HOME ENERGY AFFORDABILITY GAP:
Connecticut (2006)

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LIST OF APPENDICES

The State of Connecticut has a large and growing Home Energy Affordability Gap facing its low-income households. Available resources are grossly insufficient to address this affordability gap. As a result of this mismatch between energy bills and the resources needed to pay them, many low-income households incur unpaid bills and experience the termination of service associated with those arrears. In addition, the paid-but-unaffordable bill is a real phenomenon in Connecticut. Even when low-income households pay their bills in a full and timely manner, they often suffer significant adverse hunger, education, employment, health and housing consequences in order to make such payments.

The data which is attached to this report examines Connecticut's Home Energy Affordability Gap from four perspectives:

- Appendix A presents the Home Energy Affordability Gap for each state legislative district (House) in Connecticut;
- Appendix B presents the Home Energy Affordability Gap for each state legislative district (Senate) in Connecticut;
- Appendix C presents the Home Energy Affordability Gap for each Congressional district in Connecticut; and
- Appendix D presents the Home Energy Affordability Gap for each county in Connecticut.[1]

The narrative discussion below highlights different aspects of the Home Energy Affordability Gap. The detailed statistics for each area, however, should be obtained from the relevant appendices.

TOTAL HOME ENERGY AFFORDABILITY GAP

Energy prices have placed a substantial burden on the public and private energy assistance agencies in Connecticut. Current home heating, cooling and electric bills in Connecticut have driven the average *per-household* Home Energy Affordability Gap for households living with incomes at or below 185% of the Federal Poverty Level (FPL) to crushing levels. The average annual shortfall between actual and affordable home energy bills for households at or below 185% of FPL now reaches over $1,100 per household. The aggregate Home Energy Affordability Gap in Connecticut for 2006 reaches nearly $255 *million* statewide.

This Affordability Gap is rapidly increasing. Spiraling home energy prices have increased the per-household Affordability Gap by more than $220 since 2002. Compared to the average Affordability Gap of $877 given 2002 fuel prices in Connecticut, the

[1] Three additional appendices are attached. Appendix E presents individualized Fact Sheets for each State House district. Appendix F presents individualized Fact Sheets for each State Senate district. Appendix G presents individualized Fact Sheets for each state Congressional district.

average Affordability Gap for 2006 (including the 2005/2006 winter heating season) reached $1,100, an increase of $224.

While the Home Energy Affordability Gap varies somewhat based on geography, the Affordability Gap is clearly a statewide phenomenon. Of Connecticut's 151 state House legislative districts, only eleven (Districts 014, 016, 017, 081, 085, 107, 110, 113, 125, 134, 135) have an aggregate Affordability Gap of less than $0.7 million; only two of those House districts (District 014, District 134) had an aggregate Affordability Gap of less than $0.5 million.

In contrast, the legislative districts with the ***largest*** Affordability Gaps include House Districts #001 ($4.1 million; #004 ($5.5 million); #006 ($5.1 million); #095 ($4.2 million); and #130 ($4.8 million)). These Districts are not surprising, since they have the largest populations of low-income households. The Connecticut Home Energy Affordability Gap, however, is not exclusively an urban problem. Other counties having an aggregate Home Energy Affordability Gap of more than $3.0 million include Districts #003 ($3.9 million); #006 ($3.7 million); #007 ($3.5 million); #024 ($3.5 million); #047 ($3.1 million); #049 ($3.3 million); #064 ($3.3 million); #072 ($3.5 million); #073 ($3.5 million); #082 ($3.4 million); #092 ($3.3 million); #096 ($3.8 million); #126 ($3.0 million); and #129 ($3.6 million).

The Home Energy Affordability Gap for each Connecticut state legislative district is attached as Appendix A (House) and Appendix B (Senate) to this report.

The fact that the Home Energy Affordability Gap is a statewide phenomenon can also be seen by a comparison of the aggregate Affordability Gap in each Congressional District in Connecticut. The 2006 statewide Affordability Gap of $255 million is split nearly evenly over each of Connecticut's five Congressional Districts. While the distribution of the Affordability Gap is not identical over Connecticut's Congressional districts, it ranges from a low of 18% in the Second District and Fourth District to a high of 24% in the First District. Congressional District #2, with the ***smallest*** Affordability Gap in Connecticut, nonetheless faces a Gap of nearly $45 million.

Total Home Energy Affordability Gap by Congressional District (Connecticut--2006)

Congressional District	Aggregate Shortfall	Percentage of Statewide Shortfall
1st District	$61,079,664	24%
2nd District	$44,792,726	18%
3rd District	$55,106,355	22%
4th District	$45,255,797	18%
5th District	$48,291,068	19%
State Total	$254,525,610	100%

A compilation of the Home Energy Affordability Gap detailed statistics for each Congressional District in Connecticut is attached as Appendix C to this report.

IMPACT OF PRICE INCREASES ON PUBLIC AND PRIVATE ENERGY ASSISTANCE

Much of the burden for the Home Energy Affordability Gap facing Connecticut will fall on the private sector (should resources be there to address the problem). Funding for the federal Low-Income Home Energy Assistance Program (LIHEAP) was grossly insufficient to meet the Affordability Gap, and is decreasing in its ability keep up with rapidly increasing energy prices. As shown by the data presented in the table below:

- While LIHEAP covered 32.6% of the heating/cooling Affordability Gap[2] in 2003, LIHEAP covered only 25.7% of the heating/cooling Affordability Gap in 2005.[3]

- While the heating/cooling Home Energy Affordability Gap increased by more than $111 ***million*** in Connecticut from 2002 to 2005, Connecticut's LIHEAP allocation increased by only $3.9 million.

These figures do not include data from the 2005/2006 winter heating season and its dramatic spike in natural gas prices due to Katrina-related gas supply problems.

LIHEAP and Connecticut's Home Energy Affordability Gap
(2005)

Affordability Gap Year	Heating/Cooling Gap /a/	LIHEAP Allocation	LIHEAP Coverage
2003 /b/	$113,351,080	$36,900,168	32.6%
2005 /c/	$151,708,480	$38,923,729	25.7%
	Total Home Energy Affordability Gap /d/	LIHEAP Allocation	
2002	$200,793,319	$35,045,798	
2005	$312,058,500	$38,928,479	
Increase	$111,265,181	$3,877,681	

NOTES:
/a/ This excludes hot water usage, along with electric usage not used for heating and cooling.
/b/ The annual Home Energy Affordability Gap looks at the immediately preceding year (so that actual prices as reported by DOE can be used). Accordingly, the 2003 Home Energy Affordability Gap was released in April 2004.
/c/ The annual Home Energy Affordability Gap for 2005 was released in May 2006.
/d/ The *total* Home Energy Affordability Gap includes electricity and hot water usage.

[2] The heating/cooling Affordability Gap excludes electricity usage such as lights, appliances, refrigeration, and hot water.
[3] A 2006 LIHEAP coverage ratio cannot yet be calculated since final figures are not yet available for the 2006 Program Year.

HOME ENERGY AFFORDABILITY GAP REACHES INTO MODERATE INCOME

One cause for particular concern in Connecticut is not simply the total Home Energy Affordability Gap, nor even the immense Affordability Gap facing the lowest income households in Connecticut (those living with income at or below 50% of the Federal Poverty Level), it is the fact that the Affordability Gap is reaching increasingly into what historically were considered to be more moderate income households. An analysis of the total Affordability Gap by county found that the home energy burden (bills as a percent of income) exceeded the affordable 6% level for households with income between 150% and 185% of the Federal Poverty Level in *every* Connecticut county in 2006.

Indeed, for this more moderate income population at between 150% and 185% of Poverty Level, the annual home energy burden ranged from a low of 8.1% (New Haven County) to a high of 9.5% (Litchfield County), a burden more than 50% higher than that which is generally considered to be affordable.

The Affordability Gap analysis prepared for Operation Fuel further found that for households with income between 125% and 150% of the Federal Poverty Level, home energy burdens exceeded 10% in seven of Connecticut's eight counties. The residents of the remaining county (New Haven County) have a burden of 9.9%.

Increase in Home Energy Affordability Gap by Federal Poverty Level
(Connecticut)

	Ratio of Income to Federal Poverty Level					
	Below 50%	50 - 74%	75 - 99%	100 - 124%	125 - 149%	150 - 185%
2003 (April 2004)	$75,474,323	$29,207,869	$27,554,513	$25,986,955	$21,521,135	$18,421,205
2006 (September 2006)	$89,625,061	$35,306,332	$34,515,064	$33,713,227	$30,208,168	$31,157,758
Growth in Gap	$14,150,738	$6,098,463	$6,960,551	$7,726,272	$8,687,033	$12,736,553
Percentage growth	19%	21%	25%	30%	40%	69%

The table above documents the growth in Connecticut's Home Energy Affordability Gap since 2003. Note that while the dollar growth in the total Home Energy Affordability Gap is not necessarily higher in the top two income tiers (125-149% and 150-185% of Federal Poverty Level), the *percentage* growth in the top two tiers is much higher. The reason is that spiraling energy prices are finally pushing households at these income levels into the "unaffordable" range. While in the past, home energy bills to these households would have been affordable, and thus not contributed to the Home Energy Affordability Gap, at 2006 prices, they *are* unaffordable and thus contribute to the Gap in a very substantial way.

HOME ENERGY BURDENS

The affordability of energy bills is measured by what is called a household's "energy burden." Energy burdens are simply the household energy bill as a percent of household income. If a household has a $10,000 annual income and a $1,000 home energy bill, for example, that household has an "energy burden" of 10%. The energy burdens of low-income Connecticut households show the problem that the public and private energy assistance programs are designed to address.

Energy burdens can be used to compute the Home Energy Affordability Gap for various geographic areas. The Affordability Gap is the dollar amount by which ***actual*** low-income home energy bills exceed ***affordable*** home energy bills. The Home Energy Affordability Gap reflects the fact that energy represents a crushing financial burden to low-income Connecticut households. Each year, a new Home Energy Affordability Gap is calculated using prices from the prior year. Statewide Home Energy Affordability Gap data is released in the Spring of each year.[4]

Home energy is a crippling financial burden for low-income Connecticut households. Connecticut households with incomes of below 50% of the Federal Poverty Level pay more than half of their annual income simply for their home energy bill.

Home Energy Burden by Poverty Level

Poverty Level	County with Lowest Burden		County with Highest Burden	
	County	Burden	County	Burden
Below 50%	New Haven	54.5%	Litchfield	63.4%
50 – 74%	New Haven	21.8%	Litchfield	25.4%
75 – 99%	New Haven	15.6%	Litchfield	18.1%
100 – 124%	New Haven	12.1%	Litchfield/Tolland	14.1%
125 – 150%	New Haven	9.9%	Litchfield/Tolland	11.5%
150 - 185%	New Haven	8.1%	Litchfield	9.5%

[4] The 2006 statewide gap was calculated using actual fuel prices from 2005. The Home Energy Affordability Gap presented in this report, however, involved a special calculation performed for Operation Fuel using fuel prices from the 2005/2006 winter heating season.

As the table above documents, the county with the *lowest* home energy burden for households with income below 50% of the Federal Poverty Level experiences a home energy burden of more than 50% (*i.e.*, households with income below 50% of Poverty Level pay more than half of their income simply for home energy). In contrast, the county with the highest home energy burden for households with income below 50% of Poverty Level experiences a burden of nearly 65%.

Even in the more moderate income ranges, home energy burdens are well above the six percent (6%) level that is generally considered to be "affordable." At the highest income level (between 150% and 185% of the Federal Poverty Level), home energy burdens range between a low of 8.1% and a high of 9.5%. Burdens at lower income levels are even higher.

The number of households facing these energy burdens is staggering. More than 50,000 Connecticut households live with income at or below 50% of the Federal Poverty Level and thus face a home energy burden of 50% or more.

The Connecticut Home Energy Affordability Gap is based on energy prices given normal weather. To the extent that Connecticut experiences colder-than-normal weather (during the heating season) or hotter-than-normal weather (during the cooling season), the Affordability Gap will increase in a way not reflected in this data.

Poverty Households in Connecticut (2000 Census)

Poverty Level	No. of Households
Below 50%	50,652
50 – 74%	24,654
75 – 99%	28,261
100 – 124%	33,339
125 – 149%	37,727
150% - 185%	56,550

SOURCE: Fisher, Sheehan & Colton (May 2006). *Home Energy Affordability Gap: 2006* (Connecticut State Fact Sheet).

25,000 additional Connecticut households live with incomes between 50% and 74% of Poverty (home energy burden of between 22% and 25%).

28,000 *more* Connecticut households live with incomes between 75% and 99% of the Federal Poverty Level (home energy burden of between 16% and 18%).

HOME ENERGY PRICES IN CONNECTICUT

Connecticut is experiencing a significant fly-up in the price of both its electricity and its home heating fuels today. The U.S. Department of Labor collects data on the price of home energy to establish the Consumer Price Index (CPI) each month. According to the Bureau of Labor Statistics (BLS), Connecticut has experienced more than a 94% increase in natural gas prices from January 2002 to January 2006. Fuel oil prices have increased by nearly 125% since 2002.

Roughly one-quarter (25%) of all Connecticut homeowners and about two-fifths (38%) of all Connecticut renters heat with natural gas. More than 60% of Connecticut homeowners (63%) and nearly one-third of Connecticut renters (31%) heat with fuel oil.

While electric prices have not seen the same fly-up as have fuel oil and natural gas prices, the increases in electric prices have not been insubstantial. The increase in electric prices from 2002 ($0.104) to 2006 ($0.126) has reached more than 21%.

Home Energy Prices: Connecticut (2002 – 2006)

	2002	2003	2004	2005	2006
Electricity (per kWh) (July)	$0.104	$0.105	$0.105	$0.111	$0.126
Fuel oil (per gallon) (January)	$1.066	$1.340	$1.483	$1.888	$2.386
Natural gas (per therm) (January)	$0.867	$1.005	$1.147	$1.273	$1.687

Bureau of Labor Statistics: Consumer Price Index (New England City: Size B/C: e.g., Hartford)

RESPONSES TO ENERGY UNAFFORDABILITY

The findings of the unaffordability of home energy in Connecticut are sobering. The unaffordability of energy manifests itself in more than simply unpaid bills. According to the recent National Energy Assistance (NEA) survey published by the National Energy Assistance Directors Association (NEADA),[5] "despite. . .significant residential energy expenses, most low-income households pay their energy bills regularly. But at what cost?". The NEA survey found that "LIHEAP recipients faced life-threatening challenges."

- 17% of the national respondents had their heating disconnected or discontinued because of an inability to pay.

[5] Apprise, Inc. (April 2004). ***National Energy Assistance Survey Report***, National Energy Assistance Directors Association: Washington D.C.

- 8% had their electricity (as opposed to heating) disconnected due to an inability to pay.

- 38% went without medical or dental care in order to have money to pay their home energy bill;

- 30% went without filling a prescription or taking the full dose of a prescribed medicine.

- 22% went without food for at least one day.

Low-income customers frequently have little incentive, and even fewer choices, to pursue constructive responses to their energy poverty. Enrolling in an energy efficiency program to reduce high bills on a going-forward basis, for example, does not help pay an existing arrearage unless coupled with a reasonable long-term deferred payment plan. Conversely, agreeing to a deferred payment arrangement does not address affordability on a going-forward basis unless some adjustment can be made that either affects the level of the bill or the level of household resources available to pay for the bill.

All too frequently, the customer is faced with an immediate need (*e.g.*, bill payment by a date certain) with the available constructive responses to an inability-to-pay unable to deliver assistance either in the form, the time period, or the magnitude necessary to meet that need. Given the immediate consequences of failing to address the short-term nonpayment crisis, the customer is presented with a choice between untenable alternatives.

In this era of tight budgets and financial cutbacks for social services programs, it may seem unrealistic to recommend that we as a society direct increased funding to help alleviate a poverty-related need. Nonetheless, it would be irresponsible to fail to acknowledge that the primary means to help meet the low-income home energy affordability need involves money. The following discussion focuses primarily on increasing the dollars that can be generated for bill payment assistance programs to assist low-income households.

INCREASING FUNDING FOR BILL PAYMENT ASSISTANCE PROGRAMS

Funding for bill payment assistance programs may come from three major sources:

- The federal government, through the Low-Income Home Energy Assistance Program (LIHEAP);

- The state government, through utility-funded universal service or public benefits programs; and

- The private sector, through private charitable crisis-intervention funds, known as fuel funds.

Each will be separately discussed below.

Funding for LIHEAP

The full nationwide Home Energy Affordability Gap was calculated to reach nearly $23.2 billion in 2005. Clearly, additional funding for LIHEAP would reduce the energy burdens experienced by low-income households. But how much would our nation need to spend to provide sufficient funding to serve all low-income households in need? "A definition of full funding," one research organization has said, "depends on defining the level of assistance to individual families which is adequate, effective, and/or appropriate. The cost of meeting that level, or a defined share of it, for a target population will allow a determination of the resources needed in LIHEAP."[6] The need should be determined by what funding it takes to reduce energy burdens, as a percentage of income, to an affordable level.[7]

State Public Benefits Programs

One of the most effective low-income fuel assistance program structures outside LIHEAP involves the delivery of rate affordability assistance through public utilities. While clearly not all low-income households use utility fuels such as natural gas and electricity as their primary heating source, nonetheless, the existence of electricity is nearly universal and the combination of gas and electric heating covers a substantial proportion of low-income households in Connecticut. A variety of program designs, target populations, and justifications exist for the utility programs that operate around the nation. The experience from these programs merits their emulation in Connecticut.

The Pennsylvania Customer Assistance Program (CAP) represents an exemplary comprehensive statewide effort on the part of utilities to address the payment problems of their low-income households. Under the 1990 Pennsylvania Public Utility Commission (PUC) order directing the establishment of CAPs by both electric and gas utilities, affordable rate programs were to be directed toward income-eligible payment-troubled customers.

The Pennsylvania CAP programs were directed to be implemented by a 1992 Pennsylvania Public Utility Commission order. That order, titled *Policy Statement on Customer Assistance Program (CAP)*,[8] found that "CAPs provide alternatives to traditional collection methods for low-income, payment troubled customers. Generally, customers enrolled in a CAP agree to make monthly payments based on household family size and gross income. These regular monthly payments, which may be for an amount that is less than the current bill, are made in exchange for continued provision of utility service." The PUC concluded: "as a result of our investigation, the Commission believes that an appropriately designed and

[6] Persons interested in the most recent efforts to achieve full funding for LIHEAP can access information at the World Wide Web site of the Campaign for Home Energy Assistance: http://www.LIHEAP.org.
[7] Economic Opportunity Studies (February 2001). "Full Funding for LIHEAP: What is it?", Economic Opportunity Studies: Washington D.C.
[8] Docket M-00920345 (July 2, 1992).

well implemented CAP, as an integrated part of a company's rate structure, is in the public interest. These guidelines prescribe a model CAP which is designed to be a more cost effective approach for dealing with issues of customer inability to pay than are traditional collection methods."

Other state universal service programs include:

- New Hampshire's Electric Assistance Program (EAP), operating as a "tiered discount" program;

- New Jersey's Universal Service Fund (USF), operating as a "fixed credit" program;

- Maryland's Electric Universal Service Program (EUSP), operating as a LIHEAP supplement program;

- Ohio's Percentage of Income Payment Plan (PIPP), operating as a straight percentage of income program.

A variety of other states (Illinois, Wisconsin, Oregon, Montana, California) also operate public benefits programs that provide rate affordability assistance.[9]

Fuel Fund Funding

Connecticut fuel funds are among the most successful in the country. Operation Fuel is a nationally-recognized leader in the provision of charitable crisis energy assistance.

Public utilities should recognize the benefits of engaging in aggressive fundraising efforts to assist local fuel funds. Fuel funds are local agencies that provide charitable energy assistance, generally to prevent the disconnection of service for nonpayment. Aggressive fundraising can occur in at least the following ways:

- Utilities can engage in direct outreach to their customers on a periodic basis. Many utilities provide fuel fund solicitation no fewer than four times a year, at least one of which is not a bill insert.

- Utilities can seek to enroll customers in regular contribution programs rather than merely seek one-time contributions. Program enrollment involves customers agreeing to donate on a regular basis through a line-item on the bill. Once enrolled, the participation continues until the customer asks to be unenrolled.

[9] The National Consumer Law Center, in Boston, maintains an up-to-date list of public benefits programs. Because such a list is so constantly changing, one is not included in this publication.

- Utilities can solicit customers to donate refunds or other rebates provided by the utility. This refund might involve excess earnings sharing of a utility operating under an earnings cap, refunds of interim base rate increases collected under bond subject to refund, gas pipeline refunds, or other money directed back to the customer. Donations of rebates offered through energy efficiency programs, for example, as well as donations of customer capital distribution by Rural Electric Cooperatives (RECs) can be sought. The Colorado Energy Assistance Foundation (now Energy Outreach Colorado) found that because customers often view refunds as "found money," the rate of customers contributing, as well as the level of giving per customer, are up to four times higher with such donations than with normal solicitations.

- Utilities can adopt fuel fund contribution mechanisms to be used during on-line payment. As an increasing number of customers move to on-line payment of bills, the proportion of contributions decreases in the absence of a specific on-line contribution mechanism. A mandatory fuel fund contribution screen, requiring a person to make an affirmative choice about whether or not to contribute, is a useful mechanism.

Each utility company's activities can be evaluated against other national utilities to determine whether its fuel fund solicitations are generating funds at a rate and level that is consistent with those of best practice utilities. Appropriate benchmarking includes fuel fund contributions on a dollars-per-customer basis as well as on a contribution-as-percent-of-residential-revenue basis. Where the utility company's fuel fund contributions are shown through such an evaluation to have fallen short, the company should develop specific plans on how to modify its fuel fund solicitation process.[10]

Additional Actions not Considered

Generating additional funding for bill assistance is certainly not the only needed energy assistance. Weatherization, for example, can be an effective tool to use in reducing low-income energy needs for many, but not all, households. Weatherization improves affordability by increasing the efficiency of energy usage and thus decreasing energy bills.

Like fuel assistance, however, weatherization has substantial limitations to its effectiveness. It is inadequately funded. Federal Weatherization Assistance Program (WAP) dollars will never be adequate to provide services to all eligible low-income homes needing weatherization within a reasonable period of time.

It must be remembered that the Home Energy Affordability Gap study found that Connecticut has nearly 70,000 households living with income below 50% of the Federal Poverty Level. An additional 43,000 live with incomes between 50% and 75% of Poverty, while 53,000 more live with incomes between 75% and 100% of Poverty. As can be seen, even limiting consideration to households below Poverty Level, even if WAP

[10] The primary source of information on fuel funds is the National Fuel Funds Network (NFFN). NFFN information can be accessed at its World Wide Web site: http://www.nationalfuelfunds.org.

were to reach thousands of low-income homes each year in Connecticut, it would be decades before all eligible homes could be treated. Weatherization makes only a small dent in the statewide needs of low-income households.

In addition, for some households with very low-incomes, no amount of weatherization will be able to bring their bills low enough to be an affordable energy burden. The energy poverty crisis facing low-income households is not a problem that can be addressed by increasing weatherization funds alone. The home energy burdens faced by low-income households are not simply a function of high energy bills, but instead are a function of the interplay between energy bills and income. While weatherization unquestionably plays an important role in helping to address energy poverty issues, and funding should be maintained if not expanded, weatherization alone would be inadequate to redress the mismatch between household home energy expenses and household resources available to pay those expenses.

Finally, issues such as regulatory protections through processes such as payment plans, extreme weather protections (such as hot and cold weather shutoff moratoriums), the impacts of current efforts to impose miscellaneous fees (such as field collection charges and service connect charges) have been set aside not because they are unimportant, but rather because it is impossible to comprehensively address such issues in this report.[11]

ATTENTION TO ENERGY ASPECTS OF NON-ENERGY PROGRAMS

Unaffordable home energy has significant adverse impacts on the social, economic, and physical well-being of low-income households. The unaffordability of home energy has been shown to contribute to problems relating to hunger, the lack of adequate health care, and the lack of adequate housing.

While increased energy assistance funding will reduce energy poverty, energy assistance is not the *only* public program that responds to energy costs. Public assistance programs addressing food and housing, in particular, take explicit account of home energy bills. With the federal Food Stamp and public/subsidized housing programs, higher food and housing benefits can be used to offset higher energy costs. The specifics of three particular programs are examined below to the extent that these programs can be used as appropriate responses to increasing energy bills.

Food Stamps

One part of the calculation of a family's Food Stamp benefits provided by the U.S. Department of Agriculture (USDA) is a determination of whether the family is entitled to an "excess shelter cost deduction." To the extent that a family has excess shelter costs, the amount of the excess is, under a prescribed formula, deducted from the family's income for purposes of determining an appropriate monthly Food Stamp allotment.

[11] Persons interested in such issues can access information through organizations such as the National Consumer Law Center (http://www.consumerlaw.org), the National Fuel Funds Network (http://www.nationalfuelfunds.org), and Fisher, Sheehan & Colton (http://www.fsconline.com).

"Shelter costs," as with most such calculations, include both rent/mortgage and utility costs. The recent increases in Connecticut's electricity, natural gas and fuel oil prices should --if the excess shelter deduction is appropriately administered-- thus have one of two impacts on Food Stamp families:

- Some families that had not previously qualified for an excess shelter cost deduction now will qualify; and

- Some families that had previously qualified for an excess shelter cost deduction will now qualify for a bigger deduction.

In either case, the family would be entitled to a larger allotment of Food Stamps as a result of the rapid increase in energy costs. Ensuring that low-income families requalify themselves for Food Stamps, with an excess shelter cost deduction appropriately based on the dramatically increased energy prices, would certainly help low-income families absorb the energy cost spike.

In brief, the excess shelter cost deduction for Food Stamps works like this. The amount of Food Stamps a family receives is based on the family's "countable income." Countable income includes pre-tax earnings and welfare benefits, minus an earnings deduction (for families with earnings), minus a child care deduction (for families with out-of-pocket child care expenses), minus the excess shelter cost deduction (for families with high shelter costs relative to their incomes). The "excess" shelter cost is the extent to which the shelter costs exceed 50% of the family's total adjusted income up to a maximum dollar amount established by federal regulation.

As can be seen, the assumption behind the distribution of Food Stamps is that the costs of food take up a particular proportion of a household's available income. If, due to the substantial increases in energy prices, however, that available income is much less, the cost of food will take up a much greater portion of the available income, thus making it more likely that inadequate nutrition will result.

In short, there are really two Food Stamp-related issues raised by high energy prices. First, there is the issue of excess shelter cost deductions. Federal regulations provide that monthly shelter costs in excess of 50 percent of the household's income (after all other deductions) are to be deducted from income. The deduction is up to a maximum prescribed by USDA.[12] The role for persons, organizations, and companies concerned with affordable home energy is to seek to ensure that Food Stamp administrators engage in the systematic reevaluation of shelter costs required in light of increased home energy costs.

Second there is the issue involving a state's "standard utility allowance." Federal regulations provide that "the state agency ***shall*** review and adjust the standard utility allowance annually to reflect changes in the cost of utilities." (While states have some discretion in the methodologies they use, the term "shall," of course, imposes a mandatory

[12] If a household is elderly or disabled (as defined by federal regulation), the maximum doesn't apply.

duty.) The role for persons, organizations, and companies concerned with affordable home energy is to request (and review) both: (1) the methodology used for setting the standard utility allowance; and (2) the most recent annual update (to determine whether that update took into account changes in home electric and heating/cooling prices).

Public/Subsidized Housing

The U.S. Department of Housing and Urban Development (HUD) provides energy assistance to tenants of public and assisted housing. "Public housing" refers to housing *owned* by local public housing authorities (PHAs). "Assisted housing" refers primarily to what is called Section 8 housing.[13] Energy assistance provided to persons renting units developed through other programs, such as the federal Low-Income Housing Tax Credit (LIHTC), are also tied to HUD utility allowances.

HUD's energy assistance comes in the form of what is called a "utility allowance." Under federal law, a utility allowance is supposed to be sufficient to pay a tenant's entire utility bill (electricity *and* space heating/cooling).[14] Separate utility allowances are calculated for each fuel used by a tenant (and sometimes for each end use). Unlike LIHEAP, the allowance is not paid in cash to the tenant (or directly vendored to the tenant's utility service provider). Instead, the amount of the allowance is provided as an offset to the tenant's rent.[15] The effect, however, is to put additional cash in the pocket of the tenant so that the tenant can pay his or her utility bills as they come due.[16]

A utility allowance is set by the local Public Housing Authority. At least in theory, each PHA is supposed to review (and revise where appropriate) its utility allowance on an *annual* basis. In addition, again at least in theory, each PHA is supposed to adjust its utility allowance whenever there is a rate change of 10% or more. These "requirements" are frequently ignored by local Public Housing Authorities (and low-income tenants simply do not have the resources to constantly challenge PHA inaction).

A utility allowance is paid by a local Public Housing Authority. The PHA is then reimbursed for these payments by HUD. While a local PHA is required to file its utility allowances with HUD, there is no formal HUD review and approval process.

Two guarantees are *supposed* to be met by a Public Housing Authority utility allowance:

- A utility allowance is to cover all energy consumption that is not within the ability of the tenant to control; and

[13] While other miscellaneous types of assisted housing exist, as well, to which this analysis applies, the bulk of "assisted housing" is Section 8 housing.

[14] Under the law, a tenant's shelter costs (including rent plus all utilities other than telephone) is not to exceed 30% of income. Rent is set equal to 30% of income. Accordingly, to comply with the law, utility costs must be covered in their entirety to keep total shelter costs at 30%.

[15] If the tenant has a rent of $250 and a utility allowance of $150 per month, the rent is reduced to $100.

[16] If the utility allowance exceeds what the tenant would pay in rent, the excess is, in fact, paid to the tenant in cash.

- A utility allowance is to distinguish between what is a "necessity" and what is a "luxury" based on "local usage and custom."

Despite the legal constraints identified above, local Public Housing Authorities often set utility allowances so as to substantially *under*pay tenants of public and assisted housing. As a result, these tenants are required to pay much of what is supposed to be covered by a utility allowance out of their own pocket. These utility costs can be devastating to a tenant of public and assisted housing. An analysis by the U.S. General Accounting Office (GAO) reported that public and assisted housing tenants, on average, live with incomes of *below* 50% of Poverty Level.[17]

It is not clear why HUD utility allowances receive so little attention from persons interested in seeing that the government programs designed to help low-income customers pay their home energy bills are adequately funded and appropriately administered. Consider that:

- Unlike LIHEAP, utility allowances are *year-round* benefits, not simply seasonal;

- Unlike LIHEAP, utility allowances are intended to cover *total* energy consumption, including electricity and space heating, not simply home heating (or cooling);

- Unlike LIHEAP, utility allowances are intended to pay the *entire* bill of a tenant, not merely some portion of it.

In short, persons, organizations and companies interested in the affordability of home energy are challenged to ask these three questions, and pursue corrective action to ensure the maximum effectiveness of public and subsidized housing programs in reducing energy poverty:

- First, which local Public Housing Authorities have failed to update their utility allowances each year as required by federal law for public and subsidized housing?

- Second, which local Public Housing Authorities have failed to update their utility allowances for public and subsidized housing in those instances and at those times when energy rates have changed by 10% or more?

- Third, which local Public Housing Authorities have failed to adopt utility allowances that reasonably reflect the energy usage of energy conservative households of modest means such that tenants of public and subsidized

[17] General Accounting Office (March 1991). ***Assisted Housing: Utility Allowances Often Fall Short of Actual Utility Expenses: Volume I***, General Accounting Office: Washington D.C. General Accounting Office (March 1991). ***Assisted Housing: Utility Allowances Often Fall Short of Actual Utility Expenses: Volume II***, General Accounting Office: Washington D.C.

housing have allowances that pay all consumption that is not within their ability to control?

Earned Income Tax Credit (EITC)

While the Earned Income Tax Credit (EITC) is not per se an "energy assistance" program, public utilities should take an active roll in ensuring that income-eligible households claim the EITC credits to which they are entitled. The EITC is a source of funding that is important for low-income utility customers in three respects.

- First, coming as part of the federal income tax return process, the money will come at the time when low-income households are most vulnerable to unpaid energy bills. Refunds from tax returns filed in January and February would easily put cash in the hands of low-income households during the high bill winter months.

- Second, tax credits coming back to customers in April may well also serve as a source of downpayment on a payment plan to prevent the loss of service at the very time state winter shutoff moratoria are ending.

- Finally, while a low-income household would need to file a tax return in order to receive the EITC, the household need not have a tax liability in order to receive the credit. The credits can place actual cash in the pockets of households.

For these reasons, promotion of the EITC can be an important strategy for helping the working poor address otherwise unaffordable winter home energy bills.

Utility participation in promoting the EITC is helpful in generating additional dollars to help pay utility bills to the extent that households qualifying for the EITC do not already claim their benefits. According to John Wancheck, Coordinator of the EITC Outreach Campaign for the Center on Budget and Policy Priorities:

> Research on the total number of eligible workers compared to those who actually claim the EITC is not wonderfully precise. It probably isn't going to be, because the criteria to estimate EITC eligibility using census data can't be as specific as the actual IRS eligibility rules. From the IRS side, it isn't known how many people who don't file tax returns are eligible for the EITC.

The research that *has* been done indicates that about 80% of those eligible claim the credit. Both the IRS and the President's Council of Economic Advisors use this figure.

Participation among welfare recipients transitioning to employment (as well as applicants diverted to job searches) is much lower (around 50%). Research has found that new

workers at very low wages (as well as new parents and new foster parents) are less likely to know about credits and how to claim them.

Given that average EITC credits vary by state, but generally range between $1,800 and $2,000, it would seem evident on its face that a utility would benefit from any increase in financial resources to be brought to bear on low-income living expenses. More than intuition, however, supports the conclusion that increasing EITC claims will help pay utility bills. A 1994 study found that 90 percent of New Jersey EITC recipients used their tax credit to pay household living expenses. One-third of all recipients used their EITC to pay *past-due* bills and one-quarter used part of the refund to pay utility bills.

SUMMARY AND CONCLUSIONS

Based on the above data, it is possible to conclude as follows:

- The Home Energy Affordability Gap in Connecticut is statewide and it is substantial;

- Without substantial increases in appropriations, LIHEAP will not cover the existing Home Energy Affordability Gap facing Connecticut, let alone any Affordability Gap associated with increasing fuel prices;

- Connecticut's Home Energy Affordability Gap on a per-household basis is substantially higher in 2006 than it was in 2002; and

- Connecticut's Home Energy Affordability Gap has pushed into a moderate-income population that did not historically face unaffordable bills. This unprecedented impact on moderate-income households increases the population in need of public and private energy assistance.

Low-income advocates in Connecticut have called upon the Connecticut state legislature to provide state assistance for low-income energy assistance. This assistance should come in the form of a "universal service fund." Such funds add a small monthly charge to the bills of each utility customer. The dollars are then distributed to customers who cannot afford to pay their bills. Customers are reimbursed for their payment through reduced collection expenses, reduced working capital expenses, and reduced bad debt on the part of each utility. States as diverse as New Hampshire to Wisconsin to Oregon to New Jersey to Pennsylvania and Maryland have all created universal service funds.

Other public and private responses are appropriate to the unaffordability of home energy to low-income households. To do nothing in the face of the overwhelming need in Connecticut is unacceptable.

HOME ENERGY AFFORDABILITY GAP: BACKGROUND

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The annual Home Energy Affordability Gap is published in April/May of each year to document the shortfall between actual home energy bills and affordable home energy bills for the nation's low-income households. The Affordability Gap analysis looks at bills in the immediately preceding year. The fourth annual Home Energy Affordability Gap analysis, for example, published in May 2006, examined low-income bills for 2005.

The annual Home Energy Affordability Gap examines the most recently completed year using actual state-specific home energy prices reported by the U.S. Department of Energy. This Special Supplement to the Home Energy Affordability Gap differs from the regular annual analysis in that this Special Supplement relies on fuel prices from the current year.

The Home Energy Affordability Gap documents two different "gaps" for the nation's low-income households:

- First, it calculates a ***total*** Home Energy Affordability Gap. This analysis includes not only heating and cooling usage, but also hot water usage and electricity usage such as appliances and lighting.

- Second, it calculates an Affordability Gap limited to heating/cooling usage standing alone.

The Home Energy Affordability Gap analysis assumes "normal" weather. Colder-than-normal winter weather, or hotter-than-normal summer weather, will make the Affordability Gap bigger. Warmer-than-normal winter weather, or cooler-than-normal summer weather, will make the Affordability Gap smaller.

As part of the Home Energy Affordability Gap analysis, annual base appropriations for the federal fuel assistance program, known as the Low-Income Home Energy Assistance Program (LIHEAP), are compared to the heating/cooling Affordability Gap to derive a "LIHEAP coverage ratio." The ratio represents that proportion of the heating/cooling Affordability Gap paid by the federal fuel assistance program.

The annual Home Energy Affordability Gap analyses for 2005 (released in May 2006) and for the base year 2002 (released in April 2003) can be accessed on-line at the Fisher, Sheehan & Colton web site:

http://www.fsconline.com/work/heag/heag.htm

The Home Energy Affordability Gap analysis produces state-by-state fact sheets, all of which are available at this web site. Each state is ranked (on a scale of 1 to 51 for the 50 states plus the District of Columbia) on four factors each year:

- Average dollar amount by which actual home energy bills exceeded affordable home energy bills for households below 185% of Poverty Level.

- Average total home energy burden (bill as percent of income) for households below 50% of Poverty level.

- Percent of individuals below 100% of Poverty Level.

- Combined heating/cooling Affordability Gap covered by federal home energy assistance.

The regular annual Home Energy Affordability Gap analysis for 2006 is scheduled for release in April 2007.