

**Minority Report of
The Low Income Consumer Advisory Task Force**

Dear Mayor and Council:

The authors of this minority report would like to express our sincere appreciation for being allowed to be a part of a special group that has spent considerable time discussing ways to improve the plight of those that have shared less in the prosperity that Austin has experienced recently.

While we supported many of the recommendations of the Low Income Consumer Advisory Task Force (LICA) that we served on, there are fundamental differences we have with the final report that compel us to write this minority opinion. We have organized our report with 12 succinct recommendations in an Executive Summary, followed by more detail on each of the recommendations. To introduce our perspective, we would like to begin with a few general observations.

- The largest flaw with LICA was that the recommendations were not made in a holistic manner. We were only tasked to look at electricity cost for Austin Energy, which is typically a small portion of the budget for low- and moderate-income households. As such, the total impact of LICA's work will have limited impact on a household's budget. In fact, some of the recommendations, such as including air conditioners in the free weatherization program, could actually increase the amount spent on an electric bill, adversely affecting a low-income household. Why pay for someone's free air conditioner if they cannot afford to run it?

A better strategy would have been to create a task force that considers all of the challenges faced by low- and moderate-income customers: housing; food; medical care; child care; transportation; and all utilities (not just electricity). Creating a Low Income Committee in the format of Austin's newly created Sustainability Committee would have been a more balanced approach.

- There was very little acknowledgement of the goals of Austin Energy's Demand Side programs, and how those goals contribute positively by lowering the energy expenditure of a low- and moderate-income household and create a better environment for all. These programs lower the cost of electricity to Austin Energy, making the utility more profitable, lowering rates for customers in all income brackets.

- Very little time was spent looking at ways to broaden the effect of the limited resources of the program. In fact, some of the recommendations do the opposite by recommending that additional funding should be given to the energy conservation programs that have the lowest effectiveness. Some attention should have been given to redirecting the resources towards programs that have the highest rate of return.

- While many of the Task Force votes on the recommendations were unanimous, they were also made without the knowledge of the details of their execution. Many of the ideas will create further financial burden (such as the significant additional staff time for implementation) beyond the current budget of the energy efficiency programs, and some have not been vetted for feasibility.

- Lastly, some of the data that is given in the Task Force report has been developed or extrapolated in a manner to support specific conclusions. At times, data from alternate sources differed significantly from that presented in the report, and that data is not mentioned anywhere in the report. Similarly some of the extrapolations were made from incomplete data, or based on assumptions that may or may not be correct.

We ask you to review our concerns and exercise caution before possibly damaging the effectiveness of nationally recognized programs that have saved this City considerable sums of ratepayer dollars while simultaneously improving the environment.

Sincerely,

Chris Strand
Michael Wong

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EXECUTIVE SUMMARY

1. Opposition to Mandatory Budget Quotas By Income – LICA’s request for 25% of the entire energy efficiency and solar budget for energy efficiency of low- and moderate-income households makes it difficult for Austin Energy to meet the savings goals mandated by City Council. This could necessitate the need for more expensive power purchases, which penalizes all customers, including those in these targeted income brackets.

This 25% mandate is partially based on the presumption that low- and moderate-income customers pay more into the Community Benefit Charge (CBC) for energy efficiency and solar services than they receive back. There are other analyses that show customers in the bottom half of income receive as much or more from the CBC programs than they pay into them.

2. Opposition to Mandatory Demand Goals By Income – The mandate that 10% of peak demand savings goals per year be met with low- and moderate-income households has similar challenges. It should be noted that in 2014, only 10 MW out of 67 MW of savings actually came from residential and multifamily programs. So this would ask that two-thirds of the residential savings come from this income group. Given the very low savings and high expense of free weatherization, this would be extremely difficult and would require a noticeable bill increase.
3. Opposition to Mandatory Solar Goals By Income – The mandate that 15% of solar funding come from low- and moderate-income customers is arbitrary. Pilot programs should be encouraged to assist more of this targeted group, and it is acknowledged that this is one CBC program for which the poor do not receive parity for what they pay in. However, there are challenges for low- and moderate-income people to participate in a major way because: a) about 70% of them are renters; b) solar requires an extensive capital outlay relative to household budgets. Unless loan funds are available, these households will not be able to consider retrofits.

Moreover, it is difficult to say if and how the federal tax credits will be extended, making the future of the residential solar industry uncertain after 2016. Even if the tax benefits are extended, many low- and moderate-income families may not be able to take full advantage of them due to their typically low tax burden.

4. Opposition to Free Central Air Conditioning – Adding free air conditioners in the free weatherization program makes an already ineffective program even more so. Spending as much as \$6,000 per home on what many in the world consider a luxury item is not cost effective to Austin Energy customers. This policy limits the number of low- and moderate-income customers able to receive limited funding for free weatherization services that will be spent on luxury. While this issue probably received more attention than any other recommendation by LICA, alternative ideas to make the homes more “livable” were not explored.
5. Support for Direct Installation Programs – A pilot direct installation program for low-cost, quick-payback measures such as LEDs, low-flow showerheads, pipe wraps, and door sweeps in FY 2015 should be considered. At Seattle City Light, a program of this kind had a payback of about 1 year. In contrast, a survey created by Austin Energy showed its free weatherization program has a payback of 59 years.

It should be noted that when this direct installation program was proposed to the Task Force, the Chair refused allow it to be discussed.

6. Concerns About Task Force Continuation – The continuation of LICA cannot occur without major staff and budget increases. LICA’s cost in staff time is estimated to be several hundred

thousand dollars in less than a year. Other facets of the energy-efficiency and solar programs have suffered because of this diversion.

Moreover, at least 3 city boards or commissions, the Resource Management Commission, the Electric Utility Commission, and the Community Development Commission, have a purview broad enough to study these issues without adding another layer of expensive bureaucracy.

7. Concerns About Task Force Scope – We question why Austin Energy’s energy and solar programs were exclusively studied when other essential needs of low- and moderate-income households were ignored. While there is an acute affordability crisis in Austin, the most expensive needs of this targeted group are housing, food, medical care, child care, and transportation. Even if LICA had focused on utility issues, there are 7 other utilities that were not studied, including gas, water, wastewater, drainage, solid waste, cable, and phone.
8. Concerns About Bias in Energy Reporting Recommendation – If a breakdown of the energy efficiency budget by Council district or zip code occurs, it should also include where the funding originates, and where the funding for other Customer Benefit Fund charges comes from and is spent as well. All costs and benefits should be accounted for in order to determine that low-income people receiving an appropriate share of the CBC benefits.
9. Support for Limited Program to Fund Window Air Conditioners for the Medically Vulnerable – A certain subset of the targeted population cannot survive without some kind of comfort conditioning. A *limited* program to provide low- and moderate-income households that are medically vulnerable with window air conditioners should be funded with Customer Assistance Program money. The strategy of matching funds shared with non-profit organizations to provide and install the window units should be explored (with a maximum annual cap). Given the added electric cost burden to the recipient, such installations should be considered only in cases of extreme necessity.
10. Opposition to Providing Free Weatherization Above Current Income Qualifications – Extending the free weatherization to customers making more than 200% of the poverty level has challenges. There are over 118,000 households in Travis County below 200%, and the budget is too small to extend this program further. In fact, some scoring should be given in the application process so that the programs funds serve those that have the lowest income and highest need first.
11. Support to Transfer Free Weatherization Funding to Customer Assistance Program – All free weatherization funding should be viewed in the same light as the Customer Assistance Program (CAP), and not be equated to energy efficiency. Thought should be given to transferring the free weatherization program funding into CAP. Of the 20 energy efficiency programs operated by Austin Energy, free weatherization was the only one that did not pay for itself. It is a program with questionable cost effectiveness with regards to energy efficiency, but is continued due its potential to provide higher social benefits. Its funding should be justified on that basis.
12. Opposition to More Free Weatherization Funding – The free weatherization budget should not be increased until measures are put into place to lower the per-customer cost to an appropriate level. The current cost for free weatherization per home is \$3,800 – 65% to 148% higher than is justified based on a historical/inflation basis, and the payback per home has been estimated at 59 years. Any increase in the budget for low- and moderate-income customers should be directed at more cost-effective programs first (such as Recommendation 5). They would deliver greater monetary savings for these households, along with the benefit of aligning the programs more with their primary purpose of lowering total energy usage.

1. Opposition to Mandatory Budget Quotas By Income

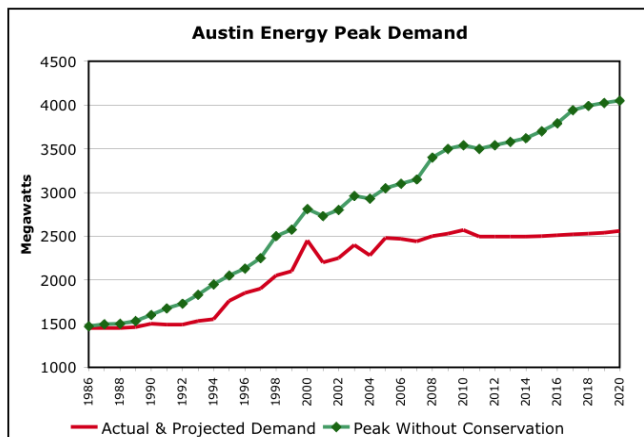
LICA has asked that 25% of the *entire* budget for energy-efficiency be given to low- and moderate-income customers, with at least 10% going to the free weatherization program. A summary of objections to the mandates follow.

1. They are problematic from the start since Commercial customers fund about 1/3 of the budget for their own suite of efficiency programs through a discrete Community Benefit Charge (CBC) tariff separate from Residential customers.
2. Since low-income weatherization is not cost effective and save little energy, significant reliance on it will make it hard for Austin Energy to reach its savings goals.
3. The majority of the Task Force has refused to acknowledge the contributions that the program currently makes to low- and moderate-income customers. LICA has discounted how many low- and moderate-income participants there are in the multifamily and standard residential program offerings.
4. The majority of the Task Force has largely inflated the amount that these participants pay into the CBC, not taking into account that consumption demographically tracks income, and that CAP participants that receive free weatherization are exempted from paying for it. This creates a misleading case that customers in the bottom half of income are not getting their share of these programs.
5. In any given year, participation by income can vary.
6. In some programs and situations within programs, it is difficult or impossible to track income at all.

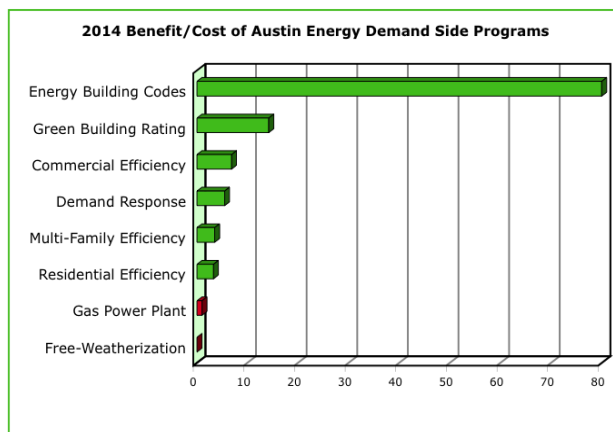
To better explain, why the minority report opposes this proposal, a brief perspective of the energy efficiency efforts history and goals is needed.

Since 1982, the City of Austin has conducted demand-side programs to reduce the needs for new power plants in all sectors of energy use: single-family homes, apartments, commercial buildings, industrial facilities, and municipal buildings and infrastructure.

Since the beginning, the programs have saved at least 1,100 Megawatts of peak demand while saving the utility and its ratepayer's money. At the same time, it has kept about 1.2 million tons of carbon dioxide out of the air on an annual basis.



In 2006, the Austin City Council assigned Austin Energy an aggressive goal of saving 800 Megawatts of peak demand by 2020. This was raised to 900 MW last year. Virtually all of this has to be accomplished cost effectively, that is, below the cost of a new power plant. Of the programs that Austin Energy operated in 2014, all of them had a positive Benefit/Cost ratio except free weatherization.



Free weatherization saves very little electricity and presently costs \$3,800 per home. A survey of 857 Austin Energy customers that received free weatherization in 2011 and 2012 showed an average savings of less than \$5 per month, with a payback of 59 years. Reasons for such small savings and long paybacks include: 1) lower-income people generally use less energy, so there is not as much energy that can be saved; 2) many of these homes require repairs before they can be weatherized; 3) the entire cost is being absorbed by ratepayers.

Placing ineffective programs like free weatherization as a priority over all other programs threatens Austin Energy's ability to meet its assigned goals. It would be one thing if this targeted group were being ignored. However, the opposite is true.

The “Fair Share” Argument

Obtaining more funding for low-income homes is the mantra of the majority of LICA. Part of their justification is that low-income customers pay into the CBC, but do not get back what they pay in. This presumption is largely erroneous.

To explain, the CBC on Austin Energy’s bills funds the energy-efficiency and solar programs, Customer Assistance Program bill discounts and emergency bill payments for low-income customers, and street lighting (for in-city customers) on a volume (per kilowatt hour) basis. Since low- and moderate income people generally use less electricity than average, they pay less into the CBC than the average customer.

Low- and moderate-income customers, defined by the Task Force as 400% of poverty and below, match closely to the bottom half of Median Household Income as measured by the U.S. Census. (56% of households in Travis County are below 400% of poverty.)

Based on a survey of Austin Energy’s residential program offerings, Census data for income of owners and renters, and estimates of consumption for customers in the bottom half of income, customers in the bottom half of income received about 50% more than they paid into the CBC in FY 2014.¹

¹ ASSUMPTIONS

Decrease in Consumption for Customers in Bottom Half of Income: Energy Information Administration, *Residential Energy Consumption Survey*, 2009, Table CE1.4 at [this link](#). This shows that households in the Southedrn U.S. in the bottom half of income consume 20% below the average household.

Customer Assistance Program: This includes bill discounts and emergency bill assistance. Most of the program is paid for by Commercial & Industrial customers, and customers in the upper half of income. CAP participants are themselves exempt, so only about 21% of funding comes from non-CAP customers in the bottom half if income.

Street Lighting: About 1/3 of this CBC charge is funded by the residential sector. Customers in the bottom half of income pay 40% of the cost of the residential sector since they use less energy (noted in Decrease in Consumption above.)

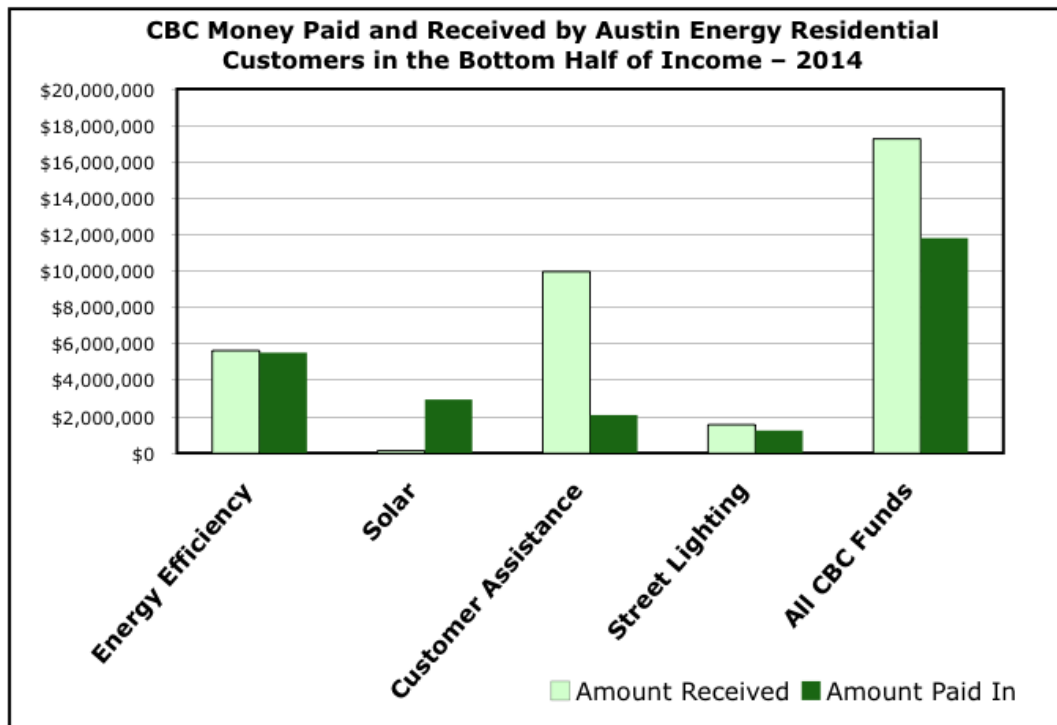
Residential Program Estimate: 21% of the Home Performance and Appliance rebate residential program budgets for FY2014 are assumed to go to customers in the bottom half of income. Derived from *Austin Energy Residential Customer Rebate Program, Summary Report*, August 2015, p. 27, found at [this link](#). 16.5% of all participants were at \$60,000 and below, which was close to the Median Household Income for Travis County in 2013. Only 77.3% declared their income, so of those that declared, over 21% were below the median.

The Median Family Income for Travis County is from: U.S. Census, 2013 American Community Survey, *Income in the Past 12 Months (In Inflation Adjusted Dollars)* [at this link](#).

Multifamily Program Estimate: A breakdown of tenant- and owner-occupied households by income for Travis County is from: U.S. Census, American Community Survey, *Tenure By Household Income in the Past 12 Months (In 2013 Inflation Adjusted Dollar)*, Table B25118, [at this link](#). Comparing this breakdown to the Median Household Income in Travis County yields an estimate that 69% of tenants are below MHI. This is applied to the 3 multifamily program budgets in FY2014. This estimate is a conservative estimate since the Census does not break down tenants by housing stock. It is likely that higher-income tenants live in rented single-family homes and duplexes as opposed to multifamily complexes.

Free Weatherization: The entire budget for this program is assumed to go to the bottom half of income.

Solar: There is no survey of this program for income. About \$176,000 from the 2014 Commercial rebate program went to common areas in multifamily buildings; 69% (from Multifamily Program Estimate above) of this is \$120,000.



Energy-Efficiency: Customers in the bottom half of income are receiving what they pay into the CBC. In addition to being served by the free weatherization program, these customers also receive the majority of rebates from the multifamily program and a measurable share of single-family home and appliance incentives.

There are 6 residential programs that were not surveyed for participation of customers in the bottom half of income, and it is highly likely that there are low- and moderate income customers that benefit from these programs to some degree.²

Solar: Customers in the bottom half of income are not receiving many benefits for this program. Note that there has been no formal survey, and if one were to be done, it would be likely that a small percentage of customers in the bottom half of income would be found.

Customer Assistance Program: Customers in the bottom half of income are receiving more than parity. CAP customers are actually exempt from the surcharge, which funds part of the free weatherization program as well as bill assistance. Note that for the CAP program, customers in the bottom half of income are receiving much more from benefits from the upper half of income than the lower half paid to subsidize the solar program. (More on solar program in Recommendation 3.)

² These include Demand Response, Refrigerator Recycling, Residential Green Building ratings, and the Residential Energy Code. Together, these programs total over \$3 million.

Street Lighting: Since customers in the bottom half of income pay less into the CBC because they use less energy, they are receiving more than parity.

In FY2014, the amount of money that went to the customers in bottom half of income from the *residential* energy-efficiency programs was about 39%; with free weatherization making up 13%. This higher figure is about what they paid for these programs given their reduced consumption.

Even comparing the *entire* energy-efficiency budget, 23% was going to the bottom half, with 8% spent on free weatherization. CAP bill discounts and emergency bill payments surpass this, with about \$10 million per year going to low-income customers in FY 2014.

2. Opposition to Mandatory Demand Goals By Income

LICA's proposal for 10% of the annual goal for peak demand to be met with low- and moderate-income households has profound challenges. It should be noted that in 2014, only 10 MW out of 67 MW of savings actually came from residential and multifamily programs. So this would ask that two-thirds of the residential savings come from this income group. Given the very low savings and high expense of free weatherization, this would be extremely difficult and require a noticeable bill increase.

LICA also proposes spending up to \$1,500 per home in repairs in addition to the cost of weatherization. With the recommendation to provide free window AC units that consume rather than save power will make reaching the demand goal even more unattainable.

It is hard to quantify what the exact effect of this 10% demand goal would be since the programs and goals to achieve it have not been spelled out. However, if this 6.7 MW goal were to be attempted with free weatherization alone (a worst-case situation), and still achieve Austin Energy's other savings goals, it would require a scale-up hard to imagine. This program saves so little energy that it would require between 6,700 and 25,000 homes a year to be weatherized at an annual cost between \$25 and \$94 million.³ This would raise residential electric bills between \$65 and \$241 per year.⁴

3 Lower estimate assumes 0.27 KW demand savings per participant from Austin Energy memo "Data Analysis on Impact of HVAC and Refrigerator Installs in AE Low Income Weatherization Program," January 9, 2015. High estimate assumes 1 KW demand savings per participant, which is from Austin Energy, *Response to Low Income Consumer Advisory Task Force (LICATF) Final Report*, September 16, 2015. Cost of \$3,800 per home comes from staff memo "PIR Regarding the Increase of AE WX per Home final," August 15, 2015. (See page 3 for \$3,800 figure).

4 Assumes increase is distributed evenly over the Residential rate class in 2014, where the average customer used 11,000 kwh per year.

3. Opposition to Mandatory Solar Goals By Income

The 15% goal of solar participation by low- and moderate-income customers is arbitrary, and also contrasts with the higher goal of 25% participation for the entire energy-efficiency budget discussed in Recommendation 1.

According to the analysis in Rec.1, solar is the only CBC program for which low- and moderate-income customers do not receive parity for what they pay in. Pilot programs should be encouraged to assist more of this targeted group. However, there are challenges for low- and moderate-income people to participate in a major way because: a) about 70% of them are renters; b) solar requires an extensive capital outlay relative to household budgets. Unless loan funds are available, these households will not be able to consider retrofits.

Moreover, it is difficult to say if and how the federal tax credits will be extended, making the future of the residential solar industry uncertain after 2016. (Unless federal tax law changes, the deductions and carryovers of the deductions that are not all taken in one year only extend through tax-year 2016.)

Even if the tax benefits are extended, many low- and moderate-income families may not be able to take full advantage of them due to their typically low tax burden.

4. Opposition to Free Central Air Conditioning

During the period of federal stimulus grants for weatherization in 2011 and 2012, free central air conditioners were provided to hundreds of Austin Energy customers. While this may have served the purpose of helping to stimulate the national economy, it did little to save energy, and what energy that was saved was at an enormous cost. Some members of LICA thought that this should be a new permanent feature of the free weatherization program. The Task Force ultimately voted to support new free central air conditioners in limited situations.

The minority report opposes the expense of free central air conditioners altogether. Adding free air conditioners makes an already costly program even more so. Spending as much as \$6,000 per home on what most in the world consider a luxury is not cost effective to Austin Energy customers. Nor is this policy fair to low-income customers, as it limits the number of low- and moderate-income participants that are able to receive available funding for the program.

LICA also suggested that Austin Energy be responsible for the costs of repair of these units, which both adds further costs to the free weatherization program, and eliminates the consequences of irresponsible operation on the part of these customers.

Alternative ideas to make the homes more “livable” beyond free central air conditioning or standard weatherization measures were not explored by the Task Force to any degree.

5. Support for Direct Installation Programs

As stated earlier, the majority of low- and moderate-income people hone their limited energy budgets to essential purposes. One successful strategy to serve this group limited needs is a door-to-door approach through targeted neighborhoods that installs quick-payback efficiency measures. Austin Energy could collaborate on this approach with local area gas companies to install gas-saving measures.

Once in a home, the installers can do on-the-spot energy assessments and determine if the customers are eligible for other energy saving programs, as well as social service services that they may not be aware of.

One good example of this approach to energy saving is Seattle City Light's Powerful Neighborhood Program. The pilot phase was run between 2009 and 2011. It installed 665,000 compact fluorescent lamps and LEDs, as well as 33,000 low-flow showerheads, and 42,000 aerators in 56,000 single-family homes and apartments. (This was about 15% of the utility's residential customers.) The total savings from the program was estimated at 22 million kwh a year, enough to save \$2.1 million annually.

The program was targeted to types of customers that had historically low participation rates in the utility's other efficiency programs, including low-income, seniors, and people who did not speak English.

Since the installers were already in these homes, they used the opportunity to conduct onsite energy assessments. This generated immediate recommendations used to enlist these customers in the utility's other energy-saving programs, and provided a database to plan future efforts.

Even though this strategy has been successful in other areas, the LICA Chair never brought it up for discussion during any the group's meetings.

6. Concerns About Task Force Continuation

The continuation of LICA cannot occur without major staff and budget increases. LICA's cost in staff time is estimated to be several hundred thousand dollars during its existence, which has been less than a year. Many facets of the energy-efficiency and solar programs have suffered because of this diversion of time and attention, and the extra work has adversely affected the morale of staff in attendance.

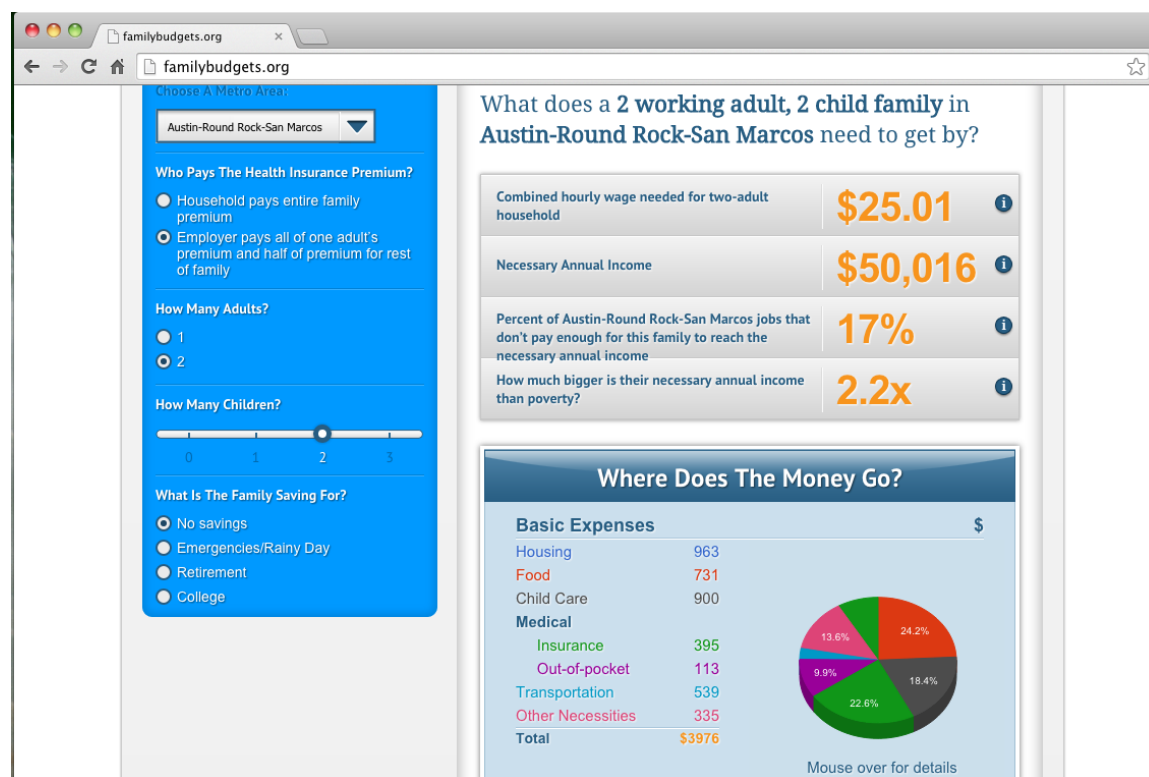
There are at least 3 city boards or commissions, the Resource Management Commission, the Electric Utility Commission, and the Community Development Commission, that have a purview broad enough to study LICA-related issues. We strongly advise that these other institutions be used before establishing a new one, which will add another layer of expensive and time-consuming bureaucracy.

7. Concerns About Task Force Scope

LICA was charged to only look at saving electric costs for low- and moderate-income households. This is a relatively small part of their overall budget.

One reference source used by the Task Force to show income stress was the Family Budgets Web site sponsored by the Center for Public Policy Priorities (Austin, TX). This measures the cost of living in each major population center in Texas, and the amount of money needed to provide for basic needs based on the cost and income of the average family.

The Austin-area version is below, which shows the cost of living for a family of 4 breaks even at 220% of the poverty level. It graphs the main costs for this household as housing, food, child care, medical care, and transportation. Utility costs are not believed to be a major expense and are not explicitly mentioned.



In another report about energy and its relation to poverty in Texas, electric costs were estimated to be about 12% of the budget of a low-income household.⁵

The cost of other utilities in Austin were never discussed by LICA. These include: natural gas; water; wastewater, solid waste; drainage; cable; and phone. The cost of one of these utilities alone can often rival or exceed electric bills. LICA also ignored the other electric utilities that serve Travis County.

Given this imbalance, the importance of the cost of one utility has been overstated. Any future discussions and focus groups concerning Austin's assistance to low- and moderate-income consumers should be considered in this light. The enormity of staff and volunteer time spent on this effort would

⁵ City Lights Group, *Energy Impact, Addressing Fuel Poverty*, p. 11.

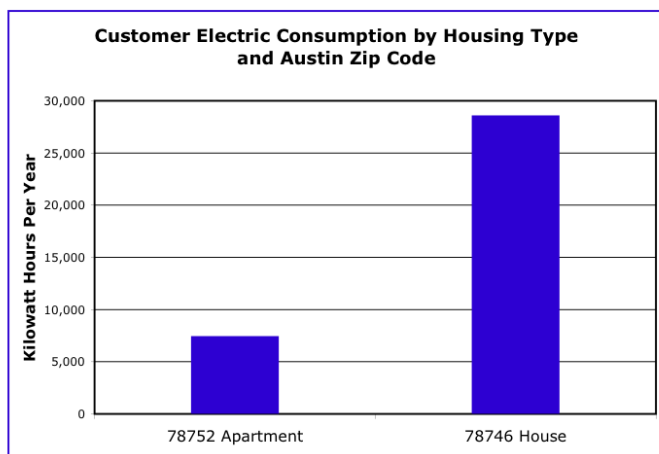
have been better spent on a holistic approach to help lower the cost of living for all budget allocations, not just Austin Energy.

8. Concerns About Bias in Energy Reporting Recommendation

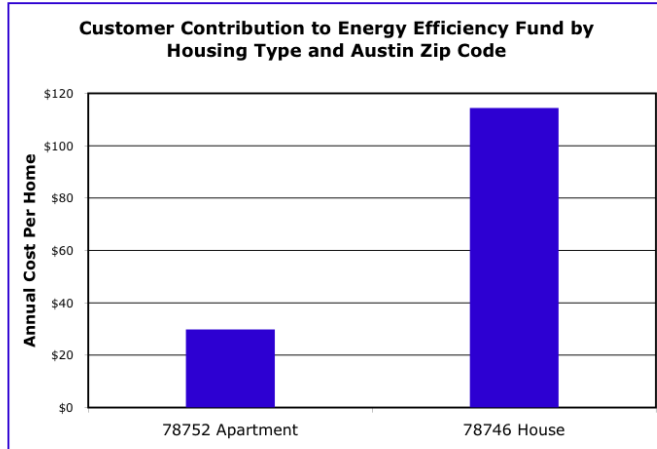
LICA has asked for a number of measures that may create greater transparency in how energy-efficiency and solar funding is spent and on how well program goals are met. While much of this may be helpful in making the programs work better, we take exception to the request to separate funding and participation by zip code or Council District. This has great potential to exacerbate tensions between various sections of the City without either delivering the full context of how funding is distributed, or where this funding originates. It may also be difficult to create and update Council District reporting. (The billing system is not set up to select by Council Districts, and the boundaries of these districts may periodically change.)

As exhibited in Recommendation 1 of this report, considerable funding for these programs originates from customers in the upper half of income because they generally use greater volumes of electricity and thus contribute more to the Community Benefit Charge. This dynamic will generally translate into a map where wealthier sections of Austin Energy's service area receive more benefits from energy efficiency and solar while lower-income areas receive less. However, these wealthier sections will also be shown to *pay more* into the CBC.

Below are two charts that shows the electric consumption and volume-based contribution to the energy efficiency fund between zip codes and housing types.⁶ The house in West Austin uses considerably more electricity than an apartment in Northeast Austin. This translates into a greater payment into the energy-efficiency program.



⁶ 2009 Austin Energy data.



A different dynamic will occur with the Customer Assistance Program. With CAP, wealthier areas of the service territory will pay more into the fund while receiving little back.

Interest groups vying for attention to their issues may misuse this proposed information for divisive purposes. However, if Austin divided city services by how much in taxes and fees originated from wealthier and poorer zip codes or Council Districts, it would not be a place where most of its current citizens would want to live.

If a breakdown of the energy efficiency budget by zip code occurs, it should also include where the funding originates, as well as where the funding for the Customer Assistance Program comes from and is spent.

9. Support for Limited Program to Fund Window Air Conditioners for the Medically Vulnerable

A certain subset of the targeted population LICA studied cannot survive without some kind of comfort conditioning. A *limited* program to provide low- and moderate-income households that are medically vulnerable with window air conditioners should be funded with Customer Assistance Program money. The strategy of matching funds shared with non-profit organizations to provide and install the window units should be explored (with a maximum annual cap of \$50,000 contributed by Austin Energy).

This is not a strategy that can be considered lightly. Operation of 2 window units in a low-income home can cost \$160 for one summer.⁷ Further, the cost for these 2 units (at \$200 or more apiece) will siphon money meant for bill discounts and emergency assistance. Such installations should be considered only in cases of extreme necessity.

⁷ Assumes two-9,000 BTU units, 11.2 EER, 1,000 hours per year of operation for each unit, and 10¢ per kilowatt hour.

10. Opposition to Providing Free Weatherization Above Current Income Qualifications

According to Travis County Census information from 2013, there were over 118,000 household below 200% of poverty. Prior to federally funded grants in 2011, Austin Energy was able to provide about 500 homes a year with free weatherization services within its budget constraints. There is no rationale to expand eligibility further with the need that currently exists.

Some scoring should be given in the application process so that the programs funds serve those that have the lowest income and highest need first.

11. Support to Transfer Free Weatherization Funding to Customer Assistance

In FY 2014, Austin Energy operated 19 energy efficiency programs that were cost effective. The utility also funds the free weatherization program, but unlike other efficiency efforts, it has a negative Benefit/Cost ratio.

The Customer Assistance Program was established and expanded to assist Austin utility customers (electric, water, wastewater, drainage) who are income challenged. In FY2014, about \$11 million a year (not including administration) was given to bill discounts, emergency bill payments, and additional low-income weatherization.

All free weatherization funding should be viewed in the same light as CAP, and not equated to efficiency programs that cost-effectively defer new power plants. Thought should be given to transferring all free weatherization program funding into CAP because of its potential to provide higher social benefits. Its funding should be justified on that basis.

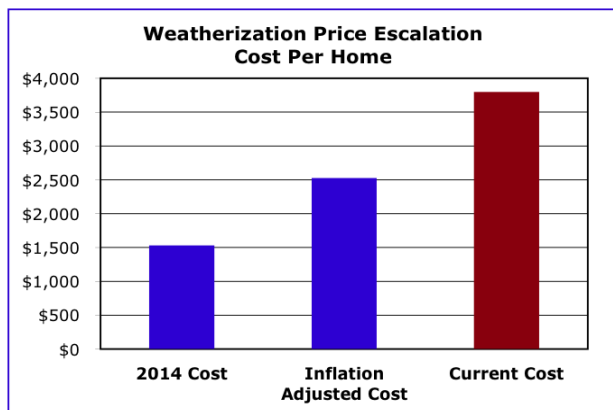
12. Opposition to More Free Weatherization Funding

In 2014, Austin Energy collected about \$2.6 million for free weatherization. This was funded with an average surcharge on all residential customers of about \$7 a year. LICA has proposed an increase in funding for free weatherization to \$4.2 million.

This request is partially justified on the premise that Austin Energy had achieved historic highs of over 1,000 free-weatherization participants in both 2011 and 2012, and should use this as a benchmark. This fails to recognize four things.

- A. Weatherizations accomplished in this time period were almost entirely funded by federal stimulus grants that are no longer available.
- B. The program is of limited value to the participants, with one study showing a payback of over 59 years, or less than \$5 per month.
- C. There are programs that are more cost effective and would save low- and moderate-income participants more money. In fact, giving money away as rate relief would be more effective.
- D. The high cost to weatherize a home is also an equity issue. At a cost of \$3,800 apiece, not many of the more than 118,000 homes qualifying for free weatherization can be weatherized.

In recent years, the free weatherization program has been dogged by high costs per participant. Current costs are 65-148% higher than what they have been historically.⁸



This program could achieve the historic highs attained during the federal grant period with the existing budget if the money were spent more strategically. Yet LICA did not spend any significant amount of time studying ways that free weatherization could be more efficient.

⁸ DOCUMENTATION:

PIR Regarding the Increase of AE WX per Home final (See page 3 for \$2,500 figure and \$3,800 figure)

Memo_ResponseToCarolB_140530dk 08-26-31 (See page 3 at top for \$1,500 figure)

We do not support more funding for this program until the costs are better managed. We also believe that other low-income programs that could save more energy and money for this target group should be considered before free weatherization is expanded further.