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## Lost power, lost cash Austin Energy finds helping low-income users can pay off to unexpected degree

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Austin Energy spent roughly a decade courting Rosalie Erlund.

Every few months or so, the 82-year-old widow would get a flier encouraging her (along with many other Austinites) to inquire about making her home more energy efficient, through means like adding insulation and sealing up places where air leaks out of the house.

Erlund thought it was an interesting idea. Her South Austin home was built in 1959, before phrases like "energy efficiency" were part of Austin's lexicon.

Despite a modest lifestyle and income, her electric bill was usually north of \$100 a month in the summer. The work sounded expensive, but she read that in some cases, the city was willing to pay for the labor and equipment.

"Last year, I finally picked up the phone," she said. She qualified. Contractors came out early last summer and replaced her aging refrigerator, sealed up around the light sockets and water pipes, installed insulation in the attic and swapped out a 20-year-old air-conditioning unit mounted in her bedroom window.

Her bill dropped to about \$70 a month in the summer - and, in a measurement important to Austin Energy, her electric use dropped from around 1,000 kilowatt-hours a month to around 750.

As Austin Energy restructures its rates for the first time since 1994, customers like Erlund, with low or fixed incomes, have been a primary concern. Many who now have a hard time paying their bills would have a harder time with



*For years, Austin Energy has helped its customers make energy-efficiency improvements, such as at this home tested by Jason Bilodeau of GoGreenSquads in May. Now the utility has discovered that people with smaller incomes tend to use more power.*

the projected 12 percent increase coming in 2012.

Earlier this year, Austin Energy staffers stumbled onto something that surprised them and further raised the stakes. According to a limited but useful analysis, the utility's low-income households appear to actually use more electricity than an average home. They would actually be hit even harder than thought.

The finding carried important implications. Low-income customers are least able to absorb a rate increase, but many appear to have a hard time cutting back, for reasons varying from the condition of the residence to whether someone is home all day, said Mark Dreyfus, director of government and regulatory affairs at Austin Energy.

"A key focus for us has to be driving value to low-income customers," said Dreyfus, who is managing the rate restructuring. "When electricity costs go up, it disproportionately affects their budget. We need to be careful about rate shock."

Austin Energy is now trying to figure out the best way to avoid such a shock. But to understand the delicacy of the situation, practically and politically, first understand that there are numerous classes and subclasses of Austin Energy customers - and many of them are jostling for special treatment when rates rise.

Large tech-manufacturing firms argue that their rates need to stay low because they bring jobs and wealth they could take elsewhere. Small-business groups argue they are the lifeblood of a city's economy and that higher utility bills mean less money to pay employees. Neighborhood associations argue that homeowners matter most because a city is ultimately about creating a place for people to live. Nonprofits say they should catch a break because of the good they do for the community.

And, of course, advocates for the poor argue the poor need the most help.

But not everyone can get a break. Austin Energy has a good idea how much revenue it will need to keep power flowing, and is designing the rates to bring in that amount. Generally speaking, if one type of customer gets a deal, another will have to make up for it through higher rates.

Against this background, Austin Energy is trying to find ways to help low-income residents, Dreyfus said. As the rate increase approaches, there appears to be plenty of need.

In 2009, 5,192 Austin Energy customers received payment assistance through a program offered to the poor and elderly. Under it, those on certain government programs, such as state Medicare Part B, are eligible for \$6 off the top of their monthly electric bill, plus a lower rate. The program enrollment number has nearly doubled to 10,000 customers, an increase that Dreyfus attributed partly to a more energetic effort by Austin Energy to work with low-income advocacy groups, the Austin/Travis County Health and Human Services Department and the city's Veterans Services Office.

Customers in the payment assistance program use more electricity than the standard customer, on average, Dreyfus said. Although that is not enough data to create a definitive profile of Austin Energy's low-income customer, it is a significant clue that should be followed up with a more thorough examination, Dreyfus said, adding that some residents on the low end, if not for help from the utility or social service groups, would be spending perhaps 60 percent of their income on electric bills.

"That would be a tough way to live," he said.

But the low-income assistance program is funded through a pool of money collected from other customers. It's a zero-sum game.

Utility officials had thought they had found another, relatively painless way to skew the new rates to favor low-income customers. The idea was to offer a very low rate to customers who use relatively little electricity - less than 500 kilowatt-hours a month, for example, which is about half what the typical Austin home uses.

This was intended to give customers a financial incentive to cut back on electric use and make energy-efficiency investments.

Austin Energy executives hoped it would also help the poor, who they had assumed would benefit because they already tend to use less electricity than other customers.

But that assumption turned out to be flawed. Low-income residents are more likely to live in older, poorly insulated homes that are more expensive to heat and cool, advocates say. But the blazing Texas summers - particularly when many seniors and the unemployed are likely to be home - make it difficult or even dangerous to live without air conditioning.

With the relatively poor insulation in many older homes and apartments, "It's like dollar bills flying out the holes and cracks and crevices," said Joe Guerrero, Austin Energy's conservation program manager.

But rebate programs, for things like solar panels or better insulation or even energy-efficient refrigerators, typically require an upfront investment. Poor families have a harder time making that investment.

"To address energy efficiency for low-income customers, we have to emphasize other approaches," Dreyfus said.

An unremarkable-looking South Austin house on Cork Path illustrates how a lack of cash can thwart even simple improvements.

The condenser and coil in the house's obsolete air conditioner were mismatched. This caused the already energy-hogging machine to work far below optimal levels. As a result, the family was using perhaps twice the electricity in the summer that it would have with better equipment. Their monthly summer bills may have doubled, Guerrero said.

The family had not identified the flaw and, even if it had, would have had difficulty paying the thousands of dollars for a new heating and air-conditioning unit.

Austin Energy certified that the family's income was less than 200 percent of the poverty level, then paid for a contractor to test the home's insulation and appliances and, after diagnosing the main problem, replace the old air conditioner with a more efficient model.

Federal stimulus money funded the work. The city is now in the process of spending \$8 million in stimulus money for low-income weatherization and expects to work on about 1,600 households.

"As the federal money runs out, we will have to continue to be creative to find ways to bring value to these customers," Dreyfus said. "To me, weatherization is the prescription to high bills for low-income residents."

Such work is not free. But there is an economic argument for such investments.

Every household that Austin adds pushes it closer to needing another power plant, an investment that could run into the billions. But the more homes that are weatherized, the longer Austin can do without the new plant.

Most electric industry studies show that it's cheaper to weatherize a lot of buildings than build a new plant.

"Conservation is the cheapest form of electricity we have," said Cyrus Reed, conservation director of the Lone Star chapter of the Sierra Club, an assessment backed by facilities managers at companies such as Spansion and

Freescale Semiconductor.

But even good investments require front-end money. The stimulus money will probably run out next year.

Austin Energy maintains a locally funded weatherization program, but with a budget of about \$600,000 a year, it doesn't have nearly the reach to weatherize every low-income home.

A more robust program would require revenue that would have to be funded through Austin Energy's new rates.

"It will take some investment" to minimize the effect of the rate increase on Austin Energy's low-income customers, Dreyfus said. "What we still need to figure out is how much, and how to do it."