



## MEMORANDUM

**TO:** Mayor and City Council

**CC:** Marc A. Ott, City Manager  
Robert Goode, Assistant City Manager  
Low Income Consumer Advisory Task Force

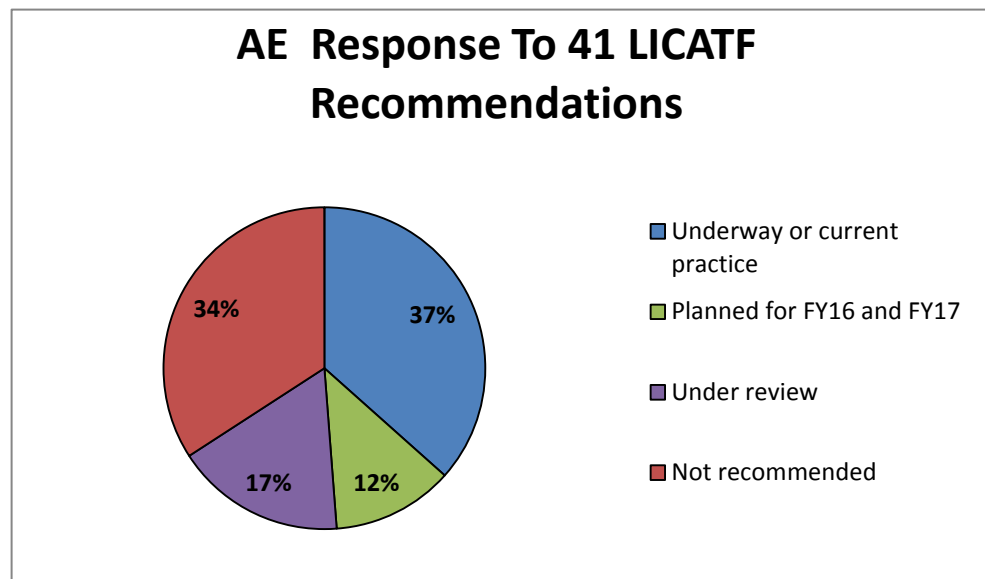
**FROM:** Larry Weis, General Manager *LW*

**DATE:** November 10, 2015

**SUBJECT:** Response to Low Income Consumer Advisory Task Force Recommendations

On September 30, 2015, the Low Income Consumer Advisory Task Force submitted its final report to the Mayor, City Council and staff. At 80 pages in length, the report represents the culmination of 11 months of meetings, many hours of dialogue and staff support. Forty-one recommendations were voted upon by the task force<sup>1</sup>. A minority report prepared by two task force members presented 12 alternative recommendations. Austin Energy staff was invited to respond to the Task Force recommendations, which is the intent of this memo. Of the 41 recommendations, we are encouraged by the many areas of agreement and/or planned initiatives that have already been implemented and/or agreed to by staff.

The graphic to the right provides a broad representation of staff's response. Staff is doing or plans to implement 49% of the recommendations and is studying the ability to implement another 17% of the recommendations. Roughly a third of the recommendations are



<sup>1</sup> Similar or overlapping recommendations were consolidated.

not recommended, largely due to budget, equity and/or non-conformance with energy goal considerations.

**Examples of areas where staff agree:**

1. Establishing annual program goals to affect progress towards the 2025 energy efficiency and demand response goal.
2. Enhancing reporting by including the societal cost test, providing an annual report that maps program participation (including by Council Member district), reporting customer benefits charge-customer assistance program (CBC-CAP) weatherization activities separately from CBC-energy efficiency services (EES) program budget and expenses. Staff also committed to footnoting the manner in which data is reported. By way of background, data reported during the fiscal year is reported on a cash basis (monies expended). Prior to the year-end audit (six months following the close of the fiscal year) expenses are reported based on budget (expensed and encumbered). Subsequent to the annual audit, expenses are reported according to Generally Accepted Accounting Principles, which is the reason for the differences.
3. Continuing to provide window air conditioning units to the medically vulnerable population when the resident's air conditioning unit is not working.
4. Continuing to support enhanced building and energy codes.
5. Ongoing review of programs and operating practices to increase cost effectiveness of low income weatherization program.
6. Supporting Property-Assessed Clean Energy (PACE) programs and alternative funding sources for energy efficiency programs.
7. Providing free audits to renters who experience high bills.
8. Making Energy Conservation and Disclosure (ECAD) data for multifamily properties available on the city's data portal and implementing an award or special recognition for high efficiency properties.
9. Coordinating with Health & Human Services, Austin Water, Neighborhood Housing and Community Development, Austin Energy Customer Care, Texas Gas Utility, the Discount Steering Committee, Austin Resource Recovery and the Housing Repair Coalition to leverage City resources, partner at outreach events and align reporting. Examples include:
  - a. Aligning community efforts around AE programs such as Energy Efficiency Services, Green Building and Solar in the Guadalupe-Saldana, Holly and Rundberg Lane neighborhoods, and through Life Works, Foundation Communities and other opportunities.
  - b. Coordinating services to address customer needs.
  - c. Providing administrative services.
  - d. Partnering with community organizations, such as faith-based, to provide neighborhood specific, door-to-door basic measures including lighting and weather-stripping.

**Following are recommendations staff believes are inconsistent or problematic:**

1. Set minimum energy savings goals of 1% per year, with periodic reassessments; establishing a minimum demand reduction goal for low/low-moderate income customers equal to 5% of Austin Energy's annual peak demand, with said goal escalating 1% per year for five years; and increasing the income eligibility requirements to 250% of the federal poverty guidelines are costly, create inequities and could slow progress towards reaching generation plan goals. To put this in context, Austin Energy's 2015 peak demand totaled 2714 megawatts (MW),

and a 5% goal would amount to 136 MW, more than double total annual demand savings targeted for all customers. This level of savings is not technically or economically achievable. Staff estimates such a goal would result in the need to weatherize over 2,000 homes in 2017, increasing to over 4,000 per year in 2022, resulting in an annual weatherization budget of \$8-\$12 million. This would create inequities between and within customer classes, runs counter to the affordability goal and would impede cost effective achievement of the 900 MW reduction goal.

2. Similarly, budget directives set forth in the document are problematic from equity, cost effectiveness and goal furtherance perspectives. The report recommends that 25% of the total CBC-EES budget be directed to low/low moderate income customers, 10% of the CBC-EES budget be directed to free weatherization (in addition to CAP funded weatherization) and 15% of the distributed solar budget<sup>2</sup> for new projects benefit these customers. Increasing weatherization funding requires either: increasing the budget (and thus, the tariff) or reducing another program budgets (residential or commercial). This can create inequities within and between customer classes. To illustrate, the table below reflects the budgeted CBC-EES revenue and expenses for FY2016 (expenses exceed budget due to the reduction in the CBC-EES tariff, given recent over-recovery of expenses).

	<b>Residential</b>	<b>Commercial &amp; Industrial</b>
EES Revenue	\$13,003,456	\$14,999,301
EES Benefits - Rebates/Incentives	12,527,000	9,140,000 <sup>3</sup>
EES Benefits - Administration Expenses	5,246,137	7,521,481
Total EES Benefits	\$17,773,137	\$16,661,481

Savings associated with low income weatherization are modest (roughly .5 kW per home), and high cost, since the utility pays 100% of the costs associated with the program. By having a significant portion of the portfolio focused on high cost, low savings yielding programs, budgets would need to be substantially increased in order to meet the 900 MW reduction goal.

3. Audit the Austin Energy billing system. This is outside the scope of the task force and unnecessary; the billing system has been audited twice in the past two years, with another audit scheduled to commence shortly. Both audits revealed billing accuracy at more than 99%.
4. Create financing programs for low/low-moderate income customers. Staff believes that financing programs could benefit some middle income customers, but dialogue with social services agencies advised that this may have unintended negative consequences (burdening them with debt when they are already stretched financially).
5. Continuing the work of this task force through an affordability task force is an effort staff believes would be redundant with efforts of other task forces and commissions and have attendant cost implications.

Again, we appreciate the work that task force members, individually and collectively, have devoted to the development of comprehensive recommendations. Please let me know if you have any questions.

<sup>2</sup> Assumes that this does not include the solar program administration budget, which is recovered in the EES tariff.

<sup>3</sup> Includes multi-family rebates totaling \$1.8 million annually.

LICATF Rec. #	Minority Report	Recommendations as Cited in LICATF Report				
		Recommendation	Current Status	Budget Impact	Feasibility	AE Response
1		Establish 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	Currently a part of AE Process	Low	High	AE has a 900 MW goal for 2025. For each budget year, we establish program goals based on budget available.
2		Adopt a more expansive "triple bottom line" evaluation such as the Societal Cost Test in considering the benefits and costs of energy efficiency and solar programs, including low-income energy efficiency and weatherization	To be part of FY16 process	Low	High	Staff will add the Societal Cost test as a way to measure the "triple bottom line" approach recommended by the task force. This test avoids the limitations of the triple bottom line and the difficulty in applying this approach to measure program effectiveness (compared with the typical application in assessing purchasing alternatives).
3		Improve transparency, reporting and accountability for the energy efficiency, demand response and solar programs supported by Austin Energy and its ratepayers	Currently a part of AE Process	Low	High	Staff currently issues monthly and annual reports. Staff will add quarterly reporting which would be a roll up of the previous 3 months.
4		Allow for a mid-course "true-up" correction in the annual budgets – with City Council oversight -- for the energy efficiency, demand response and solar programs	Currently a part of AE Process	Low	High	Annually, Austin Energy completes a financial audit to assess all budget versus actual expenditure. Tariffs are adjusted periodically to reflect over/under collection. To avoid wide fluctuations in customer tariffs, some tariffs, such as the CBC are adjusted every 3-5 years. The FY16 budget reflected such a true-up and concomitant reduction in the CBC. Staff has recommended that any unspent net AE free weatherization budget variances be rolled over to the following fiscal year.
5		Improving 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, Planning, Review and Development and Code Compliance Departments	Currently a part of AE Process	Low	High	This is currently being done and will continue to be a focus of the Green Building effort.
6		Establish a minimum energy savings annual target of one percent of total energy sales through energy efficiency and demand reduction programs. In future updates to the Austin Energy Generation Plan, assess meeting this level or higher energy savings goals, subject to future budgets, affordability and other factors	Not a current consideration	Moderate	Low	This recommendation could impact budgets and adds a layer of complexity to program design, reporting and administration. The long lived AE programs have already resulted in reduced average customer consumption and incremental savings may be costly.
7	Opposed	Set a current demand savings goal for Austin Energy's energy efficiency programs targeting low and low-moderate income customers of no less than 5% of the utility's annual peak demand savings and increasing that goal 1% per year over the next five years reaching 10%	Not a current consideration	High	Low	This recommendation would impact current budgets. There is a relationship between MW savings and budget. Low income programs typically result in very high \$/kW costs as AE pays for 100% of upgrades and realizes lower levels of energy and demand savings. Requiring that a percentage of the overall savings be dedicated to low income programs would result in the need for an increased budget in order to meet the 900 MW goal. This goal is not compatible with the goal below.
8	Opposed	Set a goal that a minimum of 25% of the total Energy Efficiency Services budget including administrative expenses should be spent on programs that help low and low-moderate income residential customers, with at least 10% of the Energy Efficiency Services budget dedicated to a free weatherization program. Furthermore, as part of the recommendation to spend at least 25% of the overall Energy Efficiency Services budget, at least 15% of the total distributed solar energy budget for new projects should be dedicated to projects that benefit low and low moderate income customers	Not a current consideration	High	Low	This recommendation would impact current budgets (see above) and would increase commercial subsidization of residential programs, creating an equity issue. Three separate staff analyses of the budget example included in the report (\$42M) showed a decrease in achievable savings, resulting in greater obstacles to achieving the 900 MW goal by 2025.
9		Funds in the CAP and free weatherization program be used as much as possible during the cooler months (September through April) when the work demand for the Austin Energy contractors is at its lowest	Currently a part of AE Process	Low	High	Austin Energy currently attempts to distribute incentive funds in a manner that coincides with the workloads of the contracting companies that perform work in our programs. However, budget cycles and other processes (eg. if a contractor protest is filed, such as the circumstance that led to delayed launch of the FY13 program) may be outside of staff control can impact job assignments.
10		Require an improved annual report that would break out information not only by program but by City Council District	To be part of FY16 process	Low	High	This is planned reporting for FY16.
11		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	Currently a part of AE Process	Low	High	This is currently done through the monthly reporting to the RMC as well as the quarterly financial reports. Importantly, staff has expedited reporting to enhance transparency. These results are reported on a cash basis. Annually, results are adjusted to reflect GAAP audited results.
12		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	Currently a part of AE Process	Low	High	This is currently done in the annual reports produced by Customer Energy Solutions as well as the annual AE report. The COA accounting system does not allow for monthly tracking of program administrative costs.

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13		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	Currently a part of AE Process	Low	High	All expenditures are now reported based on the source of funding.
14		Austin Energy should develop better tracking data by energy efficiency program and 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	To be part of FY16 process	Moderate	High	With recently acquired Census data as well as a nascent data clearinghouse, staff is able to enhance analytics. However, it is not AE's practice to collect income and other personal information in the administration of most programs, out of concern that this will infringe on customers' privacy.
15		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	Currently a part of AE Process	Low	High	Staff currently provide monthly and annual reporting and make these reports available on the utility's website. Quarterly data can be reflected on these reports. Staff is accountable for achieving goals and ensuring program/contractor quality control.
16		City Council direct the city manager to work with Austin Energy and the relevant advisory committees, and city departments to accomplish Better Building Codes and Planning Review Process	Currently a part of AE Process	Low	High	This is currently being done and will continue to be a focus of the Green Building effort. Green Building works with IECC to recommend new building codes for the City of Austin. Many of the specific recommendations have been completed or are near completion. Some of the specific recommendations are beyond the scope of AE. However, where applicable, AE will continue its efforts to bring the highest possible level of building codes for energy efficiency.
17		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	To be part of FY16 process	Moderate	Moderate	This should be possible, with guidance from City Financial office.
18		Investigate operating practices that could potentially increase the cost effectiveness of the low income weatherization program while maintaining all program services and standards and report back to City Council in six months with a strategy for implementation	Currently a part of AE Process	Moderate	Moderate	The costs reported in the LICATF report are a reflection of contractor pricing, inclusive of inflation adjustments. These increases are a function of general economics, as seen through a cost of living increase from 2005 to 2015.
19		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 and the Health and Human Services Department should be the residual department to screen energy efficiency program applicants for income eligibility	Under consideration	Moderate	Moderate	AE currently works with several city departments and utility service providers in a coordinated effort to assist our low income customers. The process to create a universal application form will need to include specific data privacy parameters to which AE is held. Additionally, there will need to be a secure database where customer data is stored for universal access to the applications. AE is testing this approach with customers in the Holly and Rundberg Lane neighborhoods
20	Opposed	Expand income eligibility of 200% Federal Poverty Guidelines to 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	Not a current consideration	High	Low	Increasing to 250% will increase the budget for both energy efficiency services and Customer Assistance Program. While the reach may be to include additional low income customers, without budget and staff increases, AE will not be able to serve greater numbers. Increasing to 250% will allow more people to be on a waiting list but does not ensure more people are served, thus negatively impacting customer satisfaction.
21	Ltd support for window AC - medically vulnerable Oppose HVAC	Make Energy Star window unit air conditioners the standard energy efficiency improvement services option in the low income weatherization program and to include under limited circumstances, repair and replacement of central air conditioners	Not a current consideration	High	Low	A very small percentage of weatherized homes rely on a window unit A/C. In those cases and if the unit is beyond effective useful life, AE currently will replace the window unit. However, there are no plans to encourage install of more window units in homes with central systems. Staff is currently investigating the possibility of including some minor repairs to existing central AC units in the Free Weatherization program.
22		Austin Energy should allow for repayment for energy efficiency retrofits on a customer's monthly utility bill. Financing would come from a third-party not from the utility itself. Rebates should also be provided for qualifying measures	Under consideration	High	Moderate	This recommendation will mean a change to the current billing system as well as the need for additional tracking methods to ensure that payments are made and are not impacting AE debt or customer service. Staff will assess prospectively.

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		Recommendation	Current Status	Budget Impact	Feasibility	AE Response
23		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	Under consideration	Moderate	Moderate	Much of what is in the recommendation currently exists in the relationship AE has with Housing Repair Coalition. The primary difference of AE releasing money to the Housing Repair Coalition would require additional fund tracking. AE cannot purchase items in bulk in a cost-effective manner. Additional appliances, while they may be Energy Star, do not equate to energy savings, but may lead to increases on the electric bill.
24		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 customer registry of Austin Energy	Currently a part of AE Process	Moderate	High	This change was effected in FY15.
25		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	Not a current consideration	Moderate	Low	During the Affordable Energy Policy Summit, this recommendation was presented to several social service agencies that partner with AE to support low income customers. The overwhelming response was negative, fearing that AE would be loaning money to customers who could not afford increased household costs, thus setting them up for further financial failure. This requires Department of Energy approval (to amend grant terms associated with funding Velocity Credit Union revolving loan provisions).
26		A residential moderate income energy efficiency program should be created to provide low interest financing for Austin Energy customers with low moderate family incomes to weatherize their homes and to purchase energy efficient cooling and/or heating appliances.	Not a current consideration	Moderate	Low	See above.
27		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	Under consideration	Moderate	Moderate	Changes to metering and interconnection processes, the billing system, and incentive program guidelines are required for this recommendation. Further study of potential uptake and impact should be done to ensure benefits outweigh costs.
28		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	Under consideration	Moderate	Moderate	EES is coordinating with CAP to create a multifamily low income program. With the recent acquisition of Census data tied to billing data, we are better able to create a program that will target low income multifamily properties. Participation by property owners, who do not directly benefit from the energy savings, will most likely be driven by the percentage of total costs covered by the rebates. This recommendation may not be compatible with the spend of 25% of the budget on low income programs or with the 1% annual savings goal.
29		Make Energy Conservation Audit Disclosure (ECAD) disclosure forms for multi-family properties available on the city's website	Currently a part of AE Process	Low	High	ECAD data is currently available on the City of Austin's data portal. Plans are underway to increase the amount and type of data available. With the CY15 report, we will provide Energy Use Index reports for all reporting multifamily properties. Additionally, the AE website provides a list of multifamily properties that have gone through energy efficiency improvements.
30		The Energy Conservation Audit Disclosure (ECAD) Program 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	To be part of FY16 process	Low	High	The new recognition process will be part of the CY15 release of data.
31		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	Not a current consideration	High	Low	This is beyond the scope of the current ordinance as well as the scope of AE. To fully implement, AE would need additional staff with skill sets beyond the current energy efficiency staff. It may be more appropriate that enforcement fall to Code Compliance. AE could work with Code Compliance staff to provide information regarding compliance and metrics.
32		Austin Housing Finance Corporation should condition financing approval to applicants involved with affordable housing with a requirement that the applicant seek energy efficiency services from Austin Energy, including solar for new and substantial rehabilitation construction	Not a current consideration	Moderate	Low	This is not within the scope of AE. Higher rebates will impact both budget and savings goals.

LICATF Rec. #	Minority Report	Recommendations as Cited in LICATF Report				
		Recommendation	Current Status	Budget Impact	Feasibility	AE Response
33	Opposed	Continue the work of the Task Force through a new entity representative of the 10-1 Council and focused on affordability	Not a current consideration	Moderate	Low	The work has been completed by the current task force and a separate affordability commission already is tasked with this effort. Support of the LICATF required a significant cost in staff time, with nearly 5,000 hours of staff time and over \$350,000 in staff costs to support the current task force.
34		Conduct an audit and evaluation of the utility billing system	Currently a part of AE Process	High	Low	The billing system has been audited twice in the past 2 years by Deloitte and Touche (D&T) and the Office of the City Auditor, both with successful results. Another audit by D&T is already scheduled.
35		Expand the scope of the ECAD ordinance to provide energy audit information to renters in properties with 1 to 4 units	Not a current consideration	Moderate	Low	An update to the current ordinance would be needed and may result in negative, unintended consequences. AE does not currently have the records to track multifamily/rental properties to the level of single family homes.
36		Amend the multi-family program to better increase the efficiency of air conditioners in rental properties	Not a current consideration	High	Moderate	This will increase the rebate cost within the multifamily program, thus decreasing the reach of the program. This recommendation may not be compatible with the budget percentage goal previously noted.
37		Promote a free energy audit to renters that experience high bills.	Currently a part of AE Process	Moderate	Moderate	AE currently offers energy audits to customers. Increasing it to a mandatory audit will require additional staff and budget as there are completed individually onsite.
38	Opposed	Explore avenues for increasing funds for incidental repairs made in conjunction with the weatherization program	Not a current consideration	High	Moderate	This is beyond the current AE scope. This would require additional skill sets for energy efficiency contractors. This would decrease the reach of the program.
39		Consider a One Stop Weatherization Process	Not a current consideration	Moderate	Moderate	AE currently works with several city departments and utility service providers in a coordinated effort to assist our low income customers. The process to create a universal application form will need to include specific data privacy parameters to which AE is held. Additionally, there will need to be a secure database where customer is stored for universal access to the applications. There are no current plans or budget for such a system.
40		Investigate and pursue funding from state and federal programs, the PACE program and private grant opportunities to help support and expand programs for low and low moderate income customers	Under consideration	Moderate	Moderate	AE can investigate the possibility of additional grants and external funding for low income programs. However, while money is provided for these programs, there are costs incurred by AE to administer and monitor the programs. PACE is not currently designed to apply to residential customers, other than through select multifamily properties.
41		Consider how to design Community Solar programs to benefit low and low moderate income residential ratepayers	Not a current consideration	Moderate	Low	Providing community solar to low income customers is not feasible at this time. Current plans for community solar show the program will be at a premium over the current fuel charge. Should low income customers participate, it will either prove too costly for limited incomes or the costs will need to be subsidized by the utility through increased charges to other utility customers.