IPC Community Power Coalition (CPC) Savings Methodology

Community Solar Savings Methodology

CPC Lenders will require a 20% minimum household savings net of costs incurred by the LIDAC household over the period of performance for all projects supported, such that the estimated monthly cost of electricity (both community solar subscription + other utility bill costs) after subscription is at least 20% less than customer's monthly cost-of-electricity beforehand, on average per year. To advance this goal, CPC Lenders will review pro forma revenue assumptions in its underwriting that reflect at least a 20% discount on average annually to households benefiting from the solar project, and will review the developer's calculations and subscription agreement or other documentation.

CPC Lenders will adhere to IRS guidance on proper calculations of the "bill credit discount rate" in underwriting (26 CFR Part 1). Using a subscribing household's historical utility bills as our benchmark, our approach will be to start with the financial benefit provided to the subscribing household. We will then subtract all payments made by the household to the project owner and any related third parties as a condition of receiving the financial benefit. Finally, we will divide the difference by the financial benefit distributed to the subscribing household to ensure 20% minimum household savings. Financial benefits considered will include utility bill credits, reductions in the subscribers' electricity rates, and other benefits accrued by subscribers, including non-utility benefits

Where it is impracticable to obtain individual households' electric bills, we will use electricity price data pulled from publicly available state or utility-level retail electricity sources (e.g., derived from Energy Information Administration Form 861) taking into consideration household size, bill credits rate, and nonbypassable bill costs. Any estimates relied upon will be annualized.

Because households' energy consumption and costs may change over time (variables beyond the control of CPC Lenders), we will assess the 20% household savings metric at the time of the transaction based on an average of current households' consumptions and costs. We will, however, look at household savings over the full life of the subscription to ensure that the 20% minimum household savings requirement is met on an annual basis throughout the subscription period. This means that any escalation clauses will be captured in our calculation methodology. As part of our pro forma review, we will ensure that standard depreciation rates and average retail electricity price adjustments based on historical data are applied.

Where subscribing households realize non-utility benefits from a project in lieu of or in addition to direct bill savings (e.g., childcare services, transit subsidies, workforce training) these benefits will be assessed using standard valuations. For direct ownership and cooperative ownership models, our 20% minimum household savings calculation will assess any value streams beyond bill credits that may apply, including revenue from tax credits, Renewable Energy Certificates, revenue from electricity market services, or other payments.

Multifamily Savings Methodology

For projects serving multifamily properties, the CPC Lenders will require developers to follow the recently implemented U.S. Treasury Department regulations for equitable sharing of financial benefits with tenants for accessing the 20% low-income ITC adder (IRS Rule Document 2023-17078), regardless of whether the developer is using the adder. Community Housing Capital (CHC) will provide training on this, as will UNH and potentially other nonprofit subrecipients and contractors to be procured.

Where it is impracticable to obtain properties' electric bills, we will use electricity price data pulled from publicly available state or utility-level retail electricity sources (e.g., derived from Energy Information Administration Form 861) taking into consideration property size, bill credits rate, and nonbypassable bill costs. Any estimates relied upon will be annualized.

We will apply different multifamily savings methodologies depending on the structure of the project:

- For multifamily properties that are not individually metered (e.g., master-metered properties), our household savings methodology will assess whether the savings delivered meets the 20% savings threshold over the property's historical utility bills on an annualized basis. We will then verify that tenants of the multifamily property are reaping real and meaningful benefits and that these benefits are equitably allocated among tenants. At the tenant level, we will necessarily consider project values beyond electric bill savings, even where these values are not taxable as income. U.S. Department of Housing and Urban Development guidance on the Treatment of Solar Benefits in Master-metered Building (May 2023) outlines various benefits that may be assessed including job training and workforce development, additional staff serving residents, facility upgrades, free or reduced internet service, financial literacy programs, wellness programs, shuttle services, community events, increased operating or replacement reserves for property, resilience, in-kind donations, and gift cards. We will apply standard valuation methodologies for such benefits.

- For multifamily properties with individually metered units (direct tenant metering) served by a net-metered solar project offsetting common area loads, we will assess whether the savings delivered meets the 20% savings threshold over historical utility bills on an annualized basis. We will adhere to IRS guidance (IRS Rule Document 2023-17078) for Category 3 facilities under the Low-Income Bonus Credit Program. The threshold requirement for these facilities stipulates that at least 50 percent of the financial value of the energy produced by a solar project be equitably allocated among the tenants of that property. CPC Lenders will ensure that multifamily residents served by a solar project receive at least 50 percent of the financial value flowing from it either directly or through one of the mechanisms outlined in U.S. Department of Housing and Urban Development guidance on the Treatment of Solar Benefits in Master-metered Building. IPC will verify that tenants of the multifamily property are reaping real and meaningful benefits individually equivalent to 20% minimum household savings threshold and that these benefits are distributed equitably among the tenants.

inclusiveprosperitycapital.org | info@inclusiveteam.org | **(203) 433-5060**