

# ECONOMIC OPPORTUNITY STUDIES

Nov. 23, 2004

## **Highlights: The Energy Bills Low-Income Consumers Face in FY 2005, The Resources Available to Help Them Pay, & The Impact on Their Household Budgets**

Energy Information Administration (EIA) short-term price predictions provide a basis for estimating all the residential energy bills low-income consumers will incur from October 2004 through September 2005. Assuming that the weather is normal and that the low-income households retain their energy services or deliveries for all four quarters of the year:

- ❖ Households below 150% of the Federal Poverty Level \$23,505 for a family of 3 will spend an average of \$1470 for all their energy bills and will have to use nearly 19% of their income to do so;
- ❖ For the rest of US households, the average 'energy burden', which means the percent of all income devoted to paying energy bills, will average more than 4%.

### Economic Impact of the Fuels Used in a Home

- ❖ The year's bills for all energy used in natural gas-heated low-income homes can be expected to average more than \$1650. Most Americans, including 54% of the poor, use natural gas for heat.
- ❖ By contrast, low-income fuel oil users will average more than \$2200 in total energy bills; they live primarily in the coldest climates. Annual bills of those who use propane (LPG) heat will be similar.
- ❖ Those who heat with electricity will have year-round bills averaging slightly more than \$1100.

### Regional Impacts of Energy Costs

- ❖ Low-income households in the cold areas that use natural gas heat and some fuel oil, an area that stretches from New York through the entire Midwest and the Plains states, can expect the highest bills. Their energy burdens will average more than 25% of their annual income.
- ❖ New Englanders and residents of the eastern South will be facing energy burdens of nearly 22% and record high bills, as well; however,
- ❖ No region will be exempt from rising bills.

### Federal LIHEAP and Weatherization Assistance

- ❖ Since FY 2000, alone, utility gas and propane heating bills in the Midwest have grown 84% and 69% respectively; New Englanders will pay 72% more for their fuel oil than 5 years ago. By contrast, LIHEAP at the \$1.84 billion provided in the FY 2005 Appropriation is the same as the appropriation for FY 2000. Adding another \$300 million from contingency funds (\$2.18 Billion) would make it 16% higher.
- ❖ Since the program typically serves less than one fifth of the eligible households, most low-income consumers face reduced energy purchasing power and greater hardships than in the recent past.
- ❖ Bills of fuel oil users weatherized by the Department of Energy Weatherization Assistance Program, will average \$440 less than for those not weatherized;
- ❖ For natural gas-heated weatherized homes the savings, or avoided costs, will be about \$330; and
- ❖ For electrically-heated homes the weatherization savings will average \$235;
- ❖ Collectively, former D.O.E. Weatherization participants will avoid \$1.55 billion in FY 2005 bills.

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