

ECONOMIC OPPORTUNITY STUDIES

Highlights:

Forecast FY 2006 Energy Bills & Energy Burdens of Low-Income Consumers

February 2006

The Department of Energy's updated residential energy bill and price projections were released in February. They indicate that mild weather and lower-than-predicted prices will still result in record high residential bills during FY 2006. Analysis of low-income consumer bills based on current conditions shows:

Low-Income Consumers' Bills Will Reach Record Highs

- On average, all consumers can expect their winter season bills to be 24% higher than last year. LIHEAP-eligible households will spend an average of \$1612 for all energy in FY 2006;
- If the weather is normal from February to September, the LIHEAP-eligible population will, on average, spend 16% of all their annual income for these bills. This would exceed any previous year's costs and equal 13% more than they spent in 2005. Their "energy burden" also surpasses all previous years';
- Households in poverty would need 25% of their entire FY 2006 annual income for all their energy bills if they maintain their modest levels of usage;
- All other consumers can expect bills averaging \$2030 and 4% of their expected income.

Impacts Vary by Fuel Used for Heating

- Oil-heat users are paying the highest bills for heat and for the whole year; natural gas users' bills are close behind; LIHEAP-eligible fuel oil and kerosene users will pay more than \$2000 for all energy, over 20% of their annual income;
- A year earlier, the energy burden for oil heat consumers was 18%, and natural gas consumers paid 15%. Increases in incomes of low-income consumers have not kept pace with rising energy bills.

Impacts Vary Little by Region

- Southerners who are LIHEAP-eligible consumers will pay 15% less than Midwesterners, but incomes in Southern states are also lower than in other regions; warm state consumers will spend between 17% and 18% of income;
- Midwestern eligible households' bills will demand 16%-17% of income;
- Low-income consumers in the Northeast will get the highest bills, and their energy burdens will, on average, exceed 20%.

Assistance, Subsidies, and Weatherization Savings Combined Equal \$6.6 Billion, but Low-Income Consumers' Bills, Collectively, Will Be \$53 Billion

- The combined FY 2006 expenditures of low-income consumers will exceed \$53 billion.
- LIHEAP is funded at \$2.05 B as of February 25, 2006, below its FY 2001 and FY 2005 levels;
- Weatherization of about 7.5 million homes has resulted in average 2006 savings or avoided bills of \$460 for the majority, compared to bills for the same home without the upgrades;
- The combined utility and oil low-income discounts in 37 states will be about \$2.3 billion.

See the full study at www.opportunitystudies.org