

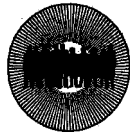
**Presented by:**

The National Fuel Funds Network (NFFN)

The National Low-income Energy Consortium (NLIEC)

The National Energy Assistance Directors' Association (NEADA)

With support from



**CITIZENS  
ENERGY  
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# The Cold Facts

The First Annual Report on the Effect of Home  
Energy Costs on Low-income Americans.

### **What We Mean by “Low-income”**

When we use the term “low-income” in this report we’re referring to roughly 29 million Americans in our country’s lowest income brackets according to the Federal Poverty Guidelines. For example, a family of three earning \$21,000 meets the definition of “low income” under the guidelines. But most of the families and individuals who are the focus of this report make much less than that.

These 29 million Americans are typically low wage earners—trying to be self-sufficient—or senior citizens on fixed incomes. [i] The vast majority of working age low-income Americans are, in fact, either working or in training to for a job. As this report demonstrates, government and private programs designed to help low-income Americans with their home energy costs reach only a small percentage of those households who need help.

### **An Important Acknowledgment:**

Dr. Meg Power of the Washington-based Economic Opportunity Studies organization developed much of the data and findings contained in this report. More information on her organization’s work can be found at:  
[www.opportunitystudies.org](http://www.opportunitystudies.org)

## The High Cost of Energy is Front Page News That's Changing Our Lives

The price of home energy is very big news these days. News that affects everybody everywhere in America. This past winter you probably had to make sure you were sitting down when you opened your home energy bills. Thermostats were lowered. Sweaters were worn. Changes were made.

But what if you were poor, working hard at a minimum wage job that doesn't cover the basics of your family's life, even when energy costs aren't so high?

Or what if you were older and living on a fixed income, asking yourself the basic question: Do I pay the utilities bills or do I buy my medicine?

With these realities, lower thermostats and sweaters aren't enough. They never have been for the poor. Sometimes, for many Americans, it literally comes down to the grim choice of *heating* or *eating*. For America's poor, the high price of home energy isn't just big news; it's a life-changing, often debilitating, reality.

We live in an age in which public opinion centers on the notion that low-income people must become more "self sufficient"; able to stand on their own and pay their way. But the astoundingly high price of home energy stands as a massive road block between many Americans and self-sufficiency.

### **The purpose of this First Annual Report on the Effect of Home Energy Costs on Low-income Americans is to help you understand:**

1. The life-altering impact of high home energy costs on low-income Americans, and the social consequences this issue creates for all Americans.
2. Some of the things both the public and private sector are doing to address the problem.
3. And the challenges that we face ahead.

# The Cold Facts

While the average annual percentage of a low-income household's budget is a budget-breaking 19.5 percent, that percentage can reach even more catastrophic levels; sometimes approaching 70 percent of monthly income during the winter months.

With home energy costs rising at exponential rates, it's hard for us to catch up with the statistics and numbers and accurately measure their impact on people's lives.

## Here's what we can say for certain:

- During the winter of 2000/2001, natural gas prices rose an average of 42 percent over the previous winter's prices.
- Heating oil prices were 36 percent higher than 1999/2000 and over 50 percent higher than the winter before that.
- And although electricity prices were only slightly higher than the winter of 1999/2000, they continue to climb upward.

Americans with a median household income—a typical middle class home—faced an average total energy cost burden of \$1912 from October 2000 through September of this year. That accounts for an average 4.6 percent of household income. And that percentage is rising.

But families living on low wages, disability payments, or a fixed income like Social Security faced an average energy cost burden of \$1531 for this same period.

Which means these same low-income Americans, who were spending roughly 14% of their income on energy in 1999/2000, saw their energy cost burden increase more than a third (36%) during 2000/2001, causing them to spend an average 19.5 % of their annual income on natural gas, electricity, fuel oil, propane or other home heating fuel.

So, the average low-income family spends about one in five of their dollars on home energy costs every year.

Think of it this way: If a middle-class household—\$50,000 a year—faced the same home energy burden, as a low-income household they would pay \$10,000 a year to heat their house and cook their meals.

The impact of home energy costs is greatest in the winter for most states. Those living in households with at least a median income can absorb this increased winter impact but its effect on low-income Americans can be devastating.

## The Cold Slam: What Low-income Households Pay for Home Energy in the Winter Months, October 2000 through March 2001: ii

primary household fuel source	percentage of low-income household's using this source of fuel	total average home energy bills	annual percentage of an average low-income household's income spent on home energy costs
Natural Gas	53%	\$1102	29%
Propane	4.6%	\$1279	29%
Fuel Oil	9.4%	\$1087	27%
Kerosene/Other	1%	\$845	20%
Electricity	32.7%	\$543	13%

## Sometimes Even Hard Working Families Need Help

During tough times in a high-unemployment area, Kathy and Joe were in a panic. It was early February and they'd just gotten a 48-hour notice that their power was going to be cut off. They had a brand new baby and another young child in the house. They worked hard, although part time work was all they could find at the time. They owned their own home. But at that point in their life they just couldn't keep up. Their January gas bill had climbed to nearly \$300 dollars, an unexpected and unwelcome budget buster. And to make matters even worse, their furnace was failing and needed to be replaced.

They went to their local community action agency for help. Thanks to an emergency LIHEAP payment, weatherization assistance and other support, the gas stayed on, arrearages were wiped out and the staff was able to weatherize the home and install a new, more energy efficient furnace. The family's situation stabilized and they were able to get back on their feet again. iii

## High Home Energy Costs Have Painful Consequences

The high percentage of income paid by low-income households on home energy costs is more than just a cold fact. That higher percentage translates into serious family and social problems that impact each and every American, either directly or in the form of increased government expenditures to address those problems.

Several studies have demonstrated a strong connection between a family's inability to pay its home energy bills and some obvious-and not so obvious-consequences, such as:

- Homelessness
- Malnutrition
- Heart disease
- Heat stroke
- The disintegration of families, including:
  - Children removed from their homes because of loss of heat or electricity.
  - Senior homeowners are forced to sell their homes because they cannot keep up with their energy bills.
  - Or, the disruption of a child's education because their parents can't pay the energy bills and are more likely to move frequently; changing schools and interrupting their children's educational development.

According to Karen Brown, executive director of the Colorado Energy Assistance Foundation: "Inability to pay utilities is second only to inability to pay rent as a reason for homelessness."

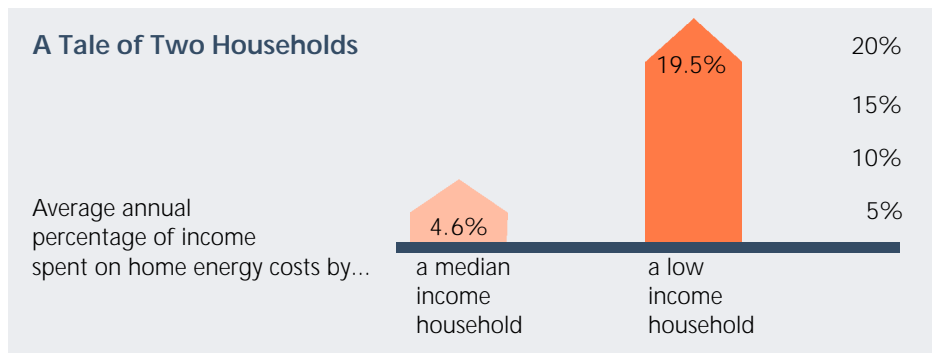
## Shut Off and Shut Out

A recent report released by the National Energy Assistance Directors' Association (NEADA) found that at least 4.3 million low-income households-in just 19 surveyed states plus the District of Columbia-are at risk of having their power cut off because they can't afford to pay. "We knew low-income families were hard hit by the increased energy costs, said NEADA Director, Mark Wolfe, "but we had hoped additional resources could ward off the worst effects. That hasn't materialized." iv

Results from individual utilities reporting from the states found:

- District of Columbia: \$6.6 million in natural gas arrearages are owed by 14,694 natural gas households, 5,229 shut-off notices have been mailed
- Georgia: 200,000 natural gas households owe approximately \$80 million
- Iowa: 63,000 households owe \$15 million, in past due utility bills
- Kentucky: natural gas arrearages total \$30.9 million with 94,010 households facing shutoff
- Louisiana: \$32.9 million in arrearages for 76,000 households
- Missouri: \$6.3 million in natural gas arrearages owed by 13,091 households
- West Virginia: a major electric utility reported that 55,000 of their 367,764 residential customers are in arrears. The average arrearage is \$106. Shut-off notices are currently being mailed

**A COLD FACT:** Utility shut-offs and arrearages are up dramatically from previous years with very few mechanisms in place to protect low-income seniors and children from the health and safety risks of a freezing house this coming winter.



# The Cold Facts

Between last winter and the one before it, the number of LIHEAP—households the federal Low Income Home Energy Assistance Program—nationwide rose almost a third (from 3.8 million to 4.9 million homes). But even at that higher number, the program only had only enough funding to provide support for just 17 percent of the 29 million eligible households. That means 24.2 million poor families and senior citizens-faced shut offs, illness and a host of grim choices between eating, medicine and other life necessities and heating their homes. v

## What We're Doing Now

It's clear that low-income Americans this year face overwhelming challenges and consequences in the form of home energy costs. So, the question arises, what's being done about it?

The short answer: As much as possible with the money that's available, but not nearly enough.

The organizations represented by the National Fuel Funds Network (NFFN), the National Energy Assistance Directors' Association (NEADA) and the National Low-income Energy Consortium (NLEEC) manage the bulk of public and private programs in America designed to help people with low-incomes deal with the crippling burden of home energy costs.

The kinds of assistance our affiliated organizations offer fall into three broad categories:

- Affordability Programs that provide direct assistance in paying energy bills, such as the federal Low Income Home Energy Assistance Program (LIHEAP), privately funded Fuel Funds, or utility-sponsored energy assistance programs.
- Education Programs that teach consumers about prudent energy use and effective budgeting.
- Efficiency and Weatherization Programs, such as those funded through the US Department of Energy, which help low-income consumers lower their energy consumption by making their homes more energy efficient.

All of these programs-working in a highly coordinated and strategic way-are vital to helping low-income Americans deal with the problems associated with a crushing home energy burden.

Yes, the programs are in place, but the real story is that the resources-both public and private-are spread so thin the majority of low-income Americans who need help with their home energy costs can't get it.

### **LIHEAP: A Critical Foundation for Helping Low-Income Households**

The Low Income Home Energy Assistance Program, or LIHEAP, is a federal block grant made available to the states by the US Department of Health & Human Services.

Congress first authorized the program in 1981. By law, States can use the money for both winter heating and summer cooling emergencies. The program was designed to be flexible and allows the states to administer the

funds to meet local needs while leveraging the services of private resources. LIHEAP has strong support from American taxpayers.

In fact, a recent poll of Americans by the Campaign for Home Energy Assistance—a coalition of groups supporting greater LIHEAP funding—found the overwhelming majority of Americans believe Congress should continue to fund a federal program that helps poor families and the elderly pay their utility bills during cold or hot-weather emergencies. Specifically, the research found that by a 10-to-1 margin, Americans support the Low Income Home Energy Assistance Program (LIHEAP). vi

Helping low-income households break the cycle of poverty and find and keep sustainable employment is a complex process. And LIHEAP is vital to that process. The support the program offers enables newly working and low wage families time to get on their feet and move toward self-sufficiency without being knocked off track by overwhelming home energy costs. Most states have found that the vast majority of LIHEAP consumers use this program for only a few seasons.

### **LIHEAP's Future: The President's Budget Proposal.**

As the current federal budget develops, the Bush Administration has proposed what amounts to a significant cut in the LIHEAP budget. For 2000-2001, the program has \$2.25 billion in federal funds leveraged by \$200 million in state funds and state-mandated rate discounts and still can only serve roughly 17 percent of eligible families and seniors. President Bush has proposed only \$1.4 billion in federal funds with the possibility of another \$300 million in emergency money available.

Many members of Congress-both Republican and Democrat-as well as many of the organizations making up the National Low Income Energy Consortium, are advocating for a minimum of \$3 billion in annual LIHEAP funding. At the time of this report, the prospects for additional money beyond the Bush request are unclear at best.

Mark Wolfe, executive director of NEADA, commenting on the proposed LIHEAP budget, said: "A reduction in LIHEAP funding of this magnitude will result in 1 million fewer household's being assisted in the coming year."

### **The States: Emerging Key Players in Low-income Energy Issues**

Not every public dollar to meet low-income energy challenges came from Washington. Because of the severity of the 2000/2001 winter and the astronomical jump in home energy prices, Governors around the country had to develop innovative approaches designed to meet unprecedented needs.

This action took many forms, from Executive Orders to special legislative appropriations. This emerging policy development crossed party lines and wasn't limited to any one region of the country.

All told, the states brought somewhere between \$160-200 million to the table during this last winter through a combination of new state dollars and mandated utility discounts.

As the home energy cost burden problems faced by low-income families and seniors continue to grow, State governments may find themselves reexamining their historically limited role in this area. Some of the policy innovators for 2000/2001 included:

Ohio Governor Bob Taft, who committed \$20 million in State dollars and \$25 million in non-LIHEAP federal dollars for low-income energy assistance and challenged the state's utilities to match the State's effort. In response, Columbia Gas of Ohio formed the Columbia Energy Assistance Fund with \$3.5 million, Dominion East Ohio Gas expanded its People Helping People Fund with a \$1 million contribution and Cinergy built its Heatshare program from \$100,000 to \$500,000.

Colorado Governor Bill Owens, who proposed legislation that would add \$10 million to the state-run Low-income Energy Assistance Program. The increase in funding would raise the level of benefits by as much as 50 percent.

The Washington legislature, which passed and Governor Gary Locke who signed a bill that included \$1 million for home energy assistance; the first time the state has funded an energy assistance effort.

**A COLD FACT:** Most LIHEAP recipients have incomes lower than \$9,000 a year. That's primarily because the program is funded at such a low level that administrators only can provide services to the poorest of the poor.

### **Fuel Funds: The Private Sector is Critical**

With the need so great and public dollars spread so thin, it's imperative that everyone be part of the solution to the growing low-income home energy problem. America has many private initiatives working to raise and invest private money in direct home energy payment assistance, weatherization and conservation initiatives, usually in close collaboration with government funded programs.

These private initiatives are quite diverse. The 235 organizations that make up the National Fuel Funds Network (NFFN) include independent fuel funds, faith-based programs, community action agencies (which also administer publicly-funded LIHEAP and weatherization programs), utility-sponsored energy assistance funds, Native American tribes and local governments, special statewide and regional funds as well as private donors.

A few examples of privately funded initiatives carried out during the 2000-2001 winter season included:

The Victorine Q. Adams Fuel Fund in Baltimore provided energy assistance to a full 50 percent more households in 2000/2001 than the previous winter; 3,000 as opposed to 2,000.

The Dollar-Help program in St. Louis raised a record \$800,000 this past winter to provide much-needed services to 2,500 households, also a record.

The United Methodist Church of the Resurrection in Leawood, Missouri raised nearly \$100,000 for the Mid America Assistance Coalition's "Share the Warmth" program. The church also produced an effective video on their efforts to motivate and train other churches in the Kansas City area.

In Minnesota, an anonymous donor contributed \$100,000 to match customer contributions to the Salvation Army HeatShare Program.

# The Cold Facts

Weatherization saves money for low-income Americans and all taxpayers. Based on the roughly five million housing units already weatherized under the program, LIHEAP should spend about \$1.2 billion less in energy payments due to the savings realized by such things as caulk, insulation and the installation of more efficient furnaces.

## What We're Doing Now

Some significant corporate leadership contributions for the winter of 2000/2001 included:

A \$3 million energy assistance donation to the Elderly and Handicapped Emergency Assistance Fund and the Helping Hands program from Entergy-New Orleans.

A \$3 million gift from KeySpan Energy to fuel funds serving their markets in Brooklyn, Queens, Long Island and New England. vi

Nationally, in 2000/2001, fuel funds provided over \$102 million—up from \$88 million in 1998-99—in heating and cooling assistance to 1.8 million households across the nation.

These vital private dollars—a relatively small amount in the face of huge need—are in no way meant to replace public funds such as LIHEAP. Rather, the fuel funds' job is help fill the gaps in public support that were especially apparent in the Winter of 2000/2001, with its bitter cold and record high home energy costs. They serve as the assistance of last resort for households in critical need.

Clearly, America's Fuel Funds must continue raising and investing record amounts of money just to keep America's low-income families from losing even more ground in these times of exploding energy costs. viii

## Weatherization: A Long Term Solution to the Low Income Home Energy Challenge

While the bulk of this report focuses on the sharply escalating burden of home energy fuel costs and its effect on the poor, a critical piece in the puzzle that has the potential to lower these costs in the long run is the US Department of Energy's Weatherization Assistance Program.

Non-profit community action agencies and other organizations operate this program at the local level, leveraging a variety of resources from the state and local governments, corporations and other donors.

**A COLD FACT:** To date, only 5 million out of 29 million of eligible low-income homes and apartments in America have been weatherized, with the focus on housing units most in need and especially vulnerable families.

Studies show a typical low-income consumer benefiting from Weatherization services will spend about \$300 less on home energy in a year than if the home had not been weatherized.

That \$300 may not seem like a big deal. But for families and seniors living on the margins it can represent food on the table or medicine in the cabinet.

## A Warming Trend:

The good news is that the Bush Administration sees the long-term value of the Weatherization Assistance Program. Under the President's budget, funds for weatherization would double, allowing low-income families and seniors to save an additional \$37 million a year in home energy costs.

### "Mrs. Johnson" of California

It's not her real name, but Mrs. Johnson and her story are very real. She's 84 years old and lives on less than \$500 a month from Social Security. Recently, Mrs. Johnson's walls began to sprout mold and mildew. As a result she got headaches, experienced breathing problems and went to the doctor repeatedly. She was given a prescription for some very expensive medicine.

On a tip from a local social service organization, her local community action agency in California—the nonprofit organization operating LIHEAP and weatherization assistance programs—inspected Mrs. Johnson's home. What they found was a serious ventilation problem caused by a cracked draft hood on the water heater. And that meant toxic carbon monoxide had been seeping into the house along with excess moisture, causing the mold and mildew.

It only took \$289—much less than the price of the medicine she was prescribed—to repair the problem. Additionally the crew from the community action agency, replaced a broken window sash and fully insulated her home.

As a result of the services available through LIHEAP and the Weatherization Assistance Program, "Mrs. Johnson" is in fine health.

## Restructuring the Home Energy Markets:

### **A Major New Challenge for Low-Income Households.**

Restructuring—the state-by-state movement from regulated to market-driven natural gas and electricity markets—is emerging as a challenge facing low-income energy consumers today.

As of this report, 25 states have passed restructuring legislation, and 16 others are considering legislation to deregulate their utilities.

The National Low Income Energy Consortium has developed a set of principles to guide legislators and regulators who are planning or implementing electric deregulation in their states. The NLIEC believes these principles should serve as the foundation of protections for low-income ratepayers as states enter into the relatively new territory of deregulated home energy markets.

Among other things, NLIEC's principles to protect low-income residents and consumers urge that:

- Effective participation by all consumers, including low-income consumers, in the electric industry restructuring debate is essential.
- State electric restructuring legislation and regulation must include provisions and funding for comprehensive and ongoing consumer education so that consumers have the opportunity to make informed choices among providers and services. A portion of available funding should be allocated to organizations which have the greatest ability to communicate with the low-income community.
- Electric industry restructuring legislation and regulation must include strong consumer protections against anti-competitive behavior, undue discrimination, poor service, and unfair practices involving credit, billing, and disconnections.
- State government action must encourage and facilitate options such as aggregation to allow low-income customers to increase their individual purchasing power.
- State government action must strongly encourage the continuance and further development of energy-efficiency activities, including the availability of funds for energy-efficiency programs and research and development. ix

Clearly, because of their emerging roles as innovators in the development and delivery of programs and services to provide direct assistance to low-income energy consumers, and their role as policymakers in utility deregulation, the states are at the forefront of low-income home energy issues. As a bottom line, states must not permit low-income Americans to be shut off and shut out.

# The Cold Facts

## Cold Days Ahead

As this First Annual Report on the Effect of Home Energy Costs on Low-income Americans shows, the challenges and issues are many. And the problems facing low-income Americans, federal and state policymakers, the private sector, in fact, all Americans, are big and bold and they won't go away.

Again, some cold facts:

While home energy costs average just over 4 percent per year in middle class households, they can reach a staggering 70 percent of monthly income for low-income families and seniors.

Energy prices are up dramatically from the previous year—42 percent higher for natural gas, 60 percent higher for fuel oil than two years ago—with higher prices coming and limited federal funds for LIHEAP in the pipeline.

And then there's the weather.

The winter of 2000/2001 was cold—about 10 percent colder than the previous winter—but not cold enough to explain the dramatic increase in prices. Even if the coming winters are warmer, retail home energy prices are predicted by the U.S. Department of Energy to remain at high levels for the next few years.

As we said at the outset: We're doing as much as possible with the money that's available, but it's not nearly enough. And that means we face certain critical questions in the months and years ahead.

- Is the proposed budget for the federal Low-income Home Energy Assistance Program (LIHEAP) adequate to meet the needs of low-income families and seniors in these times of high cost energy? What is the appropriate level for LIHEAP funding?
- Are the States building in adequate safeguards for low-income consumers into their home energy deregulation plans?
- Do state governments have a larger role to play in the funding and delivery of low-income home energy programs and services?
- What incentives can we put in place to we expand funding for the diverse and critical network of America's fuel funds?

We need to find answers to these questions soon. If not, America's sure to see some very tragic winters ahead.

## Sources

- i US Census Bureau
- ii The Winter Behind, The Summer Ahead: A Harsh Spring Faces Low-Income Energy Consumers, Dr. Meg Power, Economic Opportunity Studies, p. 4.
- iii Client Energy Use Study, May 3, 2001, National Community Action Foundation, [www.ncaf.org](http://www.ncaf.org)
- iv National Energy Assistance Directors' Association State-by-State Low-Income Home Energy Assistance Program Survey Responses, April 5, 2001, at the NEADA website, [www.neada.org](http://www.neada.org)
- v From the National Energy Assistance Directors' Association website, which includes a state-by-state breakdown of LIHEAP usage and need. [www.neada.org](http://www.neada.org)
- vi Second National Survey Finds Widespread Support for Emergency Energy Assistance Program, September 23, 1999, conducted by the Campaign for Home Energy Assistance, [www.liheap.org](http://www.liheap.org)
- vii National Fuel Funds Network, [www.nationalfuelunds.org](http://www.nationalfuelunds.org)
- viii For more information of the work of the member organizations comprising the National Fuel Funds Network, visit: [www.nationalfuelunds.org](http://www.nationalfuelunds.org)
- ix For a complete listing of NलिएC's principles, visit: [www.nलिएc.org](http://www.nलिएc.org)

## About the Sponsoring Organizations

### The National Low-income Energy Consortium (NLIEC)

Founded in 1986, the National Low-income Energy Consortium (NLIEC) brings together public, private, and nonprofit sector organizations and individuals for the common purpose of reducing the residential energy hardships and crises faced by low-income consumers by:

**finding** common ground among diverse groups that work with, serve or represent low-income energy consumers;

**exploring**, exchanging, and promoting innovative ideas and successful efforts that improve the ability of low-income consumers to access and afford energy;

**setting** an agenda for low-income energy policy at the federal, state, and local levels.

For more information: [www.nliec.org](http://www.nliec.org)

### The National Energy Assistance Directors' Association (NEADA)

The National Energy Assistance Directors' Association (NEADA) is the primary educational and policy organization for the state and tribal directors of the Low-Income Home Energy Assistance Program (LIHEAP). LIHEAP provides cooling and heating assistance to almost 5 million low-income households across the United States.

NEADA also works closely with the National Association of State Community Service Programs (representing the state weatherization program offices) and the National Association of State Energy Officials (representing the state energy offices) to more effectively share ideas on the delivery of state energy services through the Energy Programs Consortium.

For more information: [www.neada.org](http://www.neada.org)

### The National Fuel Funds Network

The National Fuel Funds Network serves a membership of charitable and utility-based fuel funds. NFFN's 235 members include utilities, independent fuel funds, multiservice centers, community action agencies, units of the Salvation Army and other faith-based organizations, and state, Tribal and local government agencies. All members raise and or distribute charitable funds for utility assistance to eligible clients. Some also administer public energy assistance from LIHEAP or state or Tribal sources.

NFFN programs include an annual conference, promotions like National Energy Help Week (February 8-17, 2002) to raise more charitable energy assistance funds, the Energy Safety Net project to capture best practices and innovations, the quarterly National Energy Assistance Report, an advocacy program and technical assistance to members.

For more information: [www.nationalfuelunds.org](http://www.nationalfuelunds.org).