

**Energy Security and
Community Independent Living:
Principles For Energy Affordability
to Support Aging in Place**

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Community Independent Living

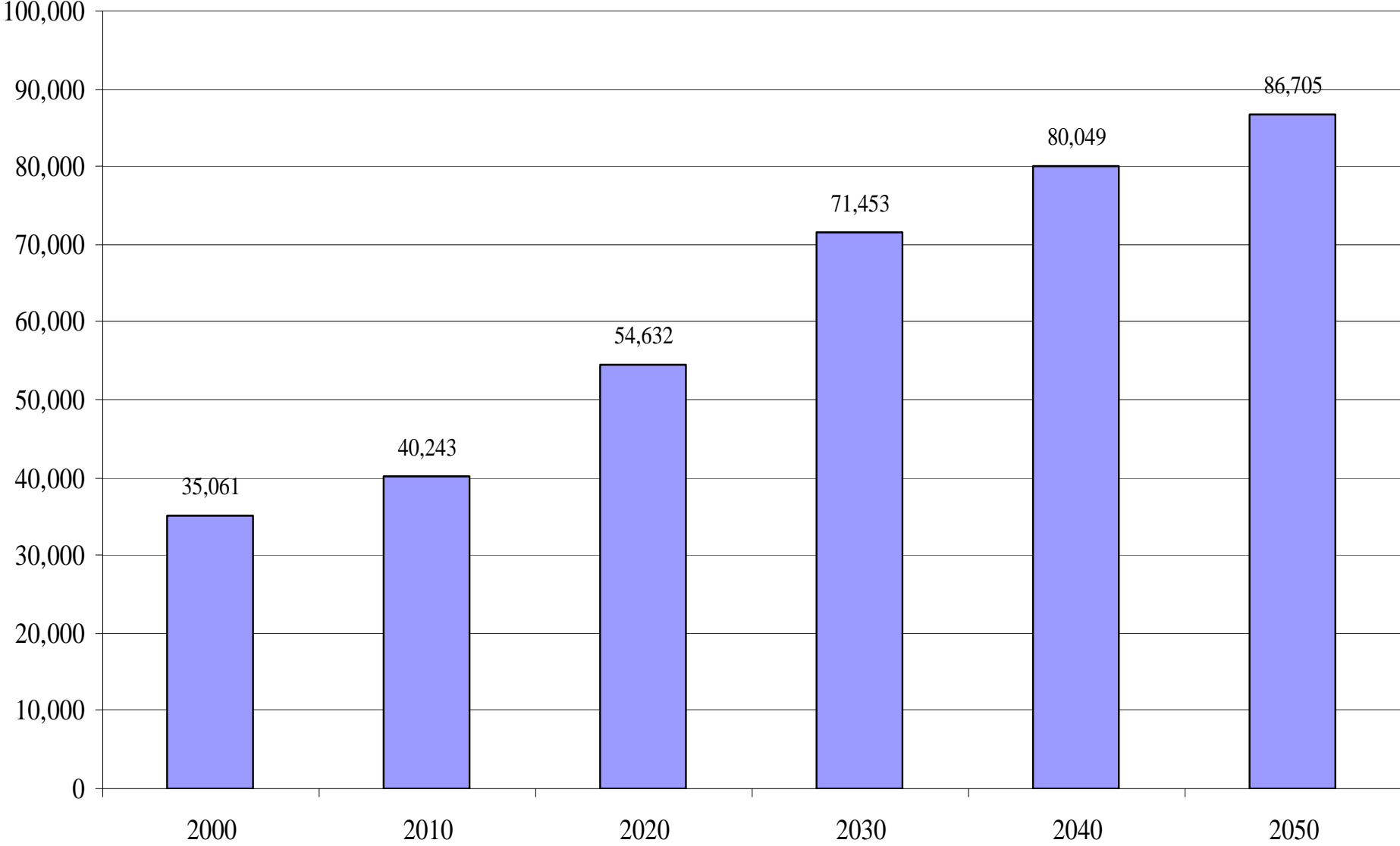
- Older Americans express a strong preference for remaining in their own homes as they age.
- A firm public commitment to aging in place has been established.
- Medicaid spending in 2005 for home and community based long-term care was 37% of the total long-term care budget. The proportion of the Medicaid long term care budget devoted to community-based care nearly doubled between 1995 and 2005.

Elder Population Growth

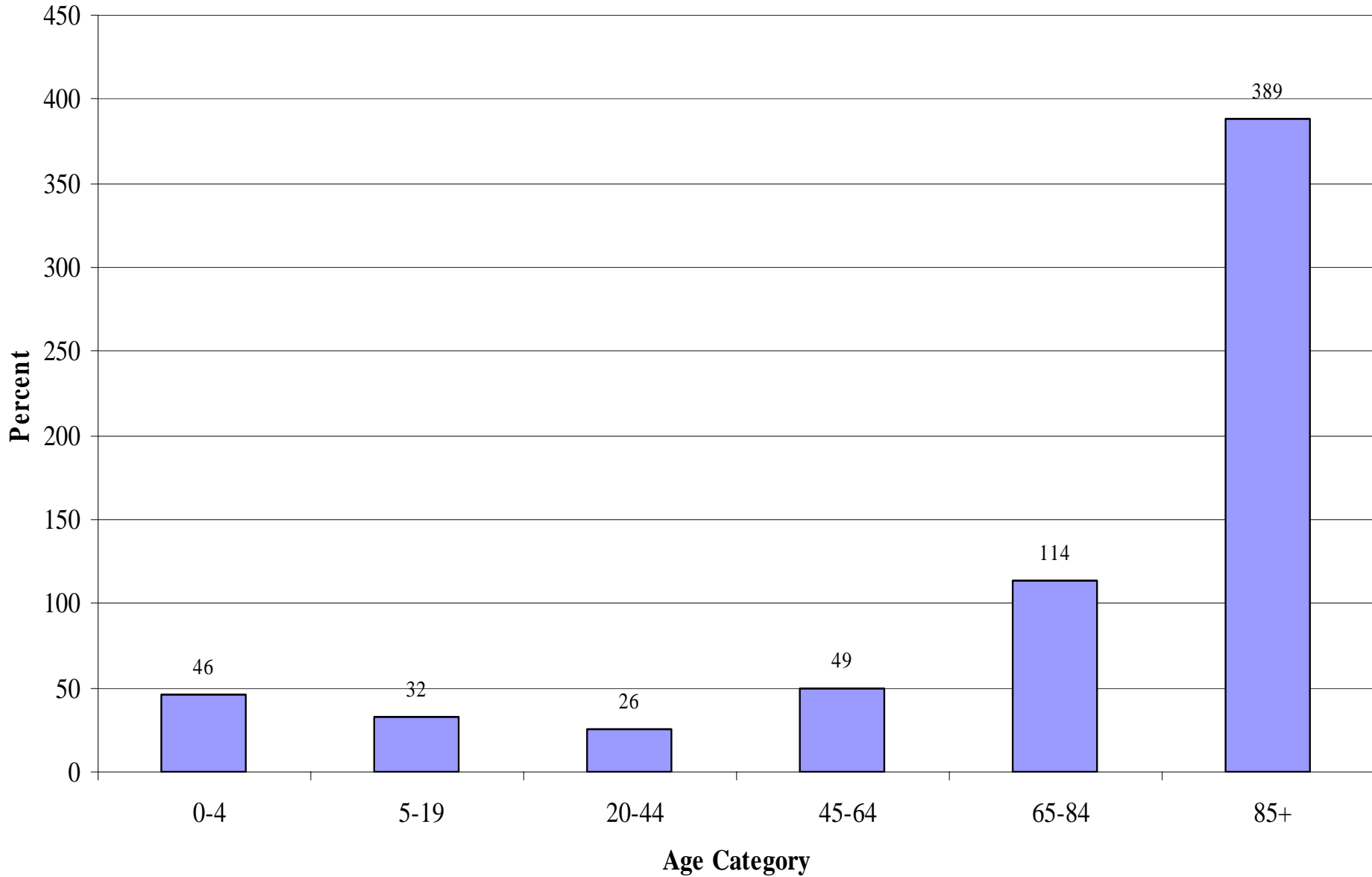
- The population of individuals 65 years of age or older is projected to more than double from about 35 million in the year 2000 to about 87 million in 2050.
- The population will grow faster than any other age category during that period.
- The population of individuals over the age of 85 is projected to grow by nearly 390% between 2000 and 2050.

Projected Population of the U.S.: 65 Years of Age or Older

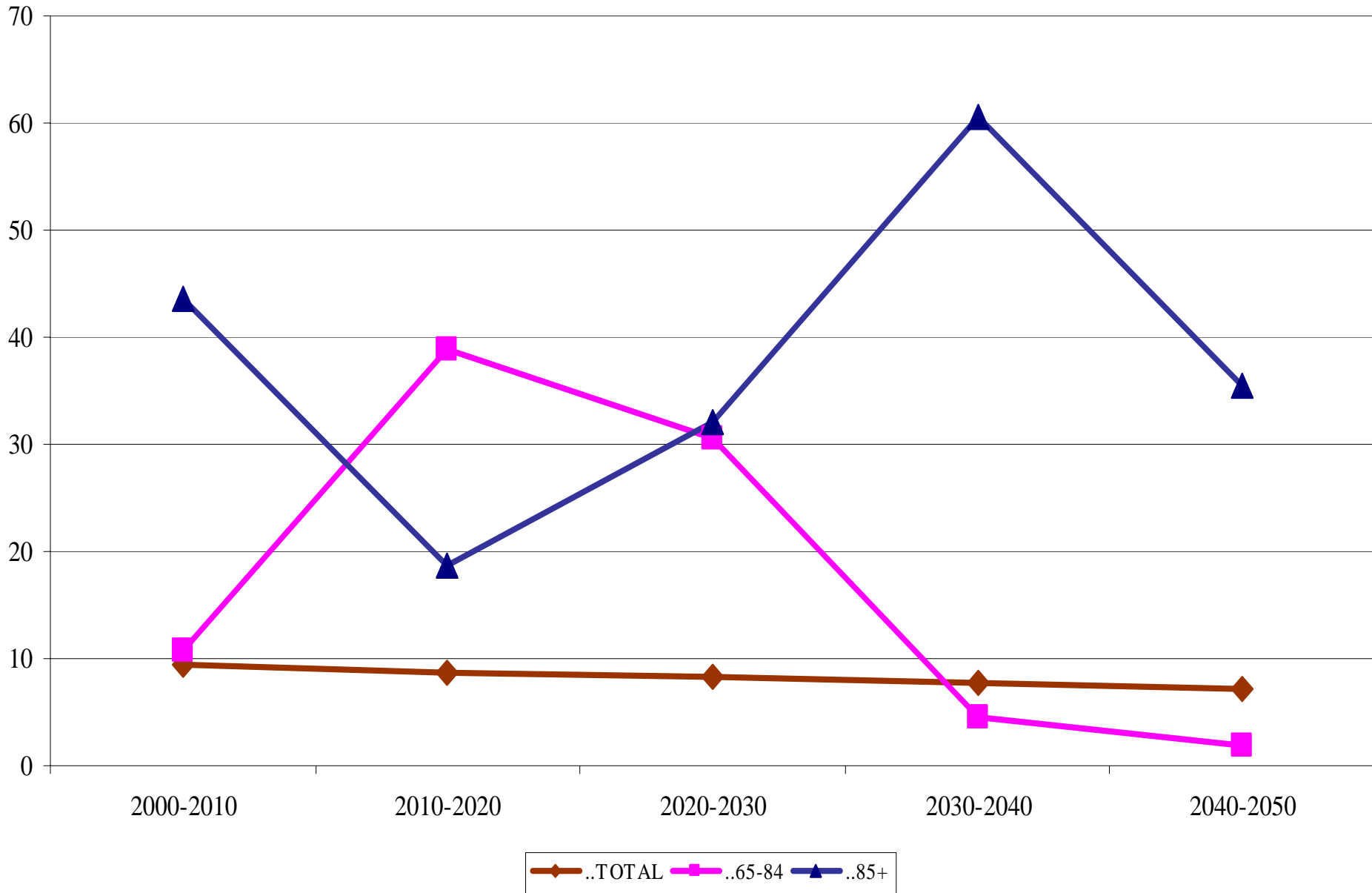
(in thousands)



Percentage U.S. Population Change by Age Category: 2000 - 2050



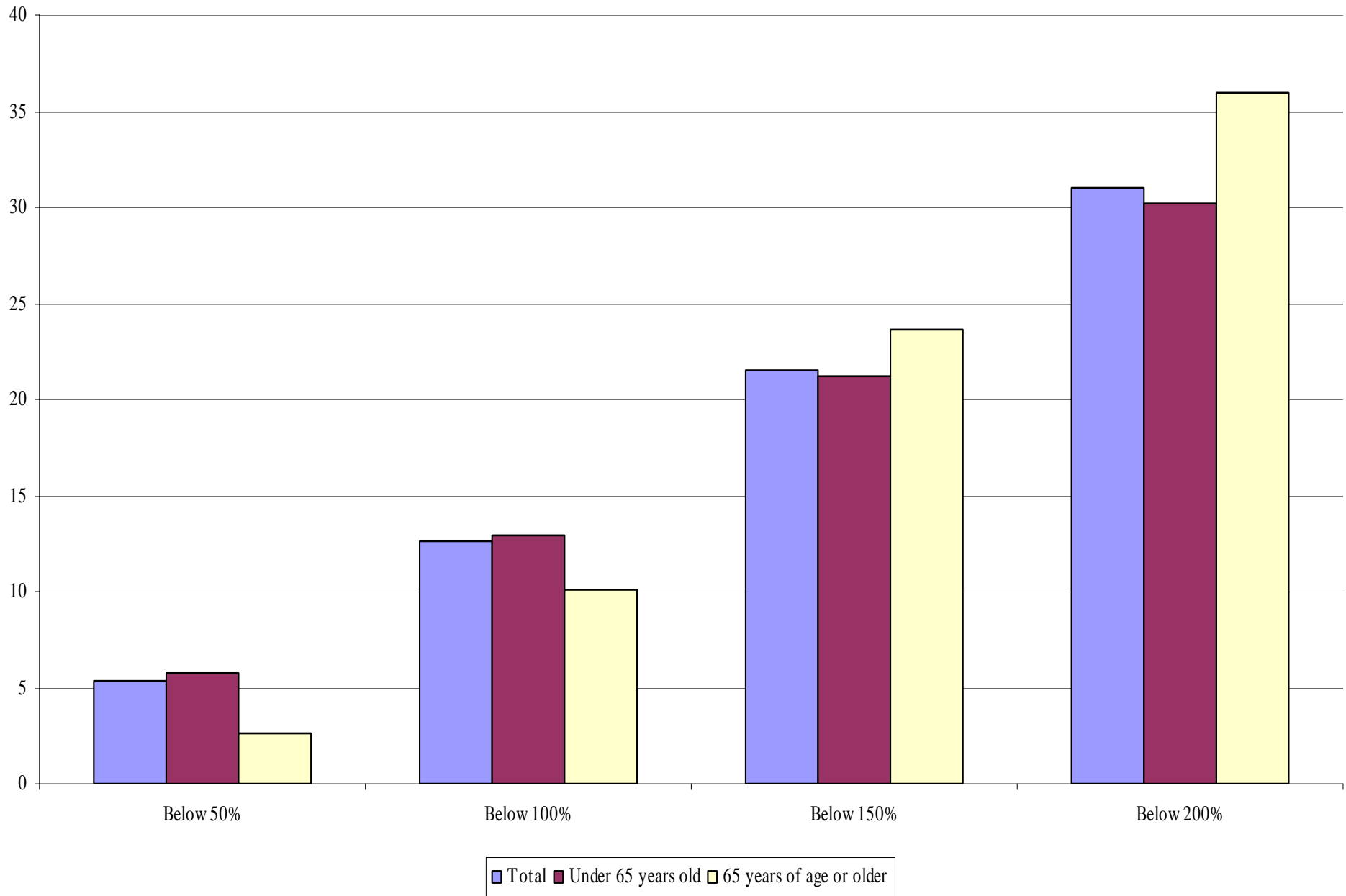
Projected Percentage Population Change in the U.S.: 2000 - 2050



Elder Poverty

- In 2005 about 10% of the U.S. population over the age of 65 lived at or below the poverty line.
- About 24% of the elder population lived at or below 150% of the poverty level and 37% lived at or below 200% of the poverty level.

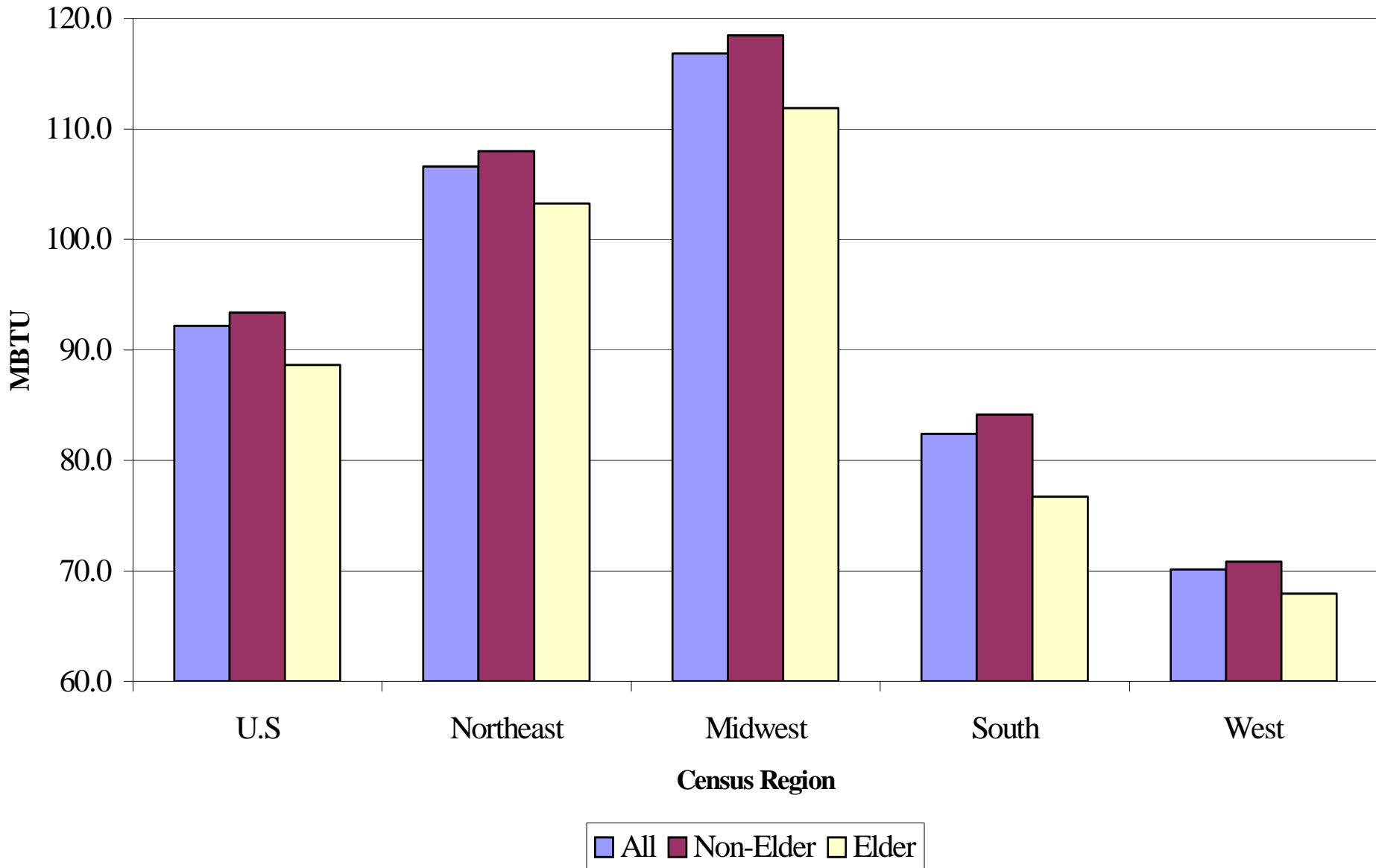
Percentage of People in the U.S. in 2005 Below Selected Income to Poverty Ratio Categories



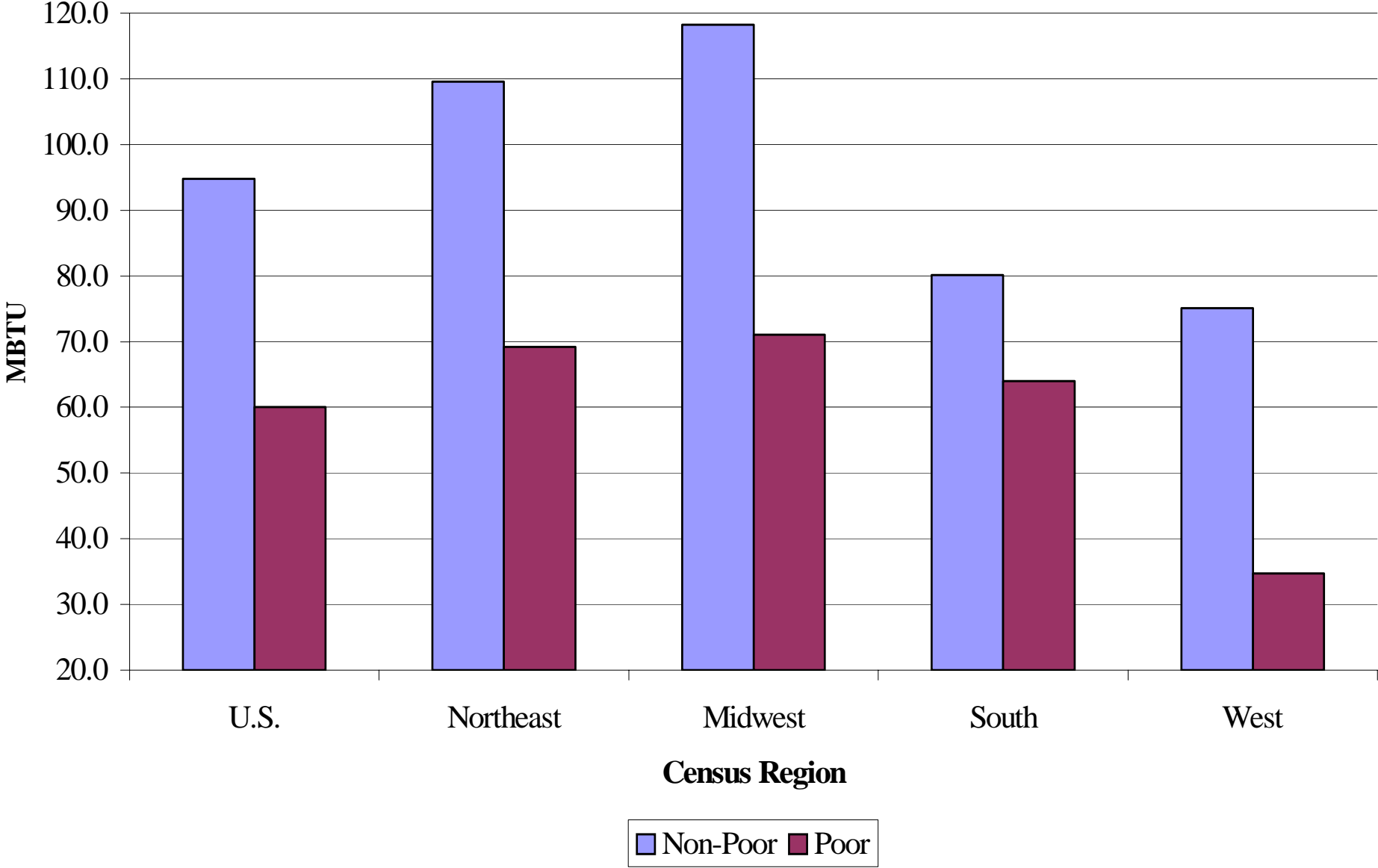
Elder Energy Consumption

- On average, elder households in the U.S. use about 5% less household energy than non-elderly households.
- Greater disparity in the South where elder households use on average about 9% less than non-elder households.
- Poor elderly households use on average 37% less household energy than non-poor elderly households.

Non-Elder and Elder Household End-Use Energy Consumption per Household



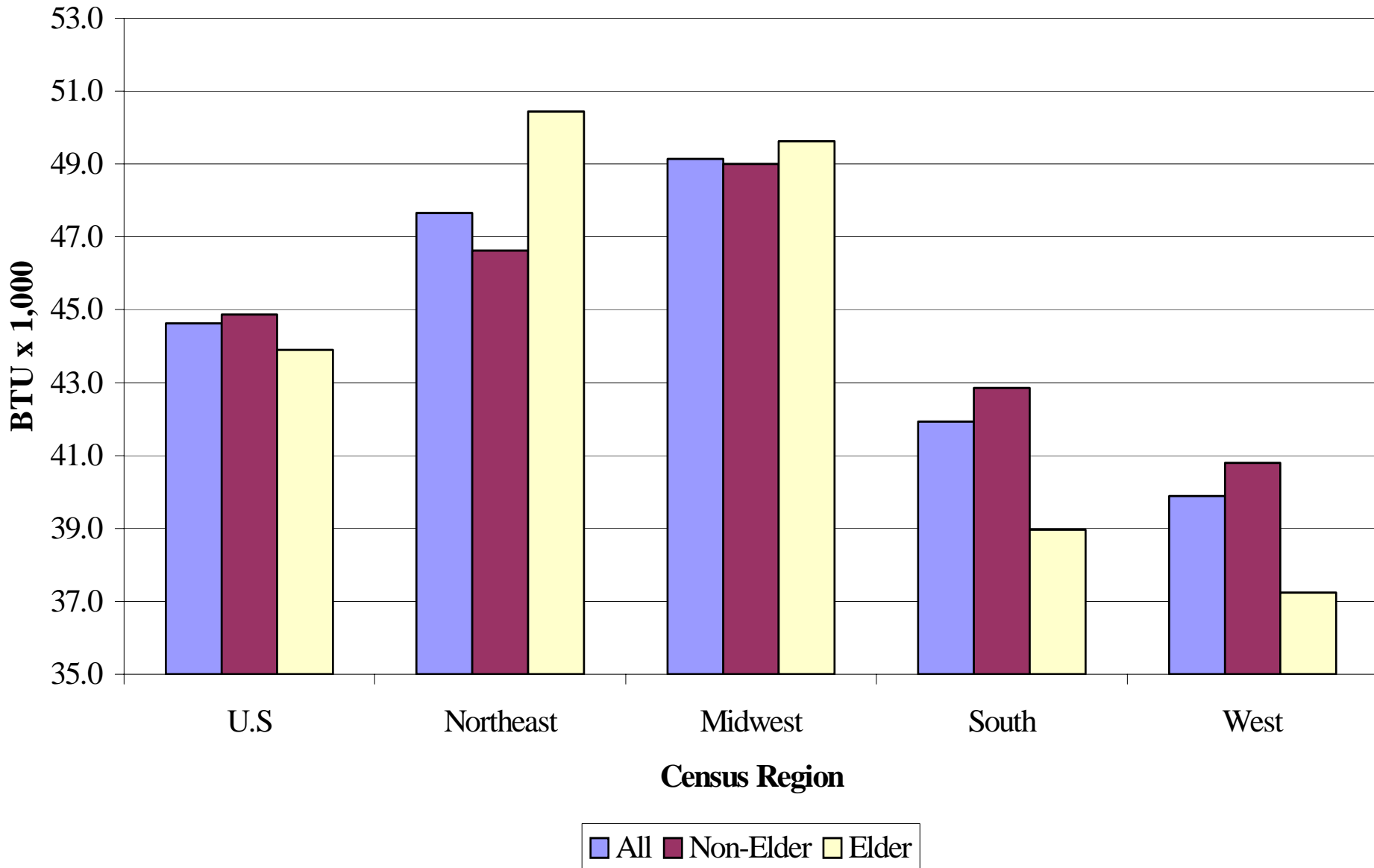
U.S. Elder Total End-Use Energy Consumption per Household by Poverty Status (MBTU)



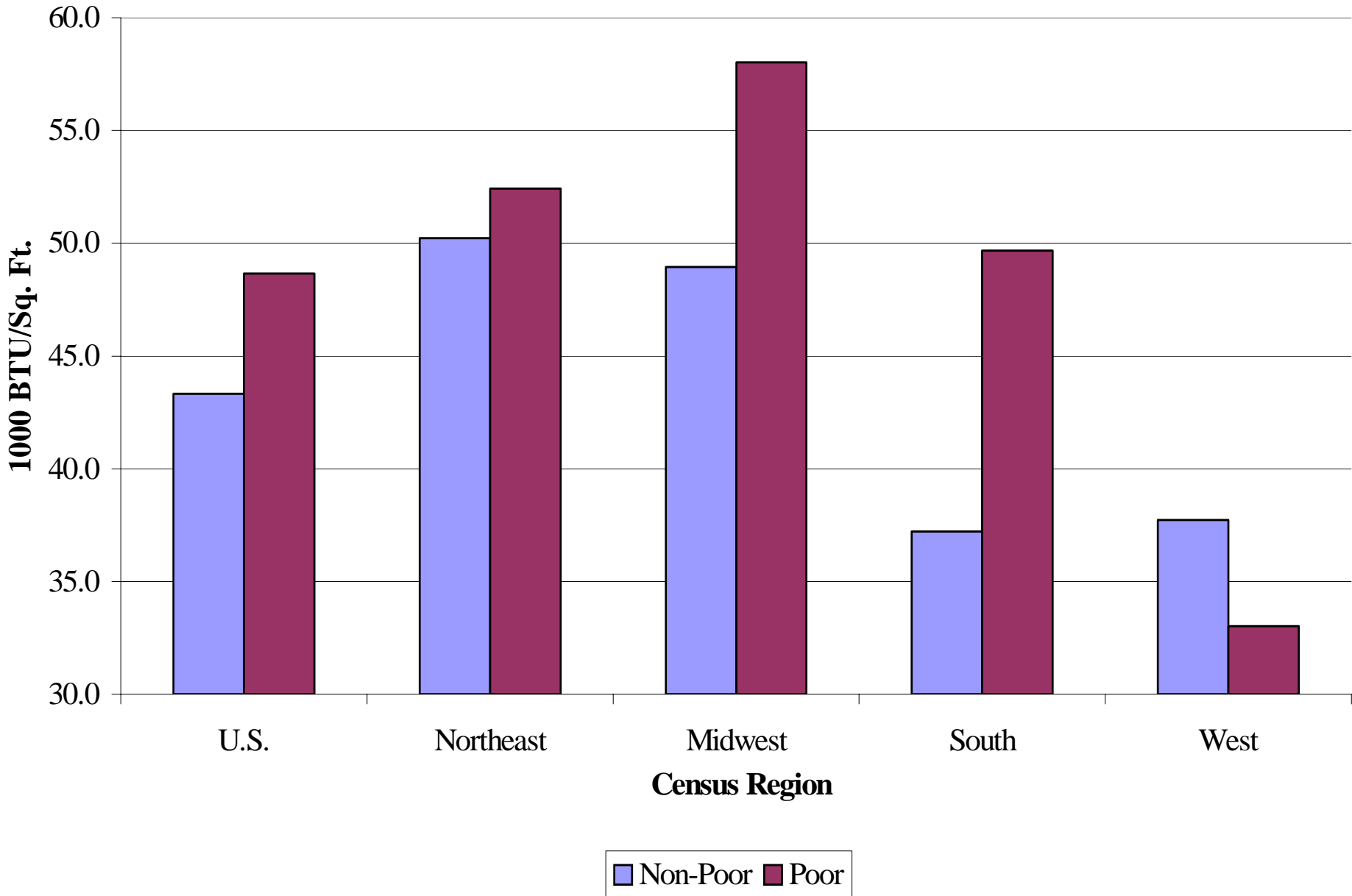
Energy Intensity

- Energy intensity – a measure of energy consumption per square foot of living space
- Relatively high among elder households in the cold, Midwest and Northeast regions.
- Elder household energy intensity is relatively low in the warmer South and West Census regions.
- Energy intensity is considerably higher in poor elderly households than it is in non-poor elderly households. (West exception)
- Poor elders consume more energy per square foot of living space than do their non-poor counterparts; they also spend more per square foot of living space.

Non-Elder and Elder Household End-Use Energy Consumption per Square Foot of Living Space



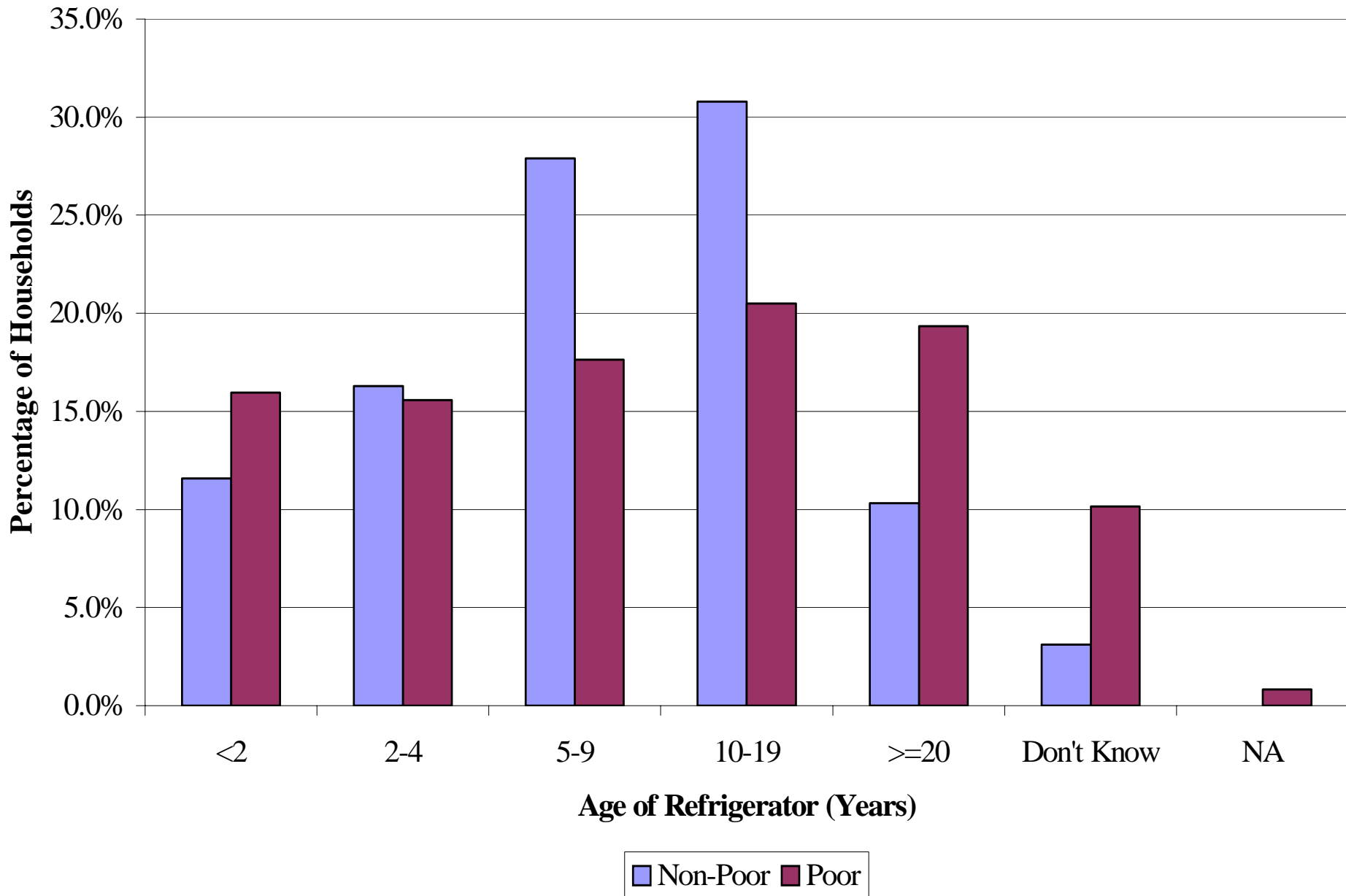
U.S. Elder Energy Intensity by Poverty Status



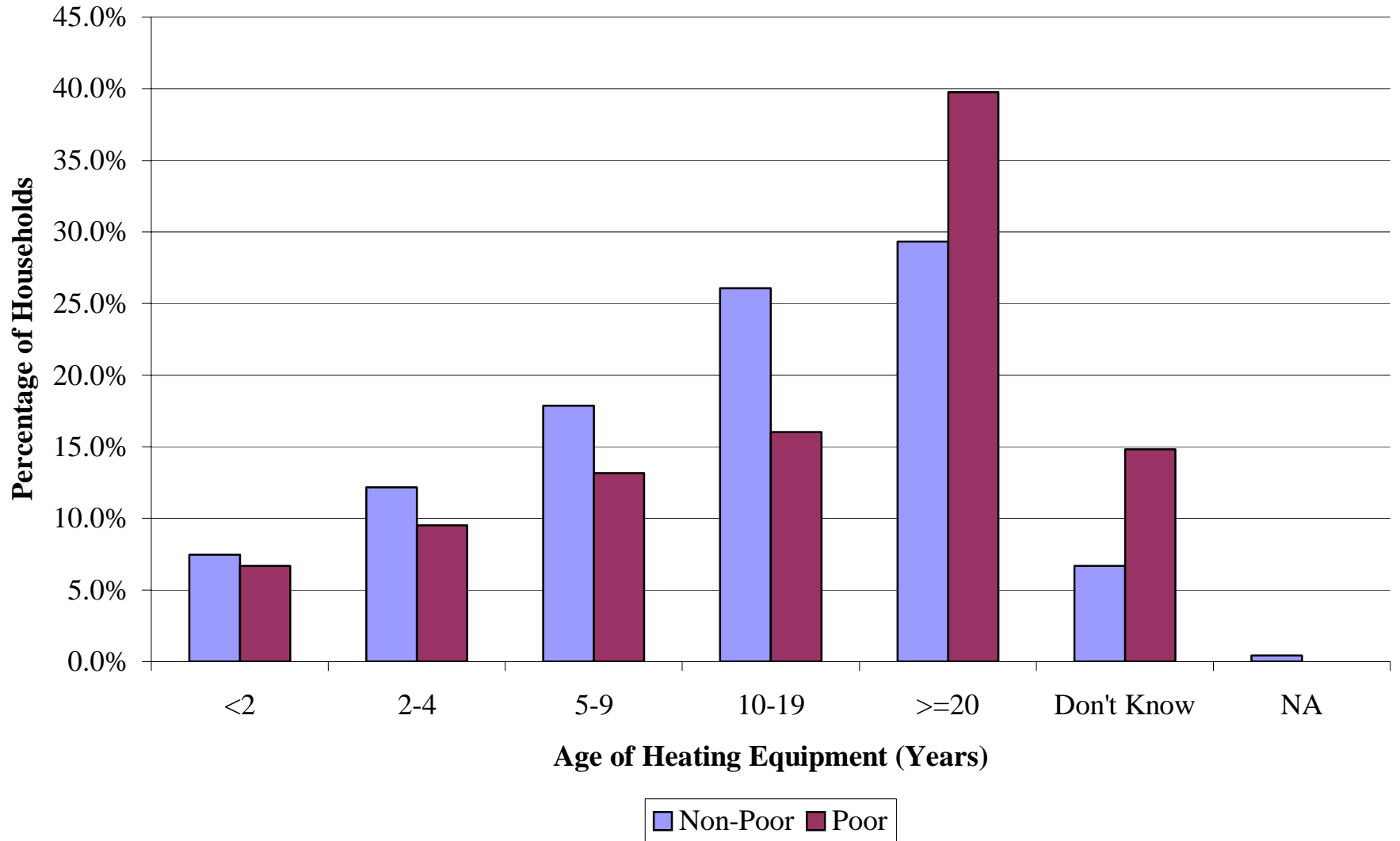
Appliances and Heating Equipment

- Elder, particularly poor, elder households are more likely to use old, inefficient energy-consuming appliances and heating equipment.
- For example, poor elder households are nearly twice as likely as non-poor elder households to use a refrigerator that is over 20 years old.

Age of Primary Refrigerator: Poor and Non-Poor Elder Households



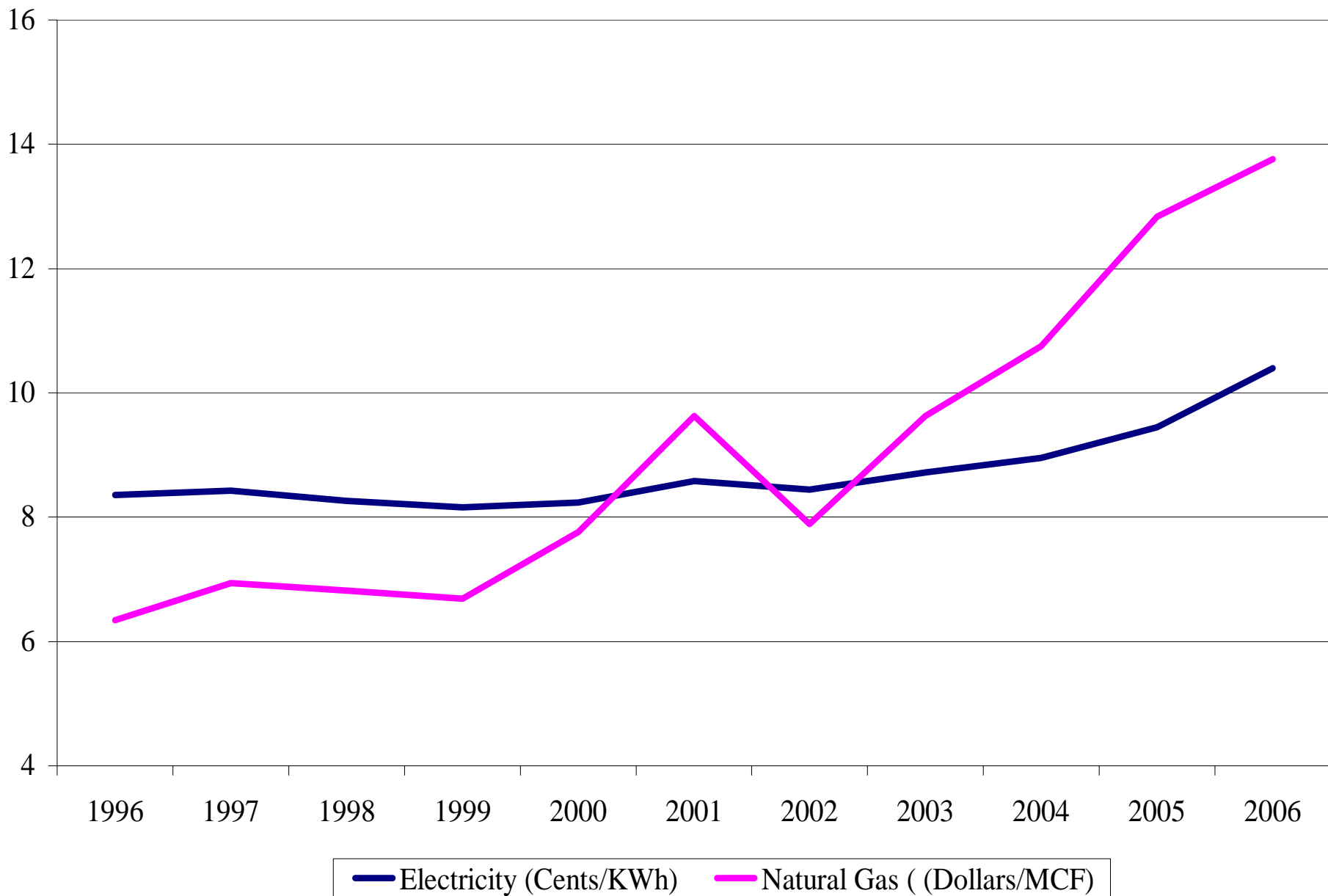
Age of Primary Heating Equipment: Poor and Non-Poor Elder Households



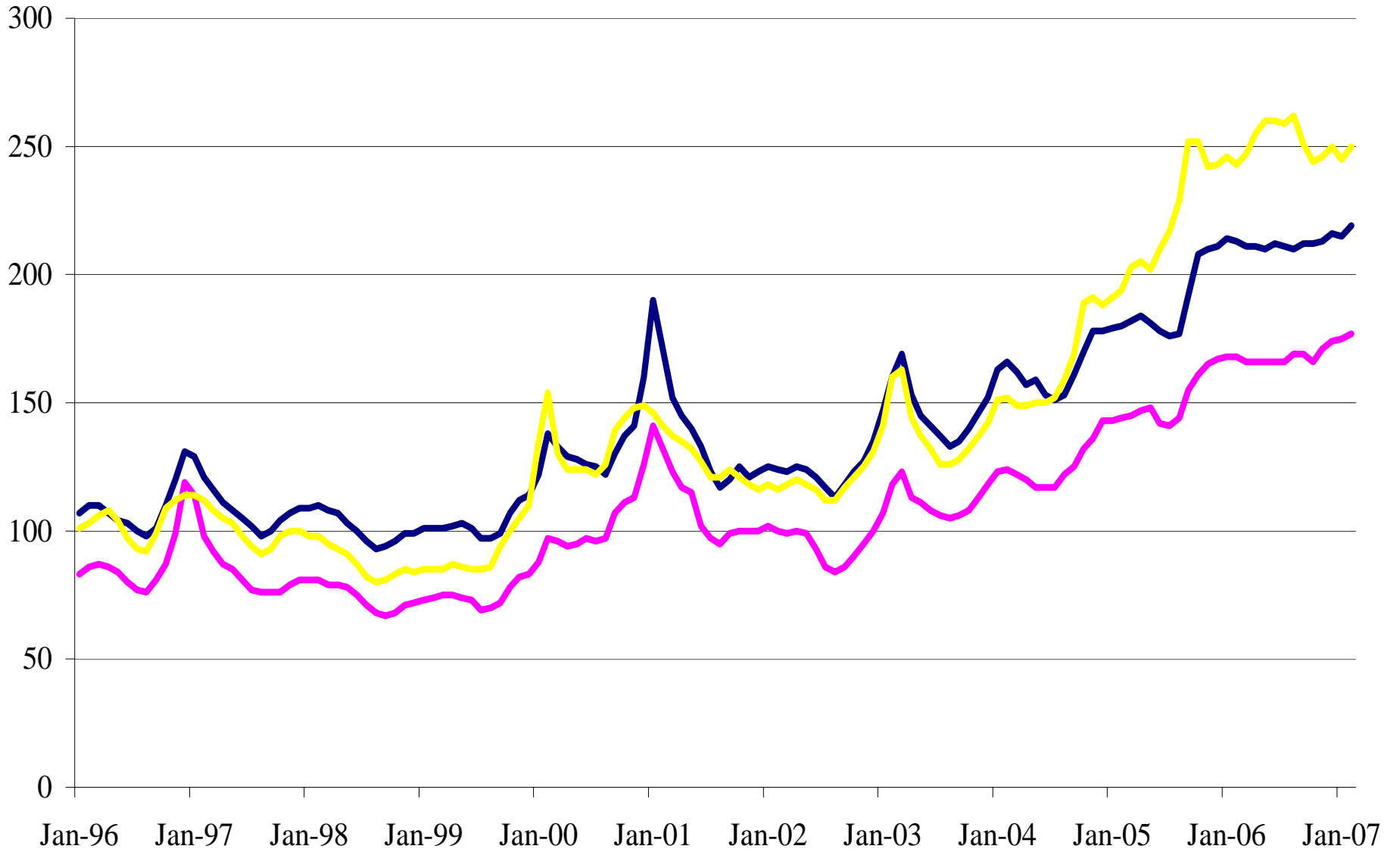
Home Energy Prices

- Home energy prices in the U.S., particularly those that are used for heating purposes, have skyrocketed.
- Natural gas prices to residential consumers have more than doubled in during the past ten years.
- Home heating oil prices in the Northeast have increased by close to 150%
- Propane prices in the Midwest and South have more than doubled since 1996.
- While the increase in home energy prices is expected by forecasters to moderate, there are no credible projections for home energy prices to decline to pre-2000 levels.

Average U.S. Residential Prices of Electricity and Natural Gas: 1996 - 2006

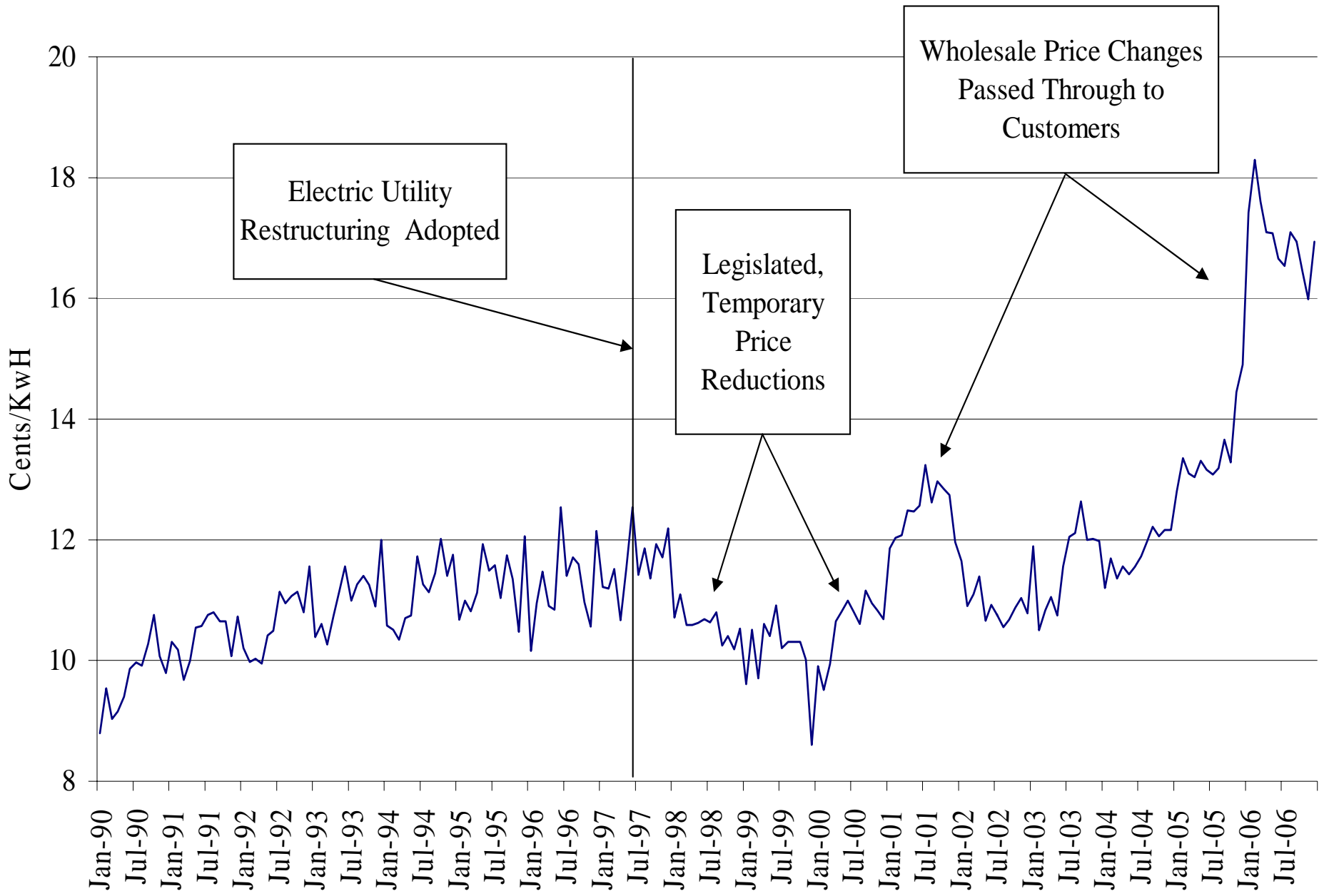


Prices of Selected Delivered Home Heating Fuels (Cents/Gallon)



— Propane: South Census District — Propane: Midwest Census District — Heating Oil: Northeast Census District

Average Residential Retail Electricity Price: Massachusetts 1990 - 2006



Elder Home Energy Burdens

- High energy prices and expenditures have led to unmanageable home energy burdens – that proportion of income devoted to home energy costs.
- In 2001 the average elder household energy burden in the Northeast using heating oil was 5.1%. By 2006 the energy burden for the same group of households grew to 6.9% of total household income.
- Energy burdens in poor elderly households, even with their reduced consumption levels, have grown to crippling high levels.
- In the Midwest, elder households living at 150% of the federal poverty guidelines that use propane carry an energy burden of about 10%.
- The burden is nearly 13% for elder households in the Midwest that use natural gas and live at 100% of the federal poverty level.
- In the South, the burden for propane-using elderly households at 100% of poverty approaches 15%.

Average Annual Home Energy Burden

2-Person Elder Households

Census Region	Heating Fuel	2001		2006	
		Expenditure	Burden	Expenditure	Burden
Northeast	<i>Natural Gas</i>	\$1,704	4.8%	\$2,305	5.5%
	<i>Heating Oil</i>	\$1,779	5.1%	\$2,883	6.9%
	<i>Electricity</i>	\$1,246	3.5%	\$1,484	3.6%
Midwest	<i>Natural Gas</i>	\$1,482	4.2%	\$1,911	4.6%
	<i>Propane</i>	\$1,750	5.0%	\$2,385	5.7%
	<i>Electricity</i>	\$935	2.7%	\$1,068	2.6%
South	<i>Natural Gas</i>	\$1,499	4.3%	\$2,046	4.9%
	<i>Propane</i>	\$1,628	4.6%	\$2,525	6.0%
	<i>Electricity</i>	\$1,232	3.5%	\$1,597	3.8%
West	<i>Natural Gas</i>	\$1,274	3.6%	\$1,537	3.7%
	<i>Electricity</i>	\$768	2.2%	\$913	2.2%

Based on Mean Elder Household Income

Annual Home Energy Burden
2-Person Elder Low-Income Households

Census Region	Heating Fuel	Expenditure	2001		2006		
			Burden Poor 100%	Burden Poor 150%	Burden Poor 100%	Burden Poor 150%	
Northeast	<i>Natural Gas</i>	\$1,430	12.3%	8.2%	\$1,943	14.7%	9.8%
	<i>Heating Oil</i>	\$1,594	13.7%	9.2%	\$2,606	19.7%	13.2%
	<i>Electricity</i>	\$982	8.5%	5.6%	\$1,169	8.9%	5.9%
Midwest	<i>Natural Gas</i>	\$1,305	11.2%	7.5%	\$1,693	12.8%	8.6%
	<i>Propane</i>	\$1,454	12.5%	8.4%	\$1,957	14.8%	9.9%
	<i>Electricity</i>	\$734	6.3%	4.2%	\$820	6.2%	4.1%
South	<i>Natural Gas</i>	\$1,300	11.2%	7.5%	\$1,770	13.4%	8.9%
	<i>Propane</i>	\$1,248	10.8%	7.2%	\$1,934	14.6%	9.8%
	<i>Electricity</i>	\$916	7.9%	5.3%	\$1,180	8.9%	6.0%
West	<i>Natural Gas</i>	\$1,001	8.6%	5.7%	\$1,214	9.2%	6.1%
	<i>Electricity</i>	\$540	4.7%	3.1%	\$643	4.9%	3.2%

Based on HHS Poverty Guidelines for two-person households in the 48 contiguous states and Washington D.C.

Elder Home Energy Security Principles

- Full Funding of the Low Income Home Energy Assistance Program.
 - Appropriation and allocation at full authorization level. Congress authorized spending for this core program at the \$5.1 billion level. Actual appropriations and allocations lag billions behind the authorized level.
 - Full funding of LIHEAP each year in advance of the onset of the heating season so that benefit levels and program administration may be set based on the total value of the funds that will be available for the program year.
- Design and Implementation of Effective Utility Payment Assistance Programs.
 - LIHEAP funds supplemented at the state and utility service territory levels so that low-income elder home energy burdens do not exceed those borne by median-income households. Tiered discount rates and percentage of income payment plan programs may be designed to accomplish this goal.
 - Program design based on the universal service ideal and informed by thorough understanding of low income household economic and cash flow dynamics and home energy circumstances.
- Design and Implementation of Effective Utility Arrearage Management Programs.
 - Affordable payments for “current” bills coupled with a structure that allows low income elders with large arrearages to retain access to necessary utility service. Effective arrearage management to allow a customer to pay off back bills at a realistic rate that takes into account the household’s actual income and expense circumstances, as well as the cost of current bills.

Elder Home Energy Security Principles

- Responsible Customer Payments In Exchange For Guaranteed Energy Security.
 - Utility payment assistance and arrearage management programs structured as an “Affordable Energy Bargain,” where elderly participants are required to maintain truly affordable payments in exchange for guaranteed access to secure home energy service.
- Secure And Predictable Program Funding Base.
 - Elder home energy security supported through volumetric or meters charges to all classes of ratepayers. Charges set to ensure that pooled funding is sufficient to meet the policy objectives of low-income payment assistance programs.
- Full funding of the Weatherization Assistance Program (WAP).
 - Congressional funding for the Department of Energy Weatherization Assistance Program at a minimum of \$255 million. Program operation through the Department of Energy where the federal government’s expertise in low income energy efficiency issues resides.
- Utility Energy Efficiency Programs.
 - WAP to be supplemented at the state and utility service territory levels by programs that allow for full energy efficiency treatment of low-income elderly households. Carefully designed utility energy efficiency programs geared toward replacing old, inefficient appliances and heating systems are essential to long-term elder energy security and the movement toward independent, community living.

Elder Home Energy Security Principles

- Regulatory Consumer Protections and Customer Service Rules Consistent with Policy Objectives of Payment Assistance Programs
 - Reexamination and enhancement of state level regulatory consumer protections regarding provision and denial of utility service to protect vulnerable elders from involuntary loss of utility service – based on economic and financial realities rather than punitive behavioral theories.
 - Protections from loss of service during harsh weather conditions and in cases of serious illness.
 - Customer service rules regarding payment of security deposits and late payment fees revised to exempt low-income elders from costs that diminish energy security while providing no additional assurance of increased or more timely payment of current bills.
- Enhanced utility company outreach and identification of residential customers over the age of 65.
 - Utility companies, working in conjunction with appropriate community-based organizations, should identify all residential customers over 65 in order to provide secure regulatory and programmatic protections.
- Deliverable Fuels Payment Assistance.
 - Elder energy burdens are particularly high in cold weather regions in households that rely on heating oil or propane for heat. Deliverable fuel customers do not enjoy the same programmatic and consumer protections afforded many electric and gas customers. New programming geared toward enhancing the energy security of low-income elders that use deliverable fuels is required. Legislative appropriations and use of state excise tax revenues are potential sources of funding for such programs.

Elder Home Energy Security Principles

■ Systemic Change

- Wholesale price increases overwhelming participant financial benefits of low income payment assistance and energy efficiency programs
 - Increasing difficulty in protecting energy security of vulnerable energy and utility consumers – increasing rates of service loss and gaps between service disconnections and reconnections
 - Unraveling of the Universal Service Ideal
- System is broken: Unrealized promise of market forces and competition replacing the need for regulatory oversight
- Renewed regulatory and market structure reform informed by reality, not by ideology