

Austin Energy Customer Energy Solutions Budget – Fiscal Year 2017

Overview

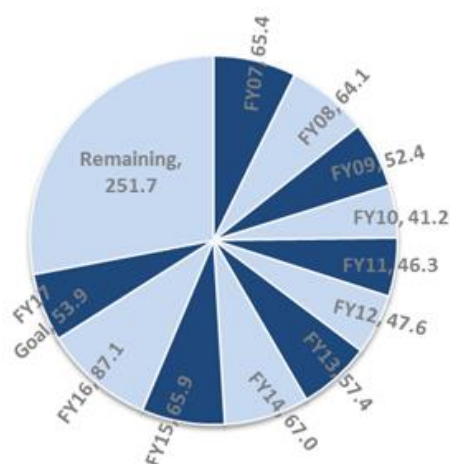
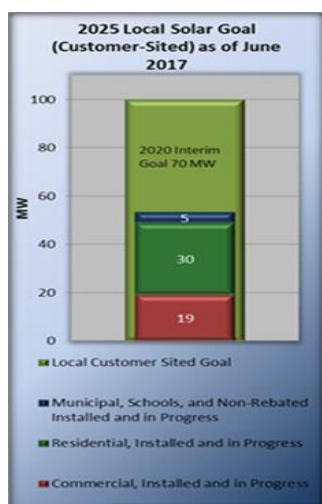
Austin Energy has led the nation in customer distributed energy resource (DER) program offerings for over 30 years. As defined herein, DER refers to energy efficiency and demand response (demand side management or DSM) programs, rooftop solar and storage. The purpose of these programs is to:

1. Save all Austin Energy customers energy and money, deferring the need to acquire and deliver more expensive 'supply side' resources. For FY16, life cycle costs for all DSM programs totaled 1.91 cents/kwh. This compares favorably to the 2016 average ERCOT (wholesale) real time price of 2.46 cents/kwh.¹
2. Enhance customer satisfaction by reducing barriers to installing cost-saving measures (appliances, highly efficient lighting, solar etc.). The programs reach all customer demographics and geographic areas. The graphics on Attachment 1 show FY16 DER participation in Austin Energy's service territory.
3. Achieve Council-established goals. City Council set a goal that the utility achieve a 900 MW demand reduction goal by 2025, with at least 200 MW coming from demand response programs subject to affordability limits. Council also directed Austin Energy to assess the potential to achieve even more ambitious goals of 1000 or 1200 MW of aggregate demand savings by 2025. The Council established a 200 MW goal for local solar by 2025 with 100 MW customer sited and elimination of solar incentives by 2020 or once customer-sited solar reaches 70 MW.

This document provides an overview of projected year end performance for FY17 and the assumptions underlying the proposed FY18 budget.

FY 2017 Results

Goal Status: Austin Energy is on track to post demand reduction savings of about 54 MW for FY17, or cumulatively 648 MW (72% of the goal) since 2007. To reach the 900 MW goal by 2025, Austin Energy will need to achieve a remaining savings of approximately 252 MW, or about 32 MW per year, while adhering to the affordability criteria.



By fiscal year end, 55 MW of customer-sited solar is estimated to be installed or in progress, leaving 15 MW to meet the 2020 interim solar goal, and 45 MW to meet the 2025 goal. AE has achieved 0.99% in targeted savings based on preliminary financial results and consumption vs generation in GWh.

¹Source: Potomac Economics, State of the Market Report, May, 2017.

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For FY17, the Customer Energy Solutions (CES) rebate budget totals slightly more than \$26 million, inclusive of approximately \$900,000 in funding carried forward from FY16 for unexpended weatherization funding and an additional \$2 million associated with the rate settlement. Of this amount, \$25 million is collected in the Energy Efficiency Services (EES) tariff and \$1 million is collected from the Customer Assistance Program (CAP) tariff, the latter earmarked for low income weatherization.

The CES Operations & Maintenance (O&M) budget, collected in the base rates, CAP and EES tariffs, total approximately \$21.6 million (of this \$14.5 million is collected in the EES tariff related to solar and demand side management program execution while the remaining such as Key Accounts, Electric Vehicles and Data Analytics support other AE goals and directives).

Key Program Accomplishments in 2017

Noteworthy highlights for FY17 are as follows:

1. Adopted the 2017 AE Rate Settlement.
2. Point of sale discounts since program inception at 72 locations with 19 participating retailers throughout AE's service territory, with discounts now available on Energy Star LED bulbs, heat pump water heater, do-it-yourself (DIY) products including entry door top and side seals, heat control window film and air filters. Wi-Fi thermostat program signage is provided at these locations.
3. For low income weatherization, the program has expanded to include AC tune-up, rebate and loan for qualified homes with CES and Customer Care (CC) calling over 7,000 potential customers.
4. The Energy Advisor program began in the spring as a partnership with CC to assist customers concerned about their bills.
5. Energy Efficiency programs have streamlined and automated processes reducing rebate processing time while increasing quality testing for AE customers' contractor equipment installations.
6. For Demand Response, there are 27 Power Partner Thermostats models participating and over 375 commercial meters of customers joining load coop.
7. 625 customers have installed solar to-date this year through the incentive program. Residential solar rebate uptake has moved the incentive to the last level in the capacity-based ramp down at \$0.50/W. Remaining capacity can be tracked at www.austinenergy.com/go/currentsolar.
8. App subscribers now have alert functionality notifying customers of usage tiers and if their PV system stops producing energy for three consecutive days.
9. Austin Energy's Community Solar Program was launched utilizing the solar generation from the 185 kW rooftop PV system on the Palmer Events Center. The Kingsbery community solar project is under construction and expected to add 2.5 MW of capacity to the Community Solar portfolio in early FY18.
10. Austin Energy is developing a Shared Solar solution for individually-metered multifamily affordable housing properties, with expected pilot availability in 2018.
11. At the request of community stakeholders through the 2017 Rate Case, Austin Energy studied and is proposing a commercial Value of Solar rate to take effect in 2018.

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12. Effective April, 2017, energy code savings from building permits for Commercial, Residential and Multifamily Green Building projects will be reported in the corresponding month one year post permit. Prior to the change, savings were reported upon issuance of the permit. This change was made to better align the claimed savings with building occupancy rather than the initiation of construction. Therefore, projected energy code savings for FY18 reflect the time lag caused in the change in reporting methodologies.
13. Pursuing a cost/benefit tool for teams to use to develop new program strategies.
14. Provide online survey services to AE and several other City of Austin departments.
15. Created a database which combines billing data with tax appraisal, Census and psychographic data for a broader view of current and prospective customers.
16. Developed tools for Customer Service Reps (CSRs) to use when discussing billing issues with customers.
17. GreenChoice is #10 in the nation in top green pricing programs.

Expected savings by program are shown in Attachment 2. The attachment also reflects savings goals for FY18.

FY18 Program Budgets

The FY18 proposed program budget for CES programs is shown in the chart below. As noted, most costs are recovered via the Energy Efficiency component of the Customer Benefit Charge (CBC). The CAP weatherization program costs are recovered in the CAP component of the (CBC) and other expenses are recovered in base rates. The proposed FY18 EES recoverable budget represents approximately a \$5 million decrease over the FY17 budget as originally approved by Council.

Customer Energy Solutions FY2017 Amended vs FY2018 Proposed Budgets			
COMPONENT		FY 2017	FY 2018
CBC-CAP Recoverable	CAP Weatherization Program	1,000,000	1,000,000
	CAP Weatherization Rollover	271,117	0
CBC-CAP Recoverable Total		1,271,117	1,000,000
CBC-EES Admin	Outreach and marketing	978,276	889,789
	Green Building Prgm	2,888,047	453,637
	Green Building - Res	0	804,370
	Green Building -Com	0	862,733
	Green Building -Evaluation & Dev	0	760,691
	DSM Management	938,639	632,072
	DSM Program Mgmt.	1,906,471	1,843,771
	DSM Program Support	2,330,627	2,571,634
	DSM Solar Program	1,346,029	1,202,198
	EES Technical Support	2,980,049	1,108,722
	DSM Commercial/MultifamilyPrgm Mgmt	1,115,316	1,178,268
CBC-Energy Efficiency Admin Total		14,483,454	12,307,885
CBC-EES Incentives	AE Weatherization	1,777,000	1,277,000
	AE Weatherization Rollover	618,491	
	Multi-Family Rebates	2,500,000	1,850,000
	Loan Options	140,000	250,000
	Commercial-Existing Construction	4,000,000	2,400,000

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Customer Energy Solutions FY2017 Amended vs FY2018 Proposed Budgets			
COMPONENT		FY 2017	FY 2018
	Small Businesses	2,160,000	1,700,000
	Green Building	306,000	0
	Commercial Power Partner	340,000	290,000
	Res. Solar Program	4,390,000	5,000,000
	Comm Solar Performance Based Incentive	3,110,000	2,500,000
	Residential Power Partner-Aggr	850,000	1,608,000
	Load Coop	400,000	1,237,000
	Thermal Energy Storage	28,000	28,000
	Home Performance w Energy Star	2,200,000	1,700,000
	Appliance Efficiency Program	1,200,000	1,300,000
	Point of sale discounts -SPUR	900,000	900,000
	Municipal Conservation Program	100,000	60,000
CBC-EES Incentives Total		26,290,608	23,100,000
Base Rate Recoverable	Key Accounts Management	1,705,219	1,787,219
	Data Analytics & Business Intelligence	3,148,737	3,684,218
	CES Admin	471,400	458,083
	Electric Vehicles	1,018,195	1,020,171
	Emerging Technologies	477,384	484,421
	Electric Vehicles Incentives	315,000	315,000
	CES Corporate	31,059	35,273
Base Rate Recoverable Total		7,166,994	7,784,385
Grand Total		48,081,056	43,192,270

Staff developed the proposed FY18 budget after extensive review of opportunities and challenges within each market sector, with the objective of ensuring Austin Energy reaches our 900 MW DSM and 200 MW local solar targets in a manner that is cost effective, while providing benefits to all sectors of the residential and commercial customer classes we serve. With respect to comparisons between FY17 and FY18, following are key adjustments:

1. Removed the \$2 million associated with the Rate Settlement and \$2,900,000 to meet budget targets through streamlining and automating processes, reduction of temporary and contract staff.
2. Shifted \$1.6 million to Demand Response residential and commercial programs from energy efficiency in similar sectors as cross promotion, new vendors and dashboard tools have significantly increased participation.
3. Increased the residential program loan budget by \$110,000 to support the new low income AC loan.
4. Decreased the marketing budget by \$90,000.
5. Reduced the Solar O&M budget by almost \$200,000 due to a reduction in temporary staffing positions, expected interdepartmental reimbursement from Development Services Department (DSD) for electrical code inspections, and reduction in budget for expected vehicle expenses thanks to fleet consolidation across Solar and EES.

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6. Solar Residential and Commercial incentive budgets were adjusted to reflect expected expenditures, including modeled performance based incentive (PBI) payments for existing commercial projects.
7. Green Building Incentives budget was adjusted to reflect the status of the project pipeline for the next 12 months for this recently initiated program, which pays incentives after project completion and verification of savings from the project. At this time, no projects are anticipated to be due rebates over the next 12 months.
8. Decreased municipal conservation programs budget by \$40,000. Funding will be used for proof of concepts in government buildings.
9. Increased funding for Data Analytics & Business Intelligence by almost \$500,000 to account for a cost benefit tool and M&V consultant.

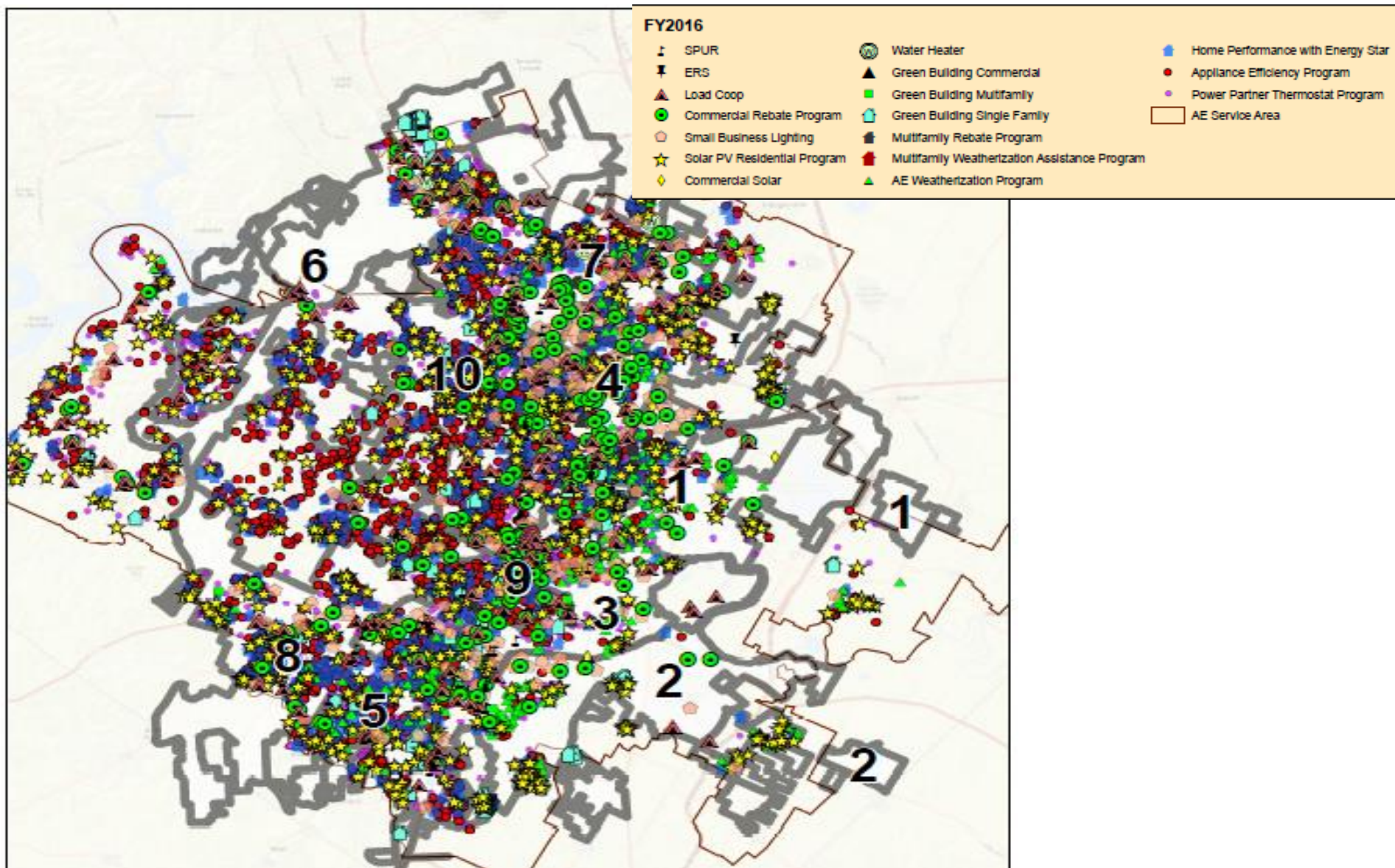
Energy Efficiency Tariff – CBC

The foregoing costs would be recovered in the Energy Efficiency Services (EES) tariff. The latest FY18 budget does not include changes to the EES rate. However, the over/under recovery will be monitored by AE and rates may change accordingly.

Rate Class	\$/kwh Proposed Tariff
Residential	\$0.00251
Secondary 1 (<10 kW)	\$0.00251
Secondary 2(\geq 10 kW<300 kW)	\$0.00251
Secondary 3 (\geq 300 kW)	\$0.00251
Primary 1 (< 3 MW)	\$0.00245
Primary 2 (\geq 3 MW < 20 MW)	\$0.00245
Transmission 1	\$0.00242



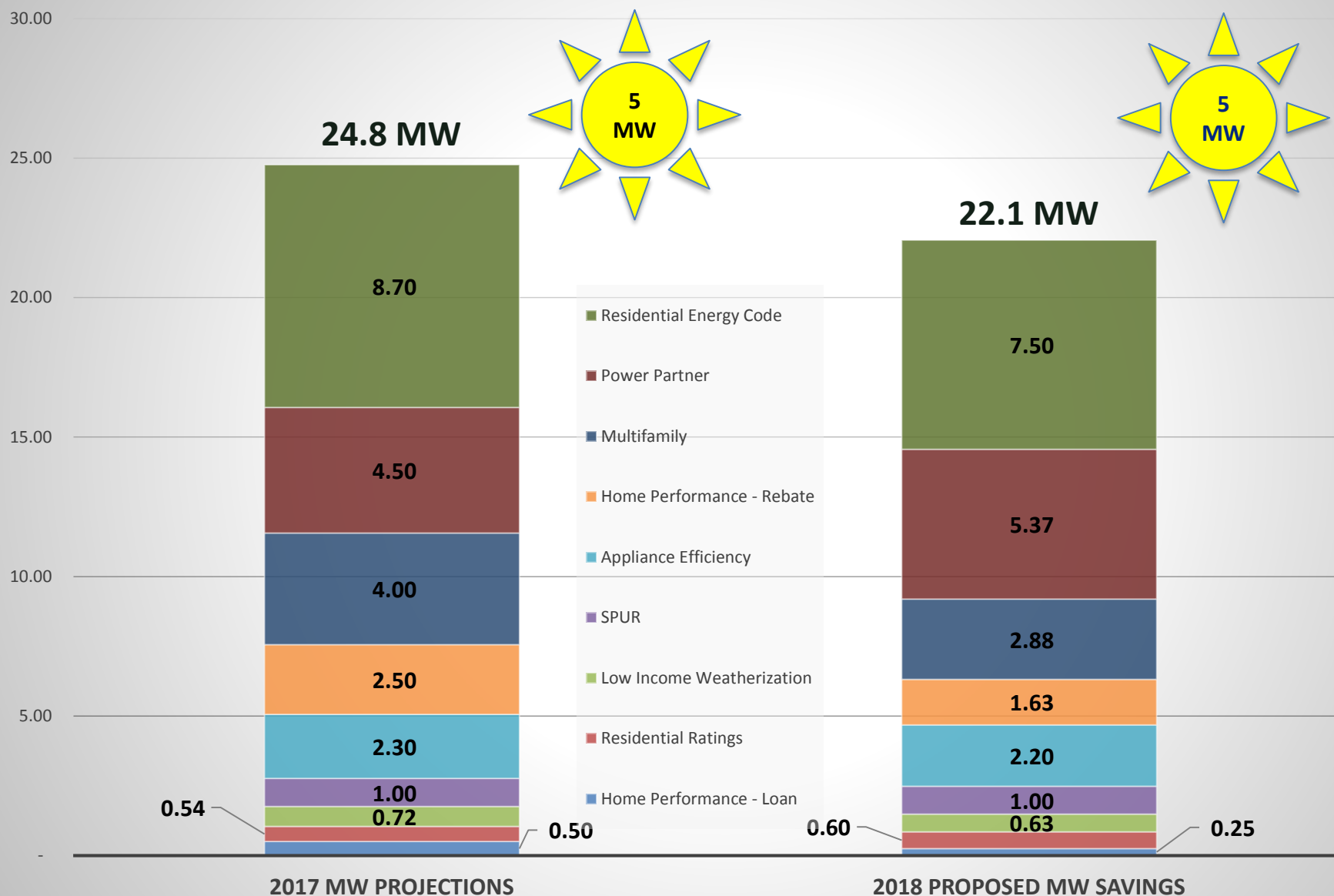
FY16 Rebates by Council District





Residential Program MW FY17 Projected & FY18 Proposed*

ATTACHMENT 2

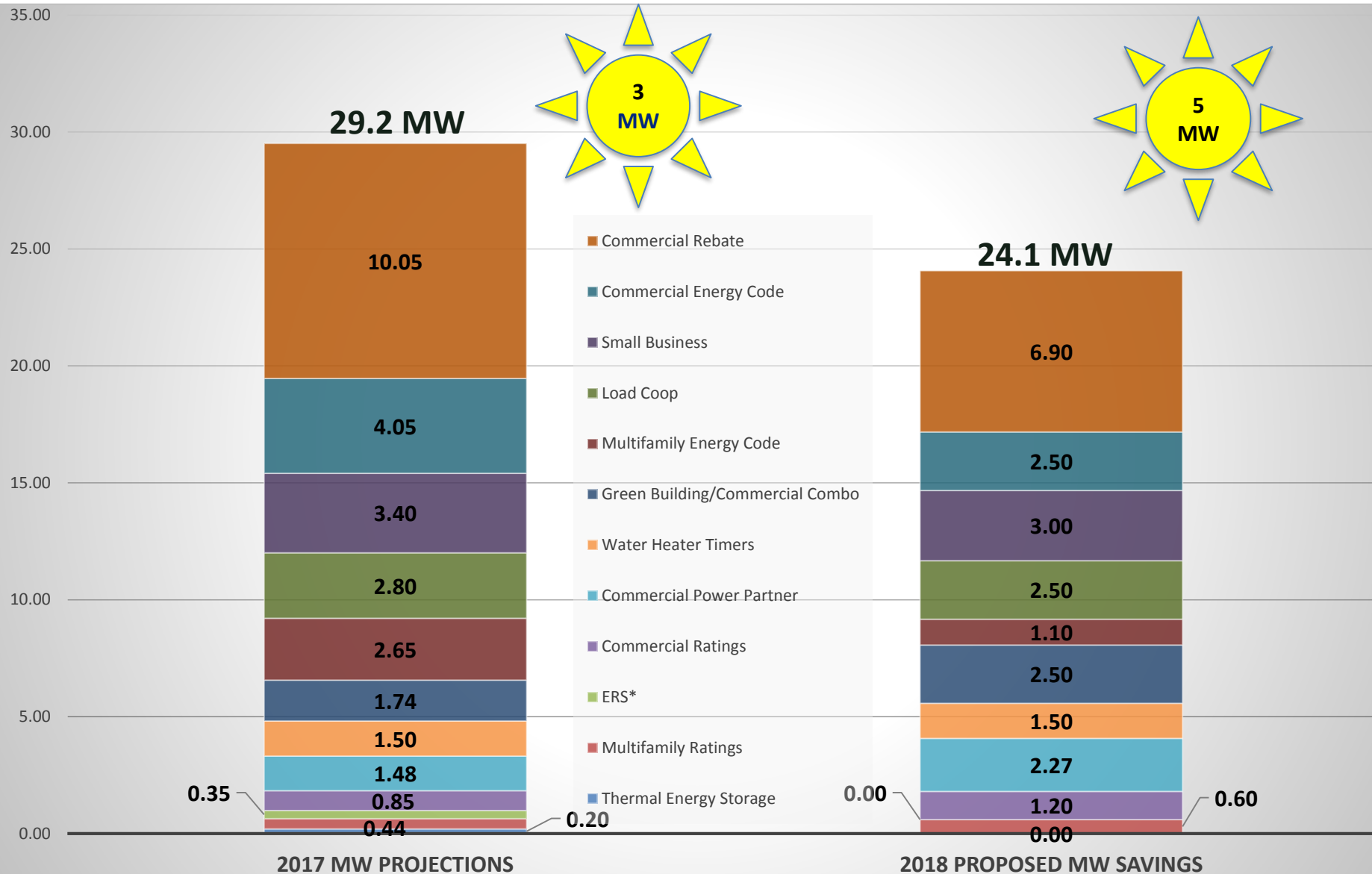


*CBC Recoverable Programs, unaudited, SPUR Strategic Partnership between Utilities and Retailers (point of sale discounts).



Commercial Program MW

FY17 Projected & FY18 Proposed*



*CBC Recoverable Programs, unaudited. ERS demand savings from program inception is 17 MW