

Comments on Budget for Weatherization and Other Energy Efficiency and Solar projects: Low-Income Energy Efficiency Task Force

February 17, 2015

Cyrus Reed, Sierra Club

Currently, many important programs are paid for out of the Community Benefit Charge assessed on every utility bill through a KWh charge. This is a result of the recent rate case and was supported by the Sierra Club among others. The current rate is \$6.36 per 1000 KWhs for a residential consumer, with about \$4.00 being for energy efficiency rebates and incentives. Briefly, this CBC pays for three major programs:

1. The CAP program;
2. The Conservation Rebates and Incentives Program – that is commercial and residential energy efficiency and solar programs
3. Street lighting.

There are actually two sources of funding for the low-income weatherization programs – CAP and CRIP. As an example in the current budget, there is approximately \$1.5 million from the CAP and \$1.4 million that is going to the weatherization program.

Adequate funding for energy efficiency – including the weatherization program – and solar incentives is very important to the Sierra Club and the goals recently adopted under the 2025 Generation Plan. Under this plan, we will need approximately 8 to 10 MWs of solar and about 60 MWs of EE and DR to meet our ambitious goals, and this is funded through the Community Benefit Charge.

Sierra Club would be supportive of a budget that assured:

1. Continuation of some \$1 million in CAP Funding for weatherization –
2. Raising the total amount of funding for weatherization within the EE budget to \$2.8 million from the current \$1.4 million. Reaching this total would get AE back to ARRA levels of funding, a recommendation of the 2009 Generation Planning Task Force. Thus, in total there would be \$3.8 million for weatherization.
3. Assuring that the total EE and Solar budget are sufficient to meeting our goals. Attached please find comments we filed in 2014 during the budget hearings. We believe that the current level of support for EE and Solar should be increased slightly to about \$28 million a year to reach our 2025 Generation Goals.
4. In terms of what those funds support, we would suggest that the CAP money could be used as more of a supplemental funding for higher priced issues, such as air conditioning replacement. Thus while the basic EE budget would be for the types of measures currently supported by the weatherization

programs, the CAP money would help supplement higher cost projects like air conditioning replacement.

5. Money earmarked for weatherization should be carried over for future years if it has not been spent.
6. AE should conduct a true-up of all the EE dollars now that we are several years into funding these programs through a surcharge to make sure that the money generated is being efficiently spent.

To: Mayor and City Council
From: Cyrus Reed, Lone Star Chapter, Sierra Club, 512-740-4086
Re: Austin Energy budget and rate increase

Austin Energy Energy Efficiency budget should be increased

Cyrus Reed, Conservation Director, Lone Star Chapter, Sierra Club

August 28, 2014

Austin Energy is proposing a relatively flat budget for its energy efficiency programs. Known as Customer Energy Solutions, these Conservation Rebates and Incentives Programs (CRIP) are the principle means for Austin Energy and its customers to meet its demand reduction, onsite solar and energy efficiency program goals. Among the goals that these monies ensure are the 2020 800 MW demand reduction goal, as well as the local 100 MWs of solar by 2020 goal found in the current generation resource plan, adopted by City Council in 2011. Recently, the Generation Resource Planning Task Force recommended doubling the local solar goal from 100 MWs to 200 MWs, and also recommended reaching 1,200 MWs of demand reduction by the end of 2024. While Council is considering whether to adopt these goals now, set up a process to study them further or wait for further analysis, assuring adequate budgets in 2015 will help assure both the current goals, and any additional goals are met. While we certainly do not believe that huge increases in the EE budget are needed in 2015, the Sierra Club would suggest a slight increase of between \$3 and \$6 million to help reinvigorate existing programs and potentially add new pilot projects.

There are two ways to add money to the EE budget. First, City Council could authorize a slight increase in the Community Benefit Charge, which is made up of the street lighting, CAP and energy efficiency charges. The current proposal by Austin Energy is to keep the CBC at the same rate of roughly \$6.36 per 1,000 KWhs. Of that amount, \$4.00 is dedicated to the Energy Efficiency program. A slight increase in the CBC – such as 24 cents per 1,000 KWhs – should raise approximately \$3 million based upon simple math.

There may be another approach. A recent analysis of the Austin Energy budget process over the last two years suggests that there may be additional EE money over-recovered that was never spent. Essentially, Austin Energy overestimated the amount of money it needed to recover from spending in the 2013 year, and some money was left on the table. Depending upon assumption on how far one goes back, the amount of “extra” money that may be available is in the \$2 million to \$7 million range. At the very least, Council should get to the bottom of this issue and make sure that customers who paid for these energy efficiency programs receive the benefits of these programs, or alternatively that the amount of the money is reduced.

A Quick Analysis: Missing Money in the EE Budget?

Based upon documents obtained by the public, there appears to be some money that should be available to be spent on EE programs that was not. Whether this money is "available" and can be spent in the current proposed budget is an open question, but we thought Council should explore this option.

- In 2014, AE increased the EE rates \$4.9 million over the budget to recover costs incurred in FY 2013 that were not covered with EE revenues. Essentially AE had to make up costs incurred in 2013 by increasing the cost recovery EE charge in 2014.
- Nevertheless, AE apparently calculated this loss incorrectly, or to be more accurate, when their final FY 2013 losses were calculated, the losses were roughly \$2 million, not \$4.9 million.
- AE's estimated FY 2014 EE costs and revenues shows that AE will over recover \$3.6 million in EE revenues.
- Since the FY2014 over recovery was supposed to repay AE for its FY 2013 EE losses, we need to compare the AE estimated FY 2014 over recovery with actual audited FY 2013 EE revenues and costs. When we compare, we find that AE will realize about a \$1 million in money that will not be spent on FY 2014 EE programs and is not needed to repay AE for FY 2013 losses.
- Because AE is proposing to charge the same CBC and EE rate in FY 2015, they are essentially still charging for the 2013 losses. The rates are higher than the current FY 2014 EE budget so the revenues would pay off losses. Using AE's estimated FY 2014 EE costs and revenues, we find that \$3.6 million should be increased to the EE program budget to account for the revenues realized from the FY 2014 rate that are now freed up.
- Taking the \$1 million over recovery in 2014 plus the additional \$3.6 million included in the proposed FY 2015 EE rates that is freed up to increase the FY 2015 EE program budget leads to a potential extra \$4.6 million for EE programs.
- Finally, as mentioned, the proposed 2015 EE budget (CIRP) actually is a slight DECREASE of \$2.7 million. The reduction actually may be even greater considering part of the budget is being paid for by a CAP program for low-income weatherization.

CONCLUSION: There may be between \$1 to roughly \$8 million that could be available in the 2015 Budget for EE programs, or alternatively the EE charge should be reduced for customers.

The Customer Energy Solutions are paid for through a small Community Benefit Charge pass through based on energy used. Austin Energy is proposing keeping the CBC at the same level next year as in the current year. The CBC is made up of three charges, the largest of which is the Energy Efficiency charge or \$4 dollars for 1,000 KWhs.

The proposed budget before Council would slightly reduce the budget for the Conservation Incentives and Rebates from \$26,649,598 to \$23,953,221, a reduction of \$2.7 million. The reduction is matched by slight increase in the Demand Side Management budget, which pays for the Austin Energy staff dedicated to these efforts as well as marketing. The total increase in this budget is from \$19.1 million to \$22.8 million though it is important to note that part of this increase is due to a grant expected to be received in 2015.

The proposed budget for Conservation Rebates and Incentives is reasonable, though we would note the reduction of \$2.7 million. In addition when one considers that \$1.5 million of the CRI Programs comes from the CAP program for low-income weatherization, the budget for EE is lower than it should be based upon the \$4.00 average per monthly charge to residential customers for energy efficiency programs.

The Sierra Club is advocating for slight increases in certain programs: low-income weatherization, a new program for apartment tenants and owners, notably for duplexes and a program for thermal and battery storage.

We are not advocating for additional monies for solar, as Austin Energy has proposed a solar budget of \$6.1 million in 2015 for residential rebates and \$1.4 million for commercial incentives for solar. This is exactly the same as last year and Austin Energy predicts it will help add another 8 MWs of solar next year.

Weatherization: Match ARRA spending levels

Austin Energy is proposing to spend \$2.87 million on low-income weatherization in 2015, an increase of approximately \$1 million compared to 2014 levels. We appreciate and support this increase. That being said, the 2009 Task Force recommended getting to 2011 ARRA stimulus levels, a position that was reinforced by the 2014 Task Force. ARRA funding for low-income weatherization for Austin was over \$9 million, but it was spent over more than two years and corresponds to \$3.8 million per year. We believe by adding \$1 million into the weatherization budget, we would in spirit meet the Task Force's recommendations.

Low-Moderate Income Apartment Program

Austin Energy already runs a successful multi-family apartment program, providing builder owners incentives of up to 90% that help reduce energy bills for their tenants, many of whom are low or low-moderate income. As our Task Force discussed, these are very generous incentives. The multi-family program is considered a success in terms of its cost-effectiveness but is really a commercial program for larger apartment buildings.

Instead of putting additional money into this commercial program, we would suggest Austin Energy design a program for smaller, individually-owned duplexes and quad units, which are found throughout Austin. Some of these may be owned and lived in by owners, others are rented. Generally, it is our belief that folks with low or more moderate incomes inhabit such units.

By creating a program similar to the multi-family program but focused on this forgotten sector, Austin Energy could help make these older units more efficient. This would be a new market-transformation program especially designed for homes with two or four units. Emphasis should largely be on relatively cost-effective weather stripping, lighting, insulation and window solar shades, as opposed to large appliances or HVAC systems. We would suggest a budget of \$1 million.

Energy Storage: Thermal Storage and Battery Storage

The Task Force recognized the value of systems that shave peak demand and help store energy for later use. Thermal Cooling is a technology that allows commercial and industrial buildings to store electricity as cooled and heated water for later use. Austin Energy has actually designed specific rates for commercial and industrial customers who possess thermal storage to encourage its use to reduce peak use, but very few buildings in Austin utilize thermal cooling or take advantage of these unique rates. Unfortunately, only a small amount of money is budgeted for this important technology based on low interest in previous years. In fact, the current budget only suggests \$21,000 for this program, which is unlikely to attract any interest. With the recent policy change to allow up to a \$300,000 incentive per commercial project, and new construction such as the ACC headquarters mean there may be real interest.

Another area that Austin Energy could explore would be incentives for batteries that can be used to store energy onsite. By combining batteries with onsite solar or other demand management systems, Austin Energy could help jumpstart the storage industry in much the same way it has jumpstarted the solar industry.

We would suggest a \$1,000,000 budget for thermal cooling and battery storage,

Austin Energy could help support two or more incentives for large-scale cooling systems in buildings, thus helping to reduce load.

Recommendation: Increase the Energy Efficiency Budget by \$3 -\$6 million

The Lone Star Chapter of the Sierra Club recommends a slight increase in the energy efficiency CRIP budget. We would be comfortable with a \$3 to \$6 million increase. A \$3 million increase would help fund three programs: a-third of the increase for low-income weatherization dollars, a third for a duplex efficiency program and a third for thermal and battery storage projects. While Austin Energy is projecting their efficiency and demand reduction programs will lead to approximately 60 MWs of additional demand reduction plus 8 MWs of solar power capacity, a slight increase could lead to several additional MWs of reduced peak power needs and keep them on budget both to meet an 800 MW 2020 target and an additional target for 2024, if approved by council.

If \$6 million were made available, we would suggest AE spend money in other EE programs that are cost-effective and come back to council with a proposal on how best to spend the money. One program currently being explored is an appliance rebate program that would be marketed with major suppliers. This would allow AE to essentially buy appliances and lighting at bulk rates, provide rebates to consumers and market energy efficiency projects.

If City Council finds that there is "extra" money available that should go into the present budget, then that money should go to support these programs. Sierra Club would also support a very small increase in the CBC itself. We estimate to increase funding by \$3 million without any reallocation of funds would only need to raise the CBC from an average of \$6.36 per month to \$6.60 per month, or a 0.24 cent increase, assuming Austin consumes about 12 million GWs of power per year.

Finally, we would also suggest that in future budgets, the actual detailed outlays of specific programs be found in the budget document itself. While detailed information is provided to the Electric Utility Commission about the EE programs, it is very difficult for the public at large to see how much money is proposed in each specific program, be it solar, low-income weatherization or commercial lighting rebates. Thus, making it a requirement that within the CRIP budget, an extra page of information be provided in the budget document would be helpful.



Other Budget Topics

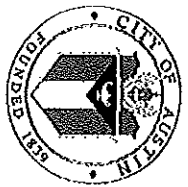
Program Name	FY2013 - 14 Amended Budget	FY2014 - 15 Proposed Budget	\$ Change
Free Weatherization	\$ 1,350,000	\$ 1,377,000	\$ 27,000
Multi-Family Rebates	1,896,136	1,944,000	47,864
Loan Options	536,973	350,000	(186,973)
Clothes Washer Rebates	40,000	0	(40,000)
Nexus-Home Audit Cd	66,950	0	(66,950)
Compact Fluorescent Distrib.	25,750	500,000	474,250
Commercial-Exisit Construction	4,028,611	3,500,000	(528,611)
Small Businesses	1,937,307	1,976,053	38,746
Green Building	300,000	306,000	6,000
Commercial Power Partner	545,900	140,000	(405,900)
Solar Program	6,100,000	6,100,000	0
Solar PV Performance Based Incentive Program	1,400,000	1,400,000	0
Refrigerator Recycle Program	559,834	250,000	(309,834)
Residential Power Partner-Aggr	1,719,930	700,000	(1,019,930)
Load Coop	991,000	500,000	(491,000)
Thermal Energy Storage	103,000	21,000	(82,000)
Home Performance w Energy Star	2,263,000	2,300,000	37,000
Appliance Efficiency Program	259,784	264,979	5,195
Air Conditioning Rebates	930,423	509,189	(421,234)
CAP Weatherization Program	1,000,000	1,500,000	500,000
Electric Vehicles Incentives	315,000	315,000	0
Residential Incentives	280,000	0	(280,000)
Total	\$ 26,649,598	\$ 23,963,221	\$ (2,686,377)

➤ Continue to fund Energy Efficiency programs at levels to reach 800 MW peak demand savings by 2020

➤ Overall conservation budget decreases by \$0.7 million as decrease in rebates budget mostly offset by increase to program administration for marketing and automation of rebate processes

Residential Value of Solar Changes

- Rate set at 11.3 cents/kWh
- Effective January 15
- Year-end credits roll over until/unless account is closed



Austin Energy Fund Summary

(\$ millions)

	FY 13 Actual	FY 14 Estimated	FY 15 Proposed	FY 15 Revised
Beginning Balance	\$128.5	\$214.8	\$207.1	\$207.1
Base and Other Revenue	852.9	896.8	937.4	918.4
PSA / Fuel Revenue	455.3	473.4	512.0	512.5
Transfers In	11.7	0.0	0.0	0.0
Total Available Funds	\$1,319.9	\$1,370.2	\$1,449.4	\$1,430.9
PSA / Fuel Cost	453.8	473.4	512.0	512.5
Recoverable Expenses	88.4	101.0	125.6	125.6
Non-Fuel Operating Expense	372.4	404.2	427.0	427.0
Debt Service	130.9	137.1	120.0	120.0
CIP Transfer	68.8	83.9	67.8	67.8
General Fund Transfer	105.0	105.0	105.0	105.0
Other Transfers	38.5	73.3	82.1	82.1
Total Expenditures	\$1,257.8	\$1,377.9	\$1,439.5	\$1,440.0
Excess(Deficiency)	62.1	(7.7)	9.8	(9.1)
Ending Balance	\$214.8	\$207.1	\$216.9	\$198.0
FIES	1,659.0	1,672.75	1,672.75	1,672.75

Ending balance includes the adjustment to GAAP.

Fund Summary does not include expense refunds or grants.

