

fuel poverty in the USA:

the overview and the outlook

There is a dramatic contrast between the focused nature of UK fuel poverty policy and the scattering of US national and state policies aimed at low-income energy consumers. The difference evokes a sensation of longing in American fuel poverty analyst Meg Power that she can only describe as "focus envy".

THE KALEIDOSCOPE OF US POLICY

Neither poverty in general, nor fuel poverty in particular, tops the domestic agenda of America's two main political parties. There is no consensus on what percentage of fuel expenditure (the energy burden in US terms) is unacceptably high. Further, there is a regional weighting of political interest, with representatives of cold weather states exhibiting greater concern in mitigating the impact of high fuel bills. The "Sunbelt" is represented both by more Members of Congress and by more fiscal conservatives.

In the unlikely event that a national target date for ending fuel poverty were agreed, the manner in which our energy distribution system is structured means the national government would lack the legal tools to ensure a unified policy was implemented. It could not require reporting on benchmarks except as a condition of federal funding.

Fifty-one regulatory bodies set residential rates and the standards for consumer protection, including: disclosure of disconnection rules; debt collection and debt management procedures; and utility spending on schemes for the energy poor. In rural areas, where income poverty is especially acute, distribution of electricity is by non-regulated cooperatives. Fifteen percent of low-income homes are heated by delivered oil, propane or wood, none of which is subject to price regulation.

That said, there has been some national funding for both bill subsidies and energy conservation for more than a quarter of a century. In the past decade, the decentralised utility

system has generated many initiatives designed to reduce the energy burden. Discounts, efficiency investments, pricing schemes and debt management are all elements of one or more of the packages of state/local/private programmes. Every significant investment is approved by regulators and costs charged to either residential ratepayers alone or to all classes of ratepayers.

We applied the UK's Social Action Plan Indicators and fuel poverty criterion, 10% energy burden, to the US for 2005. The findings are set out below.

US FUEL POVERTY BASED ON UK INDICATORS

❖ **Number of households in fuel poverty:** 15.9 million

❖ **Number of households with prepayment meters:** Hardly any who are in fuel poverty. Consumer groups have opposed this as a choice for customers with payment problems and prevailed at most regulatory commissions to date.

❖ **Self-disconnection:** Not applicable, see above.

❖ **Debt repayment levels:** No data are shared by utilities. They alone decide when to write off bad debts and the data only become public the following year.

❖ **Disconnections for debt:** Reports are only required by a handful of state regulatory bodies. Those reports indicate rising trends in disconnection and longer periods prior to reconnection.

❖ **Growth in the Registered Priority (vulnerable) Group:** No 'registrars'. Customers with life support equipment must notify utility. Other groups are protected in a few states.

❖ **Switching to competitive suppliers:** In the US there is no competition for small or low-income users offering better rates than the regulated rates, except in Georgia's gas markets.

❖ **Tariff/payment choices:** Nearly all US consumers are 'credit customers'. Here the indicator of progress might be enrolment in utility discount and other low-income services.

❖ **Efficiency measures/advice provision:** Only significant energy efficiency interventions are assessed (currently around 7-8 million homes). Most programmes base participation on income, not usage. Energy advice is not quantified as a separate measure.

FUEL POVERTY IN THE UNITED STATES

Fuel poverty in the United States is closely linked to low household income and associated factors such as age, housing tenure and geographical location.

Income: In 2005, 36% of fuel-poor households had incomes higher than the Federal Poverty Guideline and 5% were ineligible for the federal Low-Income Home Energy Assistance Program (LIHEAP). However, the 2005 median income of the energy poor was £4,330; only 5% had incomes higher than £15,000*. There is considerable variation in energy expenditure; the fuel poor had median annual energy expenditure of £975, but 25% spent more than £1,330. Just 15% were receiving any combination of income support

* All financial data converted to sterling at \$1.75:£1

or non-cash assistance, such as housing subsidies, food stamps, or assistance for the disabled. The rest relied on wages, unemployment compensation, and disability support or retirement income. Only the last two are indexed to inflation.

Age: 39% of fuel-poor householders were 65 years old or older. The average 2004 income for this group was £6,461. Half of them lived alone. LIHEAP prioritises outreach to vulnerable elderly, making this one of the few programmes open to all ages in which the elderly are not under-represented in proportion to their numbers. **Other groups:** Households using fuel oil or propane for heating, residents of Southern states and tenants are all disproportionately represented among the fuel poor. The last two are under-represented among national programme participants as a consequence of programme design features.

ENERGY FACTORS

The average annual residential energy use of the fuel poor is 13% higher than the average for all US consumers; their usage is more intensive by far; their homes use 30% more btus per heated sq. ft.

Only 14% of all renters live in a metro area where one third of the average wage will be sufficient to rent a two-bedroom apartment. Nearly half of those in fuel poverty own their own homes, but a startling 39% of the homeowners own mobile homes.

These facts certainly raise the question: why not retrofit these units at once using the federal Weatherization Assistance Programme? That programme has reduced usage of the main fuels by an average 20% a year and of baseload electricity by 10%. Its record on mobile homes is less dramatic. If spending limits were raised from the £1,600 average and limitations on fuel switching altered, it could readily achieve higher savings in many of the qualifying units. However, the homes to be weatherized are generally selected based on the occupant's energy costs rather than on their consumption. The policy is administratively efficient; participants in the far larger Energy Assistance programme are referred and there is no shortage of eligible households. Few utilities have developed systems to identify high usage, low-income customers; many simply concentrate their investment in energy efficiency improvements for those with poor payment records.

than 4 million consumers fuel-poor.

Of course if 2006 bills continue to rise, and they are projected to be 13% higher than in 2005, the population of the fuel poor will reach a record 17.3 million. As in the UK, any avoided costs resulting from efficiency investments have barely kept up with the price increases billed. Our projections suggest that the average low-income home will use 5% less fuel this winter and still have bills 24% greater than last year.

SUBSIDIES

The main government mechanism to address fuel poverty is the LIHEAP grant to states; it primarily provides subsidies, paid directly to the supplier on behalf of an eligible household, although some renters receive a direct payment. Energy suppliers are required to publish information on public funds received and how these have been used.

Over the years, LIHEAP funding has ranged from £971 million to £1257 million. The majority goes to cold-weather states where benefits are substantially higher than in the South. Fewer than 15% of eligible households can participate. Because the regulations allow automatic registration of participants in federal cash (welfare, disability relief) and non-cash (food stamps) programs, those whose fuel poverty is due to low income and disadvantage are more likely to benefit. Assistance generally varies with fuel expenditure and therefore the distribution of the subsidy, if not the coverage, does address individual cases of fuel poverty.

BLURRED PERCEPTION OF FUEL POVERTY

With nearly 15% of all US utility customers in fuel poverty, appropriate pricing, debt management, and weatherisation schemes are essential elements of an effective programme.

In most states, utilities and regulators continue to regard the notion of fuel poverty as dubious, assuming that the inability to afford a basic service, even in genuine cases, is a temporary misfortune remedied by some concession over the period of debt recovery. Several states have now instituted affordable billing

plans, but failure to pay the agreed amount will terminate the arrangement. Three states, and a handful of large companies elsewhere, have adopted an energy burden ceiling, a monthly Percentage of Income Payment Plan. A few reward regular payments or usage reduction by forgiving old debts; all three states with these "Percent of Income Project" programmes have set their energy burden standard higher than 10% for gas plus electricity bills.

Simple price discounts for vulnerable households identified by a service agency remain the preferred tool for sympathetic regulators; in some states this is supplemented by modest investment in programmes of energy advice and/or guidance on other sources of assistance and managing household budgets.

THE LONG VIEW

U.S. advocates of a universal service obligation for energy envisage a policy that guarantees all consumers access to energy services sufficient for safety, sanitation and basic needs in return for regular affordable payments. The wide variety of initiatives currently in place, albeit no panacea, can teach important lessons about developing and implementing permanent solutions to fuel poverty. Combining lessons learned in the UK and the US can contribute to the achievement of these solutions.

Links to information about U.S. Fuel Poverty and Policy:
www.liheap/ncat.org
www.liheap.org
<http://weatherization.ornl.gov>
www.waptac.org
www.opportunitystudies.org

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AVERAGE UNITS CONSUMED PER SQUARE FOOT OF LIVING SPACE		
Households In Fuel Poverty	Households Not Low-Income	Type of home
101	82	Mobile Home
73	51	Single-Family Home Detached
71	48	Single-Family Home Attached
86	65	2-4 Unit Apartment
71	55	5 or More Unit Apartment
77	54	U.S. Average

HOUSING AND (IN)EFFICIENCY

Fuel poverty is, fundamentally, a problem of housing cost and quality. It is statistically far more closely associated with poor energy efficiency standards than with other characteristics. Housing affordability is a major challenge for many Americans. The U.S. stock of publicly-owned housing is negligible; nearly all low-income Americans live in private housing, and only a small minority, between 7% and 15%, enjoy any form of rent subsidy.

COULD WEATHERIZATION END FUEL POVERTY?

We simulated a 20% reduction in the 2005 bills of 15.9 million energy-poor households; 4.5 million saw their energy burden drop below 10%. The same experiment using a 40% efficiency improvement took 3 million more out of fuel poverty. The remaining 8.4 million still had such high bills and such low average annual incomes (£2,570) that boosting the 2005 income for all by another 50% still left more