

**CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM**

DEPARTMENT: Strategic Partnerships Officer
AGENDA DATE: January 19, 2021
CONTACT PERSON: Elizabeth Triggs, TriggsEK@elpasotexas.gov
DISTRICT(S) AFFECTED: All Districts

SUBJECT:

A resolution that the City Council of the City of El Paso approves of the implementation of the Texas Gas Service Company ("TGS") Application to Implement Initial Rates for a Conservation Adjustment tariff; that the implementation occur on February 23, 2021; and the tariff will be filed once every 3 years on October 15th; and that two full time employees based in El Paso be hired by TGS to administer the program.

BACKGROUND / DISCUSSION:

Approval of this resolution allows Texas Gas Service to establish an energy efficiency program for the benefit of residential and commercial customers in select cities in its West Texas Service Area, including the City of El Paso. Program offerings include, but are not limited to, residential, new construction and commercial customer rebates, in addition to a low-income free appliance replacement program. For the three year period beginning in 2021 and ending in 2023, residential customers in participating cities will be charged a fixed monthly conservation rate of \$0.7203, while commercial customers will be charged a fixed monthly conservation rate of \$0.0071 per Ccf.

PRIOR COUNCIL ACTION:

On October 15, 2020, TGS filed an Application to Implement Initial Rates for a Conservation Adjustment tariff ("Energy Efficiency Program") which would take effect on November 25, 2020. On November 23, 2020, the City Council suspended the proposed Energy Efficiency Program for 90 days after the effective day specified in the filing to allow TGS and the City to engage in discussion regarding program priorities and needs. Since that time and in line with City recommendations, TGS has amended its application to increase funding for the low-income free appliance replacement program, cap program administrative costs, and clarify filing requirements.

AMOUNT AND SOURCE OF FUNDING:

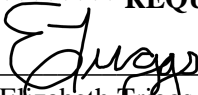
N/A

BOARD / COMMISSION ACTION:

N/A

***** REQUIRED AUTHORIZATION *****

DEPARTMENT HEAD:


Elizabeth Triggs, Strategic Partnerships Officer

RESOLUTION

WHEREAS, on October 15, 2020, the Texas Gas Service Company (“TGS”) filed an Application to Implement Initial Rates for a Conservation Adjustment tariff (“Energy Efficiency Program”) which would take effect on November 25, 2020; and

WHEREAS, during the November 23, 2020 Council Meeting for the City of El Paso (“City”), Texas, the City suspended the proposed Energy Efficiency Program for 90 days after the effective day specified in the filing; and

WHEREAS, the City and TGS desire to enter into a revised Energy Efficiency Program.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF EL PASO:

That the City Council of the City of El Paso approves of the implementation of the Texas Gas Service Company (“TGS”) Application to Implement Initial Rates for a Conservation Adjustment tariff; that the implementation occur on February 23, 2021; the tariff will be filed once every 3 years on October 15th; and that two full time employees based in El Paso be hired by TGS to administer the program.

APPROVED this _____ day of _____, 2021.

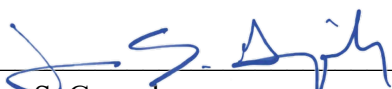
CITY OF EL PASO:

Oscar Leeser
Mayor

ATTEST:

Laura D. Prine
City Clerk

APPROVED AS TO FORM:



Juan S. Gonzalez
Senior Assistant City Attorney

APPROVED AS TO CONTENT:



Elizabeth Triggs
Strategic Partnerships Officer

CONSERVATION ADJUSTMENT CLAUSE

DESCRIPTION

The Conservation Adjustment Clause (“CAC”) recovers the costs associated with the Conservation and Energy Efficiency Program (“Program”) offered by Texas Gas Service Company, a Division of ONE Gas, Inc., (“Company”), which offers assistance to residential and commercial customers to encourage efficient use of energy, reduce net energy consumption and lower energy utility bills.

APPLICABILITY

This rate schedule is applicable to the residential and commercial rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc., that apply to incorporated areas of Anthony, Clint, El Paso, Horizon City, San Elizario, Socorro and Vinton, Texas. For the City of El Paso, this tariff will be effective beginning with the first billing cycle following the implementation date of February 23, 2021.

DEFINED TERMS

The following definitions are for use specifically in this rider:

1. CAC Charge: The charge on residential and commercial customers’ monthly utility bills, the proceeds from which are used to fund the Conservation and Energy Efficiency Program;
2. Regulatory Body: Incorporated cities of Anthony, Clint, El Paso, Horizon City, San Elizario, Socorro and Vinton, Texas, including any department or office within these cities with delegated authority to review and approve the Conservation and Energy Efficiency Program budget and CAC Charge;
3. Residential Customers: All incorporated residential gas sales customers inside of select incorporated cities of Anthony, Clint, El Paso, Horizon City, San Elizario, Socorro and Vinton, Texas; and
4. Commercial Customers: All incorporated commercial and commercial A/C gas sales and transportation customers inside of select incorporated cities of Anthony, Clint, El Paso, Horizon City, San Elizario, Socorro and Vinton, Texas.

TERMS AND CONDITIONS

1. The CAC Charge outlined in this tariff shall be updated every 3 years in conjunction with the filing of the CAC budget covering a 3-year period.
2. The programs offered under the CAC shall include, but are not limited to, residential, new construction and commercial customer rebates, and a low-income free appliance replacement program.
3. A minimum of 72 percent of total annual program costs shall be for direct costs including but not limited to, direct installation programs, residential retrofits, low-income free equipment and rebates on high-efficiency natural gas appliances. For the purposes of this program, direct costs shall not

include education and administrative costs. Low-income eligibility thresholds to be determined by participating referring agencies.

4. The remaining program costs shall be spent on common education and administrative costs. Common education costs shall include but are not limited to, bill inserts, digital marketing, community sponsorships and campaign development. Common administrative costs shall include but are not limited to, labor for program management, rebate processing, customer service and program operations, labor attends, vehicle allocation and energy measurement and verification. Administrative costs shall not exceed 14 percent of the total CAC program costs.
5. Common education and administrative costs will be allocated to each customer class based on the proportion of associated direct costs.
6. Actual expenditures on direct program costs may vary from the budgeted amounts among approved programs of the same customer class.
7. The overall portfolio of program offerings will be designed to be impactful and cost-effective based on Texas Gas Service’s knowledge of its customer base and experience administering various energy efficiency program initiatives
8. The Company will provide the Regulatory Body the proposed program selection, budget, and CAC Charge no later than 60 days prior to a budget filing. The Regulatory Body shall review the program selection, budget, and CAC Charge and provide its feedback on program growth, potential changes in the CAC Charge and the program parameters for the next three-year period.
9. Proposed revisions or additions to program offerings within a 3-year period will be provided in writing to the Regulatory Body.
10. A proposed budget shall be deemed approved if all above terms and conditions are met.

ADJUSTMENT OF CAC CHARGE

The CAC Charge for a given 3-year period will be separately calculated for each individual customer class according to the following table and shall be included on the customer’s monthly utility bill. The initial charge, to begin with the first billing cycle following the implementation date of February 23, 2021, will be implemented in conjunction with the budget for the years 2021-2023.

Residential Customers	Commercial Customers
CAC Fixed Charge = <u>BCD + BA</u> NB	CAC Volumetric Charge = <u>BCD + BA</u> NV

BCD = Budgeted Conservation Dollars. The BCD shall include all expected costs attributable to the Company's Conservation and Energy Efficiency Program for the 12-month period ending December 31 of each year, including but not limited to, rebates paid, material costs, cost of educational and consumer awareness materials related to energy conservation/efficiency, planning, development, implementation, evaluation and administration of the CAC program.

BA = Balance Adjustment. The BA shall compute the differences between Rider CAC collections by class and expenditures by class for the 36-month period ending the prior (date) and collect the over/under recovery during the subsequent 36-month period beginning (date) of the following year.

NB = Actual bills from the prior calendar year, normalized for growth/attrition

NV = Actual volumes from the prior calendar year normalized for weather and growth/attrition, listed in Ccf

REPORTING

Program selection and the annual budget will be determined for a 3-year period.

The following documents will be filed with the Regulatory Body:

1. Rate Schedule 1C indicating the new CAC Charge for each of the affected rate classes, to be filed within 20 days of implementation; and
2. An annual report of the prior calendar year collections and disbursements, to be filed within 120 days following the prior calendar year end. The annual report will also be made available on the Company's website. The annual filing shall include the BCD, twelve-month BA, data on the total cost of the Conservation and Energy Efficiency Program, and reporting of program administrative and education costs; and
3. A calendar year budget will be provided to the Regulatory Body by the Company on or before October 15 of the year prior to start of the following 3-year period. If no action is taken by the Regulatory Body by November 30, the budget and resulting CAC charge will be deemed approved for the next 3-year period.

REGULATORY EXPENSES

The cost of any regulatory expenses incurred will be covered through the subsequent CAC Charge and are not subject to the approved budget.

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 incorporated areas of **Anthony, Clint, El Paso, Horizon City, San Elizario, Socorro and Vinton, Texas.**

B. CURRENT CAC RATE

<u>Rate Schedule</u>	<u>Customer Class</u>	<u>*Monthly Conservation Rate</u>
10	Residential Service	\$0.7203 fixed customer charge
20	Commercial Service	\$ 0.0071 per Ccf
21	Commercial Air Conditioning Service	\$ 0.0071 per Ccf
T-1	Commercial Transportation Service	\$ 0.0071 per Ccf

*The Conservation Rate will change every three years, starting with meters read on and after November 25, 2020, pursuant to Rate Schedule CAC.

TEXAS GAS SERVICE ENERGY EFFICIENCY PROGRAM-INITIAL TARIFF FILING MEMORANDUM

Program Offerings: Please see the attached “2021-2023 WTSA EE Budget” spreadsheet for a breakdown of total program costs, program offerings and associated rebates/incentives and preliminary rebate count/rebate dollars disbursed estimates. Financial eligibility for those wishing to participate in the low-income program is determined by the local community agencies that we partner with for income verification and customer referrals. Typically, referral agencies consider people as low-income who are at or below 80% of the local median family income or 150% of the federal poverty guidelines. Low income/Free-Equipment budget utilization is dependent upon quantity and nature of referrals. The first 3 years of the program can serve to establish a baseline of participation upon which subsequent budget filings can be based. Rebates and incentives are distributed on a first-come first-served basis.

Program Education: The budget for Program Education will fund all customer outreach efforts designed to raise awareness of available Energy Efficiency Program offerings and educate customers on behavioral energy-efficient best practices. Education tactics include a variety of earned, paid and owned media, community engagement, direct customer outreach and reporting. Please see table below for a detailed breakout of typical education expenses.

Expense Type	Description
Program Management	Education and outreach concept development, strategy, planning, support, project management. graphic design, translation, editing, printing and delivery of applications, forms, web content, handouts, in-store signage, promotional materials, etc.
Paid Media	Direct costs for Google Ad Words, sponsored social media, digital, and print ad placement.
Regular Labor	Pro-rated labor for Texas Gas Service Education Specialist.
Sponsorships	Industry and community sponsorships (Home Builders Association, Greater El Paso Association of Realtors, El Paso Chapter of the Texas Restaurant Association etc.)
Annual Report	Design, creation, and printing of Annual Report.
Bill Inserts	Promotional and educational periodic bill inserts.
Paid Media Coordination	Indirect costs for paid media planning, negotiation, and optimization.
E-blasts	Texas Gas Service coordinated email marketing.
Giveaways	Texas Gas Service Energy Efficiency Program branded swag (pens, fans, reusable bags, hand sanitizer, coloring books, etc.).
Digital advertising	Texas Gas Service coordinated digital advertising.
Sponsored Social Media	Texas Gas Service coordinated Facebook boosted posts.
Community Events	Farmers' markets, festivals, etc.
Miscellaneous	Lunch & Learns, print ads, freight, etc.

TEXAS GAS SERVICE ENERGY EFFICIENCY PROGRAM-INITIAL TARIFF FILING MEMORANDUM

Program Administration: 14% of the proposed budget provides for the staffing and staffing-related expenses, supplies and energy measurement and verification (EM&V) analysis necessary to administer and evaluate the program. Please see table below for details regarding line items/activities covered within this budget.

Energy Efficiency Program Administrative Budget

Expense Indicator	Budget	Description
Regular Labor	\$168,000	Salary for 2 full-time Energy Efficiency Program employees based in El Paso and pro-rated labor for program management, customer service, rebate processing.
Labor Attends	67,000	Labor attends related to regular labor (40%)
Hourly Labor	30,000	Hourly labor for rebate processing
Consultants	30,000	Consultant fees for EM&V
System Enhancements	12,000	Upgrades to IT system functionality
Auto Loading	8,200	Vehicle allocation, maintenance, insurance, registration, etc.
Travel	4,000	Airfare, hotels, rental cars, parking, fuel
Registration Fees	2,000	Conference registration fees for ENERGY STAR, SGA Marketing, etc.
Training	900	Allowance for employee development
Meals	900	Meals related to travel and lunch and learns
Miscellaneous	2,000	Office supplies, software licenses, etc.
Total	\$325,000	

Program Success Metrics: Projected participation in the first year is derived from actual participation in existing programs in other areas of Texas coupled with estimates based upon variations in demographics specific to the cities included. The first year will provide a baseline, useful for identifying opportunities for modifying education and outreach efforts, mapping customer participation trends and maximizing program strengths. Key performance indicators include number of rebates distributed, total dollars distributed, number of unique participants, annual and lifetime energy savings, water savings and emissions reductions, low-income free equipment appliance replacements and other non-energy benefits.

Budget Filing: The program budget and CAC tariff will be filed with the included cities once every 3 years on October 15th. Cities will have 45 days to take action (approve, deny, suspend) or take no action, allowing the budget to go into effect by operation of law on the effective date of November 30th. Per the tariff, a draft of the proposed budget will be provided to the regulatory bodies for review and discussion 60 days in advance of the filing date of October 15th.

Budget Management: The program proposal allows for a set annual budget for the initial 36-month program term. Funds not used by the end of each year will stay within the program rolling over to the subsequent year for use by customers. At the close of year 3, any under or over collections from customers will constitute the Balance Adjustment (BA) used to calculate the CAC rate adjustment for the next 36-month period. The BA shall compute the differences between Rider CAC collections by class and expenditures by class for the 36-month period ending the prior (date) and collect the over recovery during the subsequent 36-month period beginning (date) of the following year.

Regulatory Expenses: The program budget is tied to administrative, education and direct program costs and regulatory expenses such as public notice are only incurred with regulatory filings or other regulatory action. An advantage to a 3-year budget filing cycle is that it minimizes regulatory costs attributed to the program.

Implementation: Texas Gas Service is proposing an implementation date of February 23, 2021 to provide a date certain by which the program would be implemented, which allows for a coordinated program launch in all applicable cities.

2021-2023 West Texas Annual Energy Efficiency Program Budget

		2021-2023 Proposed	
Program	Rebate Amount	Rebate Count	Budget
Commercial - Gas Sales & Standard Transportation			
<u>Commercial Rebates</u>			
	14% (.82-.86 EF) or 20% (>.87 EF) of water heater system >75,000 BTUs	4	1,800
Water Heating System Tankless or Super High-Efficiency Natural Gas Water Heater: ≥ .82 UEF	\$600	10	6,000
Solar Water Heater with Natural Gas Backup	20% of installed cost	1	1,225
Natural Gas Dryer with Moisture Sensor Program	\$225	7	1,575
Food Service Equipment Programs: EnergyStar griddles, fryers, convection ovens and steam cookers	\$400	11	4,400
Converted Natural Gas Vehicle	\$3,000	1	3,000
Commercial Refueling Station	\$2,000	1	2,000
<u>Total Commercial Rebates</u>			\$ 20,000
<u>Direct Install Programs (Measures)</u>			
Weather Stripping	\$8/ft.	18,297	146,376
Low-Flow Handheld Showerhead	\$21	345	7,245
Low-Flow Fixed Showerhead	\$13	255	3,315
Low-Flow Faucet Aerator	\$13	2,000	26,000
Pre-Rinse Spray Valve	\$140	9	1,260
Dryer Smart	\$1,200	4	4,800
Steam Trap Replacement	\$400	40	16,000
Custom		-	
<u>Total Direct Install Programs (Measures)</u>			\$ 205,000
Total Commercial - Gas Sales & Standard Transportation			\$ 225,000

		2021-2023 Proposed	
Program	Rebate Amount	Rebate Count	Budget
Residential			
Residential New Construction			
<u>Water Heating Programs</u>			
Tankless or Super High-Efficiency Natural Gas Water Heater: ≥ .81 UEF or ≥ .82 TEF	\$400	125	\$ 50,000
Solar Water Heater with Natural Gas Backup	\$750	50	\$ 37,500
<u>Range Programs</u>			
Freestanding Combined Natural Gas Cooktop and Natural Gas Oven	\$100	50	\$ 5,000
Installation of New Natural Gas Range Stub	\$100	30	\$ 3,000
<u>Heating Programs</u>			
Natural Gas Furnace: 92% AFUE or higher	\$675	50	\$ 33,750
<u>Natural Gas Dryer Programs</u>			
Natural Gas Dryer with Moisture Sensor	\$225	125	\$ 28,125
Natural Gas Dryer Stub	\$300	75	\$ 22,500
<u>Total New Construction Rebates & Incentives</u>		505	\$ 179,875
Residential Rebates & Incentives			
<u>Water Heating Programs</u>			
Tankless or Super High-Efficiency Natural Gas Water Heater: ≥ .81 UEF or ≥ .82 TEF	\$650 Retrofit	160	\$ 104,000
Solar Water Heater with Natural Gas Backup	\$750	75	\$ 56,250
<u>Heating Programs</u>			
Annual Natural Gas Furnace Tune-Up	\$40	80	\$ 4,800
Natural Gas Furnace: 92% AFUE or higher	\$675	160	\$ 108,000
<u>Range Programs</u>			
Natural Gas Range	\$100	80	\$ 8,000
Installation of New Natural Gas Range Stub	\$100	55	\$ 5,500
<u>Natural Gas Dryer Programs</u>			

		2021-2023 Proposed	
Program	Rebate Amount	Rebate Count	Budget
Bonus Dryer Voucher	\$100	40	\$ 4,000
Natural Gas Dryer with Moisture Sensor	\$225	180	\$ 40,500
Natural Gas Dryer Stub	\$300	100	\$ 30,000
<u>Home Improvement Programs</u>			
Wi-Fi Thermostat	\$25	30	\$ 750
Mail Out Kits: 2 showerheads, 3 faucet aerators	\$16.52	1,750	\$ 28,910
<u>Total Residential Retrofit Rebates & Incentives</u>		2,710	\$ 750,460
Low-Income Free Equipment: Range, Water Heater, Furnace, Dryer, Code Compliance			\$ 650,000
Total Residential			\$ 1,400,460
Education Expenses			\$ 325,000
Administrative Expenses			\$ 325,000
Grand Total			\$ 2,275,460