

LOW INCOME CONSUMER ADVISORY TASK FORCE
DRAFT INTERIM REPORT FOR REVIEW ON JUNE 5, 2015
RECOMMENDATIONS FOR COUNCIL TO CONSIDERED IN DEVELOPING THE
FISCAL YEAR 2016 AUSTIN ENERGY BUDGET

Introduction

This is an interim report of the Low-Income Consumer Advisory Task Force. The purpose of the report is to convey the recommendations it would like to have considered by Austin City Council for implementation in 2016. Thus, these are recommendations that will impact the budget in some capacity and have been endorsed by a majority of the Task Force members through an official vote. We anticipate that these impacts will primarily affect the distribution of funds to various programs rather than a direct increase in the total amount budgeted for all programs.

Budget

Recommendation: All unspent Energy Efficiency Services (EES) low-income weatherization funds, specifically reserved to low income customers since the Customer Benefit Charge (CBC) tariff went into effect should roll over to the next budget year similar to the manner in which Customer Assistance Program (CAP) weatherization funds roll over.”

Explanation: The low-income weatherization program referred to as Free Weatherization by Austin Energy has two funding sources. Both funding sources are part of the fees that make up the Community Benefit Charge (CBC). Prior to the existence of the CBC, weatherization was contained exclusively in the Energy Efficiency Services (EES) budget. When the CBC was adopted, it was decided that at least \$1 million would be included in the Customer Assistance Program (CAP) component of the CBC for weatherization. Since the CBC was established the program goals set for the program have not been met and funds have remained unspent at the end of the fiscal years. Unspent CAP weatherization funds roll over to the next budget year under the terms of the tariff. The task force recommends that the unspent EES weatherization funds roll over to the next budget year in the same manner as the CAP funds.

Austin Energy actively participated in the federally funded ARRA Weatherization program¹ and completed work on close to 2,000 dwelling units. After the conclusion of the program, Austin Energy’s Free Weatherization program has had disappointing production levels and unexpended funds for both the CAP and the EES programs. Weatherization participation dropped from 958

¹ Austin Energy Annual Performance Report, Year Ended September 2012, published July 26, 2013, p. 55 reports the ARRA Weatherization program at Austin Energy began on 09/01/2009 and ended 04/30/12 and was awarded a total of \$9,604,809

households in FY2012 to 155 in FY2013 and 312 in FY 2014.² As of May 12, 2015 290 units have been completed in the 2015 FY.³ There is no doubt that some amount of the of the EES weatherization funds collected in the EES portion of the CBC were not expended. The task force members and Austin Energy have been unable to agree on the exact amount of the unexpended funds. One estimate provided is just under \$1 million.⁴

Recommendation: Earmarking Specific Funding from Multi-Family Energy Reduction Program on Low and Moderate Income -- On June 5th agenda

Recommendation: Budget Transparency and Reporting – On June 5th agenda.

Financing

Recommendation: Low-Interest Loans for Window Units -- Create a residential energy efficiency program to provide low interest financing for Austin Energy customers with low to moderate family incomes to purchase and install energy efficient heating and/or cooling units. The loan amount needed under this program would be further reduced through prices for the appliances that are discounted through Austin Energy's use of bulk purchasing power. Provided, however, an Austin Energy customer with a low to moderate family income could access the higher rebates and the discounted-priced appliances without accessing the low interest financing.

Explanation: This recommendation would create a program to provide access to loans for discounted--priced air conditioners with or without heating components for households whose incomes are up to 300% of the federal poverty guideline. The program would also include installation of the units at a discounted price. Moreover, qualified customers would have access to lower cost financing that Austin Energy has negotiated with a lending institution. Loans made under this program should be available at repayment rates as low as \$25.00 per month. Austin Energy would additionally use its bulk purchasing power to negotiate with manufacturer-retailers for discount priced air conditioners. The price offered Austin Energy would be the price paid by the customers. The discount at a minimum should equal the highest discount obtainable from the manufacturer-retailer.

According to the January 2015 Updated Energy Burden Tables for Austin Energy, 43.2% of all residential customers have income between 0 and 300% of the Federal Poverty Guideline.⁵ Low

² Austin Energy Customer Energy Solutions, Program Progress Report 2014-2015, No Date, page 28.

³ AE Weatherization Program job status as of May 12, 2015. Distributed at May 15, 2015, 2015 Low Income Consumer Advisory Task Force Meeting.

⁴ Email provided by Denise Kuehn to Carol Biedrzycki on March 31, 2015

⁵ Memorandum from Liz Jambor, EdD, Manager, to Low Income Consumer Advisory Task Force 01//5/15.

to moderate income consumers have lower credit scores⁶ which may be attributable to their inability to obtain financing in the first place. A commonly applied credit worthiness standard is known as a FICA or credit score. For instance a loan applicant with a FICA score of 300 would generally be viewed as a high risk for a loan; a FICA score of 700 would generally be viewed as a low risk for a loan.⁷ Loans would be offered at the lower credit score range and a loan loss reserve that would reimburse the lender for defaults.

As part of the American Recovery & Reinvestment Act (ARRA), Austin Energy requested and was provided a grant to lower the cost of financing energy efficiency improvements to residential consumers. Financing costs were lowered by creating a loss reserve with Velocity Credit Union, the bank participating with Austin Energy to provide energy efficiency loans with reduced interest rates to residential customers. This energy efficiency program could increase Austin Energy's customers' access to affordable financing by lowering the credit worthiness standards for borrowing at lower interest rates with longer repayment periods. Austin Energy reported that this type of program to date has had a fairly good record of customer repayment of the loans.

Recommendation: Low Interest Loans for Comprehensive Energy Efficiency -- Create a residential energy efficiency program to enable moderate income homeowners to weatherize their homes and to purchase energy efficient cooling and/or heating appliances. The program would provide unsecured loans to some families that would not qualify for a loan under Austin Energy's existing program. The loan amounts would be reduced by rebates that are increased over the current level for the home performance with a loan program. The loan amount needed would be further reduced through prices for appliances that are discounted through Austin Energy's use of bulk purchasing power. An Austin Energy customer meeting the income requirements could access the higher rebates and the discounted-priced appliances without accessing the low interest financing. Energy savings attributable to the program will be tracked by income categories.

Explanation: This program could increase the access of low-moderate income customers to affordable financing for replacement of cooling and heating appliances by lowering the FICA score needed to qualify for the energy efficiency loan. The financed funds would be used to purchase weatherization services and cooling and heating appliances. Additionally, customers whose family incomes are between 0 and 400% of the federal poverty guidelines would have access to cooling appliances at a discounted price.

The reduced price would be obtained through Austin Energy entering into a commitment to purchase a minimum number of cooling units (for example, 100 room air conditioners) from a distributor-manufacturer. The price offered Austin Energy would be the price paid by the

⁶ Question 1: What customer classes and customer groups should be targeted for participation in financing programs? Austin Energy Weatherization Program Low Income Consumer Advisory Task Force April 17, 2015, p. 4.

⁷ *Ibid.*, p 3.

customer. The discount at a minimum should equal the highest discount obtainable from the manufacturer-retailer.

Standard residential rebates for energy efficiency measures and energy efficient cooling and heating appliances would also be part of this program thereby reducing the total amount of debt incurred and thereby providing greater assurance that moderate income customers will have access to low cost credit and an affordable repayment plan. Use of a rebate will also ensure greater quality control. Participating in the rebate program provides for a before and after inspection of the Austin Energy customer's residence to ensure the energy efficiency measures and goods will meet the energy needs of the customer and that they are properly installed.

Since Austin Energy will rely upon contractors to market the program and since moderate income families will have access to discounted cooling and heating appliances, the application process should include information about the reduced priced cooling and heating appliances to ensure the energy efficiency program applicant is informed of this option. Contractors should also be required to provide cost comparisons with the reduced price cooling and heating appliances for any other purchasing option recommended by the contractor. Additionally only contractors meeting requirements established by Austin Energy may be hired by Austin Energy customers under this program.

Renters

Increase Levels of Air Conditioning Replacement in Older Apartments -- On June 5th agenda.

Recommendation: Virtual (Fractional) Billing -- In order to reduce the cost of providing solar energy to multifamily residents, including those in affordable housing, establish a policy and ability within the Austin Energy billing system to allow for fractional division of value of solar credits from a distributed solar system on a multifamily residential property to be divided and applied to multiple residential customer accounts.

Explanation: Austin Energy already has a system that could be adapted to allow for fractional billing that virtually connects customer electricity usage meters with solar production meters. This system could be adapted to apply value of solar credits accrued from a solar installation to multiple residential accounts by assigning each account a fraction of the credits accrued.

Currently, customers can only use solar to offset their electric bills if (1) the solar installation is located on the same property as the customer's electricity usage meter is located and (2) the solar installation is individually wired to connect to a solar production meter that is assigned to that customer. On multifamily housing, it is significantly more cost effective (15-20%) to wire one or a few larger installations than many small installations for each unit.

Foundation Communities, which builds local affordable housing, has already encountered this problem at its Homestead Apartments.⁸ In order to allow its tenants to directly benefit from solar, it is having 140 solar installations individually wired and metered because Austin Energy has no policy that allows output from a solar installation to be virtually divided and applied to more than one customer bill. Because of roof space limitations, these installations will be quite small – 1-1.5 kW each. Compared to the cost of installing 190 kW of solar in 3 large installations, this approach is adding 15-20% to the total cost of the solar project. There is also \$100 permit application fee for each of the 140 systems.

Low-income and medium income residents are much more likely to rent than are higher-income residents in Austin. Although most multifamily properties are not designated affordable housing, many low and medium-income residents live in this type of housing. Providing access to affordable solar energy for multifamily housing will improve equity.

Next Steps

⁸ Presentation by Sunshine Mathon to the Low-Income Consumer Advisory Task Force on March 6, 2015.