Electricity and Consumers: Challenges Faced By Low-Income Consumers And Current Issues
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Electricity is a basic necessity for modern life.

- Access to affordable electric service is critical for safe, habitable housing.
- Lighting
- Cooling
- Heating (and as a source of back-up heating)
- Appliances such as refrigerators and stoves
- Access to electric service is critical for those dependent on medical equipment that requires electricity and refrigeration
- Access to electric service is critical for communications technologies
Percent of US low-income residential energy expenditures by end use, FY 2007

- Space heating: 31%
- Other appliances: 33%
- Water heating: 16%
- Refrigeration: 8%
- Space cooling: 12%

Current Landscape:

• According to HHS, in FY 2007, low-income households spent 13.1 percent of their income on residential energy compared to 3.0% for all households.
• The federal Low Income Home Energy Assistance Program directors estimate that there will be an addition 1.2 million households served this year (8.8 million households).
• Why? State LIHEAP directors are reporting seeing an influx of first-time applicants due to the economy.
• The January 20, 2010 release of $490 million in LIHEAP emergency contingency funds reflects this reality.
  – $450 million of the released to the states was based on the regular block grant allocation weighted by the states’ unemployment rates.
  – $50 million was directed to 14 states that experienced particularly colder than normal weather weighted by number of households below 125% of poverty and weighted by unemployment rates. (Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Mississippi, Nebraska, North Carolina, Oklahoma, South Carolina, Tennessee and Texas)
Snapshot of low-income households served by LIHEAP

- 43 percent had a senior in home (aged 60 or over)
- 50 percent had a household member with a disability
- 40 percent had children
- 29 percent were unemployed at some point during the previous year
- 70 percent had a serious medical condition
- 24 percent used medical equipment that requires electricity

Source: 2008 NEADA survey (April 2009)
Affordability Challenges: Arrearages and Disconnections

<table>
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<tr>
<th>Date</th>
<th># of Households</th>
<th>$ Amount</th>
<th>Average</th>
<th># of Households</th>
<th>$ Amount</th>
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<td>$272</td>
<td>4.1</td>
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Shutoffs refer to households shut-off during the course of the year
Source: state reports, American Gas Association
Contact: Mark Wolfe, National Energy Assistance Directors' Association 12/17/09

March 11, 2010
Affordability Challenges: Arrearages and Disconnections

Figure 3: Two Year Comparison of Disconnections By Low-income and Non-low-income Annual Basis

Source: California Division of Ratepayer Advocates: Status of Energy Utility Service Disconnections in California (November 2009)

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High Reconnection Rates Common To All Utilities

Low-Income Customers Disconnected Annually
November - October

Low-Income
PG&E
SCE
SDG&E
SoCalGas

2007-2008
2008-2009
reconnected

DIVISION OF RATEPAVER ADVOCATES: The Voice of Consumers, Making a Difference
Iowa Electric and Natural Gas Utilities:

Residential Service Disconnections and Reconnections

Source: IA Bureau of Energy Assistance (March 10, 2010)
What happens to those who are not reconnected?

PA PUC found that in 2008:

• 4,038 residential households were without electric service as of the middle of December.
• 13,595 residences where service was terminated appeared to be vacant.
• 68 households were heating with potentially unsafe heating sources.
• The total electric residences without safe heating are 4,106.

Source PA PUC 2008 Cold Weather Survey

March 11, 2010
What happens when energy bills are unaffordable?

- Recent pediatric studies have documented the heat or eat affect in young children. These study show that young children in low-income households receiving LIHEAP are less likely to be extremely low weight when compared with low-income households without LIHEAP.

- LIHEAP Directors have a series of surveys that document the extremes low-income households go to when energy is not affordable: sacrifices are made w/ medicine and medical care, food, keeping homes at unsafe temperatures, use unsafe heating sources.
Current Issues: LIHEAP

- LIHEAP is the main bill payment assistance program for heating and cooling.
- In FY 2009 and FY 2010, Congress has appropriated a total of $5.1 billion for LIHEAP.
- The President’s FY 2011 Proposed Budget recommends LIHEAP be funded at a total of $3.3 billion (with $2.51 billion guaranteed to the states through their formula grants and $790 million that could be released at the Administration’s discretion as LIHEAP emergency contingency grants.
- The Administration also proposes a trigger mechanism that could generate additional LIHEAP funding in the event of an increase in heating oil, natural gas, electricity prices or SNAP participation. This proposal has met with skepticism from LIHEAP advocates and some members of Congress.
Current Issues: Weatherization

• In FY 2009, the Weatherization and Intergovernmental programs were funded at $492 million and Weatherization received an incredible increase from the 2009 stimulus bill, $5 billion. In FY 2010 Weatherization and Intergovernmental programs received $297 million. This year the President proposes $385 million for WAP. There has been negative press about the spendout of the WAP, but there were delays due to Davis-Bacon that have recently been resolved.

• WAP is a critical piece of the low-income energy affordability solution, as it covers serious energy efficiency retrofit measures which low-income households could not afford on their own.
Energy Efficiency

- Low-income households tend to live in poorly weatherized housing and have older, less efficient appliances
- Traditional utility rebate programs require upfront cash that these households do not have
- Energy efficiency needs to be subsidized for this sector of the population
- We believe appliance standards and building codes will help low-income households in the long-run.
- Low-income residential energy efficiency programs should be coordinated with the existing weatherization networks for efficiency, less consumer confusion, and greater impact on savings
- Concerns with decoupling of utility revenues from sales: Danger to low-income households of increased costs or difficulty in reducing costs, especially if there is inadequate or non-existent low-income efficiency.
Re: utility energy efficiency programs:

We need to see the following consumer protections in place for utility run EE programs:

• Measures must be cost-effective and evaluated, monitored and verified by and independent 3rd party w/ public reporting (in other words these must be wise investments with proven efficiency savings)
• Must include EE measures for low-income consumers
• Must provide intervenor compensation to ensure that consumer groups can meaningfully participate in the process to determine how the EA will be used “for the benefit of ratepayers”
• Must allow flexibility for third parties to administer the EE measures, not just LDCs; it’s whoever can do it better
Smart Meters

• Use as a credit and collections device/prepayment meters
  • Loss of consumer protections (e.g., payment plans and arrearage management plans)
• Cost – too expensive (don’t want it in the rate base)
• TOU rates – inability to alter usage patterns (senior in a hot climate in the middle of a heat wave afraid to turn on AC b/c afraid she won’t be able to pay the bill)
Restructured States

- Cost of wholesale power – doubtful that rates are just an reasonable. Looking for pressure points at FERC and in Congress on this issue.
- FERC RTO/ISO regional governance
- FERC RTO/ISO Performance metrics – pressing for generator cost data
- Office of Consumer Advocate at FERC
Climate Change:

- Putting a price on carbon will increase the cost of power and will also increase the costs of goods and services.
- It is critical to mitigate this affect on low and moderate income households.
- Failure to adequately protect these consumers will exacerbate the problems stemming from unaffordable energy.