Budget Guidelines, so that deficit LHAs may retain 100% of all net meter credit savings (that is, the value of the net meter credits appearing on their electric bills (or paid as cash by their utility company), minus the cost of the payments made to the solar power developer under the PPA) earned between 7/1/16 and 6/30/18. (See Appendix A, Schedule of Net Meter Credit Savings). This policy does not apply to credits earned in previously completed and closed LHA fiscal years. It also does not apply to the small number of LHAs that have pledged a portion of their credit savings for capital improvements through the HILAPP program or other agreements. This latter group will be reviewed on a case-by-case basis.

To accurately record the NMC savings in the budget and operating statement, DHCD added three new line items to each form. The purpose of this notice is to explain how enter the correct data into these lines to ensure proper reporting of NMC savings.

How to Record NMC-Related Costs: Attached please find two forms that provide an example of how a surplus or a deficit LHA should record information in the operating statement. A total of five lines are affected, three of which are new.

1. **Line #4320 – "Electricity" (Existing Line):** In most cases, any NMCs that the LHA earns appear on its monthly electric bill from its utility company (NGRID, Eversource, etc.). The bill will first show the total cost of all electricity consumed. Then it will apply a reduction for the NMCs earned, and state the amount the LHA must actually pay to the utility company. In Line #4320, please use the total cost of all electricity consumed, BEFORE it is reduced due to the credits to the lower payable amount.
2. **Line #4391 - "Solar Operator Costs" (New Line):** When an LHA signs a NMC contract, it must make monthly payments to the solar developer. These payments are to be recorded in this line.
3. **Line #4392 – "Net Meter Utility Credit (Negative Amount)" (New Line):** This is where to enter the total value of the NMCs that were posted to your electric bills. Since these are credits, these amounts are entered here as negative numbers. Again, this is the total credit amounts received on your electric bill or in cash, before any deductions for payments made to the solar operator.
4. **Line #3691 – "Other Revenue – Retained" (Existing Line):** If the LHA operates as a surplus, then the entire "NET savings" from the NMCs should be entered into this line. If the LHA operates at a deficit, then only 25% of the savings should be entered here. (**NOTE – "Net savings" equals the total credits you earned and recorded in Line #4392, MINUS the amounts paid to the solar operator as reported in Line #4391.)**
    a. **Example:** If you earned total credits worth $80,000, and paid $50,000 to the solar operator, your "net savings" would be $30,000 ($80,000 - $50,000).
        i. In this case, a surplus LHA would enter the full $30,000 in this line.
        ii. A deficit LHA would enter 25% of the net savings, or $7,500 in this line.
5. **Line #3693 – "Other Revenue – Energy Net Meter" (New Line):** This new line represents the 75% share of the NMCs that is recaptured by DHCD to reduce the subsidy needed by a deficit LHA.
    a. **Example:** Using the preceding example of $30,000 in net savings:

i. If you are a surplus LHA, the amount entered here would be $0.
ii. If you are a deficit LHA, then the amount entered here would be 75% of the "net savings", or $22,500.

PLEASE NOTE: Included with the recently released FY18 Budget Guidelines (PHN 2018-02) is Attachment A – "Schedule of Net Metering Credit Savings". Please use this form to keep track of monthly credits earned and solar operator costs paid, and it will calculate the net meter credit savings.

DHCD'S MONTHLY ENERGY REPORTS - IMPACT OF NET METER CREDIT SAVINGS: Because the net meter credits applied to an LHA's electric bill reduce the amount the LHA needs to pay the electric company, some confusion has emerged over how to fill out the cost of electricity in the monthly energy reports. Please enter the total actual cost, BEFORE accounting for the impact of the savings from the net meter credits. For example, if your total electric bill for that development was $5000, but you earned $2000 in credits and therefore only had to pay the remaining $3000 to the electric company, you should still enter the full $5000 as the cost of electricity. If you contract with a third party for the bulk procurement of electricity supply (as many LHAs do through PowerOptions or companies like Constellation Energy), please make sure the cost of this energy is included in the costs stated in the monthly report.

The payments you make to the solar developer will never appear on the monthly energy reports nor will they be used to calculate any of the numbers on that report. They will, however, be used in your budget and operating statements as described in this PHN. The bottom line it – we want the monthly energy report to capture the number of kWhs that you actually used at the particular development, and also to capture how much that electricity cost, BEFORE any savings you may have gotten from net meter credits. That way, you and DHCD can use the monthly reports to easily figure out which of your developments are relatively energy-efficient, and which should perhaps be targeted for further conservation initiatives.