

# ENERGY AFFORDABILITY

## AARP ISSUE BRIEF

### BACKGROUND

AARP strongly believes that all consumers must be able to rely on essential utility services that are affordable and available to all households. Rising home energy prices are squeezing household budgets, especially for those with low and fixed incomes. According to the Energy Information Administration (EIA), the cost of home heating this winter is projected to rise 31 percent for the oil used in furnaces and 22 percent for natural gas. On average, EIA also projects electricity prices will rise by 5 percent in 2008 and another 10 percent by 2009. The average residential electricity costs increased by more than 30 percent between 2001 and 2008, with prices rising 50 percent or more in some states under price deregulation.

Today's escalating energy prices are adding to the growing economic hardships faced by many Americans. AARP recently conducted a survey asking Americans 45 and older how rising energy costs have impacted their day-to-day lives. Nearly 75 percent of those surveyed reported a rise in their home heating and cooling costs over the last year; nearly half (46 percent) are heating and/or cooling only certain parts of their homes. Older adults are especially vulnerable as energy prices continue rising, in part because they already spend a far greater proportion of their income on home energy costs than younger households. Research shows that when energy prices increase, households headed by older adults often keep their homes at unsafe temperatures or skimp on paying for other necessities.

The new Administration and many lawmakers have identified energy as a priority issue for the 111th Congress. While much of the focus has been on "energy independence" related to usage of foreign oil, issues involving energy affordability, energy efficiency, and funding of the Low Income Home Energy Assistance Program (LIHEAP) and other forms of energy assistance must also be included in the debate.

Even as Congress seeks to deal with the energy crisis, proposals to address climate change and limit greenhouse gases (GHGs) will increase the cost of home energy. The single largest source of GHG emissions is the electricity generating sector. Therefore, electric utilities are expected to be a primary target of climate change legislation and, as a result, electricity prices can be expected to increase significantly, over and above current trends.

### AARP'S POSITION

AARP is the only national advocacy organization working at both the federal level and in the states to advance energy affordability and consumer protections from unfair utility policies and rate increases. In more than 30 states, AARP is actively involved in efforts to mitigate rising energy costs for consumers. Our successes include low-income discount programs, shutoff and disconnection protections, expansion of energy assistance, and lowering utility rate requests in states with regulated and deregulated electricity markets. For example, in 2007, AARP was instrumental in passing legislation that reformed Illinois' electricity deregulation law and refunded nearly \$1 billion to millions of Illinois consumers. In 2008, AARP intervened in utility rate cases in five states, resulting in a rate increase of nearly \$1 billion in Florida alone. As states seek to interpret and implement the Energy Policy Acts of 2005 and 2007, AARP has been a consistent presence at state houses and regulatory commissions, lobbying to mitigate the price impact of smart grid technology, advance metering, and dynamic pricing.

AARP is committed to ensuring that all consumers can afford adequate quantities of home energy to meet their basic needs. Toward this end, AARP urges Congress to reauthorize LIHEAP with consideration of increased funding for cooling assistance. We further urge Congress to ensure that key federal energy assistance programs are funded at or above their current authorization levels, including at least \$252 million for the Weatherization Assistance Program and \$6 billion for direct energy assistance under LIHEAP.

With respect to Congressional consideration of legislation to address climate change and the reduction of GHGs, whatever approach Congress adopts, the costs of addressing climate change not only will increase the price consumers must pay for energy but also will indirectly increase the costs for housing, food, and all other products and services as well. AARP brings a unique perspective from 25 years of utility advocacy to assess the impact of various climate change proposals on energy affordability for consumers. Due to the fact that the regulatory structure varies widely from state to state, federal legislation is likely to have unequal impacts on consumers. It is AARP's position that climate change legislation must include carefully designed policies to mitigate increased energy costs to households, especially those with low and fixed incomes. We look forward to working with Congress to advance energy independence and conservation while protecting the consumer from unreasonable utility rate increases.

### **THE COST OF DOING NOTHING**

If Congress fails to adequately fund programs that assist struggling families with paying their utility bills, both during the coldest months of winter and the scorching heat of summer, millions will be forced to choose between paying for food and medicine and making their homes livable. If climate change legislation fails to include consumer protections, millions of additional families could be unable to afford to pay their utility bills.

