



MEMORANDUM

TO: Low Income Consumer Advisory Task Force (LICATF)

FROM: Debbie Kimberly, V.P., Customer Energy Solutions

DATE: July 31, 2015

SUBJECT: Response to Low Income Consumer Advisory Task Force (LICATF) Preliminary Recommendations

On June 12, 2015, the LICATF submitted an interim report with preliminary recommendations to the Mayor, City Council Members and Council staff. As the task force works to finalize its recommendations by October 1, staff has prepared a response to the interim report for your consideration and reference. The attached document is prepared in matrix form, and summarizes areas of staff agreement, and areas that pose concerns. Hopefully, this will be helpful in your deliberations in future meetings. Additionally, I've attached a catalog of all suggestions that have been introduced during the course of the 19 task force meetings held to date. To the extent it may assist in prioritizing recommendations of the task force, the document may lend itself to be used as a tool in a future meeting of the group.

As always, I am prepared to answer any questions the task force may have.

**Low Income Consumer Advisory Task Force Interim Recommendations
AE Response**

LICATF Draft Recommendations 6-12-15	Items Currently being Done and/or AE Agrees	Items in Disagreement	Comments/Background
Carryover All Unexpended Weatherization Funds (CAP and Supplemental Weatherization (AEWX) provided via the EES tariff)	AE can support this approach.		In 2013, the WX contract was not in place until late in FY13; as such, CAP and AEWX funds were underspent (\$1.2 MM audited). In 2014, \$1.375 M was spent on CAP (\$375 K over budget) and \$730K on AEWX (\$120K under budget). So, going into FY15, roughly \$1 M in 'cumulative carryover' funding remained. At this writing, staff anticipates <i>obligating</i> \$1.5 million and \$.5 million in CAP and AEWX funding in FY15. Additional funds may be encumbered when new weatherization contracts are finalized.
Dedicating Multi-Family (MF) Program Funds to Affordable Housing	AE supports increased outreach to MF housing that is occupied by a large percentage of low income residents. AE is developing a proof of concept launch in 2016. Properties will be identified using the Guide to Affordable Housing in the Greater Austin Area. Measures will be similar to the	Earmarking 50% of MF budget for low and moderate income properties is a general number without a defined basis. AE does not income qualify residents, other than for the CAP program. To do so would be administratively cumbersome not cost effective, pose data security	AE will continue to work with key stakeholders to create a multifamily program, determining the budget based on optimizing the AE customer program portfolio.

LICATF Draft Recommendations 6-12-15	Items Currently being Done and/or AE Agrees	Items in Disagreement	Comments/Background
	single family homes and implemented either using the new WX contract or through a voucher system similar to Texas Gas.	risks and create a potential deterrent to program participation.	
Improved Transparency in the Energy Efficiency Budget and Program Reporting A. Consistency to Commissions & Council B. Separate O&M Reports C. Exclusion of Energy Efficiency Program Costs in Budget Presentations D. By District E. Monthly, Quarterly and Annual	In response to sub-items A, B, C & E: a) AE provides monthly unaudited reports of the program costs and demand reduction for the weatherization and other energy efficiency programs to the Resource Management Commission (RMC) and posts these reports to the AE Corporate data library monthly. b) AE will distinguish between CAP and EES - funded weatherization expenditures in reports In response to sub-item D: a) Currently, AE provides monthly reports of program participation, energy and demand savings, emissions reductions and water savings. AE also has provided	In response to sub-item A, B, C & E: a) Respectfully, staff takes exception with the tone and inaccuracies in this section that infer that data reporting is inconsistent and incomplete. Budget data is compiled and presented in a manner consistent with all other city departments; current year estimates are based on year to date information (audited results are not available until 6-7 months after the close of the fiscal year). To assert that <i>'Council did not have the opportunity to review these other programs funded with energy efficiency dollars'</i> is inaccurate. Staff responds to all Council queries relative to budget details – in writing and in person during the budget process.	

LICATF Draft Recommendations 6-12-15	Items Currently being Done and/or AE Agrees	Items in Disagreement	Comments/Background
	<p>participation by zip code. AE will work to develop reports that depict program reach by Council District, albeit with the caveats shown in the column right.</p>	<p>b) As AE's CFO advised the task force on June 5, the City and AE finance systems do not allow for the reporting of O&M costs at the program level. On an annual basis, after the close of the FY, staff allocates AE labor and administrative costs to programs based on an algorithm.</p> <p>In response to sub-item D:</p> <p>a) Reporting program data by Council member district will require modification of program software; while this can be accommodated, it will require time, expense and caveats. To be of most value, such reports need to i.) reflect CBC <i>contributions</i> by customer location/District, ii.) participation by customers who live outside the City, iii.) point of sale rebates (which may not align with customer residence/District and iv.) locations of commercial properties improved (versus payee location)</p> <p>b) The report infers that energy</p>	

LICATF Draft Recommendations 6-12-15	Items Currently being Done and/or AE Agrees	Items in Disagreement	Comments/Background
		usage is not tracked before and after for program participation. The TF has been provided various reports providing that information. Importantly, staff has demonstrated that occupancy changes at a residence will affect consumption.	
<p>Creating Workable Low Interest Energy Efficiency Loans for Low and Low Moderate Income Households for Window AC and Other Energy Efficiency Improvements; purchase appliances in bulk</p>	<p>a) AE has provided low interest loans to customers using \$5 million in Better Building grant funding to establish a revolving loan. Under the current guidelines, AE has a repayment of about \$500,000 to \$700,000 available for new loans annually. AE is working with Velocity Credit Union to offer loans to AE customers with lower credit scores and for smaller loan amounts in alignment with window AC. However, the market potential for such loans remains tenuous for the low income population (see comments right)</p> <p>b) AE is also negotiating with Velocity to further leverage</p>	<p>a) Low Interest Loans. At the June 1, 2015 LICATF meeting, it was observed that ‘no one from the community attending the meeting was enthusiastic about the loan recommendations.’” Similar concerns were raised at the low income summit. Staff believes that any loan program needs to be based on the existence of a market for said program.</p> <p>b) Repayment rates are dependent on many factors including the amount borrowed, loan term and credit score. The longer the loan repayment, the less funding AE would have to provide to other customers.</p>	<p>a) AE will research the best approach to assist low income customers through loan options.</p> <p>b) AE will also further explore on-bill repayment (utilizing a third party to fund loans, conduct credit assessments, etc.). Considerations would be the cost of modifying the existing billing system, additional staff required and other financial controls as the risks are further defined.</p>

LICATF Draft Recommendations 6-12-15	Items Currently being Done and/or AE Agrees	Items in Disagreement	Comments/Background
	the loan loss reserve to enable increased lending.	<ul style="list-style-type: none"> c) There is a higher risk of default with unsecured loans which would diminish the amount AE could loan to other customers. d) AE has purchased in bulk before. There are many issues including storage, start of warranty at the time of purchase, purchasing the appropriate product and the amount of funds spent in an inventory type situation. 	
Fractional (Virtual) Billing to Enable Multi-Family Residents in Affordable Housing to Receive Solar Benefits	AE will research sub-metering and billing regulations and further explore ability to implement within our billing system. .	AE Solar Services estimates \$1,000 in permit fees for a 190kW (\$570,000 @\$3/W) system; which is not a significant savings in permit fees for centralized vs individual systems. Savings in metering, conduit, and design, as well as aesthetic improvements, may be significant, though.	<p>“Virtual Metering” has a different meaning and use in our current billing system; Fractional Billing is more accurate to avoid confusion.</p> <p>A market assessment to better understand potential size of market would be helpful to understand potential benefit vs. cost to implement such a program.</p>

Table 1. Low Income Weatherization*

FY	CAP Budget	CAP Spent	CAP Ov/(Un)		AEWX Budget	AEWX Spent	AEWX Ov/(Un)	Combined Total Ov/(Un)
2013	\$1,000,000	\$75,728	(\$924,272)		\$849,850	\$477,567	(\$372,283)	(\$1,296,555)
2014	\$1,000,000	\$1,374,646	\$374,646		\$850,000	\$729,547	(\$120,453)	\$254,193
2015**	\$1,000,000	\$1,655,929	\$655,929		\$1,377,000	\$371,256	(\$1,005,744)	(\$349,815)
Total	\$3,000,000	\$3,106,303	\$106,303		\$3,076,850	\$1,578,370	(\$1,498,480)	(\$1,392,177)

* 2013 and 2014 based on fiscal year end audited numbers, 2015 encumbered July, 2015

** May encumber additional funds in FY15, contingent upon finalizing contract(s) with contractors

Low Income Consumer Advisory Task Force Catalog of Items Discussed

A. Budget and Reporting

1	Roll over unspent AEWX funding, along with unspent CAP weatherization funding at FYE to next year's budget.
1a	Establish reconciliation proceeding w/i 6 months of FYE to reconcile ov/un recovery of EE revenues and adjust budget as needed
2	Dedicate at least 50% of multifamily budget to weatherize MF properties where at least 50% of resident MF households have low to low moderate incomes
3	Report administrative and O&M costs for each program separately in budget and periodic reporting
4	Separately report CAP weatherization costs and results and distinguish from AEWX (funded with EES portion of CBC)
5	Track the following by Council district: consumption data, energy and demand savings attributable to program participation, demographics of participants, coordination with other publically funded programs
6	Provide monthly, quarterly and annual reports to RMC, EUC and City Council that reflect:
6a	Number of participants in each program that received incentives
6b	Dollar value of incentives
6c	kW and kwh savings by customer class and program type
6d	O&M costs by program
6e	Map and tables demonstrating amount and allocation of rebates by: customer class, program and District
6f	Map reflecting location of property receiving rebate and income level
7	Enhance annual report to include:
7a	Description of each program
7b	Budget and expenditures by program: EES, CAP and other programs funded from base rates and other sources
7c	Map and table of rebate recipients by Council District and customer class
7d	Map depicting location of each rebate recipient and income characteristics
7e	Allocation of rebates by customer class - residential, commercial and industrial - and size of customer as measured by kW
7f	Summary (eg. by SIC) of types of customers receiving rebates
7h	Description of program collaboration by AE and other governmental entities (city, county, state and federal)
7i	Program cost effectiveness information and manner in which such is calculated
7j	Emissions reductions per program

B. Financing

1	Bulk purchase appliances at discounted prices equal to highest discount obtainable from manufacturer or retailer
2	Provide low interest [unsecured] loans, through third party institution or COA, for installation of Energy Star AC and/or HVAC units to customers at or below 300% [or 400%] of federal poverty guidelines (\$500K for loan, on addition to rebates)
3	Provide low interest [unsecured] loans, through third party institution or COA, for installation of Energy Star window AC units to customers at or below 300% [or 400%]of federal poverty guidelines (\$500K for loans, plus rebates)
4	Lower credit score requirements for customers
5	Rely on contractors to market program
6	Implement on bill repayment
7	Ensure customers are not disconnected for failure to repay on bill loan/repayment
8	Promote PACE

C. Solar Program

1	Implement fractional metering for solar systems in MF housing and enable application of VOS to subscribed occupants
---	---

D. EE Measures: Low Income Weatherization

1	Set standard for repair and/or replacement of central AC.
2	Provide window AC/heating for vulnerable populations (at least one member ≥ 62 , child ≤ 6 or disabled)
2	Allow customer receiving benefits from affordable housing or housing repair program to automatically qualify for weatherization
3	Implement one stop program in conjunction with NHCD and HRC
4	Broaden cost effectiveness standard for low income weatherization - eg. triple bottom line
5	Seamlessly integrate low and low moderate EE programs with prescheduled affordable housing remodels and other major maintenance projects

E	EE Measures: MF	
1		Require AC and water heaters to meet [current] code to be eligible for MF program incentives
2		Change incentives for AC in older apartments (over 20 years old, up to \$300K)
3		Install demand meters on apartment complexes with over 4 units per building
F	EE Measures: Lighting	
1		Give away LED light bulbs
G	ECAD	
1		Increase ECAD outreach
2		Establish an award for MF properties that are in the best 20% of EUI
3		Require MF energy guide to disclose both summer and winter monthly electric cost as well as annual electric cost
3		Better enforce ECAD, in particular MF properties at 150% of average EUI, include budget allowance for enforcement in 2017
H	Building Codes	
1		Facilitate adoption of 2015 IECC for residential construction, net zero energy capable, including the following local amendments
	1a	Make all homes solar ready
	1b	Incorporate demand response, energy storage and EV charging technologies as appropriate
	1c	Require that all new SF homes built after 2016 offer optional roof top or community solar option
	1d	AE alternative compliance paths shall not undermine net zero energy capable goals
	1e	Adopt 2015 IECC code for commercial construction, including MF
	1f	Incorporate solar, demand response, storage and EV charging in commercial code amendments
	1g	Consider net zero capable goal for all other commercial buildings by 2020; establish task force to research and recommend
	1h	Update AEGP programs to incentivize builders to go beyond code
	1i	Improve coordination between AEGP and Code development and compliance to ensure code compliance
I	Other	
1		Target marketing and dedicate staff time to physically contacting landlords to convince them to retrofit buildings
2		Send \$2200 voucher/rebate directly to low income SF residents
4		Recommend future goals and funding levels for low and low moderate programs
5		Revise income eligibility to align with affordable housing programs
6		Provide higher HPwES incentives for customers at 200%-400% of federal poverty level
7		Hire, through competitive bid process, a multi-cultural bill counseling service to assist low and moderate income customers
8		Analyze and prioritize all LICATF recommendations using: A) benefit/cost ratios measured by peak demand saved divided by cost of measure, B) Payback in years measured by cost of upgrade divided by kwh saved and C) compare these measures with impact associated with increasing discount for CAP customers. Limit weatherization funds to \$1650/SF dwelling (updated for inflation). Limit health and safety repairs to \$200/SF home