



## Texas Gas Service Conservation Program Review

11.14.2016

Fox, Smolen & Associates, Inc. ("FSA") was contracted to review the Texas Gas Service ("TGS") Conservation Program and recommend potential changes to the operation and requirements of the program to the Office of Telecommunications and Regulatory Affairs ("TARA"). The program has existed for the City of Austin customers since the late 1980's. Since the gas conservation programs were initiated, applicable technology has improved the efficiency of appliances and other measures have also greatly improved. In addition, the availability of natural gas has greatly increased over the last decade due to improved drilling techniques.

Section 4.7 TGS Franchise Agreement with the City of Austin states:

The Company shall actively support the conservation of natural gas by designing, implementing, monitoring, and evaluating such conservation programs. The extent of the Company's specific participation in the conservation of natural gas shall be determined by Ordinances that the Council may adopt, from time to time, during the term of this Franchise. The Company shall work with the City to coordinate conservation programs in a manner which will avoid unnecessary duplication and will enhance benefits to the community. In working with the City, the Company shall attend meetings of the Resource Management Commission or successor board or commission, at least once every calendar quarter, for consideration of the Natural Gas Conservation Program.

This language grants broad latitude to the Company and the City to determine the goals and the nature of the Program. Given the improvements in technology and the City's emphasis on sustainability, this review is timely.

### **Methodology**

The following activities were proposed by FSA and agreed to by TARA.

- FSA held a focus group with the stakeholders.
- FSA conducted interviews to obtain anecdotal information about the Conservation Program.
- FSA reviewed materials related to program.

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- FSA monitored Resource Management Commission (“RMC”) meetings.
- FSA reviewed the method and sampled calculations from the TGS cost-benefit analysis performed by Charles Rabb, EnergyTools, and provided by TGS to the RMC and to TARA to review and evaluate the program.

## **Findings**

Overall, the program is favorably viewed by stakeholders that were involved in the review process. The stakeholders and/or FSA had following observations and conclusions.

- The values for electric savings and emissions were based on the Department of Energy sources, not Austin Energy’s or ERCOT’s generation mix.
- There has been very little follow-up to ensure program participants’ appropriate installation and individual customer’s operation of program measures.
- The stakeholders agreed that without the rebates many of the measures would not be undertaken due to the incremental cost of more efficient measures.
- The cost-benefit analysis was not mentioned in annual report submitted to the City and the RMC.
- Several of the interviewees stated that they would like to see goals or targets for program.
- The cost-benefit analysis, the report to the RMC and the budget process are not coordinated.
- There are no programs for transport customers and other large institutions, nor are these customers charged for the programs.
- The calculations sampled were mathematically correct.
- The current program measures do not define specific targets or goals for the measures included in the program.

## **Recommendations**

- TGS should provide a summary document to TARA stating general guidelines regarding how rebate amounts are set and how they are evaluated and removed/added each year.
- Texas Gas Service will present the proposed budget with the RMC after review and consultation with TARA. Texas Gas Service will continue to present updates quarterly to the RMC and will

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provide a draft copy of the Annual Report, including the cost-benefit analysis, to TARA for review before publishing it.

- An appropriate measurement and verification program should developed by TARA, TGS and the RMC. However, this could greatly increase the program's administrative expenses and the trade-offs in terms of the other administrative costs must be weighed.
- The values for electricity savings should be based on Austin Energy's current tariff and updated annually.
- The values for emission reductions should be based on the electricity that is purchased by AE from generators in ERCOT. AE can supply these values.
- TGS should encourage vendors to contact a sample households and businesses receiving rebates to provide post-installation information concerning the operation of equipment and the effectiveness of the measures
- The vendors should also be encouraged to discuss the operation of the equipment to achieve the claimed efficiencies. The vendors can also refer customers to the Texas Gas Service website for more information on appliance efficiency.
- Expansion of the program and measures for transport customers and other large institutions should be explored by TARA, TGS and the RMC.
- Continue to develop education and outreach materials concerning the rebates and weatherization programs.
- TGS, Austin Energy AE, and the Austin Water Utility should strive to use common assumptions for yearly Evaluation, Measurement and Verification (EM&V) efforts.
- TGS will keep administrative costs at or below 15%, as defined by the Public Utility Commission of Texas (PUCT) for electric conservation programs.
- TARA, the RMC and TGS are encouraged to discuss the EM&V findings for the entire rebate program portfolio. The 2016 Conservation Adjustment Clause tariff has specified that the program be approved based on a cost-effective portfolio and does not require each individual rebate offering to be cost-effective. The EM&V includes emissions abatement and energy savings.

**List of Materials Reviewed:**

Documents

TGS-FY2914 Conservation Program Report

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TGS-FY2915 Conservation Program Report  
2016 Budget Letter  
ACEEE State Energy Efficiency Standards (2009)  
California PUC Standard Practice Manual  
Quarterly Report to the RMC (June, 2016)  
Pecan Street Natural Gas Appliance Report

Public Utility Commission Energy Efficiency Rules  
25.181  
25.183

Streaming Video

Resource Management Commission meeting, February 16, 2016  
<http://austintx.swagit.com/play/02172016-1089/>  
Resource Management Commission meeting, April 19, 2016  
<http://austintx.swagit.com/play/04202016-764>  
Resource Management Commission meeting, May 17, 2016  
<http://austintx.swagit.com/play/05192016-749>  
Resource Management Commission meeting, June 21, 2016, Item a - TGS Quarterly Report & Comments  
by Paul Robbins  
<http://austintx.swagit.com/play/06222016-907>

**List of focus group participants:**

Kenneth Trout  
Pacific Kitchen and Home  
Specialty Sales Manager

Paul Robbins  
Greenbuilder

Sustainable Resources  
Policy Analyst

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Pecan Street Project  
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Way Service, Ltd.  
Sales Manager

Nick Wakem  
Energy and Sustainability Specialist  
Housing Authority of the City of Austin

Christopher Solis  
Sears

**List of interview participants**

Paul Robbins  
Green Builder

Charles Cloutman  
Vice-President of our Home Repair Program  
Meals on Wheels

Ken Trout  
Specialty Sales Manager  
Pacific Kitchen & Home

Cyrus Reed  
Resource Management Commission and Sierra Club

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