



MEMORANDUM

TO: Low Income Advisory Task Force

FROM: Denise Kuehn, Energy Efficiency Services Director

DATE: August 14, 2015

SUBJECT: Questions Concerning the Changes of Costs Associated with AE Weatherization Program

Over the past thirty years, Austin Energy has weatherized over 17,000 homes for low income customers. Cost of providing the weatherization program has changed due to two main contributing factors: the changes in the qualification criteria associated with resources available and the need of the community defining the type and costs of the measures provided.

The qualification criteria of customers receiving low income weatherization has changed over the years based on federal and local influences. The federal government subsidizes many low income programs in conjunction with the City of Austin. This criterion has been based on the federal poverty rate which has varied from 100% to the current 200% and below in order to qualify. Additional criteria have been established for ensuring potential customers have not participated in the program over the past ten years. AE further qualifies based on the value and square footage of the home. In addition, AE partners with other city departments, utilities and non-profit organizations to reduce the costs in order to align resources.

AE's partnerships to address low income needs in the Austin area range from referrals and process enhancements to implementing home improvements for other entities. AE exchanges referrals with several entities such as Austin Water Utilities, Neighborhood Housing and Community Development (NHCD), Travis County, Housing Repair Coalition (collaboration of numerous non-profit and city organizations) and various other non-profit organizations. Over the past year, AE has worked with AWU, NHCD, Purchasing, Health and Human Services and non-profit agencies to develop a standard intake form and enhance communication. In addition to referrals, AE provides administrative support for AWU-provided water savings devices at no charge to AWU. AE provides energy saving weatherization while Neighborhood Housing provides structural repairs when federal grants are available. NHCD combines different grants to provide services such as lead removal and roof repairs to an average of 200-250 unique homes per year. NHCD receives a 10% administration fee to coordinate the in work for Austin Water on these homes. AWU provides the water saving devices and pays for the installation to NHCD.

Weatherization is one of the many services the City of Austin provides low income customers. Basic services such as insulation and air infiltration are utility industry standard. As more

resources were available, AE expanded the offerings. Attached is the historical graph and cost per various measures based on the executed weatherization contracts since 2005.

Pre-ARRA Federal Grant (1982-2009): From 1982-1995, funding for weatherization was obtained from a general AE energy efficiency program budgets. Over that period of time, around 4,900 homes were completed. In 1996, a specific budget was established in order to track the AE funding provided for weatherization. From 1996-2009, AE weatherized 8,781 homes at an average cost of \$1,300 per home spending roughly \$818,000¹ per year. The basic weatherization measures were provided focusing on weather-stripping and insulation. In the mid-2000, CO/Smoke detectors, CFLs, solar screens along with minor repairs were added to the provided measures. Delivery of the services was provided by contractors. There were several contracts. As a perspective, the contract implemented from 2008 engaged three contractors to perform the weatherization of the homes (Climate Mechanical, AirTech Heating & Air, and McCullough Heating & Air). Each contractor was paid the same for each measure.

In 2008, AE received a small grant of \$94,000 to replace refrigerators for low income in the COA Housing Authority through the State Energy Conservation Office. Another grant was provided from 2008-2009 through the Texas Commission of Environmental Quality spending about \$275,000 to install CFLs, window AC units, dishwashers, cloth washers and refrigerators. In the work with Travis County, the county received grants separately from the State and AE coordinated with the county to split the workload such that Travis would provide weatherization outside City jurisdiction and AE did weatherization in the city.

ARRA Federal Grant (2010-2012): The ARRA grant was a major shift in AE's approach to deliver weatherization services to low income customers. In 2010-2012, AE received over \$9.6 million in federal grants. This grant provided an additional five full-time staff and paid a percentage of nine temporary workers focused on low income weatherization. The additional funding allowed both pre and post testing and additional measures such as HVAC, ductwork, additional repairs and refrigerators. Over \$10.6 million was spent completing more than 2,400 homes at a cost of \$4,339 per home.

As more measures were added, the cost per home increased, requiring larger budgets. This also resulted in more time to complete the weatherization of a home. Three additional contractors (Weatherization Management Group, Valdez Remodeling & Weatherization and Go Green Squads) were added to the AE Weatherization Contract which was based on the 2007 AE Purchasing measure reimbursement prices for material and labor.

Post ARRA Federal Grant (2013-2014): The inclusion of HVAC, ductwork, additional repairs and refrigerators were continued for two years starting in Fall 2013. A new contract was bid based on the Job Order Contract allowing each contractor to submit an additional coefficient up to 24% in addition to the base labor and material price aligned with the 2011 RS Means² values. Nine contractors were provided agreements (Climate Mechanical, AirTech Heating & Air, McCullough Heating & Air, Valdez Remodeling & Weatherization, Go Green Squads, City Conservation, American Conservation, American Youthworks and Conservation Specialists). In

¹ Austin Energy audited financials – GAAP based plus two grants.

² RS Means is a national organization that provides construction cost estimates for installation and material.

these two years, over 460 homes were weatherized at the average cost per home increased to over \$5,167 spending approximately \$1.2 million per year.

Current (FY2015 through July 2015): In order to align with the COA affordability goals, it was determined to eliminate from the program measures HVAC, additional repairs and refrigerators. This resulted in the estimated cost of \$3,800-\$4,000 per home, weatherizing 531 homes while spending a little over \$2 million. Base pricing was also update to reflect the 2014 RS Means values. Based upon a \$1400 per home pricing established in 1995 as a baseline along with the Calculated Compound Annual Growth Rate (CAGR), the cost per home goal would be \$2,527 in current dollars. Based on 2015 cash basis, the average cost per home is \$3,800 while considering other allocations such as payments from Austin Water the price per home average is \$4,000. AE is reviewing measures to move to the cost per home baseline of \$2,527 with the new contract.

Additional homes may be weatherized in 2015 pending the approval and implementation of a new WX contractor agreement. The thirteen contractors currently in negotiation are (AirTech Heating & Air, McCullough Heating & Air, Valdez Remodeling & Weatherization, Go Green Squads, City Conservation, American Conservation, American Youthworks, Conservation Specialists, 360 Energy Savers, Ram's Weatherization, 1st Choice Energy, Energy Guys, and Great American Insulation). This contract has variable prices per each contractor.