



Commonwealth of Massachusetts
**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**

Charles D. Baker, Governor ♦ Karyn E. Polito, Lt. Governor ♦ Jennifer D. Maddox, Undersecretary

Public Housing Notice 2020-36

To: All Local Housing Authorities & Fee Accountants
From: Ben Stone, Associate Director
Subject: **Revision to PHN 2018-03:** Changes to HAFIS Budget and Operating Statement Forms for LHAs with Solar Power Net Meter Credit Contracts
Date: November 5, 2020

WHAT YOU NEED TO KNOW: Based on feedback received from LHA fee accountants, DHCD has revised the instructions originally issued [in PHN 2018-03](#) (on 1/17/18) regarding how LHAs who receive Net Meter Credits (NMC) should properly record their credits and payments in their budgets and operating statements to 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. It also explains how to enter electricity cost data in your monthly energy reports.

This Notice supersedes the instructions in PHN 2018-03

PLEASE NOTE: Per [the FY21 Budget Guidelines](#), due to loss of rental income from the pandemic, all LHAs with deficit status that earn NMCs between 7/1/20 and 6/30/21 may retain 50% of the net savings received during that time as retained revenue, while the remaining 50% will be used to reduce the amount of state operating subsidy earned. This is more than the 25% retention established in DHCD's original policy outlined in PHN 2015-01, but less than the 100% we have been able to allow for the period 7/1/16 through 6/30/20. Surplus LHAs will continue to retain 100% of NMC savings. DHCD will review this policy again 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 were allowed to 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 the FY17 through FY20 Budget Guidelines, which allowed deficit LHAs to 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 6/30/20. As noted above, most recently, due to the financial impact of the pandemic, **LHAs with deficit status will only be able to retain 50% of their NMCs for the period 7/1/20 through 6/30/21.** This policy 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. DHCD will review this latter group on a case-by-case basis.

How to Record NMC-Related Costs

Six budget lines are affected as described below in accounting for NMCs. Also, attached please find two forms that provide a visual example of how a surplus or a deficit LHA should record NMC information in the operating statement.

1. Line #4320 – “Electricity”: 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 amount that is actually payable. So if the total charges were \$1,000, and the LHA paid \$200 of the bill using the credits earned during that period (which are reported on the electric bill), and therefore only sent a payment of \$800 to the utility company for the balance, the LHA would still report the full \$1000 (the pre-credit cost) on line #4320.

2. Line #4391 - “Solar Operator Costs”: When an LHA signs a NMC contract, it must make regular (usually monthly) payments to the solar developer. LHAs should record these payments in this line.

3. Line #4392 – “Net Meter Utility Credit (Negative Amount)”: In this line, enter the FULL AMOUNT of the credits that were posted to your electric bills. LHAs should enter this amount as a **negative number**. So, using the example above, if you earned a total of \$200 in credits, then you would record (\$200) on this line, as a negative number. In cases where credits are paid in cash for multiple solar project offtakers to a “Host” LHA, the net balance retained by the Host LHA after paying out the amounts due the participating housing authorities should also be carried in this account and entered as a negative number.

4. Line #4360 – “Net Meter Utility Debit/Energy Conservation.”: In this line record the total credits earned as reported in Line 4392, MINUS the Solar Operator Costs reported in Line 4391, with the result expressed as a positive number. Using the example above, if your Solar Operator Costs totaled \$120, you would subtract the \$120 reported on Line 4391 from the \$200 reported on Line 4392, and post the remainder of \$80 on Line 4360, as a positive number. This number essentially represents the “net” savings the LHA earned from its net meter credit contract, after paying the solar operator. (NOTE: A very small number of LHAs also use this account for costs incurred for certain energy conservation measures.)

28	4310	Water			0	0
29	4320	Electricity			8.33	1000
30	4330	Gas			0	0
31	4340	Fuel			0	0
32	4360	Energy Conservation			0.67	80
33	4390	Other			0	0
34	4391	Solar Operator Costs			1	120
35	4392	Net Meter Utility Credit (Negative Amount)			-1.67	-200
36	4300	TOTAL UTILITIES			8.33	1000

5. Line #3691 – “Other Revenue – Retained”: If you are a non-subsidized LHA, then the entire “NET savings” from the NMCs should be entered into this line, while a subsidized LHA would enter 50% of the net savings, as described below. (NOTE – “Net savings” equals the total credits you earned on your electric bills, MINUS the amounts paid to the solar operator as reported in Line #4391.)

a. **Example:** If you earned total credits worth \$200, and paid \$120 to the solar operator, your “net savings” would be \$80 (\$200 - \$120). In this case:

- i. A non-subsidized LHA would enter the full \$80 in this line.
- ii. A deficit LHA would enter 50% (for FY21) of the net savings, or \$40, in this line. (Note that the 50% limit is subject to change in future editions of the Budget Guidelines)

6. Line #3693 – “Other Revenue – Energy Net Meter”: If you are a non-subsidized LHA, then NONE of the “NET savings” from the NMCs should be entered into this line. If the LHA receives operating subsidy, then (for FY21) 50% of the savings (or the percentage that DHCD authorizes to be used in the Budget Guidelines) should be entered here. This represents the share of NMCs that DHCD recaptures to limit portfolio-wide ANUEL reductions

a. **Example:** Using the preceding example of \$80 in net savings:

- i. If you are a non-subsidized LHA, the amount entered here would be \$0.
- ii. A deficit LHA would enter 50% of the net savings, or \$40, in this line.

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. In the example below, the total electric bill for this development was \$6,668, but \$4,357 of that bill was paid with the credits that appeared on the bill, and the LHA therefore only had to write a check for the remaining \$2,311 to the electric company. In this instance they enter the full \$6,668 as the cost of electricity, since that is the actual cost of all the electricity they used. 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 electricity costs stated in the monthly report.

In the new monthly Energy Reporting system, you will also see (below) fields to report the total Net Meter Credits earned and the Solar Operator Cost paid.

Type of Fuel	Costs		Units of Fuel Consumed (kWh, CCF, Therms,Gals etc.)		(Che
	Total Cost*	Per Unit Cost	Total Usage	Per Unit Consumption	
Electricity	\$ 6668	\$ 98.06	35316 kWh	519.35	<input checked="" type="checkbox"/> Hea <input checked="" type="checkbox"/> Cor
Natural Gas	\$ Numbers Only		Numbers Only <input type="radio"/> CCF <input type="radio"/> Therms		<input type="checkbox"/> Hea
Propane	\$ Numbers Only		Numbers Only Gals		<input type="checkbox"/> Hea
Oil	\$ Numbers Only		Numbers Only Gals		<input type="checkbox"/> Hea
Other	\$ Numbers Only		Numbers Only Units		<input type="checkbox"/> Hea <input type="checkbox"/> Cor

FOR LHAS WITH NET METER CREDIT CONTRACTS

1.Net Metering Credits earned: \$ 4357

2.Solar Operator Costs paid: \$ 3507

Net Meter Credit Savings (#1 - #2): \$ 850

The bottom line is – 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.