David Bradley
Executive Director
National Community Action Foundation

Testimony
Before the Subcommittee on Energy and Minerals
Committee on Resources
United States House of Representatives

Hearing on the Outer Continental Shelf Natural Gas Relief Act

November 17, 2005

My name is David Bradley; I am Executive Director of the National Community Action Foundation, which represents the nation's 1100 local Community Action Agencies (CAAs). Community Action Agencies are multi-service organizations, and the federal low-income energy programs are a very important element of their portfolio of services to Americans who are struggling to become more self-sufficient.

I am very grateful to the distinguished Chairman, as well as to Mr. Peterson and to Mr. Grijalva, the Ranking Member of the Subcommittee, for this opportunity to talk about the hardships hundreds of thousands of low-income natural gas consumers are experiencing; they are streaming into Community Action Agencies seeking help with their bills this very afternoon, just as they have every day since agencies opened Low Income Home Energy Assistance Program (LIHEAP) this fall.

Community Action Agencies and Low-Income Energy Programs

CAAs in over 46 states are responsible for either administering the entire LIHEAP program or for providing expedited assistance to the families who face a crisis because they are threatened by loss of utility power or fuel deliveries. About one-third of LIHEAP resources are managed by CAAs. Our network is also the primary delivery system for the Department of Energy Weatherization Assistance Program (WAP), a more permanent solution to high energy prices.

Our 15 million customers are predominantly the working poor and their children, along with a million or so elderly persons living alone.

CAAs also take responsibility for reaching out to private partners, particularly utilities and regulators; we have secured substantially more resources and achieved some low-income consumer protections in a majority of the states. But these successes have not offset the impact of sharp price increases in recent years. More and more consumers cannot afford to pay for an adequate quantity of household energy and maintain safe, decent shelter.

Trends in Residential Natural Gas Bills and Their Impact

It is important to recognize two elements that are generally absent from the debates over LIHEAP and WAP funding. First, the residential customer must deal with the current level of home energy prices year in and year out because energy inflation has far outpaced wage growth as well as the consumer price index for most of the past two decades.

Further, a utility customer never gets a heating bill or a cooling bill. Those are abstractions convenient for political discussions of the problem. That is, the natural gas consumer gets a gas bill that probably includes water heating and cooking, and he gets an electric bill as well. The electric bill can include: heat, hot water, and cooking, but also lighting and refrigeration and, for many some air-conditioning. Customers are not given the choice of paying the heating and cooling portion, or about 40% of the real bottom line. Paying the energy bill is no longer a seasonal crisis for America's poor. That reality explains the real suffering of many very low-income Hawaiians whose electric power has always been the costliest in the nation. It explains why even many LIHEAP recipients, including those that have been weatherized, cannot keep their utilities connected year-round.

We have had double-digit increases in natural gas prices every year except in 2002, and no double-digit decline in price is expected for as long as DOE predictions stretch into the future. Neither low-income nor middle-income families have experienced real income growth at a similar rate. Chart 1 shows the recent patterns of increase in residential fuel prices in petroleum-based heat fuels and compares the rate of change in LIHEAP resources. Natural gas and heating oil prices began taking off anew in 2003 and liquid propane tracked these increases. Clearly, the needs of vulnerable consumers cannot be addressed as if each year's upward spiral were a one-time crisis requiring a one-shot infusion of a relatively small amount of emergency assistance and weatherization funding. Utility bills do not rise by the same percentage as commodity prices, but the pattern is the same.

Table 1 shows the annual natural gas bills that consumers who heat with natural gas can expect during the current fiscal year for different income levels in every region. A map showing the states in each Census Division follows.

A majority of low-income homes use natural gas heat, as does about 60% of the nation. As shown, the market share varies greatly by region. Estimates of twelve months of gas bills for all the end-uses of gas, such as cooking and hot water, are shown for the nearly 33 million consumers who are income-eligible for LIHEAP under federal law; and also for those whose incomes are too high to qualify them for LIHEAP. These are based on DOE survey databases and forecasts. Details of sources and methodology appear at the end of this testimony.[i]

Utility customers have to pay their entire gas bill all year, and CAAs make it a priority to put customers on a level-billing monthly plan to even out the expenses. Failing to meet these obligations means disconnection, and disconnection, at the very least, means extra costs added to the un-affordable bill.

Of course, gas customers have electric bills as well; electricity is needed to make a gas furnace run and for refrigeration. Electricity is essential, a must-have for safe shelter.

Table 2 shows the real challenge: the annual bills that will need to be paid in this fiscal year and the "energy burden', the percent of personal income that the average consumer in the region and income group would have to pay their vendors over the course of the year.

The Two Kinds of Indicators

There are two kinds of indicators of the hardships high energy bills impose; we have used these dry statistics to indicate human suffering that is a prime example of hidden poverty conditions in America's communities.

The first indicator is energy burden; the proportion of income required for paying the bills. This has long been a policy measure for the affordability of housing or food. Table 2 shows:

- While bad for most households, low-income household budgets are hit four to five times as hard by energy costs. The year's energy bills will take 4-5% of the incomes of the average consumers, those with incomes exceeding 60% of their state median income. That indicates a significant loss in purchasing power to the moderate- or middle-income household that historically expended just over 3% on energy costs.[ii] Far worse, these high priced energy bills will devour about a fifth (20%) of the average LIHEAP–eligible household's resources.

- The percentages of income shown mean that the low-income household can no longer meet its energy needs with its own income alone. However, most of those eligible for LIHEAP, even those in poverty, are not receiving assistance. About 15% of eligible households received LIHEAP in FY 2005 and the average payment was about $300.

- The comparison between the regions also shows that the energy bills of Southerners, while a little lower than those of the colder Midwest, take up an even higher percentage of low-income gas customers' resources, because incomes in the South are relatively lower.

- Weatherization, which can significantly reduce energy burden, is only available to a small fraction of those who qualify.

The poor will not be able to afford these bills, of course. The Census has periodic surveys of cohorts of lower-income individuals that are tracked through the Survey of Income and Program Participation.

- Low-income consumers will sacrifice necessities. Census data show that, in 2001 when energy prices were much lower and the weather was abnormally warm, 9.6 million consumers failed to pay at least one month's energy bill last year because they could not afford it.

- Analysis of the previous group's data revealed 77% of those who could not afford an energy bill endured at least one additional kind of hardship during the year, and the majority suffered three or four kinds of deprivation. The most common sacrifices reported were (in order of frequency):
  1. Delayed rent payments,
  2. Skipping needed medical or dental care, and
  3. Enduring poor nutrition or hunger.[iii]

These coping techniques used by low-income families are essentially invisible to the community, and are more examples of the hidden face of poverty. Furthermore, the Census survey also found that about half of those suffering from energy-related hardships were not poor or even income-eligible for LIHEAP, but most were at or below the median income.

The second and more extreme indicator is utility disconnection, especially in those homes where the customer remains without service for an extended period. Usually, the suffering is not known unless and until the poor end up in a shelter or a hospital because the home is too cold or overheated, or unless a child dies by fire in a home without lights, as did one-year old baby Jonah Flores of Columbia Heights in Washington, D.C. last month. The lack of reporting systems in most states means only the utility or the oil dealer and the affected customer are aware of the miserable conditions in the house.

The figures generally remain a secret kept by individual utilities. Few regulatory commissions require reports on the number of consumers who are disconnected but still occupying their homes [iv] However, Pennsylvania tracks these data and after a new statute made disconnection easier for utilities, nearly 100,000 occupied homes remained disconnected in September, with as many as 60,000 predicted to remain without gas or service by December. Mr. Chairman, enduring those conditions is direct evidence that the customer cannot pay and is no casual deadbeat, as some utility regulators believe. In Pennsylvania, as well as the few other states that require utilities to report service disconnections and reconnections, not only has there been a dramatic increase over the past few years in service disconnections, but the gap between disconnections and reconnections has also increased at an alarming rate.

Wisconsin and Minnesota have sensible rules to prevent such incidents; thousands were recently reconnected for an affordable minimum payment after spending a summer without gas service. The Governors of Illinois and Michigan have issued emergency orders requiring utilities to accept a somewhat smaller debt repayment than is due under normal collection rules. For many, even that sum may be too high.

Recently, NCAF, the AARP, Consumers Union, Consumer Federation of America and National Consumer Law Center joined in a letter to the two associations of investor-owned utilities to ask them to approach their members and urge their consideration of humane re-connection policies for their long-standing customers and for Katrina evacuees with a poor credit history who were setting up new accounts. (CAAs have assisted over 196,000 evacuees to get resettled.) We have had no answer to this request to date, and it is already far too cold to be without gas or lights in the upper Midwest.

Both the Census[v] and recent DOE Residential surveys [vi] show that in 1997, 1998 and 2001, about 2 million households a year were going without either heat or lights, or both, for some period of time because of inability to pay a bill or to afford to fix their heating equipment. With prices now double or triple what they were in those years, the situation is far worse.

Energy futures and the Low-Income consumer: An Opportunity for Fairness

Having a significantly larger domestic supply of gas, along with a policy of requiring commercial and utility gas storage, would have a stabilizing impact on prices. Allowing high market price could call forth investment in exploration, alternative fuels and accelerated upgrades of inefficient equipment and buildings is appropriate, but this should not occur until after protections against abuse and exploitation of all small consumers are in place.

Those small consumers who are too poor to respond to the market, i.e. those who lack capital or credit to invest in efficiency improvements, must be guaranteed access at least to the quantity of energy needed to maintain healthy conditions in their homes and ensure the ability to travel to their work.

This was the original, explicit bargain between the consuming and producing regions and the White House when oil prices were decontrolled in 1979; LIHEAP was created that year and by 1981 was worth nearly twice its inflation-adjusted present value. DOE Weatherization funding was tripled.

Unfortunately, that social compact was virtually abandoned in the early 1980's. LIHEAP funding stagnated while the number who qualified mushroomed. The compact was certainly forgotten when the White House decontrolled natural gas prices in the early Reagan years, and dangerous conditions that come with lack of enough electricity competition. Consumers were assured that 6.5 cent per kilowatt hour electricity lay right around the corner when the electric industry was deregulated in many states. Neither of the promises -- affordable energy or energy security for the most vulnerable families -- has been realized in a generation.

The results have been largely hidden because, like so many poverty conditions that exist inside the homes of the impoverished; life in the squalid and dangerous conditions that come with lack of enough electricity and gas is a private misery.

No matter how private, it is still a profound level of misery. Lack of affordable energy is devastating to the efforts of the working poor CAAs serve; families that are working in our programs to lift themselves out of poverty by building assets and stabilizing their families. It is also devastating to the health and security of the elderly poor who are trying, with the help of their CAAs, their partners in the public and private sectors, and volunteers our agencies mobilize to remain independent in their older homes while conscientiously paying their bills.

Mr. Chairman, LIHEAP benefits at the level in the HHS Appropriations conference report will not pay as much as one-fifth -- two months and one week -- of the year's energy bills for the average poor household. A family being certified for benefits today is on its own to find the money to pay the rest of the year's bills soon after New Years' Day. There are about $4.5 billion

in resources of one kind or another that provide direct bill payment assistance, counting all of the LIHEAP block grant, and all the utility discounts and charitable funds available last year. Chart 2 shows all of the resources available beside the expected expenditures for all who are income-eligible for LIHEAP; clearly the support does not quite measure up. States are beginning to find new funds and reprogram others this winter which, collectively, may add up to several hundred million more. That will not make a measurable difference to most of the low-income consumers; 85% have not participated in LIHEAP in recent years.

It is also important to note that the avoided bills for a gas consumer who was weatherized in the past few years means bill are $470 lower this year than if the investments had not been made.[vii] The approximately 7.5 million homes weatherized by our network using DOE and other funds will, collectively, reduce bills by billions this year and every year. The tall bar on the right in the graph includes these savings; otherwise, it would be even a bit higher. As we move forward, it is important not just to pay bills, but to lower those bills by making low-income homes more energy efficient.

Mr. Chairman, it is time that the link between our market-based energy policy, wherein the development of new sources of energy or efficiency, be welded to a policy of ensuring that every American can buy enough energy to keep their home safe and their family healthy. I am not an energy expert, but rather an expert on how our local institutions can help low-wage workers and their families move out of poverty and stabilize themselves in a self-sufficient life. I look forward to working with you on developing the mechanism in the Outer Continental Shelf Natural Gas Relief Act which collects new funding to add to LIHEAP and WAP and in using those funds to restore the protections once promised and keep them in place in the future.

Thank you very much.

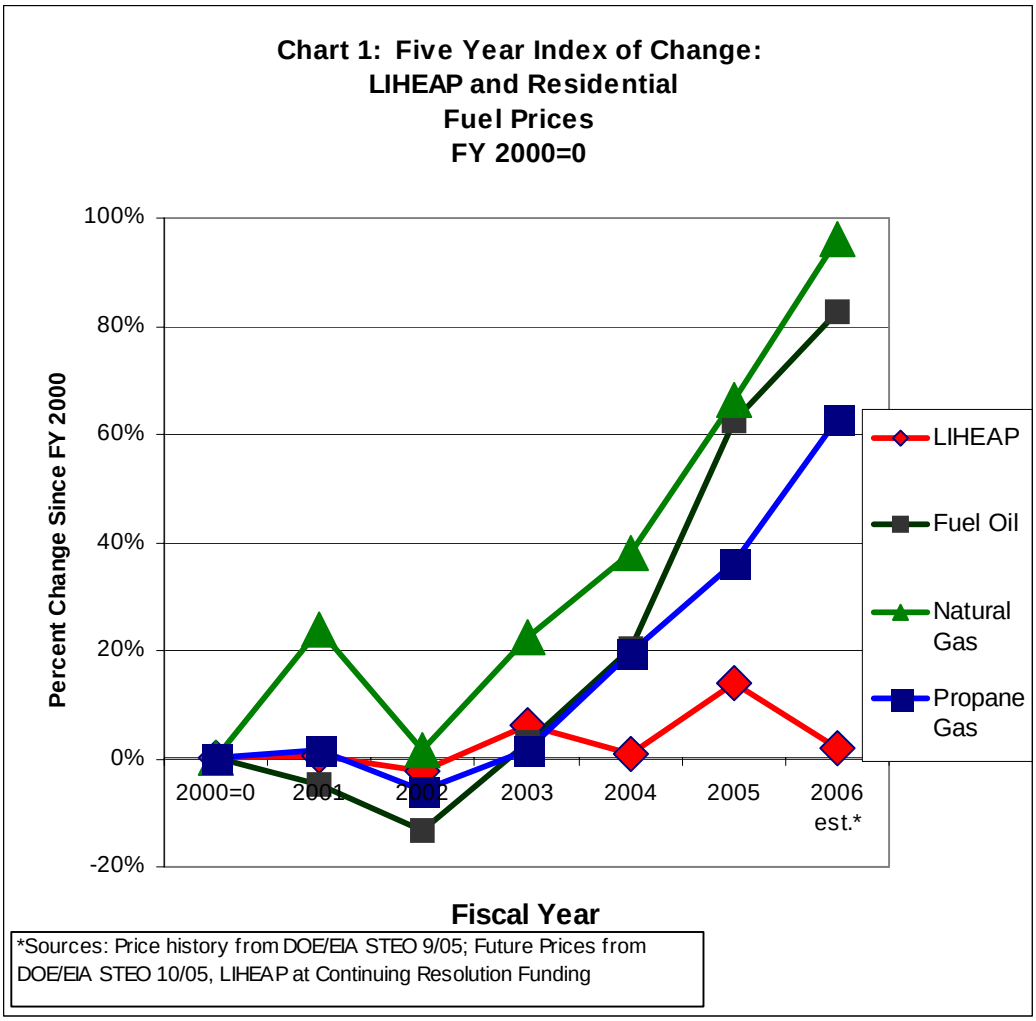
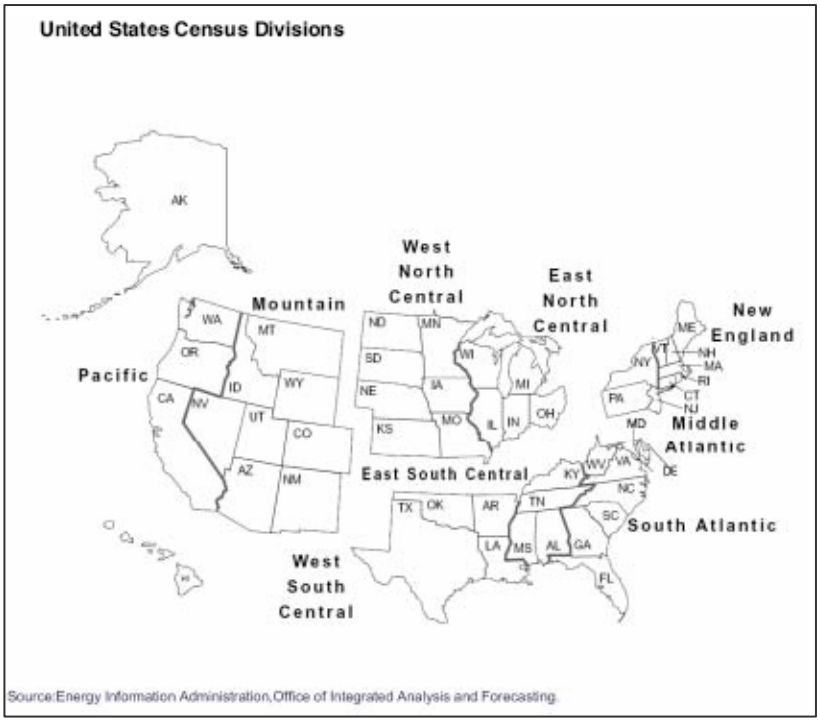


Table 1. Est. Total Natural Gas Bill of Gas-Heated Homes
by Poverty Level and LIHEAP-Eligibility, FY 2006

CENSUS DIVISION	LIHEAP-ELIGIBLE	EVERYONE NOT LIHEAP-ELIGIBLE	% of LIHEAP-Eligible that have Nat. Gas Heat
New England	$1,559	$1,858	43%
Middle Atlantic	$1,165	$1,504	60%
East No. Central	$1,679	$1,711	79%
West No. Central	$1,300	$1,509	53%
South Atlantic	$1,079	$1,469	30%
East So. Central	$1,172	$1,406	34%
West So. Central	$1,223	$1,521	53%

Mountain	$953	$1,018	61%
Pacific	$682	$887	48%
National Avg.	**$1,253**	**$1,422**	**53%**

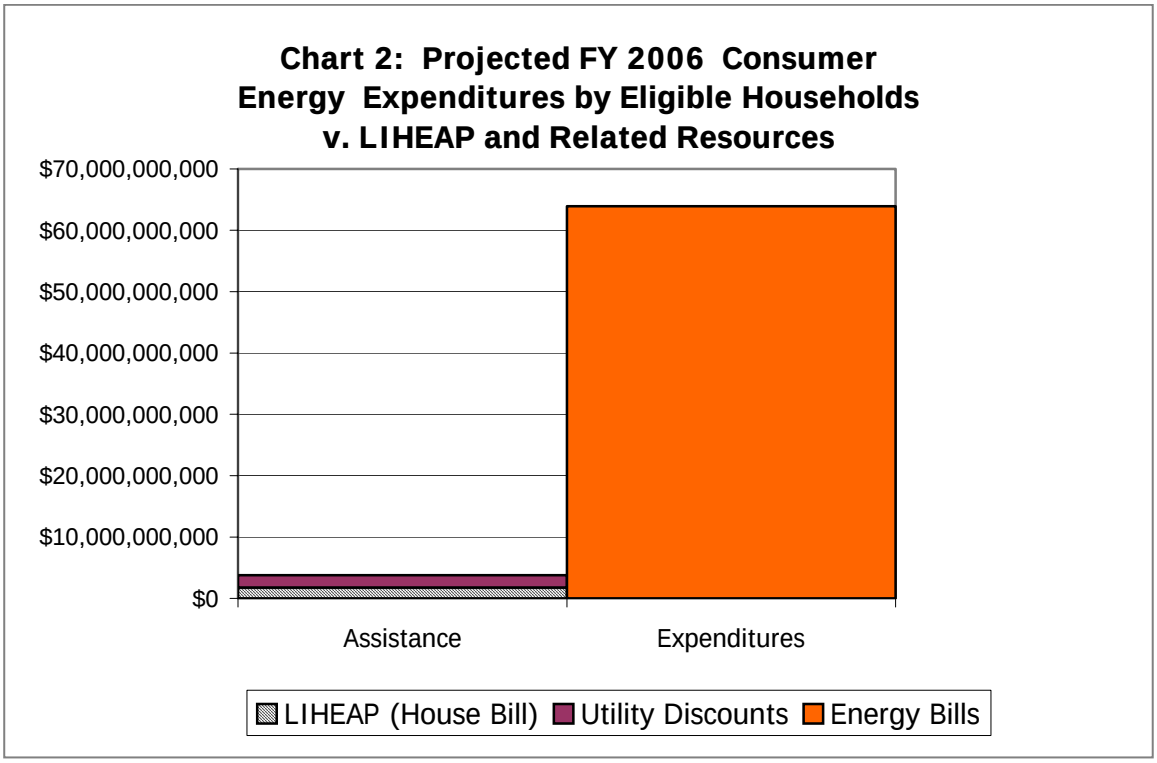
The Maximum Income Threshold for Poverty is $15,067 for a Family of 3.
Analysis Prepared for NCAF by Economic Opportunity Studies, Inc.
www.opportunitystudies.org



Census Division	Table 2. Energy Bills & Energy Burden of Households with Natural Gas Heat by LIHEAP Eligibility, FY 2006					
	LIHEAP-ELIGIBLE			EVERYONE NOT LIHEAP-ELIGIBLE		
	Average All Bills	Energy Burden Average	% of US LIHEAP-Eligible	Average All Bills	Energy Burden Average	% of US Not LIHEAP-Eligible
New England	$1,926	20%	5%	$2,627	4%	5%
Middle Atlantic	$1,735	21%	15%	$1,967	4%	13%
East No. Central	$2,213	19%	16%	$2,192	5%	16%
West No. Central	$1,854	17%	7%	$1,989	5%	7%
South Atlantic	$1,939	20%	8%	$2,027	4%	20%
East So. Central	$1,922	23%	7%	$1,998	5%	6%
West So. Central	$1,787	22%	12%	$2,030	5%	11%
Mountain	$2,008	14%	7%	$1,863	4%	6%
Pacific	$1,833	9%	15%	$1,903	3%	16%
National Avg.	$1,932	18%	100%*	$2,038	3%	100%*

*Column may not total to 100% due to rounding

Energy Burden is the Percent of Income Required to Pay Bills.
The Maximum Income Threshold for Poverty is $15,067 for a Family of 3.
Prepared for NCAF by Economic Opportunity Studies, Inc. www.opportunitystudies.org



ENDNOTES

[i] This analysis is based on updates of the 2001 U.S. Department of Energy Residential Energy Consumption Survey (RECS) data (see http://www.eia.doe.gov/emeu/recs/contents.html) performed by Oak Ridge National Laboratory and further modified by Economic Opportunity Studies. See the ORNL paper Joel F Eisenberg, The Impact of Forecasted Energy Price Increases on Low-Income Consumers, November 2005. Oak Ridge national Laboratory, TN. ORNL/Con 495 at http://weatherization/ornl.gov. Household records were adjusted to incorporate current price and weather projections from the Energy Information Administration.
Economic Opportunity Studies Inc (EOS) changed the ORNL data base to update incomes for the sample households based on the US Bureau of the Census Current Population Survey data for census divisions. The projections are a model that assumes that the weather-adjusted usage remains constant regardless of price; this is obviously not realistic, especially for households with very limited disposable income. The results indicate what it would take for the consumer to stay as comfortable as at the time the RECS survey was administered and to use the same appliances and lighting in the same way. Related analyses are available at www.opportunitystudies.org. See "The 2006 Energy Bills of Low-Income consumers and their Impact" Octobe 2005.

[ii] See the most recent HHS LIHEAP Notebook 2003 at http://www.liheap.ncat.org/pubs/energynotebook03.doc

[iii] These statistics are measures of household well-being from the 1998 and 2001 cohort of Survey of Income and Program Participation (SIPP) respondents. http://www.sipp.census.gov/sipp/. The data are from the U.S. Census Bureau's Survey of Income and Program Participation (SIPP) 1996 Panel Wave 8 Topical Module; the details of information provided by those who said they were unable to afford their full energy costs were analyzed by EOS and are found at http://www.opportunitystudies.org/weatherization/national.php.
See also the SIPP working paper: Kurt Bauman "Direct Measures of Poverty as Indicators of Economic Need: Evidence from the Survey of Income and Program Participated U.S. Bureau of the Census Population Division Technical Working Paper No. 30, November 1998.

[iv] *Nonpayment of Energy Bills by Low-Income Customers*, Francine Sevel, The National Regulatory Research Institute and Mitch Miller, Pennsylvania Public Utility Commission, June 2005.

[v] Survey of Income and Program Participation, 2001 op.cit

[vi] data are from the RECS 1997 and RECS 2001 survey public use data files.
http://weatherization.ornl.gov/metaevaluation.htm.eia.doe.gov/emeu/recs/contents.html

[vii] http://weatherization.ornl.gov/metaevaluation.htm.eia.doe.gov/emeu/recs/contents.html