



MEMORANDUM

TO: Mayor and Council Members

CC: Spencer Cronk, City Manager

FROM: Jackie A. Sargent, General Manager, Austin Energy
Greg Meszaros, Director, Austin Water

DATE: April 3, 2020

SUBJECT: **COVID-19 Utility Bill Relief Measures (Resolution No. 20200326-092)**

On March 26, 2020, the Austin City Council approved Resolution No. 20200326-092 directing the City Manager to explore options available to reduce the impact of utility bills as the City asks our community to work from home or otherwise stay at home to help reduce the spread of the coronavirus. The resolution directed the City Manager to, at a minimum, consider adjusting eligibility criteria for the Plus 1 emergency financial aid program to make it accessible to individuals who have experienced an impact to their job or earnings as a result of COVID-19 and consider other options for utility rate relief for residential customers.

Over the last week, Austin Energy and Austin Water have analyzed various bill relief options and have coordinated to ensure ease of implementation in order to find measures that can start immediately. This memorandum summarizes the recommendations of Austin Energy and Austin Water regarding utility rates and customer assistance, with cumulative changes that provide approximately \$46 million in utility bill relief through September 30, 2020.

Austin Energy's recommendations for customer assistance and rate adjustments propose approximately \$35 million in electric bill relief. Austin Water's recommendations for customer assistance and rate adjustments propose approximately \$11 million in water and wastewater bill relief. The measures developed by the utilities provide two types of customer relief, addressing two related but distinct issues our customers are facing. The first is to address the needs of customers experiencing loss of income or other financial hardship resulting in difficulty paying utility bills. The second is to provide overall rate reductions to minimize the ongoing impact of increased electric and water consumption as residents Stay Home – Work Safe.

These changes, as well as ratifications to customer assistance measures already made administratively, will be brought forward in an ordinance for City Council's consideration on April 9, 2020. Austin Energy and Austin Water rates and discounts are structured differently, and while this memo describes both utility's bill relief efforts, please note that a side-by-side comparison is difficult.

I. Customer Assistance Programs

The City of Austin Customer Assistance Programs (CAP) provide help to utility customers facing temporary and long-term financial difficulties as well as serious medical problems. Two primary aspects of this help are the CAP Utility Bill Discount Program and the Plus 1 Financial Support Program. The discount program helps customers on low or fixed incomes to save an average of \$650 a year. The Plus 1 program provides emergency financial aid to customers who are having a temporary problem paying utility bills. In order to provide direct, targeted relief to our most vulnerable customers experiencing hardship in paying utility bills, Austin Energy and Austin Water propose the following program enhancements.

a. Austin Energy increase in CAP Discount

Austin Energy proposes a 50% increase in the CAP discount provided to electric customers. Austin Energy's CAP customers currently receive a 10% discount on their monthly electric bill, are not assessed the \$10/month Customer Charge, and are not assessed the CAP portion of the Community Benefit Charge. In order to further assist customers who may be hit hardest by the economic effects of the coronavirus pandemic, Austin Energy seeks to increase the CAP discount to 15%. This action is estimated to provide an additional \$1 million in support for CAP customers. In addition, Austin Energy seeks to enroll more customers who are eligible for CAP under the recent addition of income eligibility¹.

b. Austin Water reduction in CAP Water Rates

Austin Water proposes a 10% rate reduction of tiers 1, 2, and 3 for water volume rates and tiers 1 and 2 for wastewater volume rates for CAP customers. This rate reduction for CAP customers will reduce the average CAP customer monthly bill by 6.0%. This CAP rate reduction will provide additional bill relief for all CAP residential customers through September 30, 2020.

Reducing rates for water volume blocks 1-3 will provide bill relief for CAP customers using up to 11,000 gallons of water per month. Typical residential indoor water use is approximately 5,800 gallons/month and those customers who may be seeing increased water and wastewater use as a result of the work at home order will benefit from the lower rates. Austin Water is not recommending changes to water blocks 4 and 5. These tiers are primarily used for residential irrigation demands during the summer months.

c. Additional Contributions to Plus 1 Program

Austin Energy and Austin Water will each contribute an additional \$5 million, a combined \$10 million, to the Plus 1 financial support program. This will result in \$7.3 million budgeted for Austin Energy and \$5.5 million budgeted for Austin Water during FY2020, and a grand total of \$12.8 million in Plus 1 assistance for City of Austin Utilities customers in FY2020.

In order to effectively distribute these additional Plus 1 funds to those effected by COVID-19, the utilities are making programmatic changes expanding eligibility requirements to include customers

¹ In addition to existing CAP discount eligibility based on a member of the household being enrolled in a government assistance program, customers can now qualify based on income. All customers with incomes at or below 200% of Federal Poverty Level may receive the CAP discount.

experiencing financial hardship due to the effects of the pandemic and related state and local emergency orders. This work is in process and program amendments and qualifications are underway. The City will develop guidelines that focus on responsiveness and flexibility for verifying eligibility and enrolling customers claiming financial hardship due to the pandemic.

Funding will come from each utility's Community Benefit Charge (CBC) fund. These funds have adequate reserves to support transferring these dollars immediately to ensure needed payment assistance is available to all residential customers experiencing hardship paying their electric bills and water and wastewater bills.

This proposal will require Council to approve budget amendments to the FY2020 CBC funds.

II. Rate Adjustments

Economic impacts associated with the Stay Home – Work Safe orders will likely be felt by all City of Austin Utilities customers. While our CAP customers are generally the most vulnerable within our community, many other customers will experience economic hardships. Currently, our customers are seeing higher water and electricity usage as a result of staying home. An increase in electric usage will be particularly acute as temperatures rise. The following changes proposed for customers are to reduce applicable water and wastewater rates, reduce the electric bill Regulatory Charge, and to prevent residential electric customers from experiencing the pricing premiums of Tier 4 and Tier 5 consumption at a time when many can least afford it.

a. Reduction in Austin Water Rates

Austin Water proposes a 10% rate reduction of tiers 1, 2, and 3 for water volume rates and tiers 1 and 2 for wastewater volume rates for residential customers. This volume rate reduction will provide additional bill relief for all residential customers of \$6 million through September 30, 2020. This proposed rate adjustment requires Austin Water to propose and Council to approve a budget amendment to the FY2020 Fee Schedule. Implementation of reduced water and wastewater residential rates will be coordinated with Austin Energy to ensure proper testing of the billing system.

Reducing rates for water volume blocks 1-3 will provide bill relief for customers using up to 11,000 gallons of water per month. Typical residential indoor water use is approximately 5,800 gallons/month and those customers who may be seeing increased water and wastewater use as a result of the work at home order will benefit from the lower rates. Austin Water is not recommending changes to water blocks 4 and 5. These tiers are primarily used for residential irrigation demands during the summer months.

b. Reduction in Austin Energy Residential and Commercial Regulatory Charge

Austin Energy proposes a \$25 million reduction in Regulatory Charges, saving residential and commercial customers 3% to 4% on their electric bill. The Regulatory Charge component of the customer electric bill recovers Austin Energy's share of the statewide costs of managing, using, and maintaining the transmission grid, as well as other regulatory fees. Transmission charges and fees are based on Austin Energy's share of the summer statewide peak demand. Austin Energy currently has a positive regulatory balance that can support this action.

Austin Energy proposes to implement this decrease in the Regulatory Charge for residential customers immediately. By doing so now, rather than during the FY2021 budget, we can reduce customers' bills by an additional 3% to 4%, depending on usage. This change for commercial customers takes longer to implement and will be effective May 1, 2020.

This proposal will require Council to amend to the FY2020 budget and change the existing tariff.

c. Austin Energy Reduction of Rates for all Residential Usage Over 1,000 kWh

Austin Energy proposes to set energy charges for all residential electric customers at \$0.07814/kWh for all tiers of usage above 1,000 kWh. This action reduces the tiered structure for customers within the City of Austin from 5 tiers to 3 tiers and sets all residential customers' tier 3 rates to \$0.07814. For City of Austin customers, tier 1 and tier 2 rates are currently priced at 50% and 25% below the cost of service, respectively, which already provides significant relief for customers in those tiers. Tier 3 is set to the approximate cost of service. Tiers 4 and 5 are priced significantly higher than the cost of service and were designed to send conservation price signals to customers and to subsidize the lower priced tiers.

However, at this time, customers have less control over whether they may hit the higher tiers, causing bills to increase more dramatically than if the charges were based strictly upon their consumption. Austin Energy is proposing to remove the price signal pricing to provide relief for customers whose consumption increases as a result of Stay Home – Work Safe. This will require an amendment to the FY2020 budget and a change to the existing Austin Energy tariff schedule and can be effective immediately upon approval by City Council.

An important aspect of this change is that it can be implemented immediately by replacing Tier 4 and Tier 5 pricing with the Tier 3 rate. This is a non-structural change to the Austin Energy billing system. Structural changes to the bill or the tiering structure would take a minimum of 90 days for implementation and testing.

III. Summary and Future Actions

On the April 9, 2020 City Council agenda, Austin Energy and Austin Water will bring forward for consideration an ordinance with needed programmatic changes and budget amendments to provide the immediate relief needed by our customers during these unique circumstances and economic hardships. The cumulative effect is an estimated \$46 million in utility bill relief to customers through September 30, 2020 -- \$35 million in Austin Energy customer relief and \$11 million in Austin Water customer relief.

This assistance is in addition to City of Austin Utilities' efforts already underway to stop all utility disconnections, waive late fees, and place every customer in need on a payment arrangement that meets their financial needs.

Austin Water and Austin Energy are coordinating communication strategies to ensure our customers are aware of the additional funding for Plus 1 assistance and the rate adjustments. This will ensure that those experiencing significant hardship know the programs available to them over the next several months. In addition, our Utility Contact Center communicates with countless customers each day experiencing hardship due to the unprecedented coronavirus pandemic, and we will continue to respond to their needs and bring forward further recommendations as needed.