LOW INCOME CONSUMER ADVISORY TASK FORCE

FINAL REPORT

DRAFT FOR DISCUSSION

September 4, 2015

This draft report is the product of a working group consisting of Task Force Members Lanetta Cooper, Cyrus Reed, Chris Strand and Carol Biedrzycki. You will see in reviewing the draft that there are placeholders for agenda items that are posted for discussion at the on September 4, 2015 task force meeting.

At Friday's meeting please make your comments specific to this draft. For example, if you believe something needs to be added please have copies of a draft of the material available for the group and have a specific suggestion as to where you would like it to fit into the draft.

At the meeting there has been discussion about listing appropriate topics and areas of discussion for the future. This section of the report still needs to be drafted.

The report working group plans to have the next draft on September 11th that will incorporate all the recommendations made to date and comments submitted to the task force on September 4th.

Executive Summary

# I. Table of Contents

# I. Introduction

This is the Report of the Low-Income Consumer Advisory Task Force, a nine member task force, created in 2014 by the seven member at-large Austin City Council. This final report is the culmination of a thirteen-month effort summarizing the findings and recommendations of the task force.

The Task Force was directed: to look for and recommend improvements to current low and moderate income energy efficiency programs; to consider and recommend new programs and new approaches for low and moderate energy efficiency and renewable energy programs; and to set program funding and demand savings goals for low and moderate income energy efficiency programs.

Over this past year the Task Force has heard from the community and City and County departments. Many of their comments were incorporated into the recommendations provided in this report.

This report provides background information on the task force composition and its activities, summarizes the recommendations adopted by the task force and identifies outstanding issues that the new city Council should consider assigning to a new task force where all the current council districts are represented.

This report is limited by the facts available to the Task Force. We found the data for the energy efficiency programs and for the energy efficiency rates funding these programs was not always consistently reported. Some data was not collected or not formatted in a manner to be meaningful or to be accessible. Consequently, the report applied the data in a conservative manner.

Most of the recommendations in this report are intended to provide bill savings to more low and low-moderate income customers of Austin Energy than currently being provided. These bill savings will make Austin more affordable for these customers and will in all likelihood lead to reduced bad debt and collection costs for Austin Energy.

# II. Background

The Low Income Consumer Advisory Task Force was created to further explore recommendations outlined in the 2014 Generation Planning Task Force report to make energy efficiency and solar energy programs more equitable. City Council Resolution No. 20140828-

158 sets forth the charge and the mission of the group. In this capacity the task force made its best efforts to reach out to the community and to collect data and information from Austin Energy about the demographics of its customers, the history of programs from an equity perspective and how we might define equity and set a goal for the present and the future.

## A. Summary of Task Force Activities

### 1. Mission

Per its mandate, 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 making recommendations to city council in regard to:

- 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.

The central question that the task force has been asked to answer is whether or not low and low-moderate income consumers are getting a fair share of energy efficiency benefits. Early on in the process the task force members asked Austin Energy to provide information on the demographics of customers who participated in its energy efficiency programs. The data provided are too limited to support a definitive conclusion; however, the data that are available support the conclusion of inequity.[1]

### 2. Membership

Under the original resolution each of six council members and the mayor appointed one member to the task force and one member each was chosen from among the Electric Utility Commission and Resource Management Commission members. On August 6, 2015 City Council adopted Resolution No. 20150806-045 to minimally alter the membership.[2]

The Task Force members include:

Carol Biedrzycki, Chair, Texas ROSE (Ratepayers' Organization to Save Energy)

[1] Austin Energy Memorandum from Liz Jambor, EdD, Manager to Low Income Consumer Advisory Task Force, Energy Efficiency Survey Examples and Related Demographics, 01/07/2015.
[2] Task Force Member Kelly Weiss was replaced by Michael Wong.

Tim Arndt, Vice Chair, Energy Efficiency Consultant
Dan Pruett, Meals on Wheels and More
Cyrus Reed, Sierra Club
Lanetta Cooper
Richard Halpin, First Unitarian Universalist Church of Austin Green Sanctuary Ministry
Chris Strand, Stan's Heating and Air Conditioning
Karen Hadden, SEED Coalition
Michael Wong, add affiliation

The task force was organized into three committees with the following membership:

- Low Income Energy Efficiency Programs -- Chair: Lanetta Cooper, Richard Halpin, Dan Pruett, and Karen Hadden. Low-income is defined as under 200% of the Federal Poverty Guideline and represents 28% of Austin Energy's residential customers.
- Low-Moderate Income Energy Efficiency Programs -- Chair: Chris Strand, Kelly Weiss, Cyrus Reed. Low moderate income is defined as 201% to 400% of the FPG and represents 38% of Austin Energy's residential customers.
- Affordable Rental Property -- Chair: Tim Arndt, Carol Biedrzycki, Cyrus Reed, Lanetta Cooper. In 2013 54.9% of all households were renters whose incomes are lower than income for homeowners.[3]

### 3. Activities

The task force held its first meeting on November 5, 2014 and held a total of 23 meetings before October 1, 2015. In addition to the 23 meetings held to discuss the issues, a town hall meeting was held on June 1, 2015 at the South Austin Recreation Center and a community review was held at the Austin Energy Affordable Energy Policy Summit on July 17, 2015. The Task Force chair and vice chair also attended the Community Power Forums held by the Sierra Club on February 28, and May 9, 2015 to meet with the public.

The task force began its first two meetings in January by inviting panels of city staff and nonprofit organizations to provide input to the discussions. A third panel was organized specifically on the subject of on-bill financing and repayment.

The January 9, 2015 meeting included a discussion panel for city departments serving the low income community and utilities. Representatives shared information about their low income programs, their funding sources, and how they currently work with Austin Energy and other agencies. Participating departments and individuals included: Letitia Brown, City of

[3] 32.8% of renters had a household income of less than $25,000. 63.9% of renters had a household income of less than $50,000. 22.2% of homeowners had a household income of less than $25,000. 46.8% of homeowners had a household income of less than $50,000.

Austin Neighborhood Housing and Community Development Office; Cara Welch, City of Austin Neighborhood Housing and Community Development Office; Maria Allen, City of Austin Health and Human Services; Nick Waken, Housing Authority of the City of Austin; Mark Jordan, Austin Water Utility; Elena Rivera, Travis County Health and Human Services; and Julie Hatfield, Texas Gas Service.

The January 16, 2015 meeting included a nonprofit discussion panel. Representatives shared information and thoughts on how to improve energy efficiency for low income people. They discussed their low income programs, funding sources, and how they currently work with Austin Energy and/or other agencies. The discussion included Chantel Bottoms, The United Way for Greater Austin, 211 Service; Susan Peterson, Foundation Communities; Letitia Brown, Neighborhood Housing and Community Development and Austin Housing Finance Corporation; Jesse Porter, Austin Habitat for Humanity; Charles Cloutman, Meals on Wheels and More and Housing Repair Coalition; and Katharine Stark, Austin Tenants Council.

A third panel discussion was held on March 13, 2015 regarding financing options for energy efficiency and solar applications. Participating were: Doug Lewin, Executive Director, Southwest Partnership for Energy Efficiency as a Resource (SPEER); John Hall, Environmental Defense Fund; Janee Briesemeister, Retiree from AARP; Ruby Roa, Retiree from Austin Energy and Mark Rogers, Executive Director, Guadalupe Neighborhood Development Corporation.

### 4. Briefings and Reports

From November 5, 2014 to November 1, 2015 the Task Force provided the following briefings and reports.

04/01/15 Preliminary report submitted to City Manager

04/21/15 Preliminary report presented to Resource Management Commission

05/28/15 Briefing to the City Council Austin Energy Utility Oversight Committee

06/12/15 Interim Report Submitted to City Manager

06/16/15 Report scheduled for Resource Management Commission (Meeting Cancelled)

09/15/15 Report scheduled for Resource Management Commission

09/21/15 Report scheduled for Electric Utility Commission

10/01/15 Final Report submitted to City Manager

## B. Demographics

Austin Energy provides electrical service to a population of almost one million spread over 437 square miles of service territory, 277 of which are within the Austin City limits. All but 15 of those miles are within Travis County.[4]

Forty-five percent of Austin Energy's customers are homeowners while 55% rent.[5] Overall, customers who rent are more likely to have lower incomes than those who own homes. Data show that 32.8% of renter households in Austin have annual income under $25,000 and another 31.1% have income between $25,000 and $49,999. Thus, 63.9% of renter households have income under $50,000 per year.[6] Median household income for renters is $37,538 compared to $85,246 for homeowners.[7]

Furthermore, 21.9% of the homeowners in the Austin-Round Rock metro area spent 30% or more of their household income on housing in 2013; 9.1% spent 50% or more on housing.[8] In 2013 the median owner household income was $82,200 with 88,100 homeowners burdened with housing costs.[9] Renters are more disproportionally poor than homeowners in the Austin-Round Rock metro area having a median household income of $40,000 in 2013 with 138,900 renter household burdened with housing costs.[10] 48.3% of all renters spent more than 30% of their household incomes on housing in 2013; 24.4% spent 50% or more on housing.[11]

Austin Energy estimates that 28% (118,241)[12] of its customers have family incomes at or below 200% federal poverty guidelines,[13] the income eligibility cap for the low income weatherization program. Of this amount, up to 43,000 households in FY 2014 were customers enrolled in the Customer Assistance Program ("CAP") that provides rate discounts.[14]

An additional 15.2% (64,000)[15] of Austin Energy's customers have family incomes between 200 and 301% federal poverty guidelines. The Center for Public Policy Priorities report

[4] See service area map of Austin Energy located in the appendix of this report.
[5] U.S. Census Bureau, American FactFinder, S2503 Financial Characteristics.
[6] *Ibid.*
[7] *Ibid*.
[8] Joint Center For Housing Studies of Harvard University, "The State of the Nation's Housing " (2015), data from interactive map on Center's website—http://Harvard-cga.maps.arcgis.com/apps/MapSeries/index.html?appid=Offea521479a4585b383169f00e2aa9.
[9] Id.
[10] Id.
[11] Id.
[12] See "Update of Energy Burden Tables," (Austin Energy 2015).
[13] Federal poverty guidelines is a federal poverty measure (expressed in annual or monthly dollars starting with a one-person household level and increasing as the number of the household members increase) issued each year in the Federal Register by the Department of Health and Human Services.
[14] Austin Energy, 3rd Quarter Report, Fiscal Year 2014.
[15] See footnote No. 2.

that an Austin family of four needs household income levels of 220% to 280%[16] federal poverty guidelines just to get by.[17] This group of customers gets little assistance from Austin Energy. They do not qualify for the CAP program providing bill relief through rate discounts nor do they qualify for the energy efficiency low income weatherization program. Yet this group generally has inadequate resources to be able to participate in any of the electric utility's energy efficiency programs.

Another 12.4% (53,900)[18] Of Austin Energy's customers have family incomes between 300 and 400% of federal poverty guidelines. This is the last population segment the Task Force was directed to focus on in carrying out its duties under the Council's resolution.

Austin Energy's energy efficiency program is funded with a separate rate combined with two other rates into a community benefit charge for utility billing purposes. Customers qualifying for the low income weatherization program paid Austin Energy $5,603,065.80 in energy efficiency rates representing Austin Energy customers whose household income levels are from 0 to 200% federal poverty guidelines.[19] Adding in Austin Energy customers whose family income levels are between 200 and 301% federal poverty guidelines[20] adds an additional $3,033,808.90 in energy efficiency rates collected raising the total Austin Energy recovered to $8,636,874.70.[21] Continuing these consumption level assumptions to the population segment whose household incomes are between 300 to 400% federal poverty guidelines adds an additional $2,555,035.93 to bring the total estimated energy efficiency rates paid by Austin Energy customers whose household incomes are from 0 to 400% federal poverty guidelines to $11,191,910.63.[22]

The amount of energy efficiency monies spent on low income weatherization programs does not match the amount of energy efficiency monies collected from Austin Energy's low income customers. In FY 2014, Austin Energy spent $729,547 out of $32,745,229 in energy efficiency expenditures[23] on the low income weatherization program while taking in $5,603,065.80 from its low income customers, thereby showing a disparity between benefits received (energy efficiency programs) and costs incurred (energy efficiency rates paid). This

[16] The range is dependent upon whether the household pays for all or only a part of the family health care premium.
[17] Better Texas Family Budget, Data Center located at http://familybudget.org. Copies of the budget calculator are included in the appendix.
[18] See footnote No. 2.
[19] This report used the average kWh monthly consumption for CAP customers for FY 2014 and multiplied that amount by twelve and by the estimated number of households whose incomes were at this level; and lastly multiplied that total by $.004.
[20] See footnote No. 7.
[21] See footnote No. 15
[22] *Id.*
[23] Austin Energy response to public information request (June 4, 2015 and May 22, 2015).

disparity becomes even more pronounced for Austin Energy's customers whose family income levels are between 200 and 301% federal poverty guidelines. These customers receive little if no direct energy efficiency benefits yet pay $3,033,808.90 in energy efficiency rates.

Direct access to energy efficiency programs is important because the benefits accruing for the low income customers are lower electric bills and healthier homes. From the utility's perspective, energy and demand savings benefits are lower capital costs, reduced fuel and operations and maintenance costs and a savings due to having less bad debt and collection costs. Austin Energy data reported through two color codings of City of Austin zip codes—one for the amount of payment arrangements and one for below average incomes and above average poverty—reveal a relationship between Austin Energy's debt and the household incomes of its customers. The higher the debt in a zip code shows that zip code to have a higher incidence of poverty. Copies of these two maps are included in the appendix.

## C. History of Low and Low Moderate Income Programs

Placeholder

## D. Equity

# III. Recommendations

## A. Global Recommendations

Many of the issues discussed and recommendations made by the Task Force involved specific programs goals and designs to better serve low and low moderate-income Austin Energy ratepayers, while others were more "global" – that is fundamental to how the programs work, are reported and assessed. In addition, some other recommendations and issues go beyond narrow program issues, since they involve wider programs that affect all ratepayers, including low-income consumers. Thus, this section summarizes the issues and recommendations made by the Task Force on these "global" issues.

The Task Force discussed and took action on the following issues:

A. A more expansive "triple bottom line" evaluation in considering the benefits and costs of energy efficiency and solar programs, including low-income energy efficiency and weatherization;
B. Establishing the long-term demand and energy saving goals for Austin Energy for its demand response and energy efficiency programs, as well as a specific demand, energy savings and units weatherized as part of the weatherization goals;
C. Improved Transparency, Reporting and Accountability for the Energy Efficiency, Demand Response and Solar Programs supported by Austin Energy and its ratepayers;
D. Allowing for a mid-course "true-up" correction in the annual budgets – with City Council oversight -- in March for the energy efficiency, demand response and solar programs.
E. Improved building energy performance through continued improvements in building energy codes for new and rehabilitated residential and multi-family buildings, as well as through improved coordination, planning and compliance between Austin Energy, PRD and Code Compliance.

The Task Force understands and supports the need for Austin Energy to assess the cost-effectiveness of its programs. How much on a per-participant or per-kilowatt hour saved or per-kilowatt reduced basis do the programs cost? What is the cost to the utility of the programs? How can costs, be they incentives to contractors, or administrative costs be reduced?

Programs – especially those designed to help our most vulnerable consumers –should be judged on more than narrow utility cost test criteria. Instead, the overall societal benefits should be considered, and toward this end, the Task Force recommended the adoption of a Triple Bottom Line evaluation, similar to that used by the City of Austin Sustainability Office. Thus, issues of environmental improvement, economics and equity should be considered when evaluating the successes of a program like low-income weatherization.

## 1. Program Evaluation Policies

Cost effectiveness test of energy efficiency and renewable incentives for low to moderate income households in homeowner and rental properties:

Everyone pays into the Community Benefits Charge on their electric bill from Austin Energy on kWh used. The cost effectiveness test Austin Energy uses to only measures peak kW demand reduction based on the cost of building a new power plant. Other factors should be considered like kWh reduction that increases affordability, Health and Safety that improves the quality of life of a resident through better indoor air quality or reduced risk of fire. Energy efficiency also creates local jobs. The City of Austin Sustainability Office uses a Triple Bottom Line for evaluating purchasing recommendations. The graphic below is from a presentation developed to deliver to Council by Zach Baumer (March 2015): (Adopted 07/17/15, 6 yes -- 1 abstain)

Sustainability Triple Bottom Line


Recommendation: The taskforce recommends that the cost test also consider the energy and non-energy benefits not included in current calculations such as:

| Economic/ Prosperity | Environmental/ Planet | Social/ People & Equity |
|---|---|---|
| Cost of energy (kWh and kW) | GHG emissions | **Affordability** |
| Employment | Water use and impact | **Fair distribution of Community** |
| Industry expansion | Air quality (including indoor) | **Benefit Charge Funds** |
| Energy grid purchases and security (ERCOT energy purchases) | Land use impacts | Health impacts |
| | | Education opportunities |
| | | Energy access |
| Market demand | | Safety and security |
| Climate resilience | | Energy security |
| Effect on bad debt and collection cost | | |

We further recommend that funds in the CAP and free weatherization program be used during the cooler months (September through April) when the work demand for the Austin Energy

contractors is at its lowest. This will keep their employees busy thus maximizing the economic benefit of the use of public funds.

### 2. Transparency, Reporting, and Accounting

The Task Force believes that as Austin Energy utilizes a rate design that is intended to pay for the "energy conservation" budget through a separate Community Benefit Charge, Austin Energy has a duty to act visibly, predictably and understandably to promote participation and accountability in those programs, and make sure the costs and benefits are transparent, easy to locate and understandable.

Simply making information available is not sufficient to achieve transparency. Information should be managed and published so that it is:

Relevant and accessible: Information should be presented in plain and readily comprehensible language and formats appropriate for different stakeholders. It should retain the detail and disaggregation necessary for analysis, evaluation and participation. Information should be made available in ways appropriate to different audiences.

Timely and accurate: Information should be made available in sufficient time to permit analysis, evaluation and engagement by relevant stakeholders. This means that information needs to be provided while planning as well as during and after the implementation of policies and programs. Information should be managed so that it is up-to-date, accurate, and complete.

In terms of the energy efficiency programs, the Task Force noted that while considerable information is available on Austin Energy's website, and generally reporting has improved in recent years, a need for more transparent information remains, understandable information. Thus, the Task Force approved the following recommendation, while recognizing that improvements had been made.

One key recommendation is requiring an improved annual report that would break out information not only by program but by City Council District. In addition, it should be clear for each program the amount spent on direct rebates or incentives and the amount paid for administrative or other operation and maintenance costs. Finally, reporting clear performance metrics both on energy saved and peak demand reduced should also be required. The numbers in the annual report should be verified and audited. Where there are different sources of funding, such as CAP funds or even federal funds, that should be clearly reported.

**<u>Recommendation</u>: 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. (Adopted 06/05/15, 7 yes—0 nay)

***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.***

<u>Explanation</u>: 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 Council[24] Austin Energy did not include all the programs funded with energy efficiency dollars. As the most recent Austin Energy monthly report[25] 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.***

<u>Explanation</u>: In the Austin Energy budget briefing[26] 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 report[27] shows Austin Energy incurred about $1.622 million in operations and maintenance ("O&M") 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

[24] See attachment 1 entitled "Budget Briefing FY 2014-15 Proposed Budget" (June 16, 2014)(hereafter referred to as "Budget Briefing").
[25] See Attach. 2 entitled "Customer Energy Solutions Program Update as of April 30, 2015".
[26] See Attach. 1.
[27] See Attach. 3 entitled "Customer Energy Solutions Program Progress Report 2014-2015".

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 ($CO_2$)] 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.

### 3. Energy Efficiency True-Up Correction for Energy Efficiency Services Budget Implementation

There is a disconnection between the budget process and energy efficiency program development. That is, the City Council approves the budget – developed by City staff – sometime in September for execution during the fiscal year beginning October 1. Oftentimes, the expected outcomes do not occur and adjustments to the programs themselves and funding levels may be in order. Austin Energy often finds that certain programs have more than enough funds, while others may lack funds. Today, Austin Energy can exercise some flexibility to reallocate money between programs. The problem with the current process is that when it is time to develop the annual budget is created using unaudited data. A true-up is a formal review that would occur six months into the fiscal year based on audited data. At this time, program budgets can be revised, pilot programs can be considered Austin Energy could adjust the Energy Efficiency Service Fee that pays for the program through the Community Benefit Charge.

### 4. Better Building Codes and Planning Review Process

Austin Energy has been one of the leading utilities on achieving more energy efficient buildings through improved energy codes. Thus, not only has Austin as a city consistently adopted advanced energy codes for new homes, multi-family construction and other commercial construction, they have also promoted and implemented a Green Building Program to encourage developers to go beyond these advanced codes. These programs have been successful at a relatively small cost and have helped achieve peak demand and energy savings since 1992.

In addition, in 2007, City Council adopted a goal of making all single-family homes net-zero energy capable by the end of 2015. In other words, new home should be built in such a way that by only adding solar to the rooftop, zero energy use could be achieved.

The Task Force met with both developers of affordable housing and multi-family buildings as well as with Austin Energy's Green Building staff in making recommendations on future energy codes and net-zero capable home goals, as well as on how to improve building inspection and compliance with those energy codes. More specifically, the Task Force found that better coordination, inspection and enforcement is needed to assure that buildings are built to more efficient codes and that the plans approved by the City are actually implemented by builders.

With these discussions in mind, the Task Force adopted recommendations on September 4th related to building codes.

### 5. Establishing goals for demand and energy savings for all programs

### 6. Establishing goals for demand and energy savings for low and low moderate income energy efficiency programs including the weatherization program.

Placeholder

### 7. Establishing budget goals for low and low moderate income energy efficiency programs including the weatherization program.

Placeholder

## B. Program Goals

The City of Austin Sustainability Office uses a matrix of energy and non-energy benefits for evaluating its purchasing recommendations. The Low Income Consumer Advisory Task Force adopted this matrix for evaluating energy efficiency programs for customer households with low and low-moderate incomes. The Task Force included the additional consideration of program impacts to Austin Energy's bad debt and collection costs. As a further refinement the Task Force adopted the goals listed below. The order in which the goals are listed does not indicate their order of importance. (Adopted 08/21/15, 8 yes, 0 no)

- To evaluate the program in consideration of the triple bottom line of sustainability equity (people), economy (prosperity) and environment (planet).
- To achieve greenhouse gas reductions to support the city's climate protection goals.
- To assure that the programs contribute to Austin Energy's overall peak demand reduction goals of 800 MWs by 2020 and at least 900 MWs by the end of 2024, with increased goals to be considered, as well as to contributing to associated energy saving targets.
- To utilize the low-income energy efficiency programs in a way that helps contribute to compliance with the Clean Power Plan rule, and specifically, take advantage of the opportunities present under the Clean Energy Incentive Program, which gives enhanced credits to utilities and states to implement low-income efficiency and renewable energy programs.
- To fully utilize incentives and opportunities presented by federal and state programs and policies, including the Environmental Protection Agency's Clean Energy Incentive Program.
- To defer or avoid the need for capital investment in new generating facilities and to reduce the burning of fossil fuels for electricity generation and end use applications such as space and water heating and cooking.
- To assure that an equitable level of program benefits is delivered to low-income customers.
- To reduce bad debt and collection costs to the utility.
- To provide for a continuing dialogue within a new task force with a focus on low-income energy efficiency issues and solutions.

In light of the public disagreement over the value of the now completed ARRA program the Task Force recommends that the utility move forward with a program designed to meet specific goals and to evaluate the program in accordance with those goals. In addition to and in accordance with the program goals presented earlier the Task Force adopted the following goals for the low-income weatherization program.

- To reduce the energy burden and energy costs for low-income families, particularly for the elderly, people with disabilities and, families with children, by improving the energy efficiency of their homes.
- To assess the energy efficiency needs of individual dwelling units in a holistic manner to identify appropriate energy efficiency measures.
- To provide the program at no out of pocket cost to eligible customers.
- To improve the healthfulness, safety, and affordability of housing.
- To leverage utility and other available program resources to offer seamless home repair and weatherization services.
- To collaborate and partner with local organizations and educational institutions that train and hire residents from disadvantaged communities and increase economic investment in those communities.
- To assure that the customers' long term needs are met for refrigeration, lighting, cooling, and heating.
- To ensure that the measures installed under the program have a useful life that is greater than the amount of time a customer has to wait to requalify for the program (currently 10 years).
- To lower overall program costs including administrative, materials and equipment, labor, quality control, etc. to the maximum extent possible.
- To partner with community organizations and other city departments to deliver programs efficiently and effectively and to educate residents about energy efficiency.
- To explore and maximize opportunities for program expansion such as neighborhood by neighborhood programs that would reduce administrative costs.
- To provide the oversight necessary to assure that the quality of materials and equipment provided under the program and their installation meet equal or better standards than those standards applied to other residential programs.

## C. Residential

The Task force addresses issues of: access to residential energy efficiency programs for low and low-moderate income customers; improving efficiencies of the low income weatherization program; addressing the energy efficiency needs of Austin Energy's vulnerable customers within Austin Energy's low and low moderate income base; adequate funding for the low income weatherization program; and ensuring funding for the low income weatherization program is spent on the low income weatherization program.

The following recommendations are responsive to these issues by; improving and enlarging the application process; rolling over unspent low income weatherization funding from fiscal year to fiscal year until spent; leveraging with the city's affordable housing programs;

providing for the vulnerable population segment of Austin Energy's low income population base; and providing financing alternatives.

### 1. Rollover of Unspent Weatherization Funds

**<u>Recommendation</u>: 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**. (Adopted May 1, 2025 5 yes,-0 no)
**Targeted Underserved Group:** Low income customers

**Time schedule:** Implement in 2016

**<u>Explanation</u>**: 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 program[28] 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.

Austin Energy and the Task Force have been working together to monitor production and propose strategies that will increase annual program performance. We have expectations of future years where all weatherization funds are spent on weatherization. In the event that

[28] 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

funds do remain unexpended at the end of the year, a standard policy should be in place to automatically roll the funds over to the next budget year.

### 2. Universal Application with Automatic Referral Process

Recommendation: The City departments that provide services to low and low-moderate income customers based on income eligibility should use a universal application form that is not only processed by the receiving department but is also immediately referred to the other respective departments. (Adopted 08/07/15, 7 yes, 0 no)

Targeted Group: Low and low-moderate income Austin Energy customers. Variations in income eligibility requirements will be considered.

Time Schedule: Implement in FY 2016

Need for Program: Various City of Austin ("COA") departments rely upon an income-determinative process for providing services to low and low-moderate income Austin Energy customers. The processes do not readily translate to qualifying criteria for Austin Energy low and low-moderate income energy efficiency programs and other city programs. Nor does that application necessarily get referred to Austin Energy or any other city departments providing services to low and low-moderate income households. Austin Energy does not independently verify income for purposes of qualifying Austin Energy customers for low and low-moderate income energy efficiency programs. Customer Assistance Program (CAP) income verification is carried out by the administrators of the programs (such as Health and Human Services Commission for Supplemental Nutritional Assistance Program – SNAP) which automatically qualify a customer for the CAP rate discount. Consequently, non-CAP low income..

Customers have barriers to accessing the utility's low and low-moderate income programs. Concern has been expressed by the Council and by groups testifying before the Task Force that there is not enough coordination among the various departments. The benefit of the program individually can be $1,000 per home.

Program Description: The following steps are recommended:

- A universal application should be created, consistent with confidentiality and privacy concerns, and used by all COA departments that rely upon an income determination process for program eligibility; (Austin Energy reports that there is progress on this recommendation);
- Any completed application involving programs for low and low-moderate income households should be forwarded immediately to all of the COA departments providing services to low and low-moderate income people;

- Austin Energy customers that qualify for one of the COA's programs providing services based on low and moderate income eligibility should be deemed eligible for AE's low and low-moderate income energy efficiency programs;
- The City of Austin's Health and Human Services department should provide income and identity qualifying services for eligibility in Austin Energy's low and low-moderate income energy efficiency services. The department should also include weatherization and other low and low-moderate income energy efficiency referrals among the list of services it provides on its neighborhood center webpage and in its brochures.[29]
- The City of Austin should direct the City Manager to carry out these recommendations.

### 3. Provision of Air Conditioners in Low Income Weatherization Program

**Recommendation:** To make Energy Star window unit air conditioners the standard air conditioning application in the low income weatherization program and to include under limited circumstances, repair and replacement of central air conditioners. Criteria should be developed to determine eligibility for window units and limited central air conditioning repair and replacement.

**Targeted Underserved Group**: Low income customers "whose household incomes are 250% of federal poverty guidelines or less as qualified by the City of Austin Health and Human Services Department. Vulnerability should be considered, and priority should be given to customers at or below 200% federal poverty.

**Time Schedule:** Implementation in 2016

**Budget Impact**: Accomplish within current budget.

**Community need:** The summer weather in Austin is extremely hot for certain periods of time. When the heat index reaches 102, Austin Energy, is prohibited from disconnecting a customer's service[30] because air conditioning is necessary to protect a resident's health and safety especially the elderly and young children.[31] While it is possible to live through an Austin summer with no air conditioning, people without air conditioning in their homes are encouraged to take shelter in public buildings with air conditioning during the hottest times of the day.

[29] The COA's Health and Human Services neighborhood center webpage lists form/application assistance as one of its services. It also requires households to provide identity and income proof to establish eligibility. Lastly, the department is already set up to do referrals to non-departmental entities. Consequently, this department is the logical COA department to have residual responsibility for determining income and identification eligibility for AE's low and moderate income energy efficiency programs.

[30] Austin City Code §15-9-109.

[31] Sweating out a Texas heat wave, A guide to preventing hot weather illness.

Over one-fourth (118,241) of Austin Energy's residential customers have incomes that qualify for Free Weatherization.[32] Customers living with income below 50% of the Federal Poverty Guideline (FPG) spend 37.6% of household income on electricity. Those at 51 to 100% of FPG spend 11.3% and those at 101 to 200% FPG spend 5.9%. Those above 400% of the FPG spend 1.6%[33].

As utility bills increase because of higher rates and the pass through surcharges for regulatory costs, community benefit charge and other charges, low income customers are the most profoundly impacted by increases. As utility bills rise, the energy burden becomes an even higher percentage of those households on fixed and low incomes. There are large numbers of households in the Austin Energy service area with low income, high utility bills and very few energy efficiency program resources.

In Texas, 26% of all home energy use is attributable to central air conditioning, 11% to the refrigerator, 9% to space heating, 7% to water heating and 2% to room air conditioning.[34]

Under the current program, a customer can participate in the low income weatherization program and be left with no source of air conditioning.

**Program Description**: This program is intended to help limited funding go further. Provide a recipient of low income weatherization services access to the most cost efficient and technically feasible measures that will meet the basic cooling needs of the low income residents. In many circumstances this will involve the installation of one or two Energy Star window units. Under limited circumstances in homes originally designed with central air conditioning and where the installation of Energy Star window units is uneconomic because of needed structural modifications a central unit may be repaired or replaced.[35]

Other considerations are coordination with the gas company program to acquire additional program resources for customers living in mixed fuel homes.

Future participation in the weatherization program is currently restricted to once every ten years. This time limitation is appropriate for the installation of building performance measures. In regard to installed Energy Star window units and central air conditioning repair, customers should be eligible to reapply at the end of useful life of the Energy Star window unit or repair. Decisions about repair and replacement of equipment should be made to ensure to the best of the evaluator's ability that the repair or replacement will provide reliable service to the eligible customers until the customer and property are eligible to reapply for the program. If a repair or replacement dysfunctions before the end of its expected useful life, the customer the customer may contact the program for the needed repair.

[32] Memorandum from Liz Jambor, EdD, Manager, to Low Income Consumer Advisory Task Force 01//5/15., p 5.
[33] *Ibid*.
[34] GDS Associates, Evaluation of Austin energy's ARRA-Supported Weatherization Assistance Program, September 2012, p. 51.
[35] Additional criteria should be developed to define the limited circumstances.

### 4. On-Bill Repayment

**Recommendation:** Austin Energy would allow for repayment for energy efficiency retrofits on a customer's monthly utility bill. Rebates would also be provided for qualifying measures. (Adopted 08/21/15 6 yes, 2 no)

**Targeted Group**: Middle and Moderate Income Residential Customers

**Time Schedule**: Not Determined

**Estimated Cost:** Depending on how the financing is structured, the cost effectiveness should be less than or equal to AE's current financing program for home efficiency. Initial capital must be provided; $500,000 is suggested for a pilot project either from Austin Energy directly or a third party. Money could also be utilized for a loan-loss guarantee. There could also be some cost involved for the redesign of the bill to include the tariff or payment for repaying the loan. This does not include staff time.

**Description:** The utility assists customers in attaining cost-effective energy upgrades at customer sites – like better building efficiency, more efficient appliances, HVAC (heating, ventilating and air conditioning) systems and rooftop solar through on-bill repayment.

The customer pays nothing upfront for the upgrades they choose because the third party lender pays the installer. Using a tariff, the utility puts a fixed charge on the customer's monthly bill that is less than the estimated savings generated by the upgrade – so the customer enjoys immediate and sustained cash flow. Until the investment is recovered, the tariff for the improvement charge automatically transfers to future customers at that site. Transparency would be assured by requiring building owners to inform future buyers or renters of the property of the on-bill repayment in place.

On-bill Repayment (OBR) clears the biggest barriers to financing because it does not depend on a consumer loan, long-term lease, or a lien on the value of the property. Renters and lower-income households have faced barriers to accessing investment capital for cost-effective energy upgrades, and similar financing challenges have stumped credit-strained companies and local governments.

Compared to typical debt-based programs, experience shows that On-bill Repayment has a bigger impact for these reasons:

1. First, the addressable market is double the size because nearly all customers are eligible.
2. When customers are offered upgrades with the OBR value proposition, they accept more than half of the time, which is 5 times the typical rate.
3. When customers do accept, the projects they undertake are much larger because the terms are more attractive.

**Precedents:** States with utilities conducting some type of OBR program include AR, CA, CT, HI, KS, KY, NJ, NY, and SC. In Texas, Guadalupe Valley Electric Coop uses OBR to collect air conditioning service charges on the monthly bill. The Pedernales Electric Coop is developing an OBR program to finance PVs. Austin Energy's "Nightwatchman" program that leases lighting equipment as part of a security lighting electric rate goes back to 1979. This rate and program are similar to a number of utilities around the country.

**Program Design, Customer Protection and Other Issues**: An On-bill Repayment program will require important design characteristics, including program objectives, target market, financial product structuring, program administrator (be it Austin Energy or a third party), capital source, credit enhancements, customer eligibility requirements, project eligibility requirements, installation, marketing and the amount of incentives (ie rebates). The projects should be revenue-neutral and aimed at saving at least 10% energy use. Both homeowners and renters could be considered. The Task Force believes that the middle-income and moderate-income residential market may be an important target group, since this group does not qualify for free weatherization, but with a combination of rebates and on-bill repayment could enjoy significant savings.

Additional Customer Protections Austin Energy Should Consider in the Design of any OBR Program include:

- Partial Payments are applied to utility bills with any left over for repayment of loan;
- No collection action from Austin Energy except to collect revenue from billing and transfer to vendor;
- If estimated savings in developing the fixed charge are not realized, the fixed charge should be adjusted dollar for dollar in order for the customer to realize the estimated savings;
- No disconnection for failing pay the fixed charge included in the billing for energy efficiency improvements;
- Fixed loan charges should be left out of balance billing and payment arrangements, and handled separately from utility billing arrangements;
- Clear guidelines on contract for services if applied to tenants; and
- Clear guidelines on how tenants are informed about loan charge on their bill bfore they sign a lease, potentially through the ECAD.

Potential models to look at include Clean Energy Works Oregon, New York On-Bill Recovery Loan Program and Kansas' How$mart program. The Task Force reiterates that there should be

no disconnection for non-payment, utilizing more standard collection measures, and utilizing a loan-loss reserve account if payment is not secured.

* http://cleanenergyworks.org/blog/pay-as-you-save-pays-harnesses-a-proven-utility-investment-model-to-offer-virtually-all-consumers-cost-effective-energy-upgrades/ what is this link related to? Needs to be a footnote.

### 5. Contractor Rebate Pilot program in conjunction with Affordable Housing projects

**Recommendation:** In addition to a stand-alone low income weatherization energy efficiency program approach, a residential low income weatherization rebate pilot program should be implemented in conjunction with the affordable housing retrofit programs administered by the City's Neighborhood Housing and Community Development department to obtain efficiencies of scope. Because of the leveraging of the weatherization program into the affordable housing programs, Austin Energy will be able to capture the additional demand and energy savings arising from the affordable housing programs. The provision of energy efficient appliances through bulk purchasing would be part of this program. The department would serve as a case manager to ensure Austin Energy is brought into the process. (Adopted 08/21/15, 8 yes, 0 no)

**Targeted Underserved Group**: Low income Homeowners with Incomes between 0 and 250% of the Federal Poverty Guideline.

**Time Schedule**: Begin plan to implement in 2016 and implement by 2017.

**Budget:** There are three funding components to this proposed program:

1. Funding for rebates.
2. Funding for purchases of appliances.
3. One time funding to establish a contingency reserve to provide payment to the retailer if the guaranteed minimum number of appliances is not purchased.

**Brief Description**: Provide rebates to contractors on Austin Energy's list of eligible energy efficiency contractors for performing weatherization services and installing energy efficiency appliances purchased in bulk by Austin Energy as part of a customer's participation in an affordable housing program.

**Community Need:** According to the January 2015 Updated Energy Burden Tables for Austin Energy, 28% of all residential customers have family incomes between 0 and 200% of the Federal Poverty Guideline.[36] Low income consumers do not have the disposable income to obtain weatherization services nor to purchase energy efficient appliance that would provide

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

demand and energy savings to Austin Energy as well as bill savings to the low-income households. During the task force process, comments were presented by nonprofit service providers that the current program is cumbersome for the service providers and the clients obtaining home repairs though the providers work with the home repair coalition.[i]

**Program Description:** When a home is evaluated for participation in an affordable housing program**,** as part of that process, Austin Energy would be contacted to evaluate for the applicant's participation in Austin Energy's weatherization program. If eligible, the residence will also receive an energy audit to identify energy efficiency improvements that can be made through the weatherization program. Instead of referring a client to the weatherization program after the completion of an affordable housing program project, the weatherization services and appliance installations provided by the Austin Energy rebate program would be incorporated into the home repair process. This allows for more contractor efficiency and should streamline the permitting process and reduce program cost. Just as in Austin Energy's home performance with energy star program, an Austin Energy employee/agent would certify what weatherization measures qualify for the rebate and would inspect the residence after the repairs are done to ensure the weatherization measures were properly completed before the contractor is paid by rebate.

Rebates would be set to recover the contractor costs in performing the weatherization services and would be paid directly to the weatherization contractors; however, the contractor costs would be standardized consistent with the contractor pricing for plumbing repairs performed as part of the City of Austin's home repair program that is reimbursed by the water department. Contractors certified by Austin Energy to perform weatherization services for the home performance with Energy Star energy efficiency programs would also be eligible to participate in this rebate program.

Energy and demand savings would be calculated based on the condition and energy usage of the home prior to and after the completion of all home repair and weatherization work. This will capture the energy and demand savings not reported today that result from home repairs which make the home "weather tight", a prerequisite for implementation of Austin Energy's low income weatherization, thereby acknowledging the energy and demand savings realized from the home repairs funded with public monies.

This program would have the same components as the low income weatherization program, the difference being the delivery of the services from a greater pool of contractors and making payments to contractors through rebates as opposed to contractual payments. Moreover, to achieve economies of scale, appliances to be purchased for this program would be discounted through an Austin Energy commitment to purchase a minimum number of the appliances with one to three retailers (preferably retailer-manufacturers) in the Austin area.

### 6. Energy Star Window Heating and Cooling Units for Vulnerable Populations

**Recommendation:** A residential low income energy efficiency program should be created to provide Energy Star window heating and/or cooling units including installation to low income customers who are certified by the medically vulnerable register. This program would be implemented through the use of contractor rebates and the provision of Energy Star window cooling and/or heating units purchased by Austin Energy achieving discounts through the use of commitments to purchase appliances from retailers/manufacturers in the Austin area.

**Targeted Underserved Group:** Homeowners and tenants whose household income is at or below 250% of the Federal Poverty Guideline as verified by the Health and Human Services department and who are medically vulnerable as determined by Austin Energy.

**Time Schedule**: Implement in 2016.

**Budget:** Budget: There are two funding components to this proposed program:

1. One-time funding to establish a contingency reserve to provide payment to the manufacturer-retailer if the guaranteed minimum level of cooling and/or heating appliances are not purchased; and

2. Funding for rebates.

**Brief Description**: Provide emergency heating and/or cooling relief to vulnerable populations through the provision of professionally installed Energy Star cooling and/or heating window units.

**Program Description:** This program would be provided in conjunction with the City of Austin's Emergency Home Repair Program which is part of the City of Austin's Neighborhood Housing & Community Development Client Service's Programs. Contractors certified by Austin Energy would perform the work. Austin Energy would certify that the window unit(s) is (are) needed before the window unit is installed. Once that determination is made, Austin Energy would provide the window unit(s). After installation, Austin Energy would review the household to ensure the window unit was installed properly. A rebate check issued to the contractor to cover the cost of installation would be provided after the final Austin Energy review.

As part of implementing this program, AE should consider providing the air conditioner units through a loan program taking into consideration storage and refurbishing issues involved in a loan program and the experience of other jurisdictions in the loaning of air conditioner units. It is also anticipated that the vulnerable customers served through his program in an emergency will also apply for low income weatherization and/or other appropriate energy efficiency programs.

### 7. Low Interest Loans for Installation of Energy Star Window Units

**Recommendation:** Create a residential energy efficiency program to provide low interest financing for Austin Energy customers with low and low moderate family incomes to purchase and install Energy Star window heating and/or cooling units. The loan amount needed under this program would be reduced through the use of rebates that are increased over the current appliance rebate level. The loan amount needed 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. (Adopted 05/01/15 8 to 0)

**Targeted Underserved Group**: Low to Low Moderate Income Homeowners (household Income between 0 and 400% of the Federal Poverty Guideline.)

**Time Schedule**: Implement in 2016.

**Budget Impact:** There are three funding components to this proposed program:

1. One-time funding to either increase or establish another loss reserve to incentive a lending institution to accept moderate income applicants through either a lower FICA score or through proof of credit worthiness such as a year's timely payment of utility bills;
2. One-time funding to establish a contingency reserve to provide payment to the manufacturer-retailer if the guaranteed minimum level of cooling appliances are not purchased; and
3. Funding for rebates.

**Brief Description**: Provide access to reduced cost financing to purchase unit air conditioners with or without heating components at discounted prices.

**Community Need:** 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.[37] Low to moderate income consumers have lower credit scores[38] which may be attributable to their inability to obtain financing in the first place. There have been comments made to the task force that when air conditioners are not working in summer even low income families, in desperation, will purchase units with unfavorable financing terms such as high interest credit cards and car title loans.

[37] Memorandum from Liz Jambor, EdD, Manager, to Low Income Consumer Advisory Task Force 01//5/15.
[38] 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.

**Program Description:** As part of the American Recovery & Reinvestment Act (ARRA), Austin Energy requested and was provided an ARRA 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.

A commonly applied credit worthiness standard is known as a FICO or credit score. For instance 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.[39] The grant money funded a loan loss reserve that would reimburse the financial institution for any defaults.

This recommendation would provide access to discounted-priced Energy Star unit air conditioners with or without heating components to Austin Energy customers whose family incomes are between 0 and 400% federal poverty guidelines. Access would also include installation 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 available at repayment rates as low as $25 per month. AE would additionally use its bulk purchasing power to negotiate with manufacturer-retailers for discounted priced unit air conditioners. 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-retailer.

### 8. Low Interest Loans for Comprehensive Energy Efficiency

**Recommendation:** A residential moderate income energy efficiency program should be created to provide low interest financing for Austin Energy customers with moderate family incomes to weatherize their homes and to purchase energy efficient cooling and/or heating appliances. The loan amount needed under this program would be reduced through the use of 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 the appliances that are discounted through AE's use of bulk purchasing power. Provided, however, an Austin Energy customer with a moderate family income could access the higher rebates and the discounted-priced appliances without accessing the low interest financing. (Adopted 05/01/15 8 yes, 0 no)

[39] *Ibid.*, p 3.

**Brief Description**: Provide access to reduced cost financing for comprehensive energy efficiency measures and for reduced priced cooling and heating appliances.

**Targeted Underserved Group**: Low Moderate Income Homeowners (household Income up to 400% of the Federal Poverty Guidelines.

**Time Schedule**: Implement in 2016.

**Budget:** There are three funding components to this proposed program:

1. One-time funding to either increase or establish another loss reserve to incentive a lending institution to accept moderate income applicants through either a lower FICA score or through proof of credit worthiness such as a year's timely payment of utility bills;
2. One-time funding to establish a contingency reserve to provide payment to the manufacturer-retailer if the guaranteed minimum level of cooling appliances are not purchased; and
3. Funding for rebates which should be set a higher level than the current rebate for the Home Performance Loan Program.

**Community Need:** According to the January 2015 Updated Energy Burden Tables for Austin Energy, 12.8% of all residential customers have income between 301 and 400% of the Federal Poverty Guideline.[40] Low and low moderate income consumers have lower credit scores[41] which may be attributable to their inability to obtain financing in the first place. There have been comments made to the task force that when air conditioners are not working in summer even low income families, in desperation, will purchase units with unfavorable financing terms such as high interest credit cards and car title loans.

**Program Description:** As part of the American Recovery & Reinvestment Act (ARRA), Austin Energy requested and was provided an ARRA 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.

[40] Memorandum from Liz Jambor, EdD, Manager, to Low Income Consumer Advisory Task Force 01//5/15.
[41] 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.

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.[42] The grant money funded a loan loss reserve that would reimburse Velocity for any defaults. Austin Energy reported that this program to date has had a fairly good record of customer repayment of the loans.

This recommended 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 301 and 400% 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 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 by ensuring a before and after inspection of the Austin Energy customer's residence is made to ensure the energy efficiency measures and goods 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 customer under this program.

[42] *Ibid.*, p 3.

### 9. Low Interest Loans for Comprehensive Energy Efficiency

**Recommendation:** A residential moderate income energy efficiency program should be created to provide low interest financing for Austin Energy customers with moderate family incomes to weatherize their homes and to purchase energy efficient cooling and/or heating appliances. The loan amount needed under this program would be reduced through the use of 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 the appliances that are discounted through AE's use of bulk purchasing power. Provided, however, an Austin Energy customer with a moderate family income could access the higher rebates and the discounted-priced appliances without accessing the low interest financing. (Adopted 05/01/15 8 to 0)

**Brief Description**: Provide access to reduced cost financing for comprehensive energy efficiency measures and for reduced priced cooling and heating appliances.

**Targeted Underserved Group**: Low Moderate Income Homeowners (household Income up to 400% of the Federal Poverty Guidelines.

**Time Schedule**: Implement in 2016.

**Budget:** There are three funding components to this proposed program:

1. One-time funding to either increase or establish another loss reserve to incentive a lending institution to accept moderate income applicants through either a lower FICA score or through proof of credit worthiness such as a year's timely payment of utility bills;
2. One-time funding to establish a contingency reserve to provide payment to the manufacturer-retailer if the guaranteed minimum level of cooling appliances are not purchased; and
3. Funding for rebates which should be set a higher level than the current rebate for the Home Performance Loan Program.

**Community Need:** According to the January 2015 Updated Energy Burden Tables for Austin Energy, 12.8% of all residential customers have income between 301 and 400% of the Federal Poverty Guideline.[43] Low and low moderate income consumers have lower credit scores[44] which may be attributable to their inability to obtain financing in the first place. There have been comments made to the task force that when air conditioners are not working in summer

[43] Memorandum from Liz Jambor, EdD, Manager, to Low Income Consumer Advisory Task Force 01//5/15.
[44] 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.

even low income families, in desperation, will purchase units with unfavorable financing terms such as high interest credit cards and car title loans.

**Program Description:** As part of the American Recovery & Reinvestment Act (ARRA), Austin Energy requested and was provided an ARRA 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.

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.[45] The grant money funded a loan loss reserve that would reimburse Velocity for any defaults. Austin Energy reported that this program to date has had a fairly good record of customer repayment of the loans.

This recommended 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 301 and 400% 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 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 by ensuring a before and after inspection of the Austin Energy

[45] *Ibid.*, p 3.

customer's residence is made to ensure the energy efficiency measures and goods 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 customer under this program.

## D. Multi-family

### 1. Fractional (Virtual) Billing

**Recommendation:** 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 the fractional (virtual) value of solar credits from a distributed solar system on a multifamily residential property to be divided and applied to multiple residential customer accounts.

**Targeted Underserved Group:** Multifamily housing occupants (both renters and homeowners)

**Time Schedule:** Implement in 2015

**Budget Impact:** cost of making an update to the Austin Energy billing system

**Community Need:** 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. 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 form a solar installation to be fractionally 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.

**Program Description:** Austin Energy already has a system that could be adapted to allow for fractional billing that 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.

Solar installations on multifamily residential properties would be treated as any other residential solar installation and the accounts of each of the customers to receive bill credits

from such a solar installation would also continue to be treated as residential accounts. This is important both to enable such solar installations to qualify for the Austin Energy residential solar rebate and to avoid demand charges that are applicable to commercial accounts.

No new infrastructure or staff would be needed to enable fractional billing for multifamily solar.

### 2. Funding from Multi-Family Energy Reduction Program

**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. (Adopted 06/05/15, 7 yes – 0 no).

**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 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.

The June 5, 2015 recommendation was amended on August 21, 1015 all in favor with 8 yes votes as follows:

Utilize at least 50% of Austin Energy's multi-family budget to incentivize energy efficiency retrofits on multi-family properties that receive affordable housing subsidies from the federal, state, city, or county government or properties where at least 30 percent of the rental units are occupied by Customer Assistance Program (CAP) customers or pay a portion of their rent with housing choice vouchers.

**Explanation**: The wording of the current recommendation stating that 50% of the units must be occupied by low income customers is a standard that may be difficult to document. By establishing readily identifiable types of affordable housing as categorically qualifying as low and moderate income the administrative burden is greatly reduced. The City of Austin is home to 186 publicly subsidized apartment properties, providing approximately 18,500 rental units with affordability requirements. These requirements are triggered by federal, state, and/or local funding sources, including Low Income Housing Tax Credits, Project Based Rental Assistance, HUD Direct Loans (Section 202 or Section 811), and HUD insurance.[46] In addition, there are approximately 6,200 housing choice vouchers available.[47] Including subsidized housing and those that accept housing choice vouchers provides a substantial target market and focuses limited resources for multifamily energy efficiency benefits to low and moderate income consumers. By working with the Housing Authority, the Housing Finance Corporation

[46] Taking Action: Preservation of Affordable Housing in the City of Austin, July 2014, Prepared by: HousingWorks Austin, Prepared for: Austin Housing Finance Corporation, City of Austin p. 8.
[47] *Ibid.*

and other affordable housing administration offices Austin Energy can closely coordinate its energy efficiency programs with affordable housing renovation schedules and reach out to private properties that accept housing choice vouchers.

### 3. Amend the ECAD Rules to Provide Recognition for Efficient Rental Units

**Recommendation:** The ECAD Rules should be amended to establish an award or official recognition that the multi-family facility is in the top 20% of energy efficiency based on the energy efficiency rankings. (07/17/15 7 to 0)

**Targeted Underserved Group:** Low and moderate-income renters

**Time Schedule:** Implement in 2015

**Budget Impact:** None

**Community Need:** A majority of Austin residents rent and renters disproportionally have lower incomes than homeowners. Rental properties, particularly those with lower rents are often not very energy efficient. Landlords have little incentive to improve energy efficiency at their properties because it's the tenants who pay the electric bills.

Consumers should be provided the information they need to make an educated decision about where to live. Providing a marketing tool to Landlords showing the facility has very high energy efficiency would provide easily understood information to perspective tenants about the efficiency of the facility.

**Program Description:** Amend the ECAD Rules to provide recognition for apartments that are within the top 20% of energy efficiency rankings would allow Landlords to market the award. It creates a positive inducement without any real cost to AE.This recommendation is creating an award or such other official recognition for Landlords whose facilities are at the high end of energy efficiency. It creates a marketing opportunity for the Landlords and therefore creates an incentive to be energy efficient.

### 4. ECAD Enforcement

**Recommendation:** Austin Energy should develop a plan for fully enforcing the entire Energy Conservation Audit Disclosure (ECAD) ordinance, especially for those multi-family facilities whose electric cost is 150% of average electrical cost, and should present that plan to the Electric Utility Commission, the Resource Management Commission and the City Council for approval. Austin Energy should include funding for full enforcement of ECAD, according to the approved plan in its FY 2017 budget proposal.

**Targeted Underserved Group**: Low and moderate-income renters

**Time Schedule**: Implement in 2015 (requirement) and 2016 (funding for enforcement)

**Budget Impact**: cost of enforcement

**Brief Description**: Create an action plan to enforce the ECAD ordinance, particularly the provision mandating Landlords whose facilities incur electric costs greater than 150% of the average cost to make energy efficient improvements to reduce usage by at least 20%.

**Community Need:** A majority of Austin residents rent and renters as a class have disproportionally lower incomes than homeowners. Rental properties, particularly those with lower rents are often not very energy efficient. Landlords have little incentive to improve energy efficiency at their properties because it's the tenants who pay the electric bills.

Although landlords of multifamily properties (excluding duplexes, triplexes, fourplexes, and units designated as condominiums) are required to have energy audits conducted on buildings that are at least 10 years old and are required to disclose the results compliance is spotty at best.

The status quo is that renters are often blindsided by high electric bills after signing a lease. In some cases, a rental property with higher rent, but lower electric bills would be more affordable overall. Consumers should be provided the information they need to make an educated decision about where to live.

Enforcing the ordinance would ensure that prospective tenants would receive the energy guide and audit required under the ECAD ordinance before they decide to rent. Moreover, greater enforcement of the required improvements for multi-family facilities with high electric costs would result in greater energy efficiency, thereby resulting in reduced electric bills.

**Program Description:** Austin Energy should develop a plan for fully enforcing the entire ECAD ordinance and present that plan to the Electric Utility Commission, the Resource Management Commission and the City Council for approval. Actions recommended include: creating a marketing campaign to educate the community and community activists; investigating the multi-family facilities to verify whether the elements of the ECAD ordinance are being carried out; and establishing a prosecution process to enforce the ordinance including the implementation of a process of investigating anonymous tips and carrying out that investigation to prosecution, if applicable. Funding for full enforcement of ECAD, according to the approved plan should be included in its FY 2017 budget proposal.

### 5. Condition Austin Housing Finance Corporation Financing on applicant's installation solar and energy efficiency

**Recommendation: Austin Housing Finance Corporation should condition financing approval to applicants involved with affordable housing with a condition that applicant seek energy**

**efficiency services from AE, including solar for new and substantial rehabilitation construction . Higher rebates should be considered for these applicants.**

Reasoning: Austin Housing Finance Corporation provides low cost financing to builders and developers who construct affordable housing. For many applicants, the housing corporation requires them to apply for tax credits, which further ensures low and low-moderate income households will have access to the housing being constructed. Adding a requirement that the applicant seek energy efficiency services from AE, particularly solar will provide greater housing affordability to the tenants. AE funding of energy efficiency programs to these applicants will greater assure that EE funding to going to low and low-moderate income AE customers.

## E. Miscellaneous

[i] Discussion Panel, Low-Income Consumer Advisory Task Force meeting January 16, 2015, Jesse Porter, Habitat for Humanity, Charles Cloutman, Meals on Wheels and More and Housing Repair Coalition.