

LOW INCOME CONSUMER ADVISORY TASK FORCE
INTERIM REPORT
RECOMMENDATIONS FOR COUNCIL TO CONSIDERED IN DEVELOPING THE
FISCAL YEAR 2016 AUSTIN ENERGY BUDGET
JUNE 12, 2015

Introduction

This is an interim report of the Low Income Consumer Advisory Task Force. A final task force report will be completed on or before October 1, 2015 presenting all short and long-term recommendations for consideration. Short term recommendations are the focus of this report. These are recommendations the task force has approved with a formal vote. Should City Council agree, the recommendations are intended for incorporation in the FY 2016 budget. While the recommendations contained herein were voted on by the task force, the content of this report was not subject to a vote because of time limitations. Although two task force members expressed reservations about the content of the report the majority of task force members submitted comments and edits which have been incorporated. We look forward to having Austin Energy submit its response to City Council to enhance the information available for their consideration.

Per instruction from the City Manager's office, the timing and purpose of this report is to convey the recommendations the task force would like City Council to consider for implementation in 2016. 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. While our recommendations do include carrying over previously allocated budgets for low-income weatherization programs to the current or future budget years, it is our intent that the carry-over for these funds not lead to reduction in funds to other important commercial and residential energy efficiency programs.

Background

The Task Force was created by City Council Resolution No. 20140828-158. Per its mandate from the Austin City Council, the group's mission is to: explore program options for low income and low-moderate income households such as income-sensitive sliding scale incentives, neighborhood-based energy efficiency programs, low-cost loans, combining community and city resources to effectively deliver programs, program cost-saving measures, and any other alternatives that will improve the effectiveness and cost efficiency of program delivery. The scope of the group's mission includes: funding levels for weatherization, increasing participation in renewable generation, encouraging energy efficiency in apartment complexes, small rental

units and duplexes, and establishing a demand reduction goal for low and low moderate income households.

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. These funds should be carried over in subsequent years in addition to the standard budget amount.

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 unexpended funds for both the CAP and the EES programs. Information provided by Austin Energy at the June 5th meeting indicates current carryover in the amount of \$549,626 for CAP funds and \$744,583 for EES weatherization.²

Recommendation: Earmarking Specific Funding from Multi-Family Energy Reduction Program on Low and Moderate Income Customers -- Utilize at least 50% of Austin Energy's multi-family budget to incentivize energy efficiency retrofits on multi-family properties where at least 50% of the households have low and low-moderate incomes.

Explanation: The majority of low and low-moderate income households rent and the majority of those households reside in multi-family properties. The quality and maintenance of these rental

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

² Austin Energy, 2012-2014 Audited Weatherization Values, June 2, 2015

units are often substandard resulting in high electric consumption for heating and cooling. The resulting high electric bills are borne by those who can least afford it.

Recommendation: Austin Energy should improve and make more transparent the tracking of its energy efficiency programs. Transparency is a cornerstone of efficiency. Without clear and concise information, effective decisions as to program efficiency cannot be made. Inconsistent reporting of program information and/or imprecise information produces obscure decision-making that is contrary to public policy. Community and council support for weatherization, energy efficiency and solar programs should be improved if data are accurate and reported transparently.

(A) All Austin Energy programs funded with revenues realized from the energy efficiency rate should be consistently reported to the public, the City’s advisory commissions and the Council.

Explanation: Whether customers and the council can determine if they are getting their money’s worth for the programs funded with energy efficiency rates can only be addressed if all the programs and therefore costs are consistently and completely reported. In its budget briefing to Council³ Austin Energy did not include all the programs funded with energy efficiency dollars. As the most recent Austin Energy monthly report⁴ to the Resource Management Commission reveals, Austin Energy implements more programs funded with energy efficiency dollars than revealed to the Council. The Council did not have the opportunity to review these other programs and their respective costs in relation to the energy efficiency programs identified to them. And without this opportunity the Council could not and therefore did not review the reasonableness of the complete energy efficiency budget proposed for FY 2015. All programs that are funded with energy efficiency rates should be reported, including commercial, residential, green building, solar and demand response.

(B) All program costs funded with energy efficiency dollars should be consistently reported and the operations and maintenance costs should be separated out from the rebates and other direct costs of the programs.

Explanation: In the Austin Energy budget briefing⁵ provided the Council during last year’s budget (and therefore rate) hearings, the operations and maintenance expenses were not included as costs that are recovered under the energy efficiency rate. As Austin Energy’s FY 2014 report⁶ shows Austin Energy incurred about \$1.622 million in operations and maintenance (“O&M”)

³ See attachment 1 entitled “Budget Briefing FY 2014-15 Proposed Budget” (June 16, 2014)(hereafter referred to as “Budget Briefing”).

⁴ See Attach. 2 entitled “Customer Energy Solutions Program Update as of April 30, 2015”.

⁵ See Attach. 1.

⁶ See Attach. 3 entitled “Customer Energy Solutions Program Progress Report 2014-2015”.

cost for the residential programs identified to the council and incurred about an additional \$3.57 million in O&M costs for commercial programs that had been identified to the Council in the budget presentation. O&M is the administrative cost of the program; that is, the cost incurred by Austin Energy to provide the energy efficiency program. The relation of administrative costs to direct program costs is an indicator of efficiency. The Council was without this information. Consequently, the FY 2015 budget decision could not be and therefore was not based on whether the costs to be recovered by the energy efficiency rate were efficiently incurred. By requiring the consistent reporting of each program's cost with the corresponding O&M costs separately stated, inefficiencies of operations can be more readily identified. Again, rebates and O&M costs should be shown for efficiency, green building, demand response, and solar programs.

(C) In any budget presentation to support its energy efficiency rate proposal, Austin Energy should not include any energy efficiency program costs funded with Customer Assistance Program revenues.

Explanation: In the budget presentation to the Council for FY 2015, Austin Energy included the CAP weatherization program in its listing of energy efficiency programs and costs. Although the CAP weatherization funds were separately identified, the funds were added to the total energy efficiency budget. And, because CAP weatherization was proposed to be increased for FY 2015, the decrease in the FY 2015 energy efficiency budget from the FY 2014 budget was understated by \$500,000. The co-mingling of the CAP weatherization program and its costs with the energy efficiency rate-funded programs creates confusion. The CAP weatherization program and costs should be identified but not added into the total costs of the energy efficiency program costs funded with energy efficiency rates. Thus, we recommend that CAP weatherization budgets and outcomes be reported along with other energy efficiency programs but be separately tracked so that the monies from the two sources of funding are not co-mingled.

(D) Austin Energy should develop better tracking data by city council district to: measure energy and demand savings, including consumption data measuring the actual customer usage both before and after the customer benefited from an energy efficiency program; analyze the demographics of program participation while protecting privacy data; and demonstrate coordination with other publically funded programs.

Explanation: The primary purpose of the task force is to make recommendations that will deliver equitable energy efficiency benefits to low and low moderate income households. Program survey data made available to the task force by Austin Energy indicated that energy efficiency programs (except for low-income weatherization which is income qualified) have little participation from households with income under \$40,000 per year and participation rates are highest in households earning \$100,000 per year or more. Austin Energy discounted the accuracy of its survey data for purposes of tracking the demographics of energy efficiency

program participants. Austin Energy has apparently established a process to collect demographic data consistently across all programs; however, Austin Energy has not provided the task force any information about the process or the expectations for the data to be gathered through the new process. Ultimately the task force would like to see a process in place that would provide a better explanation of the success of programs reaching low and low moderate income households.

Tracking energy use and demand before and after energy efficiency improvements are installed by program will ensure all demand and energy savings are captured when Austin Energy leverages its resources with other funds. One example is Austin Energy leveraging its weatherization program with the home repairs funded by the city and implemented through Neighborhood Housing. Energy and demand savings realized from home repairs which are not currently captured would be credited to the energy efficiency program. Data tracked by program can also be used to serve as a check on the reasonableness of deemed savings assumptions that are in general use to estimate program savings. Austin Energy's success of partnership with the city's affordable housing programs should be tracked to ensure that the city and Austin Energy maximize the effect public and utility resources can have when merged.

(E) Austin Energy should provide monthly, quarterly and annual reports to the Resource Management Commission, Electric Utility Commission and City Council indicating energy efficiency, CAP Weatherization, Demand Response, Green Building and Solar activities and City Council should establish accountability procedures.

Explanation: While Austin Energy already provides monthly and annual reports to these relevant committees, and the most recent annual reports have been improved, there do not appear to be well-developed accountability and reporting requirements for these programs. Council should develop some. We would suggest, for example, that quarterly reports be added that would include more detailed information than that contained in the monthly reports, such as:

- Tables or charts indicating the number of participants in each program that received rebates or incentives, the amount of the rebates or incentives, the amounts of kilowatts and kilowatt hours saved by customer class and program type, as well as the Operations and Maintenance costs incurred by Austin energy relating to the rebates or incentives;
- Map and table illustrating the allocation of rebates by customer class and program by Council district;
- Map illustrating the location of each rebate recipient with an overlay of socioeconomic income levels, where such information exists. To protect private information, basic census tract data could be used, and where actual survey data of program participants is available, such aggregated survey data could be utilized.

An improved yearly report should be produced that builds on these quarterly reports, but also have information including:

- A brief description of each of the different programs covered in the annual report;
- Allocated and spent funding from both the energy efficiency charge and CAP weatherization program, as well as any other funding that might be available from base rates or federal funding;
- Table indicating total kilowatts saved, kilowatt hours reduced, and money spent in rebates/incentives and O&M by program and customer class;
- Map and table illustrating the allocation of rebates by customer class and program type by Council district;
- Map illustrating the location of each rebate recipient with an overlay of socioeconomic income levels. To protect private information, basic census tract data could be used, and where actual survey data of program participants is available, such aggregated survey data could be utilized;
- Allocation of rebates or incentives including those for demand response programs including those for commercial and industrial recipients grouped by their classification of demand characteristics for rate purposes;
- Where information exists, also indicating which types of commercial or industrial entities received rebates, such as by SIC (Standard Industrial Classification) or other codes.
- Information about collaborations between Austin Energy for energy efficiency, demand response and solar programs with other city departments or entities such as Austin Water Utilities, Neighborhood Housing, Department of Energy, Travis County, Texas Gas Service, and others;
- Information about the number of solar and energy efficiency businesses and employees that participated in rate-funded programs;
- Information about the cost-effectiveness of each program in terms of kilowatts reduced and kilowatt hours saved, as well as the method used to evaluate this cost-effectiveness (i.e. use of deemed savings vs. measurement of actual energy use before and after or a sampling approach);
- Information about emissions reduction [such as volatile organic compounds (VOC) nitrogen oxides (NO_x), and carbon dioxide (CO₂)] reduced per program area because of the programs.

All of the monthly, quarterly and annual reports should be made available through Austin Energy's website.

Financing Options

Recommendation: Low-Interest Loans for Installation of Energy Star 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. For qualified customers, the loan amount needed under this program would be further reduced through discounted prices for appliances that are obtained through Austin Energy's use of bulk purchasing power.

Explanation: This recommendation would create an additional program to provide access to unsecured loans for installation of discounted-priced Energy Star air conditioners with or without heating components for households whose incomes are up to 300% of the federal poverty guideline. 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 per month. Austin Energy would additionally use its bulk purchasing power to negotiate with manufacturer-retailers for discount priced Energy Star air conditioners. Austin Energy would set quality installation guidelines and negotiate with contractors to set a specific cost for the installation.

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.⁷ Low to moderate income consumers have lower credit scores⁸ which can result from their inability to obtain financing in the first place. A commonly applied credit approval standard is the FICO or credit score. A loan applicant with a FICO score of 300 would generally be viewed as a high risk for a loan; a FICO score of 700 would generally be viewed as a low risk for a loan.⁹ Loans would be offered at the lower credit score range and they would be backed by 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 financial institution participating with Austin Energy to provide energy efficiency loans with reduced interest rates to residential customers. This proposed energy efficiency loan program could increase Austin Energy's customers' access to affordable financing by lowering the credit score threshold for borrowing at lower interest rates with longer repayment periods.

⁷ Memorandum from Liz Jambor, EdD, Manager, to Low Income Consumer Advisory Task Force 01//5/15.

⁸ 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.

⁹ *Ibid.*, p 3.

Recommendation: Low Interest Loans for Comprehensive Energy Efficiency -- Create a residential energy efficiency program to enable low and low moderate income homeowners to weatherize their homes and 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 to be increased over the current level of rebates for the Home Performance with Energy Star 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. Energy savings attributable to the program will be tracked by income categories.

Explanation: This additional program could increase the access of low-moderate income customers to affordable financing for replacement of cooling and heating appliances by lowering the FICO score threshold 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 up to 400% of the federal poverty guidelines would have access to cooling appliances at a discounted price.

If possible, the reduced price would be obtained through Austin Energy entering into a commitment to purchase a minimum number of Energy Star cooling units (for example, 100 room air conditioners) from a distributor or manufacturer. The price offered Austin Energy would be the price paid by the customer. The discount at a minimum should equal the highest discount obtainable from the manufacturer or retailer.

Standard residential rebates for energy efficiency measures and energy efficient cooling and heating appliances increased from Austin Energy's current rebate levels would also be part of this program thereby reducing the total amount of debt incurred and 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 program should provide information about the reduced priced cooling and heating appliances. Only contractors meeting requirements established by Austin Energy may be hired by Austin Energy customers under this program.

Renters

Recommendation: (Fractional) Virtual 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.¹⁰ 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

On June 1, 2015, the Task Force had a meeting inviting the public to comment. While participation was limited there was new information presented for the task force's consideration. Of note is that no one from the community attending the meeting was enthusiastic about the loan

¹⁰ Presentation by Sunshine Mathon to the Low-Income Consumer Advisory Task Force on March 6, 2015.

recommendations and some members of the task force may want to reexamine these recommendations in light of the public comment.

The task force will continue to meet regularly until the group has considered additional options and recommendations related to the way programs are designed or require further development. Among the recommendations the task force will be considering include the following:

- Increasing levels of air conditioning replacement in older apartments;
- Implementing on-bill financing or on-bill repayment;
- Setting a standard for repair and replacement of central air conditioning in the weatherization program;
- Establishing that a customer receiving benefits through an affordable housing or housing repair program is categorically eligible for low-income weatherization;
- Giving away LED light bulbs;
- Providing rebates and low interest loans for refrigerators built before 2001 and energy efficient window A/C units;
- Establishing options for educational outreach on ECAD (Energy Conservation Audit Disclosure);
- Improving ECAD enforcement;
- Implementing a residential low income weatherization rebate program in conjunction with Neighborhood Housing and Community Development;
- Developing one stop weatherization and housing repair;
- Broadening the cost-effectiveness standard for the weatherization program to reflect community values;
- Seamlessly incorporating low and low moderate income energy efficiency programs with prescheduled affordable housing program remodeling and other major maintenance project;.
- Upgrading building energy codes for residential construction to support the net-zero-energy capable homes goal approved by City Council in 2007;
- Upgrading building energy codes for commercial buildings—including multi-family buildings—in 2015 and consider a net-zero capable goal for commercial buildings by 2020;
- Considering a policy that would require builders of all new single family homes built after 2016 to offer buyers an optional solar package, either on the rooftop or a part of a community solar project;
- Recommending future goals and funding levels for low and low moderate income energy efficiency programs;
- Sending \$2200 voucher/rebate directly to low income single family residents;
- Installing demand meters on apartment complexes with over 4 units per building;

- Targeting marketing and dedicating staff time to contact and meet with landlords about how they can retrofit their buildings;
- Looking at how to get those low-income customers with debt owed to Austin Energy into a weatherization program so that their energy use can be reduced permanently and they can begin to pay off their debt;
- Establishing a reconciliation proceeding within six months after the close of each fiscal year to reconcile any over or under recovery of energy efficiency revenues, and make amendments to the then-current energy efficiency budget, including the transfer of funds from one program to another to increase the effectiveness of the programs;
- Making the Multi-Family Energy Reduction program more comprehensive by requiring air conditioners and water heaters to meet code to be eligible for incentives for duct work and other building measures;
- Changing incentives for air conditioner in older apartments; and
- Implementing on bill repayment, promote PACE (Property Assessed Clean Energy) and offer customers other financing measures.

The Low Income Advisory Task Force has a broad mission in regard to program offerings to better reach the low and low moderate income customer population. The scope of the mission includes funding levels for weatherization, increasing low income customer participation in renewable generation, encouraging energy efficiency in apartment complexes, small rental units and duplexes, and establishing a demand reduction goal for low and low moderate income households. The recommendations noted above and other proposals will be considered by the task force as it continues to receive the data it seeks to focus on each and every idea that has been submitted for consideration.

The task force is committed to fulfilling the intent of City Council to have the group explore program options for low and low moderate income households. Each and every idea we explore is multi-faceted because energy efficiency programs have many moving parts. We will continue to examine the proposals before us and seek the data needed to properly evaluate them. Resolution 21040828-158 states that the task force will meet until City Council adopts the recommendations it presents or on October 1, 2015 whichever comes first.