
DATE: 10/15/18
TO: Rondella Hawkins
FROM: Hayley Cunningham, Texas Gas Service Energy Efficiency Program Manager
RE: Calendar Year 2019-2021 Energy Efficiency Program Budget Memo

Attached is the 2019-2021 Central Texas Energy Efficiency Program Budget, which has been prepared consistent with the terms of the revised Rate Schedule CAC that was filed with the city on October 1, 2018. This budget is applicable to approximately 223,032 residential, 12,065 commercial customers, and 348 commercial transportation customers¹ 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.

TGS is proposing a \$3.6 million² annual budget for 2019-2021, which represents a 3.4% increase from the 2018 budget. The increase is comprised of a 25% increase in funds for commercial programs to extend offerings to transportation customers and a modest increase in residential program funding, partially offset by lower administrative expenses. Lower administrative expenses are achieved through the more efficient administration of a three-year budget. The adjustment calculation to accommodate the \$3.6 million budget is a reduction to the average monthly residential bill impact of (\$0.35) compared to current rates.

As you may recall, extensive modifications to rebate offerings and rebate amounts were implemented for 2018 to improve the cost-effectiveness and increase the energy savings achieved through the program. The 2019-2021 budget, closely resembling the 2018 budget, has been reviewed and the portfolio is cost-effective as required by the tariff. TGS is proposing two minor changes to rebate offerings or rebate amounts to be offered from 2019-2021, as outlined below:

Program Additions: Commercial/Commercial Transportation:

- **Direct Installation Custom Program** – The custom program will be administered through CLEAResult and provide the opportunity for participation by customers who are not able to use standard offerings. The custom program includes free energy audits and/or custom rebates for energy efficiency improvements. The rebate amounts will vary and are based on the anticipated energy savings of the efficiency measures installed. This program addition is intended to serve the diverse range of transportation customer types, therefore it is included in the proposed 2019-2021 budget but is not included in the proposed 2019 budget.

Changes to Rebate Amounts: Residential Retrofit:

- **Home Performance with Energy Star (HPwES)** – Increase rebate amounts TGS offers in addition to Austin Energy's rebates for home improvement measures in response to feedback from HPwES contractors. Some TGS rebate amounts were reduced for 2018 to accommodate the large increase in customer participation. Due to the price of the measures increasing and the rebates decreasing, we are proposing that rebate levels for the following measures be increased to a level between the current rebate and prior rebate level.
 - **Attic and Vaulted Ceiling Insulation** – increase from \$0.0025 x sq. ft. insulated x "R" unit added + \$45 Setup Fee to \$0.0030 x sq. ft. insulated x "R" unit added + \$45 Setup Fee
 - **Install New Insulated Duct**– increase from \$1.50 per linear foot to \$1.75 per linear foot
 - **Winter Bonus** – complement Austin Energy's winter bonus with an extra \$100 TGS rebate, incentivizing off-season (October 15 – April 15) participation.

The 2019-2021 budget allocation split as proposed is approximately 76% incentives, 13% operations and 11% education.

¹ The revised Rate Schedule CAC incorporates commercial transportation customers into energy efficiency programs for the first time. Commercial transportation customers are not included in the stand-alone 2019 budget.

² The proposed 2019 budget is \$3.58 million.

Texas Gas Service
2019-2021 Central Texas Annual Energy Efficiency Program Budget

Commercial - Gas Sales & Standard Transportation	2019-2021 Proposed		2019-2021 Budget vs 2018 Budget	2018 Actual (8+4)		2018 Budget vs. Actual (8+4)		2017 Actual		2018 Actual (8+4) vs. 2017 Actual	
	Rebate Count	Budget		Rebate Count	Expenditure	Budget	Variance	Rebate Count	Expenditure	Rebate Variance	Expenditure Variance
Water Heating Programs											
Water Heating System											
Tankless or Super High-Efficiency Natural Gas Water Heater: 2 .81 UEF	1	\$ 7,000	\$ 7,000	-	\$ -	\$ -	\$ -	-	\$ -	-	\$ -
Solar Water Heater with Natural Gas Backup	5	3,000	-	-	-	12,000	-	2	1,200	(2)	(1,200)
Total Water Heating Programs	6	\$ 10,000	\$ (2,000)	1	7,000	\$ -	\$ (5,000)	2	\$ 1,200	(1)	\$ 7,000
Natural Gas Dryer with Moisture Sensor Program	6	\$ 1,350	\$ (900)	4	\$ 900	\$ 2,250	\$ (1,350)	4	\$ 900	-	\$ -
Food Service Equipment Programs: EnergyStar griddles, fryers, convection ovens and steam cookers	15	\$ 6,000	\$ 2,000	8	\$ 3,200	\$ 4,000	\$ (800)	3	\$ 2,281	5	\$ 919
Natural Gas Vehicle Programs	3	9,000	-	1	3,000	12,000	-	-	-	1	3,000
Converted Natural Gas Vehicle											
Natural Gas Vehicle Refueling Station											
Total Natural Gas Vehicle Programs	3	\$ 9,000	\$ (3,000)	1	\$ 3,000	\$ 12,000	\$ (9,000)	-	\$ -	1	\$ 3,000
Direct Install Programs (Measures)											
Weather Stripping	12,000	\$ 96,000		12,500	\$ 100,000	\$ 48,000		11,680	\$ 93,440	820	\$ 6,560
Low-Flow Handheld Showerhead	300	6,300		285	5,985	1,680		169	3,549	116	2,436
Low-Flow Fixed Showerhead	\$13	750		770	10,010	39,000		1,011	13,143	(241)	(3,133)
Low-Flow Faucet Aerator	2,500	32,500		2,250	29,250	65,000		2,538	32,994	(288)	(3,744)
Pre-Rinse Spray Valve	40	5,600		40	5,600	1,400		43	6,020	(3)	(420)
Dryer Smart	10	\$12,000		2	2,000	10,000		-	-	2	2,000
Steam Trap Replacement	100	40,000		90	36,000	4,000		-	-	90	36,000
Custom	10	20,000									
Total Direct Install Programs	15,710	\$ 222,150	\$ 53,070	15,937	\$ 188,845	\$ 169,080	\$ 19,765	15,441	\$ 149,146	496	\$ 39,699
Total Commercial - Gas Sales & Standard Transportation	15,740	\$ 248,500	\$ 49,170	15,951	\$ 202,945	\$ 199,330	\$ 3,615	15,450	\$ 153,527	501	\$ 49,418

	2019-2021 Proposed		2019-2021 Budget vs 2018 Budget		2018 Actual (8-4)		2018 Budget vs. Actual (8-4)		2017 Actual		2018 Actual (8-4) vs. 2017 Actual	
	Rebate Count	Budget	Variance		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					1	\$ 100	\$ -		7	\$ 700	(6)	\$ (600)
Tankless or Super High-Efficiency Natural Gas Water Heater: 2-.81 UEF	510	331,500			520	346,200	292,500		366	274,500	154	71,700
Solar Water Heater with Natural Gas Backup												
Total Water Heating Programs	510	\$ 331,500	\$ 39,000		521	\$ 346,300	\$ 292,500	\$ 53,800	373	\$ 275,200	148	\$ 71,100
Heating Programs												
Annual Natural Gas Furnace Tune-Up	915	\$ 36,600			900	\$ 36,000	\$ 26,000		557	\$ 22,280	343	\$ 13,720
Natural Gas Furnace: 80% AFUE or higher							\$ -		2	\$ 150	(2)	\$ (150)
Natural Gas Furnace: 92% AFUE or higher	75	50,625			76	51,300	43,875		58	39,610	18	11,690
Total Heating Programs	990	\$ 87,225	\$ 17,350		976	\$ 87,300	\$ 69,875	\$ 17,425	617	\$ 62,040	64	\$ 3,135
Natural Gas Dryer Programs												
Bonus Dryer Voucher	75	\$ 7,500			70	\$ 7,000	\$ 5,000		77	\$ 7,700	(7)	\$ (700)
Natural Gas Dryer with Moisture Sensor	1,100	247,500			1,075	241,875	225,000		882	198,450	193	43,425
Natural Gas Dryer Stub	65	19,500			64	19,200	15,000		49	14,700	15	4,500
Total Natural Gas Dryer Programs	1,240	\$ 274,500	\$ 29,500		1,209	\$ 268,075	\$ 245,000	\$ 23,075	1,008	\$ 220,850	201	\$ 47,225
Total Natural Gas Vehicle Programs (Sunset)	-	\$ -	\$ -		1	\$ 2,000	\$ -	\$ 2,000	3	\$ 7,000	(2)	\$ (5,000)
Home Improvement Programs (Participants)												
Duct Sealing, Replacement & Insulation	1,400	\$ 275,000			1,350	\$ 265,000	\$ 367,215		1,413	\$ 302,258	(63)	\$ (37,258)
Attic Insulation	675	135,000			604	100,000	114,285		695	134,190	(91)	(34,190)
Winter Incentive	300	30,000										
Wi-Fi Thermostat	12	300			10	250	375		12	300	(2)	(50)
Mail Out Kits: 2 showerheads, 3 faucet aerators	2,500	41,300			1,500	24,780	10,800				1,500	24,780
Total Home Improvement Programs	4,887	\$ 481,600	\$ (11,075)		3,464	\$ 390,030	\$ 492,675	\$ (102,645)	2,120	\$ 436,748	1,344	\$ (46,718)
Total Residential Retrofit	7,627	\$ 1,174,825	\$ 74,775		6,171	\$ 1,093,705	\$ 1,100,050	\$ (6,345)	4,121	\$ 1,001,838	1,755	\$ 69,742

Program	2019-2021 Proposed		2019-2021 Budget vs 2018 Budget	2018 Actual (8+4)		2018 Budget vs. Actual (8+4)		2017 Actual		2018 Actual (8+4) vs. 2017 Actual	
	Rebate Count	Budget	Variance	Rebate Count	Expenditure	Budget	Variance	Rebate Count	Expenditure	Rebate Variance	Expenditure Variance
Residential New Construction Water Heating Programs											
Tankless or Super High-Efficiency Natural Gas Water Heater: ≥ .81 UEF	1,250	500,000		1,200	480,000	460,000		885	531,000	315	(51,000)
Solar Water Heater with Natural Gas Backup											
Total Water Heating Programs	1,250	\$ 500,000	\$ 40,000	1,200	\$ 480,000	\$ 460,000	\$ 20,000	885	\$ 531,000	315	\$ (51,000)
Heating Programs											
Sunset in 2018 Hydronic Heating (Sunset)	-	-		-	-	-		336	42,000	(336)	(42,000)
Natural Gas Furnace: 92% AFUE or higher	180	121,500		145	97,875	202,500		218	147,150	(73)	(49,275)
Total Heating Programs	180	\$ 121,500	\$ (81,000)	145	\$ 97,875	\$ 202,500	\$ (104,625)	554	\$ 189,150	(409)	\$ (91,275)
Natural Gas Dryer Programs											
Natural Gas Dryer with Moisture Sensor	320	\$ 72,000		280	\$ 63,000	\$ 96,750		369	\$ 83,025	(89)	\$ (20,025)
Natural Gas Dryer Stub	1,100	330,000		1,075	322,500	249,000		748	224,400	327	98,100
Total Natural Gas Dryer Programs	1,420	\$ 402,000	\$ 56,250	1,355	\$ 385,500	\$ 345,750	\$ 39,750	1,117	\$ 307,425	238	\$ 78,075
Whole Home Programs											
Whole-Home Program	-	\$ -	\$ -	-	\$ -	\$ -		26	\$ 10,550	(26)	\$ (10,550)
Total Whole Home Programs	-	\$ -	\$ -	-	\$ -	\$ -		26	\$ 10,550	(26)	\$ (10,550)
Total Residential New Construction	2,850	\$ 1,023,500	\$ 15,250	2,700	\$ 963,375	\$ 1,008,250	\$ (44,875)	2,582	\$ 1,038,125	118	\$ (74,750)
Low-Income Free Equipment	-	\$ 300,000	\$ -	-	\$ 310,000	\$ 300,000	\$ 10,000	-	\$ 275,747	-	\$ 34,253
Total Residential	10,477	\$ 2,498,325	\$ 90,025	8,871	\$ 2,367,080	\$ 2,408,300	\$ (41,220)	6,703	\$ 2,315,710	1,873	\$ 29,245
Education Expenses											
Administrative Expenses											
Grand Total	26,217	\$ 3,596,825	\$ 119,195	24,822	\$ 3,440,025	\$ 3,477,630	\$ (37,605)	22,153	\$ 3,246,326	2,374	\$ 161,574

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>*Monthly Conservation Rate</u>
10	Residential Service	\$ 1.19 fixed customer charge
20	Commercial Service	\$ 0.00520 per Ccf
T-1	Commercial Transportation Service	\$ 0.00520 per Ccf

*The Conservation Rate will change every three years, starting with meters read on and after December 31, 2018, pursuant to Rate Schedule CAC.

Supersedes Rate Schedule Dated:
January 26, 2018

Meters Read On and After:
December 31, 2018

Texas Gas Service
2019 Central Texas Annual Energy Efficiency Program Budget

Commercial - Gas Sales	2019 Proposed		2019 Budget vs 2018 Budget	2018 Actual (8+4)		2018 Budget vs. Actual (8+4)		2017 Actual		2018 Actual (8+4) vs. 2017 Actual		
	Rebate Count	Budget	Variance	Rebate Count	Expenditure	Budget	Variance	Rebate Count	Expenditure	Rebate Variance	Expenditure Variance	
Water Heating Programs												
Water Heating System												
Tankless or Super High-Efficiency Natural Gas Water Heater: 2 .81 UEF	1	\$ 7,000	\$ 7,000	-	\$ -	\$ -		-	\$ -	-	\$ -	
Solar Water Heater with Natural Gas Backup	2	1,200		-	-	12,000		2	1,200	(2)	(1,200)	
20% of installed cost	-	-		1	7,000	-		-	-	1	7,000	
Total Water Heating Programs	3	\$ 8,200	\$ (3,800)	1	\$ 7,000	\$ 12,000	\$ (5,000)	2	\$ 1,200	(1)	\$ 5,800	
Natural Gas Dryer with Moisture Sensor Program	5	\$ 1,125	\$ (1,125)	4	\$ 900	\$ 2,250	\$ (1,350)	4	\$ 900	-	\$ -	
Food Service Equipment Programs: EnergyStar griddles, fryers, convection ovens and steam cookers	10	\$ 4,000	\$ -	8	\$ 3,200	\$ 4,000	\$ (800)	3	\$ 2,281	5	\$ 919	
Natural Gas Vehicle Programs												
Converted Natural Gas Vehicle	3	9,000		1	3,000	12,000		-	-	1	3,000	
Natural Gas Vehicle Refueling Station	-	-				-						
Total Natural Gas Vehicle Programs	3	\$ 9,000	\$ (3,000)	1	\$ 3,000	\$ 12,000	\$ (9,000)	-	\$ -	1	\$ 3,000	
Direct Install Programs (Measures)												
Weather Stripping	11,500	\$ 92,000		12,500	\$ 100,000	\$ 48,000		11,680	\$ 93,440	820	\$ 6,560	
Low-Flow Handheld Showerhead	275	5,775		285	5,985	1,680		169	3,549	116	2,436	
Low-Flow Fixed Showerhead	725	9,425		770	10,010	39,000		1,011	13,143	(241)	(3,133)	
Low-Flow Faucet Aerator	2,000	26,000		2,250	29,250	65,000		2,538	32,994	(288)	(3,744)	
Pre-Rinse Spray Valve	40	5,600		40	5,600	1,400		43	6,020	(3)	(420)	
Dryer Smart	4	4,800		2	2,000	10,000		-	-	2	2,000	
Steam Trap Replacement	90	36,000		90	36,000	4,000		-	-	90	36,000	
Total Direct Install Programs	14,634	\$ 179,600	\$ 10,520	15,937	\$ 188,845	\$ 169,080	\$ 19,765	15,441	\$ 149,146	496	\$ 39,699	
Total Commercial - Gas Sales	14,655	\$ 201,925	\$ 2,595	15,951	\$ 202,945	\$ 199,330	\$ 3,615	15,450	\$ 153,527	501	\$ 49,418	

Program	2019 Proposed		2019 Budget vs 2018 Budget		2018 Actual (8+4)		2018 Budget vs. Actual (8+4)		2017 Actual		2018 Actual (8+4) vs. 2017 Actual	
	Rebate Count	Budget	Variance		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												
Tankless or Super High-Efficiency Natural Gas Water Heater: 2.81 UEF					1	\$ 100	\$ -		7	\$ 700	(6)	\$ (600)
Solar Water Heater with Natural Gas Backup	510	331,500			520	346,200	292,500		366	274,500	154	71,700
Total Water Heating Programs	510	\$ 331,500	\$ 39,000		521	\$ 346,300	\$ 292,500	\$ 53,800	373	\$ 275,200	148	\$ 71,100
Heating Programs												
Annual Natural Gas Furnace Tune-Up	915	\$ 36,600			900	\$ 36,000	\$ 26,000		557	\$ 22,280	343	\$ 13,720
Natural Gas Furnace: 80% AFUE or higher	-	-			-	-	\$ -		2	\$ 150	(2)	\$ (150)
Natural Gas Furnace: 92% AFUE or higher	75	50,625			76	51,300	43,875		58	39,610	18	11,690
Total Heating Programs	990	\$ 87,225	\$ 17,350		976	\$ 87,300	\$ 69,875	\$ 17,425	617	\$ 62,040	64	\$ 3,135
Natural Gas Dryer Programs												
Bonus Dryer Voucher	75	\$ 7,500			70	\$ 7,000	\$ 5,000		77	\$ 7,700	(7)	\$ (700)
Natural Gas Dryer with Moisture Sensor	1,100	247,500			1,075	241,875	225,000		882	198,450	193	43,425
Natural Gas Dryer Stub	65	19,500			64	19,200	15,000		49	14,700	15	4,500
Total Natural Gas Dryer Programs	1,240	\$ 274,500	\$ 29,500		1,209	\$ 268,075	\$ 245,000	\$ 23,075	1,008	\$ 220,850	201	\$ 47,225
Total Natural Gas Vehicle Programs (Sunset)	-	\$ -	\$ -		1	\$ 2,000	\$ -	\$ 2,000	3	\$ 7,000	(2)	\$ (5,000)
Home Improvement Programs (Participants)												
Duct Sealing, Replacement & Insulation	1,400	\$ 275,000			1,350	\$ 265,000	\$ 367,215		1,413	\$ 302,258	(63)	\$ (37,258)
Attic Insulation	675	135,000			604	100,000	114,285		695	134,190	(91)	(34,190)
Winter Incentive	300	30,000			-	-	-		-	-	-	-
Wi-Fi Thermostat	12	300			10	250	375		12	300	(2)	(50)
Mail Out Kits: 2 showerheads, 3 faucet aerators	2,500	41,300			1,500	24,780	10,800		-	-	1,500	24,780
Total Home Improvement Programs	4,887	\$ 481,600	\$ (11,075)		3,464	\$ 390,030	\$ 492,675	\$ (102,645)	2,120	\$ 436,748	1,344	\$ (46,718)
Total Residential Retrofit	7,627	\$ 1,174,825	\$ 74,775		6,171	\$ 1,093,705	\$ 1,100,050	\$ (6,345)	4,121	\$ 1,001,838	1,755	\$ 69,742

Program	2019 Proposed		2019 Budget vs 2018 Budget	2018 Actual (8+4)		2018 Budget vs. Actual (8+4)		2017 Actual		2018 Actual (8+4) vs. 2017 Actual	
	Rebate Count	Budget	Variance	Rebate Count	Expenditure	Budget	Variance	Rebate Count	Expenditure	Rebate Variance	Expenditure Variance
Residential New Construction											
Water Heating Programs											
Tankless or Super High-Efficiency Natural Gas Water Heater: ≥ .81 UEF	1,250	500,000		1,200	480,000	460,000		885	531,000	315	(51,000)
Solar Water Heater with Natural Gas Backup											
Total Water Heating Programs	1,250	500,000	\$ 40,000	1,200	480,000	\$ 460,000	\$ 20,000	885	531,000	315	(51,000)
Heating Programs											
Hydronic Heating (Sunset)											
Natural Gas Furnace: 92% AFUE or higher											
Total Heating Programs	180	121,500		145	97,875	202,500		336	42,000	(336)	(42,000)
Natural Gas Dryer Programs											
Natural Gas Dryer with Moisture Sensor	320	72,000		280	63,000	96,750		369	83,025	(89)	(20,025)
Natural Gas Dryer Stub	1,100	330,000		1,075	322,500	249,000		748	224,400	327	98,100
Total Natural Gas Dryer Programs	1,420	402,000	\$ 56,250	1,355	385,500	\$ 345,750	\$ 39,750	1,117	307,425	238	78,075
Whole Home Programs											
Whole-Home Program											
Total Whole Home Programs	-	-	\$ -	-	-	\$ -	\$ -	26	10,550	(26)	(10,550)
Total Residential New Construction	2,850	1,023,500	\$ 15,250	2,700	963,375	\$ 1,008,250	\$ (44,875)	2,582	1,038,125	118	(74,750)
Low-Income Free Equipment											
Total Residential	10,477	2,488,325	\$ 90,025	8,871	2,367,080	\$ 2,408,300	\$ (41,220)	6,703	2,315,710	1,873	29,245
Education Expenses											
Administrative Expenses											
Grand Total	25,132	3,580,250	\$ 102,620	24,822	3,440,025	\$ 3,477,630	\$ (37,605)	22,153	3,246,326	2,374	161,574

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	\$ 0.03893 per Ccf
20	Commercial	\$ 0.00520 per Ccf

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

Supersedes Rate Schedule Dated:
January 26, 2018

Meters Read On and After:
December 31, 2018