

TESTIMONY OF

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**ON BEHALF OF
THE AMERICAN GAS ASSOCIATION**

**BEFORE THE SUBCOMMITTEE ON HEALTHY FAMILIES AND
COMMUNITIES
COMMITTEE ON EDUCATION AND LABOR
UNITED STATES HOUSE OF REPRESENTATIVES**

**The Increasing Burden of Energy Costs on Low-Income
Consumers**

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**American Gas Association
400 N. Capitol Street, NW
Washington, DC 20001**

This testimony is available on the AGA website. www.aga.org

Executive Summary

The Increasing Burden of Energy Costs on Low-Income Customers reports that:

- The number of households eligible for LIHEAP has increased by 78 percent since 1981, when the program was created.
- Since the creation of LIHEAP in 1981, the consumer price index has increased by 133 percent, however funding for the program has increased by only 17 percent. Current funding should be \$4.2 billion just to keep pace with inflation - -and without taking into account the increased number of low-income families.
- Low-income households typically spend one-fifth of their annual income on home energy bills – more than six times the level that other income groups are spending. The proportion of income going towards home energy costs is growing despite notable conservation efforts on the part of low-income households.
- A survey of gas utilities showed that the total amount of natural gas customer uncollectible accounts rose 39 percent between 2003 and 2006, indicating that customers face increased difficulty in paying their home energy bills.
- In 2005, utilities provided \$1.8 billion in program assistance to help needy families manage their energy bills. Despite this significant level of support, the need continues to be far greater than utility programs are able to fulfill, despite our best combined efforts.

Good afternoon, I am pleased to have an opportunity to testify, on behalf of the American Gas Association, in strong support of additional federal funding for the life-saving Low-Income Home Energy Assistance Program (LIHEAP).

The American Gas Association, founded in 1918, represents 200 local energy utility companies that deliver natural gas to more than 64 million homes and businesses throughout the United States. A total of 69 million residential, commercial and industrial customers receive natural gas in the US, and AGA's members' deliver 92 percent of all natural gas provided by the nation's natural gas utilities. AGA represents 189 local natural gas utilities that deliver gas to almost 60 million homes and businesses in all 50 states. For the purpose of home heating, approximately 52 percent of LIHEAP households use natural gas; 21 percent, electricity; 10 percent, fuel oil; and 11 percent propane (2005 data).

National Grid is an international energy delivery company. In the U.S., National Grid (www.nationalgridus.com) is the largest distributor of natural gas in the northeastern U.S., serving approximately 3.4 million customers in New York, Massachusetts, New Hampshire and Rhode Island. It also delivers electricity to approximately 3.3 million customers in Massachusetts, New Hampshire, New York and Rhode Island, and manages the electricity network on Long Island under an agreement with the Long Island Power Authority. National Grid is the largest power producer in New York State, owning 6,650 megawatts of electricity generation that provides power to over one million LIPA customers and supplies roughly a quarter of New York City's electricity needs.

First, I would like to thank Chairwoman McCarthy, Ranking Member Platts, and members of this Subcommittee for setting the stage for a Fiscal Year (FY) 2008 appropriation of \$1.98 billion for LIHEAP, with an additional \$431 million for emergency assistance. We appreciate this demonstration of support for LIHEAP, and encourage you to continue to set the highest possible authorization amount you can. If you do, you will afford your appropriations colleagues the essential maneuvering room they need to further improve funding for both LIHEAP and the Weatherization Assistance Program.

For FY2009, we request that the Subcommittee establish a LIHEAP authorization funding level of at least \$5.1 billion, and we join with the bipartisan appeal of 35 of our nation's governors, who earlier this year urged the congressional leadership in establishing at least a \$3.2 billion appropriation for the program.¹ Notably, we also stand with the Governors on the matter of further supplementing funds in the near-term, should that opportunity present itself.² Additionally, we also recognize that many states exhaust their available grant dollars early in the fiscal year, and it is for this reason that AGA continues to also support the National Energy Assistance Directors Association (NEADA) recommendation that LIHEAP appropriations be forward-funded.

We believe it is absolutely essential to increase our nation's home energy commitment to America's most vulnerable citizens who qualify for LIHEAP. It's worth remembering

¹ <http://www.neada.org/comm/correspondence/070215.pdf>

² Ibid.

that virtually all LIHEAP-eligible households live below, at, or just above our nation's official poverty level, and further – that they shelter some combination of the elderly, the disabled, or the very young.

The Need for Increased Funding

The FY07 LIHEAP program was authorized at a level of \$5.1 billion a year. Under the current Omnibus funding arrangement, this is also the present threshold. However, AGA shares the concerns of many prominent organizations that actual LIHEAP appropriations remain substantially below that authorization amount. LIHEAP appropriations briefly improved in FY 06, when \$3.2 billion was committed to help low-income households with their home energy needs. Unfortunately, LIHEAP funding then fell to \$2.2 billion in FY 07. Interestingly, that FY 07 funding level was just 17 percent higher than the original funding amount Congress approved at the program's inception more than a quarter-century ago. By way of comparison, over the same time period, the consumer price index rose 133 percent. Had LIHEAP kept pace with inflation, annual appropriations would now be \$4.2 billion.

More and more households need help paying their energy bills. The number of households that are eligible for LIHEAP funds has increased 15 percent over the past five years and 78 percent since the program began. Since funding has diverged from the growing need for energy assistance, an increasing percentage of people that are clearly eligible for it, simply cannot get the help they need. In fact, fewer homes got LIHEAP assistance in FY 06 than when the program started a quarter-century ago. In 1981, almost 20 million were eligible for LIHEAP assistance, and the needs of more than 12 million (64 percent) households went unmet. By 2006, 35 million households were eligible, and the needs of almost 30 million (84 percent) went unmet.

The Department of Energy reports that consumers' heating bills will be higher across the board. Overall, consumers could face an average increase of 11 percent in their heating bills, and some must gird for a whopping 26 percent increase this winter. These percentages are premised upon weather forecasts that are close to normal. If the temperatures drop below normal, the increases in heating bills will be even higher.

Higher heating and cooling bills hit low-income household hardest. The term "energy burden" refers to the portion of a household's income that is spent on home energy costs. An average American family spends about six to seven percent of its total income on household energy. Non-low income households (with incomes above the LIHEAP federal maximum income standard) have energy burdens of only three percent or less. The energy burden on LIHEAP households is more than six times that of a non-low income household. Not only must LIHEAP recipients' spend 20 cents out of every dollar on energy, their burden is also increasing, leaving them with less for food, shelter and health care.

Because of rising costs, many customers cannot meet all their obligations, and many are falling behind on their energy bills. Customers that have difficulty paying their energy bills are an increasing problem for utilities.

- NEADA estimates that 1.2 million households were disconnected and lost utility services in the spring of 2007 due to non-payment problems.
- A National Regulatory Research Institute report shows that the percentage of gas utility accounts that are past due rose from 16.5 percent in 2001 to 21.0 percent in 2006.
- The average amount past due for a gas account rose 27 percent -- from \$263 in 2001 to \$334 in 2006. Furthermore, this trend appears to be increasing. Another study suggests uncollectible natural gas utility expenses increased 39 percent between 2003 and 2006.

Low-Income Households Are Reducing Their Energy Needs

Many low-income households have made great strides in reducing their energy consumption. The amount of energy used for space conditioning by these families declined 26 percent since 1981, in part due to conservation efforts funded independently or through LIHEAP and utility conservation programs. Low-income households reduced their space heating energy use by 36 percent since 1981.

Despite these conservation efforts, the rising cost of energy over that time period has nonetheless caused home energy bills to rise, particularly heating bills. From 1981 through 2005, overall energy expenditures for space heating and cooling for LIHEAP-eligible households increased 37 percent.

Private Sector Assistance Is Substantial, but Cannot Substitute for Federal Funds

Over the years, many private sector and utility-initiated energy assistance programs have been launched to supplement the basic LIHEAP program. For example, virtually all local gas utilities have programs and policies that enable low-income customers to manage their gas bills -- such as deferred and budget payment plans, payment counseling, weatherization programs, voluntary fuel funds, subsidized rates, and matching grants for improved building and/or appliance efficiencies. LIHEAP has also received strong support from a variety of community-based social service organizations such as Catholic Charities, the Salvation Army, the National Fuel Funds Network and churches and synagogues.

Utilities

Many utilities administer, sponsor, and promote programs to augment LIHEAP, and in 2006 utility programs generated \$1.8 billion in low-income customer assistance. Typically, state and local policymakers collaborate to initiate and/or approve these programs. The costs for these programs are often recovered through a very modest surcharge. Further, and oftentimes, utility stockholders cover at least a portion of these costs. These programs do not include past-due customer debts that a utility must eventually write off as uncollectible.

During the spring of 2006, AGA surveyed its membership on their programs to assist low-income customers. Of the 107 respondents with low-income customer programs:

- 45% offer rate discounts
- 35% forgive part or all of past arrearages
- 38% support fuel funds
- 50% provide shareholder contributions to assist low-income customers
- 10% offer a discount on the reconnection fee to low-income customers that had been disconnected due to inability to pay
- 35% have other programs

The “other” categories include weatherization programs, universal service funds, special budget billings, and matching of customer donations. Nearly three-quarters of respondents (71%) had more than one program in place to assist low-income customers.

State & Local Governments

In addition to regulating utility assistance programs, state and local governments also provide direct funding and/or provide tax incentives to assist households in paying or reducing their home energy bills. In 2006, state and local governments provided \$739 million for this kind of assistance. The governments fund these programs through general or special taxes as well as other sources.

Fuel Funds

These charitable programs are typically a partnership between fuel funds, community-based organizations (churches, synagogues, charities, etc.), local government agencies, and utilities. Fuel funds are dedicated to raising and distributing money for energy bill-payment assistance. Religious and other community programs assist households with utility bills as part of their charitable work. These programs are funded primarily by donations. In many instances, the utility will solicit contributions (e.g., by way of bill inserts), while government and community organizations will identify the qualified households that can benefit, and the community organizations will distribute the assistance. In 2006, fuel funds and other charitable organizations provided more than \$103 million for energy assistance.

Other

Other parties that provide energy assistance to low-income households include faith-based/community groups, landlords (weatherization improvements) and fuel suppliers (bulk fuel discounts and needs-based discounts). These parties provided a total of \$60 million in energy assistance in 2006.

Despite All These Good Works – the Federal Role in LIHEAP Remains Absolutely Essential

It is evident that while states, local governments, and the private sector have demonstrated their capacity to develop creative and effective programs to address energy assistance needs, collectively these programs can only modestly supplement the essential federal support for the LIHEAP and Weatherization programs.

C-SNAP: Without LIHEAP – Children Suffer Gravely

Just last month, the Children’s Sentinel Assessment Program (C-SNAP) linked rising fuel prices to the health and well being of poor children. Dr. Deborah A. Frank, a principal investigator of the report, explained “we know there is a medicine that is partially effective in protecting children during the current epidemic of the ‘heat or eat’ dilemma.” She pegged LIHEAP as an effective medicine to improve the well-being of poor children, and revealed that children in income-eligible families who do not get LIHEAP compared to similar children in income-eligible families who do, were more likely to grow poorly, and to have to be hospitalized. But, like a scarce vaccine, LIHEAP reaches only a fraction of the children at risk. Babies and toddlers in energy insecure households are most likely to suffer poor health, require hospitalization, have developmental problems, and lack adequate food.

When families do not have access to sufficient energy, they often resort to unsafe heating methods and cannot refrigerate or prepare food. It is for reasons like these that we should all be troubled that in 2006, only 16.1% of LIHEAP-eligible households were helped. Today’s hearing is an opportunity to spotlight this crisis, and to begin to remedy it.

Efforts to Reduce Greenhouse Gas Emissions Will Increase Energy Prices Even Further

Congress is demonstrating substantial interest in materially addressing the challenge of global climate change. Several legislative proposals have been introduced, and are moving through the legislative process. Strategies proposed so far are widely anticipated to result in increased energy costs for all consumers, regardless of income. The need for LIHEAP assistance will grow even more once these measures are put in place. AGA believes that climate change legislation will absolutely necessitate increased LIHEAP funding.

Support for LIHEAP is strong and widespread

The American public supports federal energy assistance for low-income households. A national poll conducted in September 2006 found that by a 74 percent of all Americans support the Low Income Home Energy Assistance Program. Moreover, 72 percent of all Americans responding to the survey believe that Congress should increase funding for LIHEAP.

Conclusion

The need for LIHEAP assistance is much greater than the coverage currently provided by current federal appropriations for this purpose. AGA is aware that the number of at-risk households across our nation is rising. As our nation girds for winter, and also prepares to deal forthrightly with the added challenge of global climate change, it is clear that LIHEAP must retain its \$5.1 billion authorization amount, and be infused with additional resources to achieve an appropriation of at least \$3.2 billion. To paraphrase C-SNAP’s Dr. Frank, LIHEAP is a precious, life-saving vaccine, and on behalf of the members of

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the American Gas Association, I respectfully urge you to aggressively dispense it to at-risk Americans struggling to heat and cool their homes.