



1301 South Mopac Expressway, Suite 400
Austin, TX 78746
texasgasservice.com

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OCT 13 2017

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October 13, 2017

Rondella Hawkins
Officer, Telecommunications and Regulatory Affairs
City of Austin
P.O. Box 1088
124 West 8th Street, Suite 210
Austin, TX 78701

Re: Texas Gas Service Energy Efficiency Program: Proposed Fiscal Year 2018 Budget

Dear Ms. Hawkins:

Enclosed, please find a copy of Texas Gas Service's proposed Fiscal Year 2018 budget for the Texas Gas Service Energy Efficiency Program. In addition to the proposed budget, we have included a narrative explaining the budget, changes to rebate offerings or amounts, updates to the program, the annual adjustment to Conservation Adjustment Clause rates as shown below, and included in the attached proposed rate schedule 1C.

Customer Class	Current Conservation Rate	Proposed Conservation Rate
Residential	\$.04990	\$.05210
Commercial	\$.00520	\$.00520

Larry Graham and I look forward to working with you and we are happy to answer any questions you may have concerning the budget or Energy Efficiency Program. Please do not hesitate to contact me.

Sincerely,

Hayley Cunningham
Manager, Energy Efficiency Programs
Texas Gas Service

c.c. Jannette Goodall,
City Clerk, Austin

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AUSTIN CITY CLERK
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Officer, Telecommunications and Regulatory Affairs
City of Austin
P.O. Box 1088
124 West 8th Street, Suite 210
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Re: Texas Gas Service Energy Efficiency Program: Proposed Fiscal Year 2018 Budget

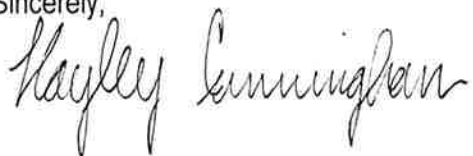
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Hayley Cunningham
Manager, Energy Efficiency Programs
Texas Gas Service

c.c. Jannette Goodall,
City Clerk, Austin

DATE: 10/13/17
TO: Rondella Hawkins
FROM: Hayley Cunningham, Texas Gas Service Energy Efficiency Program Manager
RE: 2018 Energy Efficiency Program Budget Memo

Attached is the 2018 Central Texas Energy Efficiency Program Budget. This budget is applicable to approximately 231,473 residential and commercial customers in the 16 incorporated cities in the Central Texas Service Area: Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum.

In 2017, we set a \$3.3 million budget and we estimate we will distribute the entirety of the budget before year-end. Customer demand for the TGS Energy Efficiency Program is at an all-time high.

We are proposing a \$3.48 million budget for 2018. This represents a 5.3% increase from the 2017 budget and an 8.5% decrease from the 2016 budget. The annual adjustment calculation to accommodate the \$3.48 million budget is \$0.0022 per Ccf to the residential rate. The average monthly residential bill impact at the proposed rates is \$1.48 per month compared to \$1.41 per month at current rates. This annual adjustment mechanism is a rate calculation that was approved as part of the CAC tariff effective October 26, 2016.

Currently, there is a surplus of funds that have been collected from commercial customers. To avoid a significant fluctuation in rates for the commercial customers which would result from removing the CAC rider for these customers and then reintroducing it once the surplus is depleted, TGS proposes that the commercial CAC rate remain unchanged. With the increase in commercial offerings and participation, we anticipate this surplus will be depleted over the next two years.

As per tariff requirements, the 2018 budget has been reviewed and the program portfolio is cost-effective. We are proposing several changes to rebate offerings or rebate amounts in 2018 in an effort to meet defined energy savings goals and cost-benefit stipulations, as outlined below:

Program Additions

Residential Retrofit:

- **Mail out kits** – These kits will contain 2 showerheads and 3 faucet aerators and will be sent out on request for customers who use natural gas for water heating
- **Low Income HVAC Rebate + Loan Program** – This program is offered in partnership with Austin Energy. The TGS Free Equipment Program will cover the cost of the furnace for qualifying participants

Commercial Direct Installation:

- **Dryer Smart** – Moisture sensing apparatus for commercial dryers
- **Steam Trap Replacement**

Programs to Sunset

Residential Retrofit:

- **High-Efficiency Natural Gas Water Heater: .67 EF - .81 EF**
- **Hydronic Heating**
- **New Natural Gas Vehicle**
- **Pre-Owned Natural Gas Vehicle**
- **Converted Natural Gas Vehicle**
- **Natural Gas Vehicle Refueling Station**

Residential New Construction:

- **High-Efficiency Natural Gas Water Heater: .70 EF - .81 EF**

- **Hydronic Heating**
- **Whole-Home Program 3-star AE Green Build/EnergyStar V3**
- **Whole-Home Program: 5-star AE Green Build**

Commercial:

- **Hydronic Heating**
- **New Natural Gas Vehicle**
- **Pre-Owned Natural Gas Vehicle**

Changes to Rebate Amounts:

Residential Retrofit:

- **Home Performance with Energy Star (HPwES)** – Reduce rebate amounts TGS offers in addition to Austin Energy's rebates for home improvement measures to accommodate large increase in participation
 - **Attic and vaulted ceiling insulation** – reduction from \$0.0035 x sq. ft. insulated x "R" unit added + \$45 Setup Fee to \$0.0025 x sq. ft. insulated x "R" unit added + \$45 Setup Fee
 - **Install New Insulated Duct**– reduction from \$2.00 per linear foot to \$1.50
 - **Insulate Existing Metal Duct**– reduction from \$2.00 per linear foot to \$1.00
 - **Total Rebate Cap**- reduction from \$1,500 to \$1,000
- **Tankless or Super High-Efficiency Natural Gas Water Heater** – reduction from \$750 to \$650

Residential New Construction:

- **Tankless or Super High-Efficiency Natural Gas Water Heater** – reduction from \$600 to \$400

Commercial:

- **EnergyStar Food Service Equipment** – change from 10% of equipment cost to fixed rebate of \$400

The 2018 budget allocation split as proposed is approximately 75% rebates, 13.5% operations and 11.5% education. Additional variances in the proposed 2018 budget are described below:

Residential

- **New Construction rebates:** The total amount of new construction rebates will be capped at approximately \$1 million, in line with prior years' expenditure. We continue to see high participation from the Housing Authority of the City of Austin (HACA) replacing furnaces and water heaters in their older facilities as well as many ongoing single family and multi-family construction projects; and
- **Low Income Free Natural Gas Equipment Program:** We are proposing an increase to the cap of this program by \$50,000, to \$300,000, for 2018 to allow for collaboration with Austin Energy in their new Low-Income HVAC Rebate + Loan Program. The Free Equipment Program is based on referrals from the Meals on Wheels and Austin Energy low-income weatherization programs

Texas Gas Service
2018 Central Texas Energy Efficiency Program Budget

	2018 Proposed		2018 Budget vs 2017 Budget	2017 Actual (9+3)		2017 Budget vs. Actual (9+3)		2016 Actual		2017 Actual (9+3) vs 2016 Actual	
	Rebate Count	Budget	Variance	Rebate Count	Expenditure	Budget	Variance	Rebate Count	Expenditure	Rebate Variance	Expenditure Variance
Commercial											
Water Heating Programs											
Water Heating System	-	\$ -	\$ -	-	\$ -			6	\$ 20,333	(6)	\$ (20,333)
Tankless or Super High-Efficiency Natural Gas Water Heater	20	12,000		4	2,400			24	14,400	(20)	(12,000)
Solar Water Heater with Natural Gas Backup	-	-		-	-			-	-	-	-
Total Water Heating Programs	20	\$ 12,000	\$ (18,383)	4	\$ 2,400	\$ 30,383	\$ (27,983)	30	\$ 34,733	(26)	\$ (32,333)
Natural Gas Dryer with Moisture Sensor Program	10	\$ 2,250	\$ (1,350)	4	\$ 900	\$ 3,600	\$ (2,700)	15	\$ 3,375	(11)	\$ (2,475)
Food Service Equipment Programs: EnergyStar griddles, fryers, convection ovens and steam cookers	10	\$ 4,000	\$ 3,857	2	\$ 3,500	\$ 143	\$ 3,357	2	\$ 763	-	\$ 2,737
Natural Gas Vehicle Programs											
Converted Natural Gas Vehicle	4	12,000		1	3,000			1	3,000	-	-
Natural Gas Vehicle Refueling Station	-	-		-	-			-	-	-	-
Total Natural Gas Vehicle Programs	4	\$ 12,000	\$ 9,000	1	\$ 3,000	\$ 3,000	\$ -	1	\$ 3,000	-	\$ -
Direct Install Programs (Measures)											
Weather Stripping	6,000	\$ 48,000		5,500	\$ 44,000			2,423	\$ 19,384	3,077	\$ 24,616
Low-Flow Handheld Showerhead	80	1,680		80	1,680			71	1,491	9	189
Low-Flow Fixed Showerhead	3,000	39,000		2,500	32,500			1,447	18,811	1,053	13,689
Low-Flow Faucet Aerator	5,000	65,000		4,500	58,500			2,824	36,712	1,676	21,788
Pre-Rinse Spray Valve	10	1,400		10	1,400			12	1,680	(2)	(280)
Dryer Smart	10	10,000		-	-			-	-	-	-
Steam Trap Replacement	10	4,000		-	-			-	-	-	-
Total Direct Install Programs	14,110	\$ 169,080	\$ 60,053	12,590	\$ 138,080	\$ 109,027	\$ 29,053	6,777	\$ 78,078	5,813	\$ 60,002
Total Commercial	14,154	\$ 199,330	\$ 53,177	12,601	\$ 147,880	\$ 146,153	\$ 1,727	6,825	\$ 119,949	5,776	\$ 27,931

	2018 Proposed		2018 Budget vs 2017 Budget	2017 Actual (9+3)		2017 Budget vs. Actual (9+3)		2016 Actual		2017 Actual (9+3) vs 2016 Actual	
	Rebate Count	Budget		Rebate Count	Expenditure	Budget	Variance	Rebate Count	Expenditure	Rebate Variance	Expenditure Variance
Residential											
Residential Retrofit											
Water Heating Programs											
High-Efficiency Natural Gas Water Heater: .67 EF-.81 EF		\$		8	\$ 800						
Tankless or Super High-Efficiency Natural Gas Water Heater: .82 EF or above	450	292,500		375	281,250			11	\$ 1,100	(3)	\$ (300)
Solar Water Heater with Natural Gas Backup								335	251,250	40	30,000
Total Water Heating Programs	450	\$ 292,500	\$ 115,923	383	\$ 282,050	\$ 176,577	\$ 105,473	346	\$ 252,350	37	\$ 29,700
Heating Programs											
Annual Natural Gas Furnace Tune-Up	650	\$ 26,000		525	\$ 21,000			372	\$ 14,880	153	\$ 6,120
Natural Gas Furnace: 80% AFUE or higher				1	75			284	\$ 21,300	(283)	\$ (21,225)
Natural Gas Furnace: 92% AFUE or higher	65	43,875		45	30,375			64	43,200	(19)	(12,825)
Total Heating Programs	715	\$ 69,875	\$ (69,707)	571	\$ 51,450	\$ 139,582	\$ (88,132)	1,015	\$ 101,505	(444)	\$ (50,055)
Natural Gas Dryer Programs											
Bonus Dryer Voucher	50	\$ 5,000		50	\$ 5,000			149	\$ 14,900	(99)	\$ (9,900)
Natural Gas Dryer with Moisture Sensor	1,000	225,000		1,000	225,000			1,052	236,700	(52)	(11,700)
Natural Gas Dryer Stub	50	15,000		50	15,000			50	15,000	-	-
Total Natural Gas Dryer Programs	1,100	\$ 245,000	\$ (53,681)	1,100	\$ 245,000	\$ 298,681	\$ (53,681)	1,251	\$ 266,600	(131)	\$ (21,600)
Total Natural Gas Vehicle Programs (Sunset)				4	\$ 8,000	\$ 11,000	\$ (3,000)	4	\$ 8,000	-	-
Home Improvement Programs (Participants)											
Duct Sealing, Replacement & Insulation	1,959	\$ 367,215		1,358	\$ 289,399			1,118	\$ 196,900	240	\$ 92,499
Attic Insulation	770	114,285		660	128,751			534	97,517	126	31,234
Wi-Fi Thermostat	15	375		13	325			3	75	10	250
Mail Out Kits: 2 showerheads, 3 faucet aerators	600	10,800		-	-			-	-	-	-
Total Home Improvement Programs	3,344	\$ 492,675	\$ 194,200	2,031	\$ 418,475	\$ 298,475	\$ 120,000	1,655	\$ 294,492	376	\$ 123,983
Total Residential Retrofit	5,609	\$ 1,100,050	\$ 175,735	4,089	\$ 1,004,975	\$ 924,315	\$ 80,660	4,271	\$ 922,947	(182)	\$ 82,028

Program	2018 Proposed		2018 Budget vs 2017 Budget	2017 Actual (9+3)		2017 Budget vs. Actual (9+3)		2016 Actual		2017 Actual (9+3) vs 2016 Actual	
	Rebate Count	Budget	Variance	Rebate Count	Expenditure	Budget	Variance	Rebate Count	Expenditure	Rebate Variance	Expenditure Variance
Residential New Construction											
	Water Heating Programs										

CONSERVATION ADJUSTMENT CLAUSE RATE

A. APPLICABILITY

The Conservation Adjustment Clause ("CAC") rate, calculated pursuant to Rate Schedule CAC, shall apply to the following rate schedules listed below for all incorporated areas served by the Company in its Central Texas Service Area which includes Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

B. CURRENT CAC RATE

<u>Rate Schedule</u>	<u>Customer Class</u>	<u>*Conservation Rate</u>
10	Residential Service	\$.05210
20	Commercial	\$.00520

*The Conservation Rate will change annually pursuant to Rate Schedule CAC.

Supersedes Rate Schedule Dated:

December 27, 2016 (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)

January 6, 2017 (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

Meters Read On and After:

December 27, 2017 (Cities of Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, TX)