

## Austin Energy Customer Energy Solutions Budget – Fiscal Year 2016

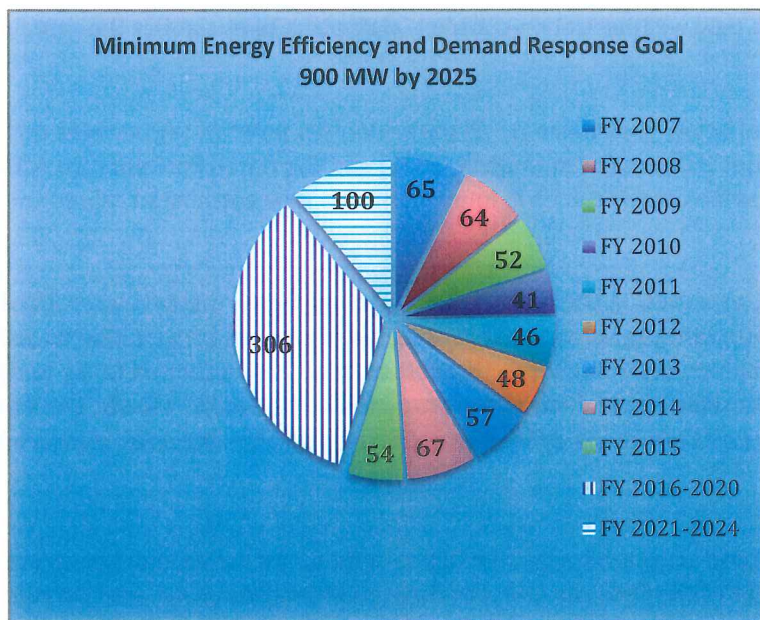
### Overview

Austin Energy has led the nation in customer distributed energy resource (DER) program offerings for over 30 years. As defined herein, DER refers to energy efficiency and demand response (demand side management or DSM) programs, rooftop solar and storage. The purpose of these programs is to:

1. Save all Austin Energy customers energy and money, by deferring the need to acquire and deliver more expensive 'supply side' resources – the market price of generation and transmission, and AE distribution and other costs entailed in delivering power from to customer homes and businesses. For FY 2014, life cycle costs for all DSM programs totaled 3.28 cents/kwh. This compares favorably to the 2014 average ERCOT real time price of 4.06 cents/kwh.<sup>1</sup>
2. Enhance customer satisfaction by reducing barriers to installing cost-saving measures (appliances, highly efficient lighting, solar etc.). The programs reach all customer demographics and geographic areas; the utility does not discriminate based on income or location. Privacy considerations restrict the disclosure of residential customer data, but the graphics in Attachment A shows DER spending by zip code for the two year period ending October, 31 2014. The darker the color, the higher the density of occurrence.
3. Achieve Council established goals. In December, 2014 the City Council approved a new demand reduction goal for Austin Energy, requiring that the utility achieve a 900 MW demand reduction goal by 2025, with at least 200 MW coming from demand response programs subject to the limitation that system average electric rates not increase by more than 2% per year and that Austin Energy's rates remain in the bottom 50% of all rates in Texas. Council also directed Austin Energy to assess the potential to achieve even more ambitious goals of 1000 or 1200 MW of aggregate demand savings by 2025, The Council also established a 200 MW goal for local solar by 2025, with 100 MW customer sited, and elimination of solar incentives once customer sited solar reaches 70 MW.

This document provides an overview of projected year end performance for FY 2015 and the assumptions underlying the proposed FY 2016 budget.

**Goal Status:** By the end of FY 2015, Austin Energy is on track to post savings of about 54 MW, or 494 MW (55% of goal) cumulative since 2007. To get to the minimum goal, Austin Energy will need to achieve savings of 406 MW, or roughly 50 MW per year, while adhering to affordability criteria. To achieve 1200 MW of savings, annual results would need to be about 75 MW – a level never seen in the 30 year history of the utility's energy savings programs. By fiscal year end,



<sup>1</sup> Source: Potomac Economics.

33 MW of customer-sited solar will be installed or in progress.

Program results posted in the current fiscal year help guide the budget and goal setting process for the next fiscal year. This poses some challenges as most customer programs are seasonal in nature with the heaviest program participation in the summer, the last three months of the fiscal year. Indeed, it is customary to see 40% of rebate budgets spent in the last quarter of the fiscal year. For FY 2015, the DER rebate budget totals \$24 million; of this, \$23 M is collected in the Energy Efficiency Services portion of the customer benefit charge (CBC), \$1 MM is collected in the Customer Assistance Program and earmarked for low income weatherization. The Customer Energy Solutions (CES) O&M budget, collected in both the customer benefit charge and base rates, totals \$21 MM. Attachment B shows a projection of year end results by program. As of July 31, it is expected that rebate budgets will be spent (including \$500,000 in CAP carryover from FY14) and O&M expenses will be at roughly 93% of budget, due to efforts to constrain expenses.

#### Key Program Variances – 2015

*Residential:* In FY 2014, some programs have exceeded budget expectations – notably the residential PowerPartner thermostat program, appliance efficiency (air conditioning replacement), multi-family rebates (paid to commercial customers but benefiting residential tenants), appliance recycling (which was the focus of a strong marketing campaign) and residential solar. Importantly, staff worked diligently to increase the reach of the weatherization program and spend down cumulative under budget variances associated with the CBC CAP allocation for weatherization. Results through June are as follows:

FY	CAP Budget	CAP Spent	CAP Ov/(Un)		AEWX Budget	AEWX Spent	AEWX Ov/(Un)	Combined Total Ov/(Un)
2013	\$1,000,000	\$75,728	(\$924,272)		\$849,850	\$477,567	(\$372,283)	(\$1,296,555)
2014	\$1,000,000	\$1,374,646	\$374,646		\$850,000	\$729,547	(\$120,453)	\$254,193
2015**	\$1,000,000	\$1,593,854	\$593,854		\$1,377,000	\$531,634	(\$845,366)	(\$251,512)
<b>Total</b>	<b>\$3,000,000</b>	<b>\$3,044,228</b>	<b>44,228</b>		<b>\$3,076,850</b>	<b>\$1,578,370</b>	<b>(\$1,338,102)</b>	<b>(\$1,293,874)</b>

\* 2013 and 2014 based on fiscal year end audited numbers, 2015 encumbered July 31, 2015

\*\* Does not include \$500 K in carryover from prior years. May encumber additional funds in FY15, contingent upon finalizing contract(s) with contractors

Fiscal year to-date, 531 customers have been assigned and are in various stages of completion. Assuming contracts are finalized with contractors under the new weatherization contract, staff plans to encumber the remaining budget this year.

Other programs performed at a level below expectations – in particular, the point of sale rebates on LEDs and other measures because they launched later than expected (August, 2015) and the Home Performance with Energy Star program, which was challenged by technical difficulties in implementing a new automated rebate tool, negatively affecting contractor participation.

*Commercial:* Green Building results, especially in the commercial and multi-family markets were lifted by strong new construction activity. For rebated programs, small business lighting saw increased activity, due to declining LED costs and increased marketing focus. However, commercial existing construction has continued to lag budget and as such, the FY 2016 budget has been adjusted to reflect more limited opportunities in this sector. Finally, the load co-op program has seen some metering challenges and savings are difficult to estimate until after the peak season ends.

#### FY 2016 Budget

Below please find the FY 2016 proposed program budget for DER programs. As noted, most costs are recovered via the Energy Efficiency Services component of the CBC, the CAP weatherization program costs are recovered in the CAP component of the CBC and other expenses are recovered in base rates.



CBC-Energy Efficiency Recoverable			
	FY 2015	FY 2016	
	Budget	Proposed	Difference
Solar Program	6,100,000	6,100,000	0
Solar PV Performance Based Incentive Program	1,400,000	1,400,000	0
	<b>7,500,000</b>	<b>7,500,000</b>	<b>0</b>
Free Weatherization	1,377,000	1,377,000	0
Multi-Family Rebates	1,944,000	1,800,000	(144,000)
Loan Options	350,000	100,000	(250,000)
Compact Fluorescent Distrib.	500,000	900,000	400,000
Commercial-Exisit Construction	3,500,000	2,700,000	(800,000)
Small Businesses	1,976,053	2,500,000	523,947
Green Building	306,000	306,000	0
Commercial Power Partner	140,000	140,000	0
Refrigerator Recycle Program	250,000	250,000	0
Residential Power Partner-Aggr	700,000	700,000	0
Load Coop	500,000	600,000	100,000
Thermal Energy Storage	21,000	21,000	0
Home Performance w Energy Star	2,300,000	2,300,000	0
Appliance Efficiency Program	264,979	50,000	(214,979)
Air Conditioning Rebates	509,189	650,000	140,811
Electric Vehicles Incentives	315,000	315,000	-
	<b>14,953,221</b>	<b>14,709,000</b>	<b>(244,221)</b>
CBC-CAP Recoverable			
CAP Weatherization Program	1,500,000	1,000,000	(500,000)
<b>Total Conservation Rebates</b>	<b>23,953,221</b>	<b>23,209,000</b>	<b>(744,221)</b>
Conservation			
Advertising-Conservation	1,500,000	1,000,000	(500,000)
DSM Administration	1,474,577	303,446	(1,171,131)
DSM Program Mgmt	2,206,199	1,487,098	(719,101)
DSM Program Support	2,498,873	2,322,365	(176,508)
DSM Solar Program	1,409,711	1,150,390	(259,321)
EES Technical Support	2,214,126	3,762,442	1,548,316
Municipal Conservation Program	100,000	100,000	0
Green Building Prgm	2,644,471	2,741,877	97,406
	<b>14,047,957</b>	<b>12,867,618</b>	<b>(1,180,339)</b>
CBC-Non Recoverable			
Distributed Enrgy Serv. Adm	894,447	857,619	(36,828)
Des Corporate Corporate	355,690	372,526	16,836
Electric Vehicles	971,683	980,763	9,080
Emerging Technologies	537,777	548,083	10,306
	<b>2,759,597</b>	<b>2,758,991</b>	<b>(606)</b>
<b>Total Conservation</b>	<b>16,807,554</b>	<b>15,626,609</b>	<b>(1,180,945)</b>

Staff developed the proposed FY16 budget after extensive review of opportunities within each market sector, with the objective of ensuring Austin Energy reaches our 900 MW target in a manner that is cost effective, while providing benefits to all sectors of the residential and commercial customer classes we serve. With respect to specific variances between FY15 and FY16, the largest variance was an effort to reduce program administration costs – by a total of \$1.2

million. Areas that were reduced included reduced reliance on consulting services and implementation of an automated rebate tracking system, which will create workflow efficiencies, enhance controls and improve data analytics. Within the program rebate budgets, the following adjustments were made:

1. Slight reduction in multi-family rebates to reflect a reduced maximum payment and establishment of measure caps, to ensure the program is as cost effective as possible
2. Reduction in the cost of the loan program, to reflect the improved interest rate environment, which obviates the need to buy down loans
3. The item currently labeled as CFLs will be changed to reflect LED (light emitting diodes) and other measures that will be covered under the newly launched point of sale buy down program that is being introduced in various retail outlets.
4. The commercial existing construction rebate budget is being reduced to reflect actual performance in this sector, which has come in under budget over the last two years. Instead, AE is looking to increase funding and other opportunities in the commercial demand response space and Small Business Lighting. Small business has been a hard to reach market. As AE has increased our marketing and resources in this area, participation has increased. We have shifted funds to continue to support these efforts.
5. Load Coop: With a goal of meeting 200 MW by 2025, AE is shifting additional resources to this program.
6. The appliance efficiency and air conditioning rebate program line items need to be considered in aggregate; the adjustments reflect increased allowance for air conditioning replacement, versus other (eg. pool pumps) measures. Thought we were going to combine.
7. Finally, it should be noted that thermal energy storage projects entail substantial lead time, from project proposal to completion –often amounting to a few years, with extensive engineering support from AE. As such, these projects are budgeted for the year in which AE expects to pay a rebate.
8. For the CAP weatherization, the annual budget is \$1 million. In 2015, EES budgeted another \$500k to address the carry-over from previous years.

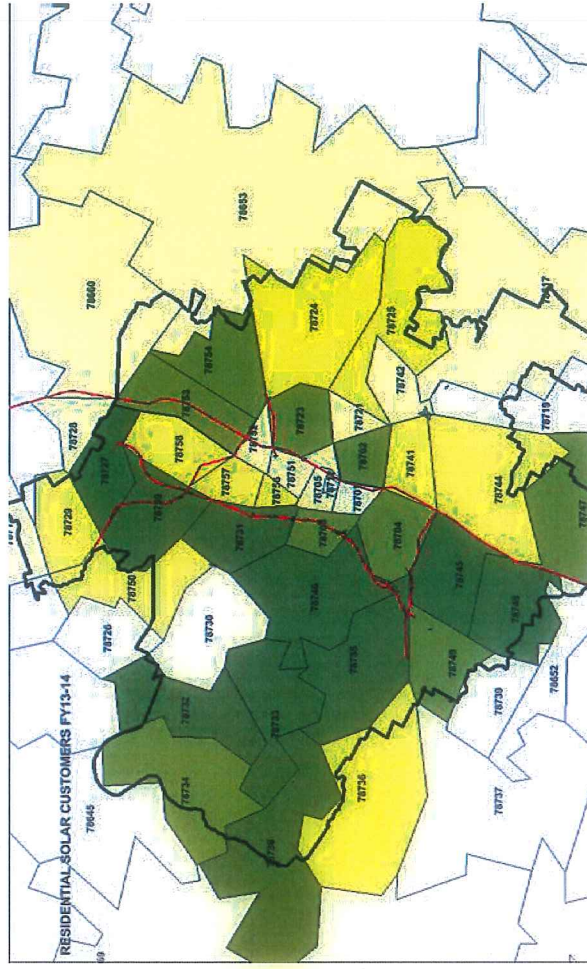
#### **Energy Efficiency Tariff – CBC**

Staff can propose adjustments to tariffs during the annual budget process and during formal rate making procedures. When examining the tariff, several factors are considered – stability, sufficiency and cost relation. The customer benefit charge and the component elements – Energy Efficiency Services (EES), street lights and CAP (weatherization and bill discounts) were established in FY 2013, based on a 2009 cost of service study. In the years between 2009 and 2013, the EES budget grew such that initially, the EES tariff under recovered costs. Since 2013, staff has endeavored to reduce administrative costs and align with market potential, resulting in budget reductions. However, the CBC tariff and its respective components have not been adjusted, resulting in an over collection. With two months remaining in the fiscal year (when sales, and thus revenues are higher) and the program expenses are higher, some of this over collection may be minimized. Staff recommends making a downward adjustment in the CBC either in conjunction with the next cost of service study, and/or adjust it gradually over a three year period to avoid year over year variability.

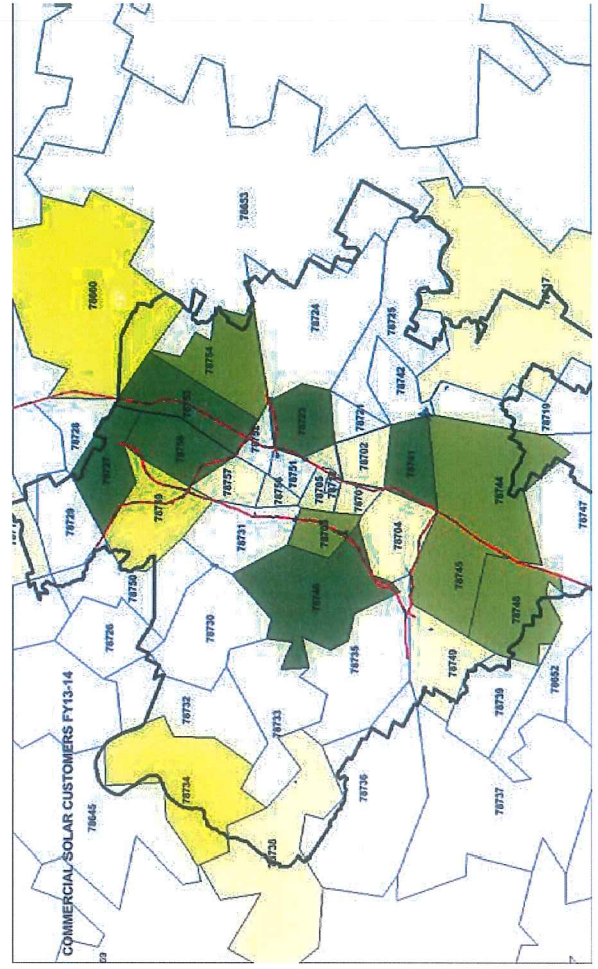


### Distribution of Residential and Commercial Rebates by Zip Code – FY13 and FY14

## Residential Solar



## Commercial Solar







**2015 CES Expenditures and Projections - July 2015**

Attachment B	2015 Current Budget	YTD Expenditures 7-31-2015	Encumbrances 7-31-2015	YTD Totals as of 7-31-2015	Budget Remaining	% Budget Remaining	2015 End of Year Expenditure Projections	% of Budget expenditure projected	2015 MW Goal	2015 Proj Savings
<b>CBC - Energy Efficiency Recoverable</b>										
<b>Solar</b>										
Solar Residential Program	\$6,100,000	\$4,239,197	\$0	\$4,239,197	\$1,860,803	31%	\$6,362,478	104%	4.01	5.00
Solar Commercial Performance Based Incentive Program	\$1,400,000	\$996,706	\$0	\$996,706	\$403,294	29%	\$1,399,706	100%	4.01	4.00
<b>Total Solar</b>	<b>\$7,500,000</b>	<b>\$5,235,903</b>	<b>\$0</b>	<b>\$5,235,903</b>	<b>\$2,264,097</b>	<b>30%</b>	<b>\$7,762,184</b>	<b>103%</b>	<b>8.02</b>	<b>9.00</b>
<b>Residential EE Programs</b>										
WX - CBC EES (additional expenditure dependent on new WX contract)	\$1,377,000	\$325,533	\$204,733	\$530,266	\$846,734	61%	\$591,266	81%	0.93	0.13
Res Lighting & SPUR	\$500,000	\$48,111	\$0	\$48,111	\$451,889	90%	\$48,111	10%	0.32	0.12
Refrigerator Recycle Program	\$250,000	\$215,370	\$0	\$215,370	\$34,630	14%	\$285,927	114%	0.32	0.31
Home Performance w Energy Star-Rebate & Loan	\$2,650,000	\$1,478,243	\$0	\$1,478,243	\$1,171,757	44%	\$2,017,094	76%	4.25	2.79
Appliance Efficiency Program	\$774,168	\$1,026,280	\$0	\$1,026,280	(\$252,112)	-33%	\$1,091,547	141%	1.66	2.00
GB Res Ratings and Code	\$0	\$0	\$0	\$0	\$0	0%	\$0	0%	8.22	9.32
<b>Total Residential EE</b>	<b>\$5,551,168</b>	<b>\$3,093,537</b>	<b>\$204,733</b>	<b>\$3,298,270</b>	<b>\$2,252,898</b>	<b>41%</b>	<b>\$4,033,945</b>	<b>73%</b>	<b>15.70</b>	<b>14.67</b>
<b>Commercial EE Programs</b>										
Small Businesses	\$1,976,053	\$2,937,823	\$0	\$2,386,712	(\$410,659)	-21%	\$3,813,933	193%	2.87	4.00
Commercial-Exist Construction	\$3,500,000	\$1,526,323	\$0	\$1,213,238	\$2,286,762	65%	\$2,873,126	82%	12.15	9.00
Multi-Family Rebates	\$1,944,000	\$1,926,337	\$0	\$1,926,337	\$17,663	1%	\$2,636,247	136%	4.21	4.00
GB MF Ratings and Code									3.50	7.97
GB Comm Ratings and Code	\$306,000	\$0	\$35,650	\$35,650	\$270,350	88%	\$23,150	8%	7.14	8.29
EES/GB Commercial Projects	\$0	\$0	\$0	\$0	\$0	0%	\$0	0%	1.10	1.10
<b>Total Commercial EE</b>	<b>\$7,726,053</b>	<b>\$6,390,483</b>	<b>\$35,650</b>	<b>\$5,561,937</b>	<b>\$2,164,116</b>	<b>28%</b>	<b>\$9,346,456</b>	<b>121%</b>	<b>30.97</b>	<b>34.36</b>
<b>Demand Response</b>										
Residential Power Partner-Aggr	\$700,000	\$524,248	\$0	\$478,108	\$221,892	32%	\$1,027,000	147%	3.00	3.00
Commercial Power Partner	\$140,000	\$49,016	\$0	\$42,108	\$97,892	70%	\$57,108	41%	1.50	1.00
Load Coop	\$500,000	\$66,891	\$0	\$66,891	\$433,109	87%	\$254,000	51%	5.00	1.00
Thermal Energy Storage	\$21,000	\$0	\$0	\$0	\$21,000	100%	\$0	0%	-	-
<b>Total Demand Response</b>	<b>\$1,361,000</b>	<b>\$640,155</b>	<b>\$0</b>	<b>\$587,107</b>	<b>\$773,893</b>	<b>57%</b>	<b>\$1,338,108</b>	<b>98%</b>	<b>9.50</b>	<b>5.00</b>
<b>Electric Vehicle Incentive</b>	<b>\$315,000</b>	<b>\$179,378</b>	<b>\$0</b>	<b>\$179,378</b>	<b>\$135,622</b>	<b>43%</b>	<b>\$300,000</b>	<b>95%</b>	<b>-</b>	<b>-</b>
<b>Subtotal CBC EES</b>	<b>\$14,953,221</b>	<b>\$10,303,553</b>	<b>\$240,383</b>	<b>\$9,626,692</b>	<b>\$5,326,529</b>	<b>36%</b>	<b>\$15,018,509</b>	<b>100%</b>	<b>56.17</b>	<b>54.03</b>
<b>CBC - CAP Recoverable</b>										
WX - CBC CAP (includes 2012-2014 unspent funds)	\$1,500,000	\$612,979	\$981,978	\$1,594,957	(\$94,957)	-6%	\$1,500,000	100%	1.00	0.40
<b>Total Conservation Rebates (inc Solar funding w/o MW)</b>	<b>\$23,953,221</b>	<b>\$16,152,436</b>	<b>\$1,222,361</b>	<b>\$16,457,553</b>	<b>\$7,495,668</b>	<b>31%</b>	<b>\$24,280,693</b>	<b>101%</b>	<b>57.17</b>	<b>54.43</b>
<b>CBC - EES Recoverable</b>										
Municipal Conservation Program (O&M)	\$100,000	\$0	\$23,516	\$23,516	\$76,484	76%	\$75,000	75%	-	-
Advertising-Conservation	\$1,500,000	\$732,770	\$32,542	\$765,312	\$734,688	49%	\$1,364,220	91%		
Total DSM Admin Support	\$1,474,577	\$1,003,860	\$454,130	\$1,457,990	\$16,587	1%	\$1,943,986	132%		
Total DSM Program Management	\$2,206,199	\$1,140,846	\$1,045	\$1,141,891	\$1,064,308	48%	\$1,522,521	69%		
Total DSM Program Support	\$2,498,873	\$1,629,491	\$553,030	\$2,182,521	\$316,352	13%	\$2,910,028	109%		
Total DSM Solar Program	\$1,409,711	\$704,271	\$93,032	\$797,303	\$612,408	43%	\$979,020	69%		
Total DSM EES Technical Support	\$2,214,126	\$1,415,975	\$158,443	\$1,574,417	\$639,709	29%	\$2,099,223	85%		
Green Building Prgm	\$2,644,471	\$1,883,435	\$86,785	\$1,970,220	\$674,251	25%	\$2,626,960	99%		
<b>Subtotal CBC EES Recoverable</b>	<b>\$14,047,957</b>	<b>\$8,510,648</b>	<b>\$1,402,523</b>	<b>\$9,913,170</b>	<b>\$4,134,787</b>	<b>29%</b>	<b>\$13,520,958</b>	<b>96%</b>	<b>-</b>	<b>-</b>
<b>CBC - Non Recoverable</b>										
Distributed Enrgy Serv. Adm	\$894,447	\$366,775	\$0	\$366,775	\$527,672	59%	\$489,033	55%		
DES Corporate Corporate	\$355,690	\$130,314	\$32,461	\$162,775	\$192,915	54%	\$217,033	61%		
Electric Vehicles	\$971,683	\$517,302	\$39,143	\$556,444	\$415,239	43%	\$741,926	76%		
Emerging Technologies	\$537,777	\$421,383	\$55,000	\$476,383	\$61,394	11%	\$635,177	118%		
<b>Subtotal CBC Non Recoverable</b>	<b>\$2,759,597</b>	<b>\$1,435,774</b>	<b>\$126,604</b>	<b>\$1,562,377</b>	<b>\$1,197,220</b>	<b>43%</b>	<b>\$2,083,169</b>	<b>75%</b>	<b>-</b>	<b>-</b>
<b>Total Conservation</b>	<b>\$16,807,554</b>	<b>\$9,946,422</b>	<b>\$1,529,127</b>	<b>\$11,475,547</b>	<b>\$5,332,007</b>	<b>32%</b>	<b>\$15,604,127</b>	<b>93%</b>		

