

The Outlook for the FY 2008 Energy Bills of Low-Income Consumers

Excerpts from:

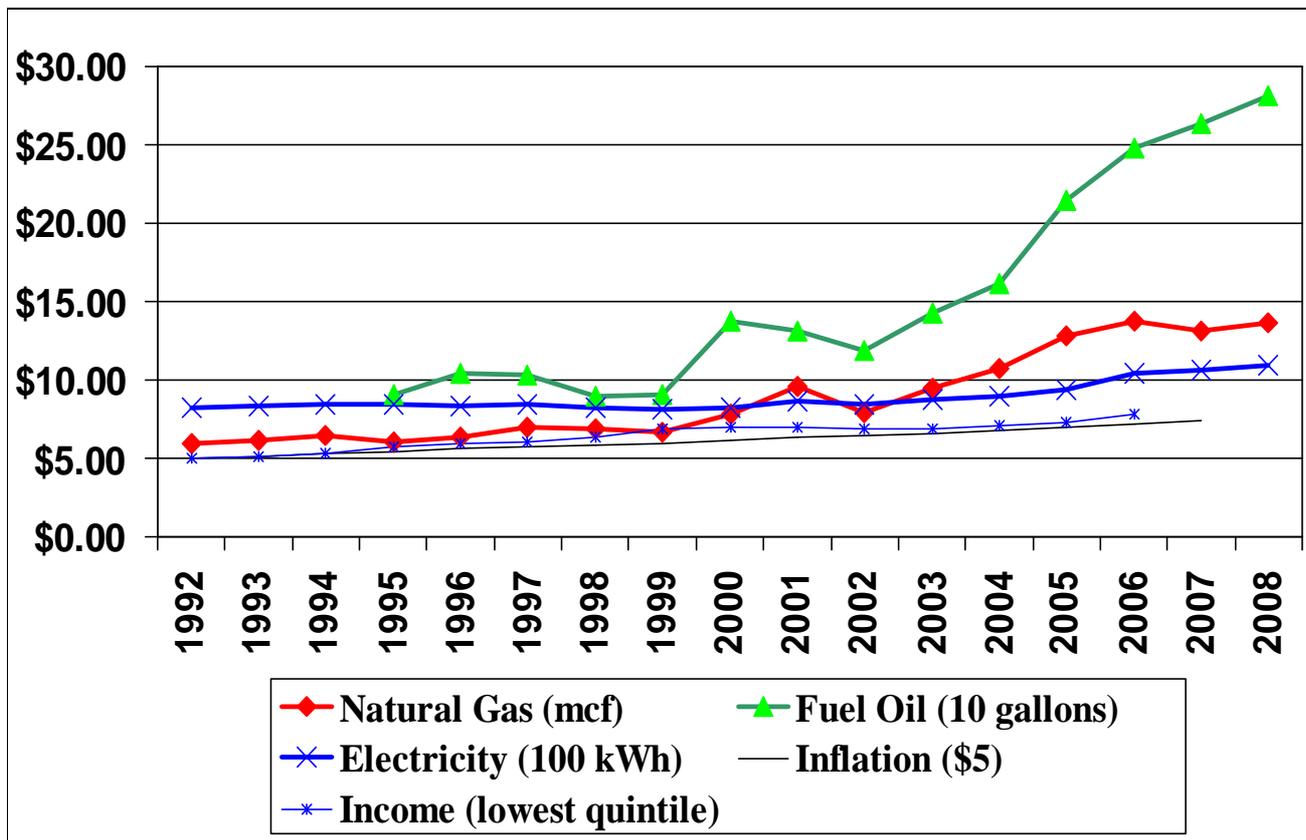
Short- and Long-Term Perspectives: The Impact on Low-Income Consumers of Forecasted Energy Price Increases in 2008 and a Cap-and-Trade Carbon Policy in 2030

Oak Ridge National Laboratory
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1. Prices v. Incomes

Rate of increase in average residential energy prices and incomes of the lowest 1/5 of households by fuel type since 1992



2. Expenditures

a) All 2008 Energy bills

Historic and Predicted Expenditures for FY 2008 for all Household Fuels of Weatherization-Eligible Consumers by Primary Heating Fuel Used

Table ES.1. Mean low-income residential energy expenditures per household by primary heating fuel

(Nominal dollars)

Year	Natural gas	Propane	Fuel oil	Electricity	All
2001	\$1,360	\$1,634	\$1,626	\$1,013	\$1,270
2006	\$1,815	\$2,141	\$2,461	\$1,252	\$1,682
2007	\$1,832	\$2,358	\$2,601	\$1,334	\$1,742
2008	\$1,915	\$2,545	\$2,895	\$1,381	\$1,834

b) Heating and Cooling Costs 2008

AVERAGE HOUSEHOLD HEATING AND COOLING COSTS

1. Heating and cooling costs for households that **heat with natural gas**, excluding the cost of cooking, hot water, appliances, and lighting, are projected at \$847 in FY 2008, an increase of 7 percent this year compared to last year and 70 percent higher than in 2001.
2. For those **heating with propane**, heating and cooling costs in the year ahead are estimated at \$1,211, an increase of 14 percent compared to last year and 100 percent higher than in 2001.
3. The cost of heating and cooling for **fuel oil users** will rise 20 percent compared to last year to \$1,405 and will be 143 percent higher than in 2001.
4. Those that **heat with electricity** will see a 5 percent annual increase in their heating and cooling expenditures during the coming year and a cumulative increase of 108 percent since 2001.

c) Differential Regional Impacts

REGIONAL FINDINGS

1. The impact of these price increases on low-income households will vary considerably by region. The most severe energy price inflation is occurring for those heating with home heating oil, who live predominantly in the Northeast. More than 26 percent of low-income households in the Northeast have fuel oil as their primary heat source compared to 6 percent nationwide. Over 70 percent of low-income households in the Midwest Region have natural gas as their primary heat source compared to 53 percent nationwide, as shown in Figure 2. The high costs for natural gas that occurred in the aftermath of hurricane-caused supply disruptions in 2005-2006 continue in this region. A very high proportion of low-income households in the South, 48 percent, use electricity as their primary heating fuel. The combination of rising electricity and natural gas prices have produced average energy bills for low-income households in the region that are very close to the national average.
2. Low-income households in the **Northeast** that heat with fuel oil will face an average residential energy expenditure for all purposes of \$2,902 in the year ahead given the predicted prices and weather conditions while those heating with natural gas in the region will face an average expenditure of \$2,157. This represents an increase of 11 percent in the case of fuel oil and 5 percent in the case of natural gas compared to last year.

Households in the Northeast that heat with electricity, a relatively small proportion, are expected to have an average expenditure of \$1,582 for all residential energy expenditures, an increase of 5 percent compared to last year.

3. **In the Midwest** low-income consumers of all three primary carbon-based heating fuels—natural gas, propane, and fuel oil—will face average residential energy bills for all purposes exceeding \$2,000 this coming year.

Those that heat with propane in the Midwest, like fuel oil users in the Northeast, will be particularly hard hit and face an average bill for residential energy expenditures of \$2,864. This is an increase of 9 percent compared to last year.

4. The impact of rising prices will not be confined to the coldest parts of the country. **In the South Region** low-income natural gas consumers will experience an average residential energy expenditure of \$2,005. Though average natural gas usage, measured in Btus, is somewhat lower in the South than in the Midwest, the price of natural gas and electricity is higher in the South. This causes total expenditures to be comparable.

Those who heat with electricity in the South will have an average residential energy expenditure of \$1,619 while propane users will be spending an average of \$2,334. These represent annual increases of 3 percent and 6 percent respectively.

5. **In the West Region** those heating with propane will have an average bill of \$1,978, up 13 percent from last year. Those in the West with natural gas as their primary heating fuel will pay \$1,383, for total residential energy, an increase of 5 percent from last year.

Households heating with electricity in the West will see an average residential energy bill of \$918, up 4 percent from last year.