



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

OFFICE OF PUBLIC AND INDIAN HOUSING

Special Attention of
Public Housing Agencies;
Office Directors of Public Housing;
Regional Directors

Notice PIH 2024-31

Issued: August 23, 2024

This Notice remains in effect
until amended, superseded, or rescinded.

Cross Reference: 24 CFR § 990.185, 24
CFR Part 965 Subpart C, 2 CFR Part 200,
Notice PIH-2011-36 (HA), Notice PIH
2018-20, Notice PIH 2022-34, and HUD
Handbook 7460.8 REV 2 (2/2007)

SUBJECT: Guidance on the Rate Reduction Incentive in Public Housing

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I. Purpose

This Notice serves as guidance to Public Housing Agencies (PHAs) on the use and eligibility of the Rate Reduction Incentive (RRI). This Notice supersedes and replaces Notice PIH 2023-17 (HA) and supplements information in the current Energy Performance Contracting (EPC), Utility Partnership Program (UPP), and the Operating Fund grant processing Notices.

II. Applicability

This Notice applies to all PHAs that operate a public housing program and provides guidance under the Public Housing Operating Fund program pursuant to the U.S. Department of Housing and Urban Development (HUD) regulations at 24 CFR part 990.

Moving to Work (MTW) housing authorities with Alternative Operating Subsidy formulas are only eligible to claim financial incentives for rate reductions if their Alternative Operating Subsidy formula explicitly permits it or the Alternative Operating Subsidy Formula does not modify the Utility Expense Level portion of the Operating Subsidy formula found in 24 CFR part 990.

III. Background

The RRI is a financial incentive for PHAs that take action beyond normal public participation in rate-making proceedings, such as well-head purchases or natural gas, administrative appeals or legal action to reduce their utility rate. Annual HUD approval of an RRI Application is required for PHAs to receive the RRI.

The RRI is provided to projects through the Operating Fund Formula. The RRI is a formula element in the Operating Fund formula and, generally, serves to increase Operating Subsidy eligibility. After an RRI is approved by HUD in a given year, PHAs may include the RRI in that year’s Operating Subsidy Form HUD-52722.

IV. Overview of Changes

This Notice contains important policy clarifications and reorganizes the content and adds guidance on the RRI application process. The Notice also has the following changes.

- This Notice establishes one RRI application submission deadline per funding year. The RRI application submission deadline is announced in the Operating Fund grant processing Notice.
- Reorganizes the Notice to make it clearer and more accessible.
- Address RRI Policy and provides guidance for RRI Application eligibility and approvability and how to claim the RRI in the PHA’s submission of its 52722 form on line 23
- The Notice addresses Negative RRI Savings.
- Provides guidance on limitations of RRI incentives from different eligible RRI actions for the same project and the same utility to the Default Utility Cost.

V. Acronyms and Abbreviations

| | |
|------|---|
| ACC | Annual Contributions Contract |
| BTU | British Thermal Unit, a measure of energy |
| CCF | 100 Cubic Feet, common unit of natural gas or water |
| CFFP | Capital Fund Financing Program |
| CFR | Code of Federal Regulations |
| EPC | Energy Performance Contracting |

| | |
|----------|--|
| FO | Field Office |
| HUD | Department of Housing and Urban Development |
| kWh | Kilowatt hours (unit of electricity) |
| MTW | Moving to Work |
| OFFP | Operating Fund Financing Program |
| OGC | Office of General Counsel |
| OPH | Office of Public Housing |
| PHA | Public Housing Agency |
| PPA | Power Purchase Agreement |
| PV Solar | Solar Photovoltaics (generate electricity from solar energy) |
| RBCL | Rolling Base Consumption Level |
| RRI | Rate Reduction Incentive |
| UEL | Utility Expense Level |
| UPP | Utility Partnership Program |

VI. Definitions

| Term | Definition |
|-------------------------------------|---|
| 52722, Form HUD-52722, or HUD-52722 | Form HUD-52722 – “Operating Fund Grant: Calculation of Utilities Expense Level (UEL) PHA-Owned Rental Housing.” This form is used to calculate the Utilities Expense Level component of |
| Actual Utility Consumption | The amount of a utility consumed at a project, such as “kWh” of electricity or “therms” of natural gas, during the reporting period. The best source of actual utility consumption documentation for PHA reporting is from utility bills or invoices. Actual Utility consumption is used by the project(s) during the reporting period. |
| Actual Utility Cost | Total amount paid by the PHA for a given utility. In addition to the price of the actual commodity, this typically includes the transmission and distribution of the commodity and other fees charged by the utility. The best source of Actual Utility Cost information is from utility bills or invoices. |
| Actual Utility Rate | <p>For purposes of calculating Utilities Expense Level (Form HUD 52722, Section 7, Line 17), the actual average rate from the most recent 12-month period that ended June 30th prior to the beginning of the applicable funding period. The rate will be calculated by dividing the actual utility cost by the actual utility consumption, with consideration for pass-through costs (e.g., state, and local utility taxes, tariffs) for the time period specified in this paragraph.</p> <p>Additionally, for purposes of calculating RRI savings, utility rate may also refer to a component of the overall utility rate for which the PHA has negotiated a cheaper rate (e.g., for the energy/commodity portion of a PHA’s utility rate only).</p> |
| Commodity | In the energy business, the term “ <i>commodity</i> ”, is used to describe the form of energy used such as natural gas, coal, propane, and electricity. |

| Term | Definition |
|-------------------------------------|---|
| Default Utility Cost | The total amount the PHA would have paid in the reporting period if it had not taken any RRI action. The Default Utility Cost should include the additional costs associated with the transmission and distribution of the commodity and other fees charged by the utility and appear on the PHA’s utility invoice, unless the published rate excludes certain components of the rate like transmission. |
| Default Utility Rate | The utility rate that the PHA would have paid in the reporting period if it had not taken any RRI action. The default utility rate of the actual commodity should include the additional costs associated with the transmission and distribution of the commodity and other fees charged by the utility provider and appear on the PHA’s utility invoice. |
| Deregulated Market | Utilities in deregulated markets are prohibited from generation and transmission ownership and are only responsible for distribution (lower voltage electricity delivered to point of use), operations, maintenance, and billing ratepayers. As a result, customers located within these deregulated areas have the option to purchase the commodity or supply of energy from a different provider, which can result in a cheaper rate for the commodity. |
| ECMs (Energy Conservation Measures) | ECMs are measures that improve energy or water efficiency, energy, or water conservation, are life cycle cost effective, and may involve cogeneration facilities or renewable energy sources. |
| Energy Services Company (ESCO) | An Energy Services Company (ESCO) is an entity that may develop, design, and build projects that save energy, including energy engineering firms as well as other energy engineering consultants hired by the PHA to undertake part, or all, of an energy/utility project. |

| Term | Definition |
|-----------------------------------|--|
| EPC (Energy Performance Contract) | Energy Performance Contract – An energy conservation program financed with non-Department funds, that is the subject of a written approval by HUD pursuant to 24 CFR part 965 Subpart C and 24 CFR 990.185 and subject to guidance from PIH Notice 2011-36 or most current Notice. |
| EPC Baseline Consumption | The EPC Baseline consumption is established at the beginning of an Energy Performance Contract (EPC) by taking the average of the three (3) years of annual consumption prior to the implementation of an EPC. The Baseline consumption must be approved by HUD in the development of an EPC and is included in the EPC Approval Letter. Baseline consumption is used to calculate RRI savings in cases where an RRI action has been approved in conjunction with an EPC. This value is typically included in the EPC approval letter. |
| EPC Cash Flow | The EPC cash flow provided in the EPC approval letter is a method of calculating financial results using certain projections or presumptions. The EPC cash flow covers the period of the HUD incentive term from year one (1) till end of the term (20 years max). It compares EPC savings less total EPC project costs to show excess savings and includes finance rate, estimated inflation rate, and shows the percentage of savings used to pay Project Costs. |
| EPC Incentive | The three EPC incentives are: Add-On Subsidy (AOS), Frozen Rolling Base (FRB), and Resident Paid Utilities (RPU). |
| Funding Year | The Calendar Year for which an Operating Fund grant is provided from January to December of the same year. |

| Term | Definition |
|-------------------------------------|---|
| Moving To Work | A demonstration program for PHAs that provides them the opportunity to design and test innovative, locally designed strategies that use Federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families. MTW allows PHAs exemptions from many existing public housing and voucher rules and provides funding flexibility with how they use their federal funds. |
| Operating Fund | The grant program established pursuant to Section 9(e) of the U.S. Housing Act of 1937 (42 USC 1437g(e)), 24 CFR part 990, and annual appropriation acts. |
| Operating Fund Formula | The formula used to determine Operating Fund eligibility, established by negotiated rulemaking as mandated by Section 9(e) of the U.S. Housing Act of 1937 (42 USC 1437g(e)). For approved RRI, EPCs, EPC incentives and Rate Reduction Incentives are elements in the Operating Fund Formula. |
| Operating Subsidy | Grant amounts provided to public housing projects pursuant to the Operating Fund program. |
| Operating Subsidy Submission | The electronic HUD-Form 52722 and/or HUD-Form 52723 which, in combination, calculate Operating Subsidy eligibility and are submitted for each project annually by the PHA |
| Operating Subsidy Processing Notice | The Operating Subsidy Processing Notice is an official guidance document, published annually, providing PHAs direction and guidance related to each year's Operating Subsidy. for PHAs to submit applications for Operating Fund subsidy issued by the Office of Public Indian Housing. |

| Term | Definition |
|---------------------------------------|---|
| Power Purchase Agreement (PPA) | A contract between two parties and sometimes three where one generates electricity (the seller) and one that purchases electricity (the buyer). A third party may be a utility provider which supports the transaction. The PPA defines the commercial terms for the sale of electricity between the two parties. A PPA that is approved by HUD and results in net savings for the PHA may be eligible for the RRI. |
| Rate Reduction Incentive (RRI) | A financial incentive generally, or the amount of that incentive more specifically, provided as an element in the Operating Fund Formula for PHAs that take action beyond normal public participation in rate-making proceedings, such as well-head purchase of natural gas, administrative appeals or legal action to reduce their utility rate. The PHA's action must exceed the activities required by 24 CFR § 900.1854(a). |
| Rate Savings | <p>The difference between the Default Utility Rate less the Actual Utility Rate.</p> <p>Rate Savings = Default Utility Rate – Actual Utility Rate</p> |
| Reporting Period | The 12-month period for which actual utility consumption is measured each year. Consistent with calculation of the UEL, the RRI reporting period is the 12-month period from July 1 to June 30 that is prior to the first day of the applicable Funding Year. |
| Rate Reduction Incentive (RRI) Action | An RRI action is some special and significant efforts beyond normal public participation in rate-making proceedings, such as well-head purchases of natural gas, administrative appeals, or legal action to reduce their utility rate. Eligible RRI Actions are discussed in Section VII. RRI Actions |
| RRI Approval Letter | An official letter issued by a HUD employee with approval authority to a PHA that approves the RRI eligibility for certain projects in a funding year. HUD's approval of the RRI eligibility is subject to the conditions and criteria outlined in the letter. |

| Term | Definition |
|-----------------------------|---|
| Reporting Period | The 12-month period for which actual utility consumption is measured each year. Consistent with calculation of the UEL, the RRI reporting period is the 12-month period from July 1 to June 30 that is prior to the first day of the applicable Funding Year. |
| Standby Charge | Convenience fee charged by electric company for the electricity generated on-site. This covers the local power company's need to standby and provide backup power if the renewable energy system goes offline. Not all utility companies charge this fee. Utility companies that charge this fee will use different methods for calculating it. |
| Total Utility Consumption | <p>Total Utility Consumption is the sum total of the Actual Utility Consumption of each project included in the RRI Application.</p> <p>Total Utility Consumption = Actual Utility Consumption_{project 1} + Actual Utility Consumption_{project 2}</p> |
| UEL (Utility Expense Level) | The Utility Expense Level (UEL) is a component of the Operating Fund Formula that pertains to PHA paid utilities and is implemented pursuant to 24 CFR § 990.170-180. The UEL is the output of the HUD Form 52722. |
| Utility/Utilities | Utilities includes electricity, gas, heating fuel, water, and sewerage services (Per 24 CFR § 990.115). |
| Utility Rate Contract | An agreement between the PHA and a utility provider on a negotiated rate beyond normal rate making. |
| Wellhead Purchase | Wellhead purchase is the purchase price at the point of production. https://www.eia.gov/tools/glossary/ |

VII. Program Requirements

Pursuant to HUD regulation 24 CFR §990.185(b), to be eligible for an RRI, the PHA's rate reducing action must exceed the activities required beyond normal public participation in rate-making proceedings, such as well-head purchase of natural gas, administrative appeals, or legal action to reduce the rate it pays for utilities, then the PHA will be permitted to retain one-half the annual savings realized from these actions."

RRIs completed at the same time as an EPC are eligible to retain up to 100 percent of the savings (rather than 50 percent of the savings with the RRI alone) during the EPC repayment period when the EPC and RRI impact the same Project and Utility. See detailed requirements below.

The RRI Savings for any project may not be greater than the Default Utility Costs for the Utility as described below.

The RRI, generally, provides additional Operating Subsidy eligibility to a PHA that undertakes a special and significant action to reduce its utility rate. A PHA must undertake an eligible action to lower its utility rate to be eligible for an RRI. The lower rate cannot be a result of factors that do not require the PHA to take an action and/or are beyond a PHA's control including, but not limited to, market changes, legislative changes, rate changes for all customers, or consuming energy at a different time of day. A coincidental change in the effective rate paid by the PHA from one year to the next is not always a result of a PHA action and therefore is not eligible for an RRI.

The RRI is not an incentive for complying with required procurement practices, conducting maintenance, and/or reducing utility consumption. The RRI is a tool to incentivize PHAs to lower the overall utility costs of the public housing program.

1. Nexus with Operating Subsidy

The RRI is a formula element in the Operating Fund Formula which, generally, serves to increase Operating Subsidy eligibility and funding. Operating Subsidy may be used for any eligible Operating Fund grant activity allowable under Section 9(e) of the United States Housing Act of 1937 (42 USC 1437g(e)).

HUD approval of PHA submission of RRI Applications must occur prior to their inclusion in Operating Subsidy forms. The rate, costs, consumption, and unit of consumption used to calculate RRI Savings must be consistent with the rate and costs used to calculate the Utility Expense Level (UEL) in the HUD Form-52722. As part of the Operating Subsidy process PHAs are required to submit documentation validating that the rate and costs used to determine the RRI is consistent with the rate and costs used to calculate the UEL. If the PHA cannot substantiate that the RRI rates are consistent with the rates reported on HUD Form 52722, HUD will rescind its RRI approval.

2. Applications and Approvals

Certain RRI Actions are eligible for a RRI for multiple years. HUD will identify the term of its approval in its RRI Approval Letter (the end date for which the RRI Action can submit annual RRI Applications and receive approval from HUD). The term of HUD's approval will be the lesser of the length of the contract, or the term limitation identified for different RRI actions below.

Notwithstanding HUD's approval of a term of more than one year, PHAs must submit RRI

Applications and receive HUD approval thereof each year of the term in order to be able to claim an RRI incentive in its HUD Form 52722 each year. The Annual submission of RRI Applications and HUD approval thereof is needed because Utility rates and the resulting RRI amount changes each year.

3. Contracts and Contract Restrictions

While certain RRI Actions are eligible for a RRI for multiple years, PHAs should be aware of procurement requirements related to contract terms. In general, contracts shall not exceed a period of five years, including options for renewal or extension, as stated in Chapter 10.8 of the Procurement Handbook for Public Housing Agencies (HUD Handbook 7460.8 REV 2, dated 2/2007¹).

Contracts with terms in excess of five years require written approval from the HUD Field Offices. A Field Office may approve contracts in excess of five years if: 1. the contract is executed in conjunction with an EPC, or an EPC extension, for a term of up to twenty (20) years (plus the construction period); or 2. the Field Office determines there is no practical alternative.

When a PHA is requesting approval of a contract in excess of five years because it is pursuing an RRI in conjunction with an EPC, it must provide the EPC approval letter or if the EPC has not yet been approved, the cover letter by which the PHA submitted the EPC application. The EPC approval letter and EPC application cover letter must identify that the EPC is being undertaken with an RRI. The FO should contact the FMD Energy Branch to confirm that the contract action is associated with an RRI being undertaken in conjunction with an EPC. The term of the RRI related contract cannot exceed 20 years.

When a PHA is requesting FO approval of a contract in excess of five years because there is no practical alternative, in their request for Field Office approval, PHAs must submit documentation establishing that to be the case, including: 1. a request and justification; 2. procurement and supporting documentation establishing that there is no practical alternative to a contract term in excess of five years; 3. the proposed contract, including procurement documentation.

Documents must be submitted to FO in a timely manner to permit FO review and respond prior to the time the PHA submits its RRI Application.

In reviewing such requests Field Offices should consult with the Financial Management Division's Energy Branch upon receipt of such a request. The Energy Branch will evaluate the request and supporting documentation provided by the PHA and provide a written assessment on the availability of alternatives in the market to the Field Office.

Any contract in excess of five years must include a provision permitting termination for convenience by the PHA. PHAs must submit and Field Offices will review contract documentation to confirm that the requisite provision is included. Such contracts can provide for reasonable termination fees.

The PHA's request and supporting documentation must be submitted to the Field Office in a timely enough manner to permit the Field Office to review and respond prior to the time the PHA submits its RRI Application. Field Office approval of a contract term in excess of five years does not constitute an approval of an RRI. The PHA must separately request Departmental

¹ <https://www.hud.gov/sites/documents/74608c10PIHH.pdf>

approval of an RRI via submission of an RRI Application.

Where RRI related contracts exceed five years PHAs must include the FO approval letter for the executed contract as part of their RRI Application. HUD will not approve RRI Applications where contracts exceed five years absent written approval by the Field Office.

When a PHA enters into a new contractual agreement (including the renewal of an existing contract) for an eligible RRI Action, even if the action impacts the same utility and project(s) as a previously approved RRI action, this is considered a new RRI action and requires a new RRI Application submission. In this instance, the PHA must submit an RRI Application with a copy of the new executed agreement and other documentation indicated below. This may require PHAs to submit two applications for the same project, utility and RRI action. One application would be based upon the original contract, the second application would be based upon the new or renewal contract.

An evergreen contract is a contract that automatically renews after its initial term expires. The parties agree that the contract rolls over automatically and indefinitely until either party gives the other notice to terminate it. PHAs may enter into special rate actions that have evergreen contracts with their utility provider that fall into this category. Provided that the initial term of an evergreen contract is not more than five years, because they may be cancelled by either party after the initial term or at any time; evergreen contracts do not require Field Office approval.

Where an RRI Action involves an evergreen contract and would otherwise qualify for a term of multiple years, HUD will limit the term of its approval to the initial term of the evergreen contract, and issue only single year approvals thereafter, for a total term up to twenty (20) years.

4. RRI Undertaken in Conjunction with an EPC

For a PHA to be eligible to retain 100 percent of the RRI savings, the RRI must be undertaken in conjunction with the EPC. The requirement to meet this standard include:

- A. The PHA must be eligible for both EPC incentives and RRI incentives (1) at the same project, (2) for the same utility, and (3) in the same funding period.
- B. The PHA must submit its EPC application before it submits an RRI Application. The EPC application must indicate that: the PHA is intending to complete an RRI in conjunction with the EPC; identify the RRI Action; and state that it intends to request 100% RRI incentive. The PHA's RRI Application must state that it is requesting a 100 percent RRI incentive because it is being executed in conjunction with an EPC. To be eligible for an RRI at 100% of savings the RRI must be included in the PHA's Operating Subsidy no later than the year the first EPC Incentive is included in the PHA's Operating Subsidy.
- C. Both the RRI and EPC approval letters from HUD must indicate that the PHA is pursuing the EPC and RRI in conjunction with each other. If approved for 100% of savings, the RRI approval letter will identify all projects and RRI Actions approved at that percentage.

Eligibility to retain 100 percent of the RRI savings is only applicable when the PHA is also receiving EPC incentives. Therefore, the PHA is only eligible to retain 50 percent of the savings during the construction period, or after the EPC benefits end for any reason.

Alternatively, if the RRI ends before the EPC, PHAs could potentially retain 100% of savings if they entered into a new contract, effectively extending the term of the RRI. The new RRI

renewal meets the above criteria, then the PHA may be eligible to retain 100 percent of the savings, rather than 50 percent, while the project is receiving both EPC and RRI incentives. To be eligible to retain 100 percent of savings the new RRI must:

- be similar in nature to the previous RRI;
- take place at the same project for the same utility as the expired RRI;
- include incentives at the same project for the same utility as the EPC; and
- meet the requirements identified in the current RRI Notice.

The PHA does not need to use the same contractor as was used in the previously approved RRI as a condition of retaining 100 percent eligibility. The intent in allowing flexibility for extensions are to ensure that the PHA is continually seeking the best value in contract selection.

The requirements specified in this Notice related to RRIs and EPCs being completed in conjunction with each other apply only where either the EPC or the RRI is approved after the publication of PIH Notice 2019-24 on September 3, 2019. PIH Notice 2019-24 enumerated the requirements related to such RRI/EPC combinations for the first time. Departmental determinations as to the percentage of an RRI that can be claimed for existing EPC and RRI approvals made pursuant to RRI Notices preceding PIH Notice 2019-24 will remain in effect.

See Appendix II for the acceptable method for calculating savings when the RRI is executed in conjunction with an EPC.

Calculation for RRI with an EPC and RRI Renewables

Some PHAs may execute an EPC that includes RRI for some renewable energy (like Solar PPA or Community Solar).

The total RRI for an RRI Action (the total RRI for all projects Subject to the RRI Action) , project(s) ,cannot be greater than greater than the Default Utility Cost,. See Appendix IV for guidance where there are more than one RRI Application for the same utility and the same project.

A renewable energy RRI Application for energy production eligibility may be approved for the same term as the EPC (up to 20 years),.

See below for clarifications on some common scenarios for RRI Interaction with an EPC:

- RRI/EPC Scenario 1:** If a PHA executes a Departmental approved EPC at two (2) of its three (3) projects and simultaneously executes a Departmental approved RRI at all 3 projects, only the 2 projects included in the EPC may be eligible to retain 100 percent of the savings. The third project that is not included in the EPC may be eligible to retain 50 percent of the savings.
- RRI/EPC Scenario 2:** If a PHA has a Departmental approved EPC that includes both electricity and water savings and simultaneously executes a Departmental approved RRI for natural gas, the PHA may be eligible to retain 50 percent of the savings because the EPC and RRI impact different utilities.
- RRI/EPC Scenario 3:** A PHA executed an EPC with a 10-year payback and simultaneously executed a commodity contract for electricity at all sites included in the

EPC. The commodity contract covered electricity purchases for three (3) years. For each of the three years, HUD determined that the PHA was eligible for an RRI and was able to retain 100 percent of the savings. At the end of the commodity contract the PHA procured a new commodity contract for electricity for one year that covered the same projects. Based on the information above, HUD determined that the PHA was eligible to retain 100 percent of the RRI savings for this additional year.

5. Ineligible RRI Applications

- A. No RRI Application will only be accepted if submitted after the application deadline.
- B. No documentation or calculations will be accepted after the deadline. Incomplete applications will be denied.
- C. Applications with errors or miscalculations will be denied.
- D. When Documentation does not validate the rates, the RRI application will not be approved (Actual Utility Rate and Default Utility Rate). *Actual Utility Rate Example: A copy of an executed utility rate contract that indicates the Actual Utility Rate paid by the PHA which is the same Actual Utility Rate indicated on a sample utility invoice during one billing period such as a month during the reporting period. Default Utility Rate Documentation Examples: A utility invoice indicates the rate that the PHA would have paid and the rate that the PHA actually paid (Often called price to compare). Another example of a Default Utility Rate documentation would be a copy of the applicable published utility tariff rate in effect during the RRI period stating the rate that the PHA would have paid.*
- E. RRI actions that require a contract are not eligible to receive RRI incentives beyond the term of the contract.
- F. Actions that violate a current policy, regulation, or statute, or inhibits a PHA from complying with a current policy, regulation, or statute are not eligible for a RRI.
- G. An RRI combined with any public housing financing (e.g., Capital Fund Financing Program², Operating Fund Financing Program³, Section 30 EPC⁴, or Public Housing Mortgage Program⁵) must receive Departmental approval of the financing in order to be eligible for an RRI.
- H. RRI applications with ineligible actions will be denied. See Section XI for more information on ineligible actions.

6. RRI Savings Calculations

A PHA should use one of the following formulas to calculate savings rounded to the nearest whole dollar amount (RRI Savings Calculation). For either formula, the PHA must provide documentation to verify the Actual and Default Utility Rates used. Formula 1 may be easier to use when the actual utility rate including all adders and variable components is *the same* each

² 24 CFR part 905, https://www.hud.gov/program_offices/public_indian_housing/programs/ph/capfund/cffp

³ <https://www.hud.gov/sites/documents/OPFUND-FINANCING-GUIDE.PDF>

⁴ Energy Performance Contract Section 30 Reviews and Approvals Guidebook, <https://www.hud.gov/sites/documents/SECTION30GUIDEBOOK.PDF>

⁵ PIH Notice 2011-30 (HA): PHA Mortgaged Projects: Procedures for Section 30 Mortgage Transactions, <https://www.hud.gov/sites/documents/PIH2011-30.PDF>

month in the reporting period. Formula 2 may be easier to use when the actual utility rate including all adders and variable components are *different* each month in the reporting period. Examples are included in Appendix:

$$\text{Formula 1. RRI Savings} = ((\text{Default Utility Rate}) - (\text{Actual Utility Rate})) \times (\text{Actual Utility Consumption})$$

Where *Actual Utility Rate* = *Actual Utility Cost/Actual Utility Consumption*

OR

$$\text{Formula 2. RRI Savings} = (\text{Default Utility Cost}) - (\text{Actual Utility Cost})$$

WHERE

$$\text{Default Utility Cost} = \text{Default Utility Rate} \times \text{Actual Utility Consumption}$$

$$\text{Actual Utility Cost} = \text{Actual Utility Rate} \times \text{Actual Utility Consumption}$$

7. Negative Savings

If a PHA applies for an RRI in a given year, the PHA must include all projects covered by the RRI Action in the calculation documentation. If some of the projects realized negative savings in a given year, the total savings (both positive and negative) of all projects derive the RRI for that RRI action. After HUD approves the RRI Application (e.g. multiyear RRI term), if the PHA includes approved RRI in any HUD Form 52722, the PHA must include the RRI on the HUD Form 52722 for all projects that are part of the RRI Action, even projects with negative savings.

If HUD approved an RRI Action with a multi-year term, which has not reached the end of its term and the PHA does not wish to submit an RRI Application submission in a given Funding Year, the PHA may withhold their RRI Application for that year for the entire RRI Action for that utility and all of the projects in the multi-year approval. For example, when the action does not produce a net savings or produces negative savings, the PHA may decide not to submit an RRI application for that year. Such PHAs will not be precluded from submitting RRI Applications in future years.

8. RRI Withdrawal

If, after submission of a new RRI Application, the PHA wishes to withdraw its RRI Application, the PHA must written request to withdraw signed by their Executive Director to the PHFMDEnergyBranch@hud.gov to officially withdraw the RRI Application. HUD will acknowledge the withdrawal and no further action from the PHA will be required.

VIII. RRI Application Process

A PHA seeking an RRI must submit an RRI Application to HUD for review and approval. The RRI Application must be approved before the PHA is eligible to include RRI savings in its HUD Form 52722. Previous approval of an RRI is not a guarantee of future approval. A PHA seeking approval of an RRI is subject to Section 9(e) of the United States Housing Act of 1937 (42 USC 1437g(e)), HUD's regulations at 24 CFR part 990, and the terms and guidelines of the current RRI Notice. Any time limit for RRI eligibility will begin in the first Funding Year the RRI is included in the PHA's Operating Fund Formula. The annual process for the review and approval of an RRI is as follows:

- Step 1: RRI Application Submission
- Step 2: Department Review and Response
- Step 3: If RRI Application is approved by HUD, PHA then includes RRI in Operating Subsidy form HUD 52722.

Step 1: RRI Application Submission

PHAs interested in pursuing an RRI are required to submit an RRI Application to HUD for review by the deadline published annually in the Operating Subsidy Processing Notice. An RRI Application must be submitted for each RRI Action each year that the PHA wants to include an RRI Incentive in its Operating Subsidy form HUD 52722. A single Utility may have more than one RRI Action, each of which requires a separate RRI Application. For example, a PHA may submit an electricity RRI Application for a Commodity Purchase of electricity and a separate RRI Application for Power Purchase Agreement (PPA) for electricity. Incomplete RRI Applications and RRI Applications with erroneous calculations will be denied.

When submitting an RRI Application for an eligible RRI Action, at a minimum, each RRI Application must include the following information with supporting documentation (see Appendix I for a sample PHA submission):

Required for All RRI Applications:

1. **PHA Name**
2. **PHA Code**
3. **Project Number(s)** for each project included in the proposed RRI Action;
4. **Utility Type**
5. **RRI Action Description** – A brief description of the action the PHA undertook to reduce the utility rate. If the RRI is being undertaken with an EPC, the RRI description must identify that
6. **Is RRI completed in conjunction with an EPC?**
7. **Utility Contract Start Date**
8. **Utility Contract End Date**
9. **Is the RRI Application for Renewable Energy?**
10. **Multi-Year or Single Year Approval**
11. **Total Actual Utility Consumption**
12. **Unit of Measure**
13. **RRI Percentage** - Identification of the incentive the PHA is requesting approval of, whether it is 50 percent or, if the PHA is undertaking the RRI in conjunction with and EPC, 100 percent of the actual savings (see Section 10 Interaction with an EPC for more information)
14. **EPC Start Date** (if any EPC is involved)
15. **EPC End Date** (if any EPC is involved)
16. **RRI Savings Calculation for the RRI Action** (see Appendix II for more information);
 - a. PHAs provide clear description of their RRI Savings Calculations in a traceable excel workbook are required with every RRI Application. In cases where only portion of the rate (e.g. commodity charges are negotiated versus other parts of the rate like transportation and customer service charges) or the entire rate has been negotiated, the Excel workbook must be legible with easily traceable for all calculations. For each RRI Action, and Utility and project subject to the RRI

Action, the workbook must identify and calculate, where applicable, the Project, Actual Utility Rate, Actual Utility Cost, Default Utility Rate, Default Utility Cost, Utility usage with unit of measure (e.g. kWh, gallons, CCF), Rate Savings, RRI percentage, and RRI. See appendix II for additional information. *(Required document)*

- b. *For example, PHA ABC has a commodity purchase of electricity for Project ABC000001 for \$12,032, Project ABC000002 for \$6,492, and Project ABC000003 for \$7,864.*

17. **Supporting Documentation** for Actual Utility Rate, Actual Utility Costs, Default Utility Rate and Default Utility Costs used in RRI Savings Calculations is required in every RRI Application. The supporting documentation is used to validate and verify the Actual Utility Rate, Actual Utility Costs, Default Utility Rate, and Default Utility Costs used in the RRI Savings Calculation. The supporting documentation includes sample invoices, utility rate contracts, Default Utility Rate documentation, EPC Approval Letters, and other documents that support validation and verification of the RRI Savings Calculation.

- a. *Sample invoices.* Two to three invoices from accounts based upon PHAs billing cycle (i.e. monthly, quarterly,) and within the reporting period of the RRI Action (e.g. FY 2024 includes period between July 1, 2022 to June 30, 2023) that include consumption, Actual Utility Cost, and actual utility rates that are stated in the submitted RRI Savings Calculations and rate documentation (e.g. Utility Rate Contract). *(Required document)*
- b. *Utility Rate Contract* must indicate the negotiated Actual Utility Rate and the term of the contract and match rates used in the RRI Savings Calculation. It must be a fully executed agreement, such as a supply or net metering contract with the utility provider, which typically includes terms, contract rates/unit prices, Band included properties/accounts. It must explicitly state the negotiated rate, beginning contract date, ending contract date, the term of the contract, and evidence of execution. *(Required document)*
- c. *Default Utility Rate Documentation* – Default Utility Rate supporting documentation is required with every RRI Application. Documentation may be a published utility rate schedule or tariff published by the utility company or the state public service commission, or other official source (e.g. government posting). Some utility companies provide the Default Utility Rate on their invoices. It should show the Default Utility Rate that is being used in Rate Savings Calculations. Default Utility Rates may also be included on some utility invoices. *(Required document)*
- d. *Field Office Approval Letter* - If the RRI Action pertains to a contract with a term in excess of five years. (Required if RRI Contract Exceeds 5 years).

18. **EPC Documentation** - If the RRI is being undertaken in conjunction with an EPC, the PHA must include either the EPC Approval letter, or, if the EPC has not yet been approved, the PHAs cover letter submitting its EPC application. Include the EPC Start Date and EPC End Date. The RRI Application must include a sufficient description and justification to support that the RRI and EPC are being undertaken in conjunction with each other. The justification should explicitly identify how the RRI complies with the requirements enumerated in this Notice for such RRI EPC combinations. (Required if

RRI is completed in conjunction with an EPC).

Step 2: Departmental Review

HUD will review the RRI Application to verify RRI eligibility based on the eligibility of the proposed action and accuracy, completeness, and timeliness of the submitted information. As part of its review HUD will validate the RRI Savings Calculation and RRI amount.

Once HUD completes its review and validation of reported utility rate savings, the PHA will receive a RRI response letter from HUD. If approved, the letter will identify the RRI amounts approved for each project, Utility, and RRI Action.

Step 3: PHA Claim RRI Eligibility in Operating Fund Submission

Each PHA is responsible for ensuring the correct amount approved from their RRI Application is entered correctly on the HUD Form 52722 on the “Rate Reduction Incentive” line (line no. 23) for each project with one or more approved RRIs. The PHA will add RRI amounts for all approved RRIs pertaining to each project and enter one total amount on line 23.

For example, at Project AB123000001, a PHA may have an electricity RRI approval for a commodity purchase for \$135 and a gas RRI approval for a commodity purchase for \$165. The Total RRI eligibility would be \$300 ($\$135 + \$165 = \300). The PHA would enter \$300 on line 23 of the HUD Form 52722.

The RRI approval letter will identify the RRI amount for the given year, and the number of years the PHA is eligible to apply for the RRI for each RRI Action.

IX. Activities That May Be Eligible for an RRI

Activities listed in this section may be eligible to receive RRI if the action results in a lower utility rate for the PHA, subject to Departmental approval under the terms of this Notice. HUD will not consider an action eligible for an RRI if the action violates a current policy, regulation, or statute, or inhibits a PHA from complying with a current policy, regulation, or statute.

- **RRI eligibility Combination Restrictions:** An RRI cannot be combined with any public housing financing (e.g., Capital Fund Financing Program⁶, Operating Fund Financing Program⁷, Section 30 EPC⁸, or Public Housing Mortgage Program⁹) without Departmental approval of the financing.

The scenarios below are not an exhaustive list or a guarantee of approval for RRI eligibility or payment.

⁶ 24 CFR part 905, https://www.hud.gov/program_offices/public_indian_housing/programs/ph/capfund/cffp

⁷ <https://www.hud.gov/sites/documents/OPFUND-FINANCING-GUIDE.PDF>

⁸ Energy Performance Contract Section 30 Reviews and Approvals Guidebook, <https://www.hud.gov/sites/documents/SECTION30GUIDEBOOK.PDF>

⁹ PIH Notice 2011-30 (HA): PHA Mortgaged Projects: Procedures for Section 30 Mortgage Transactions, <https://www.hud.gov/sites/documents/PIH2011-30.PDF>

Scenario 1: Special rate negotiated by and for the PHA

The PHA actively works with the local Utility company to create a special rate for the PHA. The result is a reduced rate or accommodation not available to the public, low-income households, or subsidized housing in general. The action taken by the PHA must extend beyond simply writing letters, attending public meetings, or completing administrative paperwork.

The PHA may be eligible to receive an RRI approval for up to five (5) years for each negotiation.

Scenario 2: Wellhead purchase of natural gas

The PHA negotiates a natural gas rate at the wellhead.

The RRI savings must reflect the impact to the wellhead portion of the bill only. In this scenario, HUD will only pay an incentive on the savings associated with the wellhead portion of the utility bill. Most commodity purchases are inclusive of the wellhead price as well as fuel processing and transportation charges. The PHA should submit in their application the wellhead portion of the utility bill and the total rate paid in their RRI rate savings calculation workbook.

The PHA may be eligible to receive an RRI approval for up to five (5) years for each procurement action.

Scenario 3: Power Purchase Agreement (PPA) using a third-party energy supplier

The PHA participates in a power purchase agreement (PPA), including a PPA for on-site or off-site solar energy, where a third-party finances, owns, maintains, and operates an energy generating system and the PHA purchases the output (e.g., electricity, steam, or chilled water). In this scenario, the PHA receives a reduced utility rate for the output, typically through invoice credits or via a fixed utility rate.

If the PPA contract term exceeds five years, the RRI Application must include written approval of the contract by the Field Director Office. See Section 3 Contracts and Contract Restrictions for more detailed guidance.

Scenario 4: Energy efficiency investments that lead to lower utility rates

Some utilities offer lower rates for customers that make energy efficiency investments or upgrades, including, but not limited to, boilers, windows, or toilets.

1. If the investment involves the physical installation of new equipment as a requirement to qualify for a lower rate, then the PHA may be eligible to receive an RRI for the lower utility rate but not any reductions in utility consumption (e.g., kilowatt hours (kWh), 100 cubic feet (CCF), gallon).
2. Energy efficiency investments that reduce utility consumption and reduce the actual utility rate simply by eliminating or reducing the amount of consumption tied to a non-reduced rate are not eligible under this scenario¹⁰.
3. RRIs do not apply to physical investments that result in a property using different fuels, which, for example, could include a permanent switch from natural gas to electric heat to be eligible for a reduced electric rate.

¹⁰ “Utility rate means the actual average rate for any given utility for the most recent 12-month period that ended the June 30th prior to the beginning of the applicable funding period.” 24 CFR § 990.115.

4. The PHA may be eligible to receive an RRI approval for up to three (3) years for each investment¹¹.

Scenario 5: Investments to allow for fuel switching capability to participate in an interruptible utility rate

Some utilities offer lower rates for customers that agree to participate in fuel switching programs in which customers are required to switch fuels at the direction of their local utility company. Participation in the program requires a PHA to temporarily (cannot be permanent) switch between fuels. Fuel switching occurs usually in response to disruptions in the fuel supply or changes in market conditions. For example, a utility company may require a PHA to switch from natural gas to fuel oil during a temporary price surge.

1. If fuel switching capability requires the installation of new equipment, then the PHA is eligible to receive an RRI. If the PHA does not install new equipment, then it will not be eligible to receive an RRI.
2. The PHA may be eligible to receive an RRI approval for up to three (3) years for each investment.

For example, ABC Housing Authority's negotiated a natural gas rate that requires switching to fuel oil during certain winter periods as requested by the natural gas utility. The PHA installed dual fuel boilers to qualify for the fuel switching rate. Dual fuel boilers have the ability to burn natural gas or fuel oil. The natural gas Default Utility Rate is \$10/therm. The natural gas Actual Utility Rate as a result of negotiating the interruptible fuel switching is \$5/therm. The RRI is based upon the negotiated interruptible rate for fuel switching (from Natural Gas to fuel oil).

Natural Gas Default Utility Rate: \$10 /therm

Natural Gas Actual Utility Rate: \$5/ therm

Natural Gas Total Actual Consumption for reporting period = 20,000 therms

*Savings= (\$10-\$5)*20,000 = \$100,000*

*Natural Gas RRI Eligibility (50%): \$100,000*50% = \$50,000*

¹¹ The Operating Fund grant formula determines eligibility based on the current utility rate multiplied by the payable consumption level. The payable consumption level factors in the current consumption and the rolling base consumption level (RBCL). When a PHA reduces its consumption, the PHA is able to retain 75 percent of the difference between the current consumption and the RBCL (24 CFR § 990.170). The HUD Form 52722 refers to this as the Utility Consumption Incentive or the 75 percent/25 percent Split. This allows the PHA to retain 150 percent of the consumption savings incentive spread over 3 years (assuming no consumption variation from year to year). PHAs that pay a utility bill that does not reflect Actual Utility Consumption (e.g., cost per dwelling unit rather than cost per gallon) are not eligible to utilize the Utility Consumption Incentive and therefore not able to capture these savings when a capital investment results in a lower utility consumption. Therefore, the PHA may be eligible to claim the RRI for up to three years to capture these savings, provided the actions and savings meet the criteria of this Notice.

Scenario 6: Commodity purchases of regulated Utilities in a deregulated market that result in a lower utility rate

1. This RRI activity does not apply to non-regulated fuels including, but not limited to, fuel oil, diesel fuel, propane, or kerosene. Since there is no default provider, the PHA is always required to follow Federal competitive procurement procedures (2 CFR part 200) when purchasing these fuels.
2. Each PHA property has a default Utility provider(s) that maintains the local electricity lines and/or natural gas distribution system. The default provider(s) operates as a regulated monopoly and is the only provider physically capable or legally allowed to provide Utility delivery services to a PHA property.
3. The charge for this service is listed on the Utility bill as either the transportation and/or delivery portion of the electricity or natural gas bill.
4. PHAs do not take specific steps to procure transmission and distribution utility services from the default utility provider as there is only one provider capable and legally allowed to provide service to the PHA property.
5. In addition to Utility service delivery, the default provider also provides the energy supply or commodity.
6. When a customer initiates Utility service with the customer's local Utility provider, the local Utility provider is the default commodity provider. PHAs do not need to undergo a procurement action to purchase commodity from the default provider when they initiate Utility service.
7. PHA properties that are physically located in a deregulated utility market have the option to procure the energy supply or commodity from a provider other than their default local provider. A PHA that chooses to exercise this option must follow Federal procurement guidelines (2 CFR part 200 and HUD Handbook 7460.8 REV 2, dated 2/2007). If a PHA exercises this option and reduces its Utility rate, then that PHA may be eligible for an RRI.
8. As a best practice, a PHA that chooses to procure a commodity separately from its default provider is encouraged to continuously review the financial costs and benefits of the procurement action to ensure that the procurement action continues to be financially advantageous to the PHA.
9. The PHA may be eligible to receive an RRI approval for up to five (5) years for each procurement action.

Scenario 7: Active commodity trading

Active commodity trading, or participating in a reverse auction, is where the PHA, or an agent on its behalf, purchases electricity or natural gas on the spot market at regular intervals throughout the year. Unlike a commodity purchase that typically happens once a year, a reverse auction may require the PHA, or an agent on its behalf, to frequently monitor energy costs to ensure the best rate. Purchases in a reverse auction may range from short-term intervals of a few days up to multiple years.

The PHA may be eligible to receive an RRI approval for up to five (5) years for each procurement action.

Scenario 8: On-Site renewable energy

If a PHA installs a renewable energy system, the PHA may include the electricity generated on-site for the purposes of calculating the blended rate. See Appendix III for a sample project, including an example methodology of how to calculate the savings.

1. PHAs choosing to install on-site renewable energy are encouraged to investigate the financial benefits, risks, and penalties when evaluating whether to invest in such projects.
2. If the renewable energy investment results in higher electricity costs, then the PHA is not eligible for the RRI.
3. The renewable energy RRI is eligible to claim the one hundred (100%) percent rate savings, if done in conjunction with an EPC. Otherwise, the RRI Action is eligible to receive 50% of the savings.
4. The PHA may be eligible to receive an RRI for the life of the equipment, not to exceed twenty (20) consecutive years.

Scenario 9: Community Solar

Community solar is any solar project or purchasing program, within a geographic area, in the benefits from the solar photovoltaic production flow to multiple customers such as individuals, businesses, nonprofits, and other groups. PHAs may benefit from energy generated by solar panels at an off-site array through a subscription to a community solar program for a portion of the energy generated by a solar array and receive an electric bill credit for electricity generated by their share of the community solar system.

1. The renewable energy RRI is eligible to claim the one hundred (100%) percent rate savings, if done in conjunction with an EPC. Otherwise, the RRI Action is eligible to receive 50% of the savings.
2. PHAs may claim this benefit for up to twenty (20) consecutive years.

Scenario 10: Other

Additional RRI scenarios proposed by PHAs will be reviewed on a case-by-case basis.

X. Actions That Are Not Eligible to Receive An RRI

The following are some examples of activities that do not qualify as eligible to receive an RRI. This list is not exhaustive and is provided as a general guide for evaluating eligible activities.

Ineligible Scenario 1: Energy investments that lower utility consumption but not the rate (unit cost)

Justification: If the investment reduces energy consumption, the PHA may be eligible to receive an incentive under 24 CFR § 990.170(c) as automatically calculated in the Form HUD-52722, but not an RRI. Energy and water investments using third party funds may be eligible for incentives when they are included in an approved EPC. For more information on EPCs, see 24 CFR § 990.185(a) and/or the current EPC Notice.

Examples of ineligible activities:

1. Energy or water conservation investments that may result in reduced utility

- consumption but not a reduced utility rate including, but not limited to, replacing, repairing, or upgrading existing equipment such as boilers, insulation, windows, or toilets.
2. Investments in energy technology that use fuel more efficiently include, but are not limited to, cogeneration, combined heat and power, trigeneration, or geothermal heat pumps.
 3. Routine maintenance to repair faulty equipment and/or leaky pipes.

Ineligible Scenario 2: Selecting the best available utility rate

Justification: If a local utility company offers multiple rate options from which the PHA may be eligible, then the PHA is expected to select the utility rate that is most financially advantageous to the PHA and/or HUD.

For example, a PHA may have the option of choosing to pay \$0.12/kWh for a standard commercial rate or \$0.10/kWh for an affordable housing rate. It is expected that the PHA will choose the cheaper rate. When the PHA does this, it is considered a good business decision rather than a special or significant action worthy of an RRI.

Examples of ineligible activities:

1. Selecting a lower rate that is available to the public, even if there is an application or income verification process.
2. Assisting tenants in applying for a lower rate.
3. Participating in an interruptible rate program except as explained in Scenario 5
Switching into, or out of, a time-of-use rate¹².

Ineligible Scenario 3: Combining or removing utility meters in a manner that prohibits the PHA from individually metering tenant level consumption

Justification: Removing or consolidating individual meters inhibits a PHA from complying with the requirements of 24 CFR part 965 subpart D (§ 965.401- § 965.407) and subpart E (§ 965.501 - § 965.508), which requires PHAs to individually meter utility consumption where technically feasible and appropriate.

HUD may consider a negotiated rate for meter consolidation provided that the PHA metering remains in compliance with Departmental regulations for assigning tenant responsibility. For example, a PHA may install a master utility meter upstream from individual meters and convert the unit level meters from individual utility accounts to PHA operated CheckMeters¹³. In a CheckMeter system, a PHA must bill tenants for excess consumption. In this case, the PHA may be eligible to receive the RRI, subject to Departmental approval, provided that the action lowers the cost to the PHA and/or HUD.

¹² Time-of-use rates charge different rates based on the time of day, season, or type of day (weekday or weekend). In an electric time-of-use rate, the unit cost of electricity (\$/kWh) costs more during peak (daytime) hours and less during off-peak (nighttime) hours.

¹³ Public Housing Environmental and Conservation Clearinghouse's ECM: Install Checkmetering or Individual Metering webpage, https://www.hud.gov/program_offices/public_indian_housing/programs/ph/phecc/strat_m4

Ineligible Scenario 4: Fuel switching to obtain a better rate when new equipment is not required

Justification: If new equipment purchases are not required, then these actions amount to energy conservation activities and/or compliance with the requirement to select the most favorable utility rate.

Examples of ineligible activities:

1. Using an on-site generator to reduce electricity consumption from your default provider.
2. Converting electric heat to natural gas because natural gas is cheaper per British Thermal Unit (BTU, a unit of energy).
3. Switching between natural gas and oil when it is price advantageous to the PHA and/or HUD, except as described in Scenario 5 “*Calculation for RRI with and EPC and RRI Renewables*”.

XI. Further Information

For additional information or questions regarding this Notice, please direct inquiries to the PIH Financial Management Division Energy Branch mailbox at PHFMDEnergyBranch@hud.gov.

XII. Paperwork Reduction Act

RRI Eligibility Submission and Supporting Documentation

The public reporting burden for this collection of information is estimated to average 2.0 hours, including the time for reviewing instructions, searching existing data sources, gathering, and maintaining the data needed, and completing and reviewing the collection of information. The information collection requirements contained in this Notice have been approved by the OMB approval number 2577-0305. HUD may not conduct and sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid OMB Control Number.

This collection of information is required for Public Housing Agencies (PHAs) to receive an RRI pursuant to 24 CFR § 990.185. RRI enables a PHA to retain 50% of any savings attributable to taking specific actions to reduce the cost of their energy consumption. The information will be used by HUD to determine whether applications meet eligibility requirements and application submission requirements. No assurances of confidentiality are provided for this information collection.

Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions to reduce this burden, to Reports Management Officer, Department of Housing and Urban Development, 451 7th Street SW, Room 4176, Washington, DC 20410-5000, or PaperworkReductionActOffice@hud.gov.

RRI Annual Savings Submission

The public reporting burden for this collection of information is estimated to average 10.0 hours, including the time for reviewing instructions, searching existing data sources, gathering, and maintaining the data needed and completing and reviewing the collection of information. The

information collection requirements contained in this Notice have been approved by the OMB approval number 2577-0305. HUD may not conduct and sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid OMB Control Number.

Public Housing Agencies (PHAs) that receive Rate Reduction Incentive (RII) pursuant to 24 CFR § 990.185 are required to submit documentation on energy cost saving attributed to the reduction in the rate. The information will be used by HUD to determine the amount to the incentive included in its Operating Subsidy calculation each year. No assurances of confidentiality are provided for this information collection.

Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions to reduce this burden, to Reports Management Officer, Department of Housing and Urban Development, 451 7th Street SW, Room 4176, Washington, DC 20410-5000, or PaperworkReductionActOffice@hud.gov.



Richard J. Monocchio
Principal Deputy Assistant Secretary
for Public and Indian Housing

Appendix I: Sample PHA Submission

New RRI Eligibility Request and Savings Calculations

Provided below are examples of a new RRI eligibility request and savings calculation submission to illustrate the type of information and documentation required for HUD to review and determine RRI eligibility and annual savings. Depending on the type of allowable RRI action, see data requirements in Section VIII. If a PHA has any questions on submitting information and documentation in accordance with this RRI Notice, please send all inquiries to PHFMDEnergyBranch@hud.gov.

Hypothetical Example PHA Submission

The Apple Housing Authority negotiated a lower electricity rate for one of their public housing properties because the property is located in a deregulated market. The result is that the housing authority is paying a fixed rate for electricity that is lower than the price they would have paid if they did not take any action to reduce the rate. The examples are for Funding Year 2025 to demonstrate the methodology for the savings calculations. The agreement for their negotiated rate took effect and the PHA began realizing savings on July 1, 2023. Apple Housing Authority is submitting a RRI Application for Funding Year 2025. The full term of the contract agreement is July 1, 2023 – December 31, 2028.

Sample RRI Application for Funding Year 2025– Submitted by September 30, 2024.

Data Required and submitted:

| Data Name | Data |
|--|-------------------------|
| PHA Name | Apple Housing Authority |
| PHA Code | ZZ045 |
| Utility Type | Electricity |
| Multi-Year Approval | Yes |
| Is the RRI Application for Renewable Energy? | Yes |
| Utility Contract Length (Years) | 5 |
| Total Actual Utility Consumption | 605,904 |
| Default/ Comparative Rate | \$0.0854/kwh |

| Data Name | Data |
|-----------------------------|-----------------------------------|
| Computation Method | Cost |
| RRI Action | Commodity Purchase of Electricity |
| Utility Contract Start Date | 7/1/2023 |
| Utility Contract End Date | 12/31/2028 |
| EPC Start Date | N/A |
| EPC End Date | N/A |
| Unit of Measure | kWh |
| RRI Percent (%) Savings | 50% |

| Data Name | Data |
|----------------------|--------------|
| Actual Utility Rate | \$0.0720/kwh |
| Actual Utility Costs | \$43,625.09 |

| Data Name | Data |
|-----------------------|-------------|
| FO Approval Letter | N/A |
| Default Utility Costs | \$51,744.20 |

Documentation

The PHA should provide documentation identified in Section VIII to allow HUD to verify and validate the Data entered above.

1. **An Agreement** (Apple Housing Authority negotiated a lower electricity rate with the utility provider, resulting in a fixed contract rate of \$0.0720 per kWh. The agreement is for the term of 1/1/2023 -12/31/2028. The RRI fully executed agreement with the utility provider that confirms the reduced rate and other pertinent terms.)
2. **EPC approval letter if the PHA is claiming RRI with the EPC** (not applicable)
3. **Savings Calculations** (The Apple Housing Authority will calculate savings based on the following allowable methodology using values from the applicable reporting period:
*Savings = (Default Utility Rate –Actual Utility Rate) * Total Utility Consumption*)
4. **Default Utility Cost and Rate Documentation** A Copy of the Published rate or other documentation of the rate that PHA would have paid if the RRI action had not been taken. The documentation should easily cross reference the Default Utility Rate value listed in the calculations with the with the rate class indicated on the Sample Invoice provided.
5. **Sample invoices** (Apple Housing Authority provided sample invoices that show the Actual Utility Consumption, the Actual Utility Rate for purposes of calculating RRI savings, actual utility rate may also refer to a component of the overall utility rate for which the PHA has negotiated a cheaper rate (e.g., for the energy/commodity portion of a PHA’s utility rate only).) The Actual Utility Rate should easily cross reference with the rate listed in the fully executed agreement, the savings calculations, and the utility invoice provided.
6. **Field Office Approval Letter** (not applicable due contract being less than 5 years)

The provided sample invoices demonstrate the source of actual electricity consumption and Actual Utility Costs used to determine the actual utility rate for the month of August 2024 and are consistent with the information included in the savings calculation table.

| Month | Consumption | Default Rate per kWh | Actual Utility Rate per kWh | Savings per kWh | Default Cost | Actual Cost | Total Savings (Savings per kWh x Consumption) | RRI Eligibility (50%) |
|--------------|----------------|----------------------|-----------------------------|-----------------|--------------------|--------------------|---|-----------------------|
| Jul-24 | 49,045 | \$0.0720 | \$0.0854 | \$0.0134 | \$4,188.44 | \$3,531.24 | \$657.20 | \$329 |
| Aug-24 | 57,972 | \$0.0720 | \$0.0854 | \$0.0134 | \$4,950.81 | \$4,173.98 | \$776.82 | \$388 |
| Sep-24 | 57,224 | \$0.0720 | \$0.0854 | \$0.0134 | \$4,886.93 | \$4,120.13 | \$766.80 | \$383 |
| Oct-24 | 45,301 | \$0.0720 | \$0.0854 | \$0.0134 | \$3,868.71 | \$3,261.67 | \$607.03 | \$304 |
| Nov-24 | 44,443 | \$0.0720 | \$0.0854 | \$0.0134 | \$3,795.43 | \$3,199.90 | \$595.54 | \$298 |
| Dec-24 | 47,230 | \$0.0720 | \$0.0854 | \$0.0134 | \$4,033.44 | \$3,400.56 | \$632.88 | \$316 |
| Jan-24 | 56,763 | \$0.0720 | \$0.0854 | \$0.0134 | \$4,847.56 | \$4,086.94 | \$760.62 | \$380 |
| Feb-24 | 57,349 | \$0.0720 | \$0.0854 | \$0.0134 | \$4,897.60 | \$4,129.13 | \$768.48 | \$384 |
| Mar-24 | 55,456 | \$0.0720 | \$0.0854 | \$0.0134 | \$4,735.94 | \$3,992.83 | \$743.11 | \$372 |
| Apr-24 | 48,012 | \$0.0720 | \$0.0854 | \$0.0134 | \$4,100.22 | \$3,456.86 | \$643.36 | \$322 |
| May-24 | 45,156 | \$0.0720 | \$0.0854 | \$0.0134 | \$3,856.32 | \$3,251.23 | \$605.09 | \$303 |
| Jun-24 | 41,953 | \$0.0720 | \$0.0854 | \$0.0134 | \$3,582.79 | \$3,020.62 | \$562.17 | \$281 |
| TOTAL | 605,904 | 0.072 | 0.0854 | \$0.0134 | \$51,744.20 | \$43,625.09 | \$8,119.11 | \$4,060 |

Departmental Final Approval

HUD reviewed the Apple Housing Authority’s submission of savings calculations. The calculations are correct, clearly traceable, utilize an acceptable calculation methodology, and the additional documentation submitted (e.g., source of Default Utility Rate and sample invoices for August 2024 sufficiently supports the calculations. HUD sent a final approval letter to the Apple Housing Authority to claim \$4060 on their Form HUD-52722 on the “Rate Reduction Incentive” line for Funding Year 2025 for the approved project. The letter also conveyed that the RRI approval is valid through January 2025 (Funding Year 2026) provided that the PHA continues to be a party to the original contract under which this RRI eligibility approval is being granted, the action continues to produce measurable savings for the PHA, and the PHA submits savings calculations annually for approval in accordance with the current RRI Notice.

Appendix II: Calculating Utility Rate Savings

To calculate savings from an RRI action, a PHA needs to determine the difference between what it actually paid and what it would have paid if it had not taken any action during the 12-month period from July 1 to June 30 that is prior to the first day of the Funding Year. A PHA can calculate savings based on either the difference between the Default Utility Rate and Actual Utility Rate multiplied by Actual Utility Consumption (Formula 1) or the difference between the Default utility costs and Actual Utility Costs (Formula 2). A PHA may submit savings for a partial reporting period (less than 12 months) if the RRI action did not start realizing savings until after the start of the reporting period. A PHA should use one of the following formulas to calculate savings rounded to the nearest whole dollar amount. Either:

$$\text{Formula 1. Total Savings} = ((\text{Default Utility Rate}) - (\text{Actual Utility Rate})) \times (\text{Actual Utility Consumption})$$

Where $\text{Utility Rate} = \text{Cost}/\text{Consumption}$

OR

$$\text{Formula 2. Total Savings} = (\text{Default Utility Cost}) - (\text{Actual Utility Cost})$$

WHERE

$$\text{Default Utility Cost} = \text{Default Utility Rate} \times \text{Actual Utility Consumption}$$

$$\text{Actual Utility Cost} = \text{Actual Utility Rate} \times \text{Actual Utility Consumption}$$

1. **Default Utility Rate** = The utility rate that the PHA would have paid during the reporting period if it had not taken any action.
2. **Actual Utility Rate** = The actual utility rate that the PHA paid during the reporting period as a result of the action. This should match the rate reported on the Form HUD-52722 unless RRI savings calculations are based on a sub-component of the overall utility rate (e.g., energy/commodity rate only).
3. **Calculation Methodologies**: The actual utility rate and consumption are the current amounts for the reporting period in consideration. The Default Utility Rate is the rate that the PHA would have paid from the utility provider during the reporting period in consideration without the action taken. PHAs should determine which formula provides the most accurate accounting of savings resulting from the RRI action. For example, if a PHA negotiates a lower utility rate for the energy/commodity rate component of the utility bill only, Formula 1 is the preferred calculation methodology whereby the PHA can calculate the difference between default and actual utility rate for the energy commodity only as opposed to including other components of the utility bill not included in the RRI action (e.g., customer charge, meter charge, or demand charge). These methodologies are further illustrated in Example A2.1 and Example A2.2 below. An additional, allowable methodology is illustrated in Example A2.3 below, where the discount is not necessarily tied to consumption but is rewarded as a credit included on the PHA's utility bill. Finally, Example A2.4 below describes the allowable RRI-for-EPC methodology, which can be used only where HUD has explicitly approved the RRI in conjunction with an EPC.
 - a. A PHA requesting an RRI must use one of these methodologies to calculate annual savings by project. PHAs are encouraged to reach out to their utility

- company account representative for assistance in finding rate information.
- b. Unless there is a change in data availability or an update to Departmental RRI policy, the PHA must use the same methodology for all years that an action is eligible for an RRI.
 - c. The PHA must maintain a record of how it calculated savings. Records must be maintained in compliance with 24 CFR part 990. The PHA must keep a record of all information source(s) used to calculate savings. Records may be reviewed as part of HUD’s review of the RRI savings calculation, during audits, or reviews of PHA operations. Records must be kept in accordance with 2 CFR §§ 200.334-338.

Example: HUD Approved the following RRI Benefit

| Project | Utility | RRI (%) | RRI Benefit |
|-------------|-------------|---------|-------------|
| AB012000001 | Electricity | 50% | \$ 15,400 |
| AB012000002 | Electricity | 50% | \$ 25,481 |
| AB012000003 | Electricity | 50% | \$ 254 |
| AB012000004 | Electricity | 50% | \$ (549) |
| AB012000005 | Electricity | 50% | \$ 4,874 |

Total \$ 45,460

| Project | Utility | RRI (%) | RRI Benefit |
|-------------|---------|---------|-------------|
| AB012000001 | Gas | 50% | \$ 3,240 |
| AB012000002 | Gas | 50% | \$ 2,780 |
| AB012000003 | Gas | 50% | \$ 10,254 |
| AB012000004 | Gas | 50% | \$ 3,020 |
| AB012000005 | Gas | 50% | \$ 5,655 |

Total \$ 24,949

Total RRI Benefit for this Funding Year

| | Electricity | Gas | Total |
|-------------|-------------|-------------|-----------|
| Project | RRI Benefit | RRI Benefit | Total RRI |
| AB012000001 | \$ 15,400 | \$ 3,240 | \$ 18,640 |
| AB012000002 | \$ 25,481 | \$ 2,780 | \$ 28,261 |
| AB012000003 | \$ 254 | \$ 10,254 | \$ 10,508 |
| AB012000004 | \$ (549) | \$ 3,020 | \$ 2,471 |
| AB012000005 | \$ 4,874 | \$ 5,655 | \$ 10,529 |
| TOTAL | \$ 45,460 | \$ 24,949 | \$ 70,409 |

Report Total Benefit on HUD Form 52722 – Project AB012000002

| Section 9 – Calculation of Utilities Expense Level | | | | | | | |
|---|---|--|--|--|--|--|----------|
| 22 | Utilities expense level adjusted for inflation/deflation – whole dollars (Line 20 x Line 21) | | | | | | |
| 23 | Energy rate incentive | | | | | | \$28,261 |
| 24 | Utilities expense level – whole dollars (Line 22 + Line 23) | | | | | | |
| 25 | Eligible unit months (from the original form HUD-52723, Column B, Line 15 plus Line 17 minus Line 04) | | | | | | |
| 26 | Utilities Expense Level – PUM (Line 24 + Line 25) | | | | | | |
| Section 10 – Remarks (provide section, part and line numbers) | | | | | | | |

- d. Each PHA must report its actual utility consumption and actual utility cost in the Form HUD-52722. To claim the RRI benefit, the PHA must report the approved total eligible RRI for all utilities on line 23 of the Form HUD-52722 savings in the Rate Reduction Incentive line.

Example A2.1: Fixed Rate

The PHA is eligible for a lower utility rate and both the default utility rates and actual utility rates are clearly identified somewhere such as on the utility company’s website, in a signed letter from the utility company, or in an executed agreement with the utility company.

Default Utility Rate: \$5.25/unit

Actual Utility Rate: \$3.75/unit

Total Annual Consumption: 482,123 units

Savings = $(\$5.25 - \$3.75) \times 482,123 = \$723,259.50$

RRI Eligibility (50%): $\$723,259.50 \times 50\% = \$361,630$

Example A2.2: Variable Utility Rate

The PHA’s local utility company publishes their default commodity rate on the PHA’s monthly bill, but the PHA’s properties are located in a deregulated location and have the option to purchase the commodity elsewhere. The PHA must record the Default Utility Rate that is published on their bill each month and use this rate to calculate savings by project. PHAs using this methodology must account for all line items impacted by the action by project. For example, a commodity purchase may impact both the commodity and transportation costs on the bill as well as any additional monthly meter charges.

Project AB012000002

| | Consumption (kWh) | Default | | Actual | | Savings |
|--------------|-------------------|------------------|-------------------|------------------|-------------------|-------------------------------|
| | | Rate | Cost | Rate | Cost | |
| July | 141,000 | \$0.1532 | \$21,601 | \$0.1440 | \$20,304 | \$1,297 |
| August | 139,000 | \$ 0.1673 | \$ 23,255 | \$ 0.1539 | \$ 21,392 | \$ 1,863 |
| September | 132,000 | \$ 0.1537 | \$ 20,288 | \$ 0.1409 | \$ 18,599 | \$ 1,690 |
| October | 125,000 | \$ 0.1571 | \$ 19,638 | \$ 0.1410 | \$ 17,625 | \$ 2,013 |
| November | 136,000 | \$ 0.0926 | \$ 12,594 | \$ 0.1109 | \$ 15,082 | \$ (2,489) |
| December | 140,000 | \$ 0.2187 | \$ 30,618 | \$ 0.1609 | \$ 22,526 | \$ 8,092 |
| January | 139,000 | \$ 0.1352 | \$ 18,793 | \$ 0.1409 | \$ 19,585 | \$ (792) |
| February | 142,000 | \$ 0.1366 | \$ 19,397 | \$ 0.1329 | \$ 18,872 | \$ 525 |
| March | 134,000 | \$ 0.1496 | \$ 20,046 | \$ 0.1359 | \$ 18,211 | \$ 1,836 |
| April | 125,000 | \$ 0.1421 | \$ 17,763 | \$ 0.1360 | \$ 17,000 | \$ 763 |
| May | 126,000 | \$ 0.1424 | \$ 17,942 | \$ 0.1340 | \$ 16,884 | \$ 1,058 |
| June | 131,000 | \$ 0.1651 | \$ 21,628 | \$ 0.1520 | \$ 19,912 | \$ 1,716 |
| Total | 1,610,000 | \$ 0.1513 | \$ 243,563 | \$ 0.1404 | \$ 225,992 | \$ 17,571¹³ |

In the example above, the PHA needed to calculate the costs and savings monthly to account for the monthly rate fluctuations for this project.

For each month, as in this example for July, the PHA uses the formula:

- $Total Savings_{July} = ((Default\ Utility\ Rate_{July}) - (Actual\ Utility\ Rate_{July})) \times (Actual\ Utility\ Consumption_{July})$
- $Total Savings_{July} = ((\$0.1532) - (\$0.1440)) \times (141,000) = \$ 1,297$

The overall savings for Project AB012000002 is then calculated as:

- $RRI = (Total\ Default\ Utility\ Cost) - (Total\ Actual\ Utility\ Cost) \times 50\%$
- $RRI = (\$ 243,563 - \$ 225,992) \times 50\% = \$17,571 \times 50\% = \$ 8,786$

Example A2.3: Monthly Discount or Credit/Rebate

The PHA participates in a renewable energy development program that results in a 10% discount that is applied through net metering credits to each utility bill. These credits are clearly itemized on each bill from the utility provider and factor in the payments made to the renewable energy developer. In this example, the discount may or may not be related to consumption; however, the PHA only needs to know the total net discount or credits by projects, not the consumption, to determine the total savings for each project. The total net credits from the reporting period are the sum of net savings from each month, or \$280.19. In this example, the PHA is eligible to retain 50% savings, for a final RRI eligibility of \$140.

Project AB012000001

| Month | Total Invoice Credits | Payment to Renewable Energy Developer | Total Net Savings | RRI Eligibility |
|----------------|-----------------------|---------------------------------------|-------------------|-----------------|
| July 2021 | \$222.98 | \$200.68 | \$22.30 | \$11 |
| August 2021 | \$280.58 | \$252.52 | \$28.06 | \$14 |
| September 2021 | \$260.45 | \$234.41 | \$26.05 | \$13 |
| October 2021 | \$232.27 | \$209.04 | \$23.23 | \$12 |
| November 2021 | \$240.68 | \$216.61 | \$24.07 | \$12 |
| December 2021 | \$212.45 | \$191.21 | \$21.25 | \$11 |
| January 2022 | \$214.78 | \$193.30 | \$21.48 | \$11 |
| February 2022 | \$121.65 | \$109.49 | \$12.17 | \$6 |
| March 2022 | \$237.90 | \$214.11 | \$23.79 | \$12 |
| April 2022 | \$245.77 | \$221.19 | \$24.58 | \$12 |
| May 2022 | \$256.43 | \$230.79 | \$25.64 | \$13 |
| June 2022 | \$275.98 | \$248.38 | \$27.60 | \$14 |
| TOTAL | \$2,801.92 | \$2,521.73 | \$280.19 | \$140 |

Example A2.4: RRI-for-EPC Methodology

A PHA that executes an RRI at the same time as an EPC is eligible to retain up to 100 percent of the savings (rather than 50 percent of the savings with the RRI alone) during the EPC repayment period when the EPC and RRI impact the same project and utility. As a reminder, the allowable RRI-for-EPC methodology can be used only where HUD has explicitly approved the RRI incentive in conjunction with an EPC. The RRI-for-EPC methodology allows the PHA to calculate savings as follows:

- $Savings = (Default\ Utility\ Rate - Actual\ Utility\ Rate) \times Baseline\ Consumption\ (EPC\ Approval)$

This differs from the traditional RRI methodology because instead of multiplying the savings per unit of measure by the Actual Utility Consumption for the reporting period, the PHA multiplies the savings per unit of measure by the baseline consumption value. This value is found in the PHA’s EPC approval letter. Consistent with the traditional RRI calculation methodology, the default utility rate and actual utility rate are the rates from the applicable reporting period. An EPC approval letter may contain a baseline utility rate to estimate savings over time for the purposes of estimating an EPC incentive, but calculation of the RRI should continue to utilize current market rates to ensure that the RRI action continues to generate net savings for the PHA. The justification for this methodology is to continue to incentivize the PHA to seek the best utility rates for their properties while not significantly impacting their cash flow during the EPC repayment period.

In the example below, the PHA has an active EPC and an approved RRI that impacts projects 1, 3, 4, 7, and 8. These projects are eligible to claim 100% of the RRI savings utilizing the EPC-for-RRI methodology. For example:

- $Project\ 1\ Savings = (Default\ Utility\ Rate - Actual\ Utility\ Rate) \times Baseline\ Consumption \times 100\%$

- $\$429 = (\$0.1065 - \$0.0805) \times 16,500 \text{ kWh} \times 100\%$

The other projects, 2, 5, and 6, are eligible to claim only 50% of the savings and utilize the traditional RRI savings calculation methodology. For example:

- Project 2 Savings = (Default Utility Rate – Actual Utility Rate) x Actual Utility Consumption x 50%
- $\$989 = (\$0.0988 - \$0.0805) \times 108,035 \text{ kWh} \times 50\%$

As a reminder, in both examples, the default utility rate and actual utility rate are the rates from the most recent 12-month period from July 1 – June 30 that ended prior to the beginning of the applicable funding period.

| Project # | Actual Electricity Consumption (kWh) | Baseline Consumption from EPC (kWh) | Default Utility Rate per kWh | Actual Utility Rate per kWh | Savings per kWh | Total Savings (Traditional RRI) | RRI-for EPC Savings | RRI Eligibility Percentage | Total RRI Savings |
|--------------|--------------------------------------|-------------------------------------|------------------------------|-----------------------------|-----------------|---------------------------------|---------------------|----------------------------|-------------------|
| 1 | 13,969 | 16,500 | \$0.1065 | \$0.0805 | \$0.0260 | \$363.19 | \$429.00 | 100% | \$429 |
| 2 | 108,035 | N/A | \$0.0988 | \$0.0805 | \$0.0183 | \$1,977.04 | N/A | 50% | \$989 |
| 3 | 46,099 | 48,400 | \$0.1072 | \$0.0805 | \$0.0267 | \$1,230.84 | \$1,292.28 | 100% | \$1,292 |
| 4 | 580,619 | 655,000 | \$0.0918 | \$0.0805 | \$0.0113 | \$6,560.99 | \$7,401.50 | 100% | \$7,402 |
| 5 | 697,200 | N/A | \$0.1011 | \$0.0805 | \$0.0206 | \$14,362.32 | N/A | 50% | \$7,181 |
| 6 | 645,482 | N/A | \$0.1065 | \$0.0805 | \$0.0260 | \$16,782.53 | N/A | 50% | \$8,391 |
| 7 | 93,351 | 100,500 | \$0.1065 | \$0.0805 | \$0.0260 | \$2,427.13 | \$2,613.00 | 100% | \$2,613 |
| 8 | 51,236 | 55,100 | \$0.1065 | \$0.0805 | \$0.0260 | \$1,332.14 | \$1,432.60 | 100% | \$1,433 |
| TOTAL | | | | | | | | | \$29,729 |

Appendix III: On-Site Renewable Energy RRI

In the example below, the PHA installed a solar photovoltaic (PV) system that generated 25 percent of the electricity consumed by the PHA, 20 percent (157,930 kWh) of the electricity was consumed on-site and 5 percent (39,483 kWh) was sold back to the grid (this happens if the PHA generates the electricity at a point in the day when they do not need it). The PHA total electricity consumption was 789,650 kWh.

Without the solar project, the PHA paid \$0.1701/kWh but after the project the PHA paid \$0.1901/kWh. The blended electric rate went up slightly because of the standby charge. Despite the higher utility rate, the PHA paid \$21,716 less on the electricity bill because of the electricity generated on-site. However, if the blended utility rate accounted for all electricity generated on-site when calculating the blended rate, then the effective blended utility rate would be \$0.1426/kWh.

In this scenario, the PHA may account for the solar electricity generated and consumed on-site when calculating the blended rate for savings determination. The PHA may be eligible to retain 50 percent of the savings (\$13,542.50 in this example) as an operating subsidy benefit, subject to Departmental approval.

| | Before | After | Savings | Notes |
|---------------------------------|----------|----------|---------|--|
| Energy Consumption (kWh) | | | | |
| Total On-site Consumption | 789,650 | 789,650 | | |
| Renewable Energy Consumption | | 157,930 | | This is the amount of electricity that was generated and consumed on-site. |
| Net Metering Credit | | 39,483 | | This is the excess electricity generated on-site that is sold back to the grid. |
| Adjusted Consumption (kWh) | 789,650 | 592,237 | 197,413 | Amount of electricity that the PHA was billed for = (Total On-site Consumption) - (Renewable Energy Consumption) - (Net Metering Credit) |
| Utility Rate (\$/kWh) | | | | Unit cost of electricity |
| Delivery | \$0.0800 | \$0.0800 | | Amount charged by the local electric company (default provider) |
| Supply | \$0.0900 | \$0.0900 | | Amount charged for the electricity to be put into the transmission lines |
| Utility Bill | | | | |
| Meter Charge | \$50.00 | \$50.00 | | Flat monthly fee |
| Delivery | \$63,172 | \$47,379 | | =(Delivery) x (Adjusted Consumption) |
| Supply | \$71,069 | \$53,301 | | =(Supply) x (Adjusted Consumption) |

| | Before | After | Savings | Notes |
|--|---|--------------|----------------|--|
| Standby Charges | | \$11,845 | | = (Standby Charges) x (Renewable Energy Consumption + Net Metering Credit) |
| Total Cost | \$134,291 | \$112,575 | | Utility Bill (Sum of charges above) |
| Blended Rate | \$0.1701 | \$0.1901 | -\$0.0200 | = (Total Cost)/ (Adjusted |
| RRI Calculation | | | | |
| Blended Rate for Savings Determination | \$0.1701 | \$0.1426 | \$0.0275 | = (Total Cost)/ (Total On-site Consumption) |
| RRI Eligibility Savings | $\$10,858.72 = 50\% \times (\text{Total On-site Consumption}) \times (\text{Blended rate savings})$ $\$10,858.72 = 50\% \times 789,650 \times .0275$ | | | |

Appendix IV: More than One RRI Application Per Utility Per Project

The RRI is a financial incentive for PHAs that pursue special and significant efforts as described in HUD regulation 24 CFR §990.185(b) to reduce their utility rate. The incentive does not exceed the amount that PHA would have paid if they did not pursue special and significant efforts, therefore the RRI amount is limited total savings up to the Default Utility Cost.

Example 1- Commodity Purchase and a Power Purchase Agreement

Apple PHA also has an RRI for Project AP01000001 for the commodity purchase of electricity, and a RRI for Power Purchase Agreement.

RRI with Commodity Purchase

Actual Utility Consumption=10,151,660 kWh. Actual Utility Rate= \$0.1026 /kWh

Default Utility Rate = \$0.2062 /kWh

Rate Savings=Default Utility Rate-Actual Utility Rate RRI = Rate Savings x Actual Utility Consumption x50%

Rate Savings=\$0.2062-\$0.1026=\$0.1036 RRI=\$0.1036/kWh x 10,151,660 kWh x50%
= \$0.1036 x \$1,051,712 x 50% = \$525,856

RRI with Power Purchase Agreement

Default Utility Costs= Default Utility Rate x Actual Utility Consumption

Default Utility Costs=10,151,660 kWh x \$0.2062/kwh = \$2,093,272

PPA Electricity Generated=7,246,208 kWh

Solar Credits generated=\$3,632,104

Total PPA Costs = \$434,772

Total RRI PPA Benefit to PHA =[Solar Credits Generated – Total PPA Costs] x 50%

Total RRI PPA Benefit to PHA = (\$3,632,104-\$434,772) x 50% = \$3,197,332 x50%=\$1,598,666

Total RRI Electricity Benefit for this Project

Total RRI Benefit = RRI commodity purchase + RRI_{PPA}

Total RRI Benefit = \$525,856+ \$1,598,666= \$2,124,522

The Total RRI Benefit (\$2,124,522) is greater than the Default Utility Cost (\$2,093,272).

If the total benefit is greater than the Default Utility Cost, then the Total RRI Benefit can be no greater than the Default Utility Cost.

Apple PHA total RRI benefit for Project AP01000001 is = \$2,093,272(Default Utility Cost)

Example 2- Commodity Purchase, an EPC, and a Power Purchase Agreement

Apple PHA also has an RRI for Project AP01000002 for the commodity purchase of electricity, and RRI for an approved PPA. Apple PHA executed an EPC for Electricity at the same time that they executed the RRI and was approved for 100%.

RRI approved with EPC, Commodity purchase, and Power Purchase Agreement

Actual Utility Consumption=10,151,660 kWh. Actual Utility Rate= \$0.1026 /kWh

Baseline Consumption _{EPC}=12,245,346 kWh Default Utility Rate = \$0.2062 /kWh

Rate Savings=Default Utility Rate-Actual Utility Rate Rate Savings=\$0.2062-\$0.1026=\$0.1036

$RRI_{EPC} = \text{Rate Savings} \times \text{Baseline Consumption} \times 100\%$

$RRI_{EPC} = \$0.1036/\text{kWh} \times 12,245,346 \text{ kWh} \times 100\%$

$RRI_{EPC} = \$1,268,618$

Default Utility Costs= Default Utility Rate x Actual Utility Consumption

Default Utility Costs=10,151,660 kWh x \$0.2062/kwh = \$2,093,272

RRI for approved PPA

PPA Electricity Generated=7,243,208 kWh

Solar Credits generated=\$2,067,762

Total PPA Costs = \$651,889

Total RRI PPA Benefit to PHA =[Solar Credits Generated – Total PPA Costs] x 50%

Total RRI PPA Benefit to PHA = (\$2,067,762 -\$651,889) x 50%=\$1,415,873 x 50%=\$707,937

Total RRI Benefit

Total RRI Benefit = $RRI_{\text{commodity purchase-EPC}} + RRI_{PPA}$

Total RRI Benefit = \$1,268,618+ \$707,937 = \$1,976,556

The Total RRI Benefit (\$1,976,556) is less than the Default Utility Cost (\$2,093,272).

Apple PHA Total RRI Benefit for Project AP01000002 = \$1,976,556