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FYI: Low-Income Households vs. the Energy Crisis

The poor, the chronically unemployed and California's elderly who live at the margins are at ground zero in the struggle to cope with the high prices for gas and electricity brought on by California's energy crisis. Not only do they get hit like the rest of the population with the high costs; for the poor the costs spiral exponentially higher the lower they are on the income ladder. An elderly resident on a fixed income of $15,000 a year, for example, spends 6 percent of his gross income on gas or electric services. When the cost of energy doubles, the same resident pays almost 14 percent, according to a RAND study. On an income of $65,000, meanwhile, a homeowner would on average pay around 2 percent for energy, rising to 4 percent when prices double.

In a crisis atmosphere, still-incomplete data suggests more and more low-income households are losing their energy services because they can't pay their utility bills. This briefing paper looks at that data, and updates recent government efforts to alleviate the strain on the poor with additional energy assistance funding.

Shutting Off Service to the Poor

As costs escalate, householders who get behind on their energy bills face termination of service. This totaled 3.6 million households nationwide at one point this year, according to the National Energy Assistance Directors Association (NEADA) in Washington, DC. As a snapshot of that predicament in California, NEADA notes that Southern California Edison early this year reported its number of customers in payment arrears reached 567,256 over the 431,182 reported in a comparable period a year ago. Southern California Gas reported a 96 percent increase in delinquencies among its residential customers, rising from 369,000 delinquent customers to 723,000.

Utilities emphasize they cut service only after repeated warnings and try to avoid altogether the ultimate penalty of plunging homes into darkness and unregulated temperatures. Still, recent inquires by the Senate Office of Research (SOR) showed these results:

- Pacific Gas and Electric Company (residential customers 4.8 million) reported it cut service to 68,000 households from January through April of this year, and severed about as many in January through April, 2000. However, cutoffs were increasing in the latest comparisons. Last April, about 2,000 more households served by PG&E lost service for nonpayment than in April the year before.

- Southern California Edison (residential customers 4.3 million) reported it cut off 133,000 customers from January through April, saying the numbers were about the same as last year. Why the cutoffs were substantially higher than those at PG&E was not known, although PG&E professed practicing a looser service-disconnection policy as a possible reason.

- San Diego Gas & Electric (residential customers 1.07 million) placed a moratorium on disconnects from July 2000 through January 2001 (through February for residential customers) because of the burden placed on customers from a sharp increase in retail rates. Unique to SDG&E, the price spike occurred after price caps were removed once the utility's previous indebtedness was paid off, in accordance with state regulations.

  After the moratorium ended and demand for past-due bills resumed, SDG&E reported the rate of disconnects remained about the same as the year before for all customers and substantially lower, proportionately, than rates at the other two regulated utilities. For the first five months of this year, 5,580 disconnects were reported. For the same period last year, 7,150 customers were shut off. Rates among all residential customers were not available, but for low-income customers receiving the CARE discount, SDG&E reported only 1,065 service terminations February-May this year, compared to 1,392 last year.

- Among large public utilities, Sacramento Municipal Utility District (450,000 residential customers) reported cutoffs for nonpayment running about the same as last year – between 150 and 200 a day. At the Los Angeles Department of Water and Power (1.2 million residential customers), shutoffs totaled 14,766 through May 2001, running at a rate slightly higher than last year. A possible contributing factor in the upward trend: shutoffs by Southern California Gas Company within the DWP service area this year averaged 22,000 per month from January through April. If gas company customers could not pay their gas bills, it is likely that increasing numbers of those customers were similarly unable to pay DWP's electric bills.

For Some, Government Programs to the Rescue

Low Income Home Energy Assistance Program (LIHEAP) – *Federal*

The Department of Community Service and Development (CSD) distributes funds to qualifying households, based on reports from a network of community organizations that, among other energy-assistance duties, assesses needs within their service areas. Benefit amounts are normally distributed one time only per year. The minimum benefit is $118, the maximum $673 and the average is $322.

Contributions earmarked for California in calendar 2001 total $102 million, arriving in the form of an initial block grant and three subsequent releases of emergency funding.

Federal LIHEAP funding for this year was nearing depletion even before the start of the hot summer months. CSD reports that the number of California households served during all of last year – 117,700 – had already been exceeded to a total of 120,111 in first five months of 2001.

A study commissioned by SOR showed that by the end of March this year, 39 of California's 58 counties had gone through more than half of their federal LIHEAP funding.

LIHEAP — *State*

Enactment of SBX1 5 (Sher, Alarcón, Burton) this year provided substantial state monies to help reduce the LIHEAP funding crisis, although it remains acute. The bill added $120 million from the General Fund to be made available to qualifying households (although the qualifying standard differs somewhat between the federal approach and California's program, Cal-LIHEAP). CSD announced last month the release of the first $30 million to low-income families. The money is intended to stretch over the high-demand months of June, July and August – just in time, as it turned out, since federal LIHEAP funding was running low to nonexistent in some regions.

Just under $10 million of this first $30 million was set aside for direct cash assistance to help pay householder utility bills. The remaining $20 million, in compliance with SBX1 5, went for conservation measures such as the purchase of energy-saving refrigerators and improving home insulation.

Unlike the federal program, Cal-LIHEAP will make benefit payments repeatedly as need and funding availability allow. Minimum benefit per household is $118, maximum $673 and the average is $322.

Note: Local providers and CSD officials declare that much more funding is needed. Even with additional state funding, CSD reports that LIHEAP benefits reach only about 10 percent of the 2.1 million California households that qualify. Proposals before Congress to increase federal LIHEAP funding are seen as inadequate to meet the needs of California's low-income families.

CARE

California Alternate Rates for Energy (CARE) provides a 20 percent (increased recently from 15 percent) reduction on energy bills in low-income households served by the three regulated utilities. Ratepayers surcharged on their bills subsidize the program at about $180 million per year. The average reduction per benefiting household is about $140 per year. SBX1 5 contributes another $100 million to the CARE program. Some 1.3 million households receive the CARE discount, but that's less than half of the households that could qualify. SBX1 5 and other legislation contain provisions for increasing enrollment.

Other Programs

Each of the regulated utilities, as well as the municipal utilities, provides assistance to low-income households. Examples:

- PG&E's program, called REACH, continues despite the company's bankrupt status, company officials say, although providers in some parts of the state report shortages of this assistance source. About 18,000 households received an average reduction of $180 from their PG&E bills last year through the REACH program, the company reports.

- SDG&E shareholders subsidize a Neighbor-to-Neighbor program addressing a "temporary" financial hardship for customers who do not qualify for other assistance programs. Maximum assistance is half of the bill up to $200, payable once during winter months.
- Southern California Edison's Energy Assistance Fund partially subsidizes needy customers during winter months. One-time payments averaged $86 to 5,185 households last year.

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