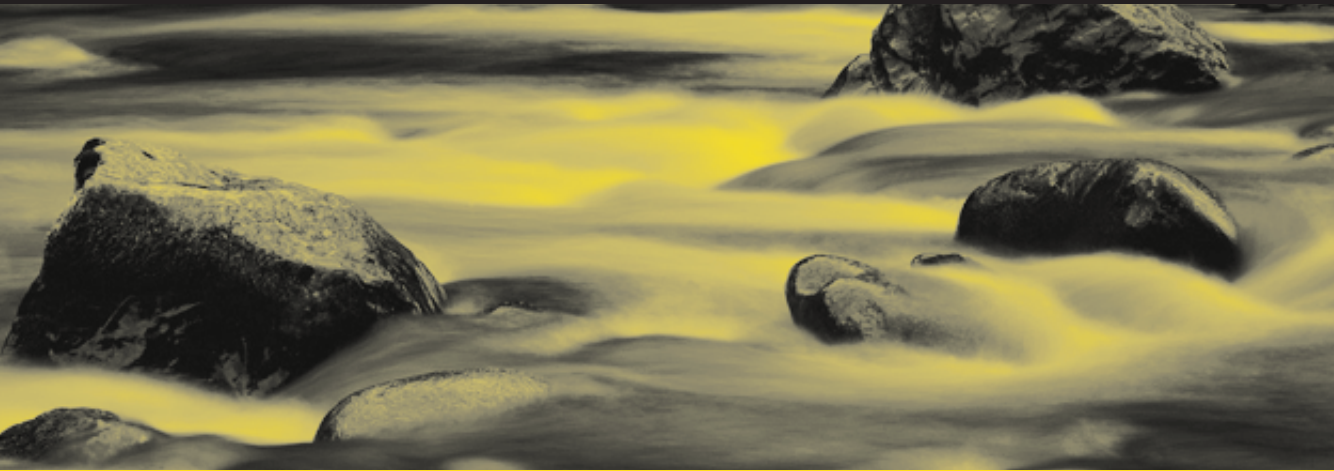


Keeping Coloradans Afloat on the Sea of Home Energy



A Report on
the Status of
Colorado's
Low-Income
Energy Consumers



Each winter, thousands of Colorado households face the threat of unaffordable energy bills.

The winter of 2000-2001 exposed us to this threat to an unprecedented degree. Natural gas and propane prices rose dramatically, in some instances increasing 100 percent. And, although the winter weather was statistically "normal," a record breaking cold November compounded the hardship.

As we prepare for the 2001-2002 heating season, service providers and policy makers alike will again be faced with challenges. This report is offered to all Coloradans involved in assuring that no one goes without home energy. Its sponsors are the Colorado Energy Assistance Foundation (CEAF) and the Colorado Commission on Low-Income Energy Assistance (CCLIEA).



Picture the typical American household:

Parents and children gathered around the kitchen table for a warm meal.

A retired couple reading in their favorite chairs.

Children going through their evening routines: studies, a warm bath, snuggling into a comfortable bed.

Now picture these households without home energy:



The lack of warmth creates a health risk for children and the elderly alike.

Food can't be safely stored or cooked.

Daily living becomes disrupted, chaotic stressful to the breaking point.

Meet Kevin and Christine



As a young family, they were financially self-sufficient on Kevin's salary as a retail store manager. While eagerly awaiting the birth of their second child, Kevin was fired under disputed circumstances. Their financial stability quickly evaporated as they faced hospital and other bills without an income. Soon they were behind on their utility bills and rent and were facing a bleak Christmas. With the energy assistance they received they were able to maintain a warm, healthy home for their

children throughout the winter. This allowed them the time they needed to get back on their feet and regain financial stability.

- Families with children under 5 years of age were 26 percent of energy assistance recipients last heating season (2000-2001).

- 78% of these families live in rental housing.

- 13% of their household income is used for home energy costs (heating and all other energy).ⁱ

Consider the situation of Roger and Joyce

They recently reached their retirement years after many years of hard work. That work paid off for Roger and Joyce. They were able to purchase their home in 1995, for which they feel very fortunate. Yet, retirement finds them both suffering from various health ailments. Because of these complications, they have prescription expenses totaling \$500 per month.

They have been receiving LEAP assistance for the past several years. Yet, last year their energy bills were three times as high as the year before. They received \$290 from LEAP,

helping them remain current with their energy provider. Joyce says, "It sure did help. We didn't know how we were going to pay all of our bills."



19%

- Elderly households represent 26% of last winter's total energy assistance recipients.

- 48% of these households rent their home.

- 19% of their household income is used for home energy costs (heating and all other energy).

Janet's Story



Janet is a 60-year old Colorado native and has been living with a disability for 40 years. Shortly after her 20th birthday, Janet had a massive stroke, leaving her paralyzed. "It was really hard to learn to talk again," she confides. At the time, she had been married a little less than two years and raising an infant son.

Gradually life returned toward normal. She was able to walk and talk again, but it was a painful experience. Janet had two more children, who are the light in her life. Her husband, however, found it difficult to be supportive and left the family.

Since her stroke, Janet has not been able to work. That means that for the majority of her life, she's been living on a small amount of money. She's been able to stretch every dollar she has received, providing for her and raising her children.

This past winter was especially difficult. With a monthly income of less than \$550, meeting her needs was challenge. During the winter, Janet frequently has to decide between heat and food. Janet received enough energy assistance to get through the winter. She says, "I don't know what I'd do without energy assistance. I don't know how I'd get by. I do know that I would not be eating as much."

- Households of persons with disabilities represent 29% of last winter's total energy assistance recipients.

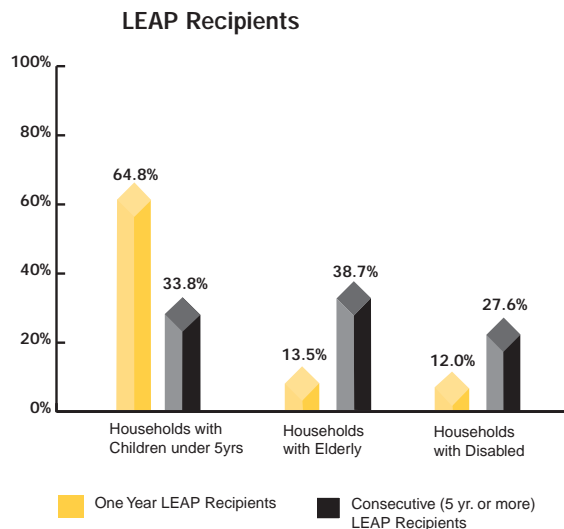
- 69% of these households rent their home.

- 16% of their household income is used for home energy costs (heating and all other energy).

29%

WHY do people need energy assistance?

Short Term Financial Crises vs. Persistently in Need



The unfortunate fact is tens of thousands of Colorado households seek assistance with their home energy costs each year.

Each of these households is a unique story of a family struggling to make ends meet. Within these stories, two general themes emerge as to "WHY":

Energy assistance as a crisis response

On average, one-third of all Low-Income Energy Assistance Program (LEAP) recipients do not request assistance the following year. ⁱⁱ

- A majority (65%) of these single-time recipients are families with children under 5 years of age. These families are on the edge of independently staying afloat financially; occasionally they "spring a leak and take in water."
- An additional 17 percent of all recipients will request energy assistance for only two consecutive heating seasons.

Others continue to 'bail water," year in and year out.

Of the households receiving LEAP assistance for five or more consecutive years, 39 percent are elderly and another 28 percent are people with disabilities.

- These tend to be households on meager fixed incomes, usually relying on Social Security, other pensions or government-provided disability benefits.

Just how big of an issue is this?

LEAP is a federally funded energy assistance program supplemented with grants from the Colorado Energy Assistance Foundation (CEAF). LEAP assistance is available to households with an annual income of no more than 185 percent of the federal definition of poverty income. For 2001, 185 percent of poverty income equaled \$1,324 per month for a single person, \$2,721 per month for a family of four. ⁱⁱⁱ

There are approximately 335,000 households in Colorado who qualify for LEAP, almost 20 percent of all Colorado households.

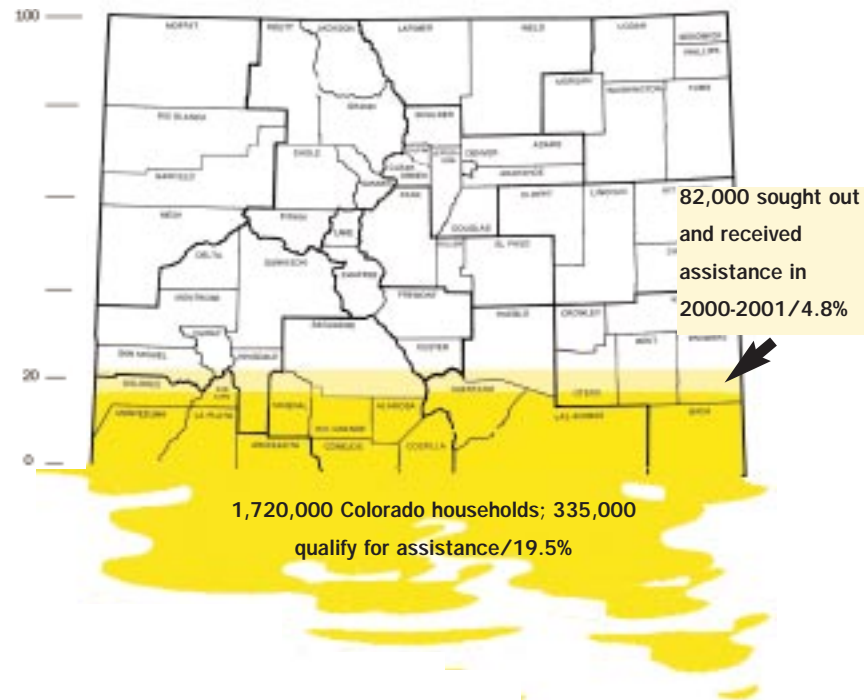
Last winter LEAP reached 76,000 homes with winter bill assistance.

CEAF also provides grants to nonprofit emergency assistance agencies. They follow their own guidelines, offering greater flexibility in responding to various emergency circumstances. Last year an additional 6,000 homes were served beyond LEAP. These were households late on a home energy payment and were either not eligible for LEAP or reluctant to ask for government assistance. (Agencies receiving CEAF funding also

assisted 3,300 households for whom the LEAP benefit was inadequate to prevent being shut-off from their utility.)

Between LEAP and CEAF this last year, over **82,000 households received help paying their home energy bills**. This represents 205,000 Colorado residents, almost 5 percent of Colorado's 4.3 million residents.

Yet, this is only part of the picture. Tens of thousands of Colorado households struggle to keep their lights on and homes warm. Some may find ways to make ends meet, but many others who most likely need help won't seek it out for various reasons: pride; independence; fear; unaware; rapidly changing living circumstances. ^{iv}



DEFINING POVERTY

Forty years ago the federal government developed a "poverty income threshold". It is based upon a 1955 study of an "economy food plan" (the cost of a food plan designed for temporary or emergency use). This amount is then multiplied by 3, assuming that a household spends one-third of its income on food.^v

The poverty level is adjusted annually, based upon the Consumer Price Index, yet, the underlying concept has not been changed.

Over the years, it has become increasingly obsolete as a threshold separating those in need from those who are self-sufficient financially. Various living costs (housing, transportation, etc.) change at different rates, making it difficult to presume that households still spend one-third of total income on food. Also, the overall cost of living varies dramatically between states and even between cities within the same state.^{vi}

As a result, the poverty definition is no longer used as a threshold for government program eligibility. Food stamps are provided to households at or below 130 percent of a poverty income. In order to receive surplus federal commodities (cheese, butter, canned goods, etc.), the threshold is 185 percent. LEAP also now uses the 185 percent of poverty threshold.

The Extremely Poor: Living at or Below the Poverty Level

Estimate of Colorado Extremely Poor households: *163,283 households living at or below the poverty level.*^{vii}
Number that received LEAP (2000/2001 heating season): 44,814 households (27% of all extremely poor households)

The Very Poor: Above the poverty line, yet often below the water...

171,748 households in Colorado are above the poverty level, yet, at an income recognized as insufficient to fully afford home energy.

99,995 of these households have incomes of 101-150 percent of the poverty level.
22,321 of these Very Poor households (22%) received LEAP assistance last winter.

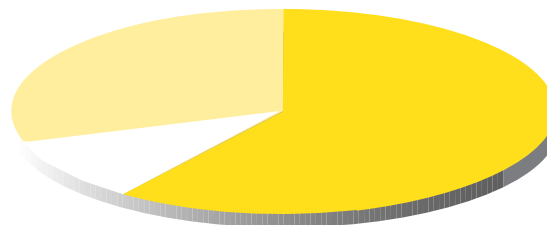
The Marginally Self-Sufficient: Living on the Edge

Estimate of Marginally Self-Sufficient households in Colorado: 71,753 (income between 151 -185 percent of the poverty level).

LEAP served 8,600 of these Marginally Self-Sufficient households last winter, about 12 percent of the total households at this income level.

Since these are the households least likely to seek government assistance, they are a primary target of the CEAF utility assistance grants delivered through various nonprofit agencies. These CEAF-funded agencies served 5,800 of these households during the past year, an additional 8 percent of these Marginally Self-Sufficient households.

Income Distribution of LEAP Recipients:



59% - Extremely Poor

29% - Very Poor

11% - Marginally Self-Sufficient

Outlook for the 2001/2002 Heating Season

There is a dynamic mixture of forces that will affect low-income consumers in the heating season ahead.

- Natural gas and propane costs have moderated significantly from last year, nearing the levels of the late 1990s.
- Many low-income households are still "bailing out" from debts incurred during 2000/2001 heating season.

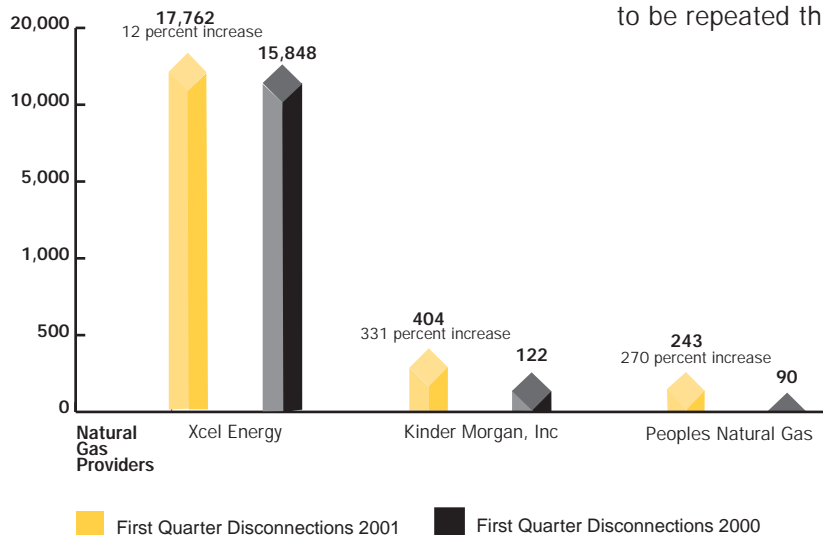
■ Unemployment has been rising steadily in Colorado since April. Almost 99,300 (4.2%) are listed as unemployed, as of October 2001.^{viii} Layoffs are becoming increasingly common, bringing the potential of new waves of households seeking assistance with purchasing household necessities.

■ The Colorado legislature appropriated \$10 million from severance tax revenues for LEAP assistance last winter - a response to last winter's extraordinary circumstances and not likely to be repeated this winter. Similarly, Congress appropriated supplemental funding for LEAP last winter at levels not anticipated to be repeated this winter.

■ The over \$56 million in energy assistance resources made available last year through CEAF and LEAP served over 82,000 households.

In the year ahead, demand is projected to be 85,000 households and could be substantially more as unemployment increases; the resources available may only be slightly more than half of last year's.

Disconnections 2001 vs. 2000



**Demand will
be up while
assistance
resources
will be down.**

000,98

The Gap between resources and need

Segment	Percent of Poverty Level	Number of Households	Average Annual Home Energy Expenses (2001-02 anticipated prices) ^{ix}	Targeted Assistance Level (% of annual energy expenses to be covered)	\$ Necessary to All Households Potentially in Need	Projections of Requests for Assistance, (factoring in gas costs and economic conditions) ^x	\$ Necessary to Serve Currently Anticipated Requests for Assistance
Extremely Poor	0-100	163,278	\$707	75%	\$86,578,159	47,200	\$25,027,800
Very Poor	101-150	99,995	\$818	50%	\$40,897,955	25,400	\$10,388,600
Marginally Self-Sufficient	151-185	71,753	\$907	33%	\$ 21,476,390	12,300	\$3,681,513
TOTALS:		335,026			\$ 148,952,504	84,900	\$ 39,097,913

Anticipated Resources Available for Assistance (LEAP & CEAF): \$24,250,000

Range of Potential Energy Assistance Need: \$39,097,913 --- \$148,952,504

ENERGY ASSISTANCE GAP: \$ 14,847,913 ---\$124,702,504

Source: Colorado Energy Assistance Foundation

Under any of the likely scenarios, factoring in such variables as natural gas prices and unemployment, there will be a gap between the resources available and the energy assistance needs.

Home Energy Conservation: Plugging the Leaks

KEEPING

Residential energy efficiency improvements, commonly referred to as "weatherization," are an **investment** in reducing future energy needs.

Weatherization includes:

- improving or replacing heating systems
- insulating attics, walls and crawl spaces
- filling gaps around door and windows
- education on how to conserve energy

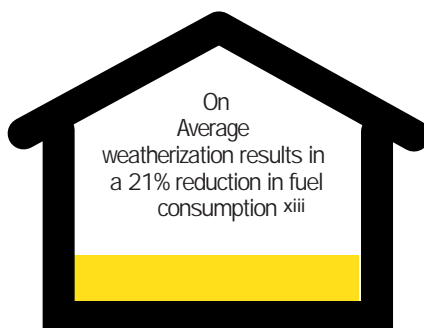
LEAP eligible households receive free weatherization services from the Energy Saving Partners (E\$P) program. This state administered program is funded by the federal government and Xcel Energy. ^{xi}

Over the past 25 years the program has made investments in almost 90,000 Colorado homes. That's over 25 percent of the 335,000 households eligible for assistance.

Of the 76,000 homes receiving LEAP this past heating season, one-half (38,000) have never received E\$P assistance. ^{xii} While a few of these homes may be newer construction (and presumably fairly energy efficient), the vast majority of lower income Coloradans find themselves in older, inefficient, housing stock.

Both E\$P and CEAF also reach households that don't apply for LEAP. Thirty percent of the homes weatherized this past year did not apply for LEAP. Adding this population to the LEAP statistics, **almost 50,000 households in Colorado are likely candidates for E\$P services.**

The Benefits of Weatherization



Average annual cost savings (based upon 2000-01 heating season costs): \$235.98

(Based upon the natural gas prices filed in September 2001 by Xcel, the average annual cost savings will be closer to \$132.) ^{xiv}

NOTE: 25 % of the homes served have average energy consumption reductions of 37%.

The Weatherization Gap:

Number of households still in need of weatherization investments: 50,000

Production capacity of weatherization delivery network: 5,000
(Target: reach 50,000 goal within ten years.)

Average cost to weatherize a home: \$2,500

Resources needed for one year's production
 $(5,000 \times \$2,500) = \$12,500,000$

Anticipated resources available
(federal government and Xcel): (\$10,600,000)

RESOURCES GAP FOR WEATHERIZATION:
\$ 1,900,000

If economic conditions result in an increase in unemployment, the number of families seeking weatherization assistance could increase substantially.

COLORADANS AFLOAT

Stormy seas are ahead: economic downturn; more customers disconnected from home energy sources; a widening gap between energy assistance resources and the families in need. The year ahead is one of great uncertainty for Colorado's lower income energy consumers:

- The number of families facing a home energy crisis is likely to rise with increasing unemployment.
- Those persistently in need - the fixed income elderly and disabled - face declining levels of assistance as fewer dollars are stretched over more struggling households.

The systems are in place to deliver solutions: emergency financial aid in response to immediate crises; weatherization providers reducing the likelihood of future crises. The gap: adequate resources.

The gap between anticipated need and available resources is our **call to action**. The challenge for us as a statewide community is to muster our collective will and creativity. No one among us should go without the necessities of life, including a home with heat and lights.

The greatness of a society can be measured by
how it cares for the least fortunate of its members.

Let us continue to rise up and be measured as
a caring and compassionate society.

\$17,000,000

Colorado Commission on Low-Income Energy Assistance Colorado Energy Assistance Foundation



The Colorado Energy Assistance Foundation believes that home energy is a necessity for living in our society. Like food and water, no one should be without home energy resources.

Created by the Governor Colorado Legislature in 1989, the Commission's charge was to seek out new sources of funding for energy assistance and to establish a mechanism to collect and distribute these resources. That mechanism is the Colorado Energy Assistance Foundation - CEAF - receiving funds from a variety of sources.

The Commission continues to play a vital role in assuring that all Coloradans can meet their home energy needs. The eleven members, appointed by the governor, offer guidance and perspective to CEAF on carrying out its mission.

What is the Colorado Energy Assistance Foundation?

- Nonprofit corporation: a steward of the community's resources; serving the community's needs
- Our community: low-income households struggling to afford home energy; all who are concerned for their well-being
- Independent: not affiliated with any single interest in the home energy industry; not an agency of the government
- Mission-driven: dedicated to assuring that all Coloradans can meet their home energy needs

CEAF carries out its mission through fund raising, resource distribution and advocacy.

The funds raised by CEAF provide energy assistance through a variety of channels. For those facing a difficult winter of heating bills, CEAF supplements LEAP. For those in immediate crisis and whom LEAP cannot reach, CEAF funds numerous nonprofit emergency assistance agencies. For households seeking longer term stability, CEAF funds investments in energy conservation.

Constantly in search of better solutions, CEAF serves as a voice for low-income energy consumers.

End Notes:

- i** Based upon 1999-2000 home energy expenditures; projecting heating to be 29 percent of total home energy costs (Source: LIHEAP Home Energy Notebook for Fiscal Year 1998; National Center for Appropriate Technology; October 2000).
- ii** Internal Analysis of LEAP data 1995 - 2000; August 2000
- iii** Federal Poverty Income Definition for 2001.
- iv** LEAP Market Research; BBC Research and Consulting; Summer 2000
- v** Fisher, Gordon M. U.S. Department of Health and Human Services, as printed in the newsletter of the Government Statistics Section and the Social Statistics Section of the American Statistical Association; Winter 1997, pp. 6-7
- vi** Family Needs Budget; Colorado Fiscal Policy Institute September 2000
- vii** extrapolated from data provided by the Colorado Department of Local Affairs, Division of Housing
- viii** United States Bureau of Labor Statistics (<http://stats.bls.gov/eag.co.htm>)
- ix** Based upon LEAP client data for 1999-2000 heating costs (natural gas, which is the heating fuel for 90 percent of LEAP recipients); heating costs estimated to be 57 percent of total energy costs (Public Service Co. of Colorado publication; 1992); confirmed by E\$P client study.

- x** Projections of anticipated demand for energy assistance are based upon historical trends for each sub-segment of the eligible population: 29 percent of the "Extremely Poor" population (0-100% of poverty); 26 percent of the "Very Poor" population (101-150% of poverty); 16 percent of the "Marginally Self-Sufficient" population (151-185% of poverty).
- xi** Xcel Energy's funding of E\$P is limited to Xcel customers.
- xii** E\$P cross-tabulation of 2000-01 LEAP client data.
- xiii** Evaluation of the Energy Saving Partners Program, February 18, 1999; RLW Analytics, Inc.
- xiv** Gas Cost Adjustment filing; September 17, 2001, to take effect October 1, 2001.

Authors:

Jeff Ackermann: Director of Governmental Affairs
Gilad Wilkenfeld: Research Intern
Colorado Energy Assistance Foundation

We wish to extend a special thanks to Rebecca Bertolini at Xcel Energy for editing.

**Colorado Commission on Low-Income
Energy Assistance**

Louis Brown and Elizabeth Horn* Co-Chairs

Eugene Barfield, Governor's Office of Energy
Management and Conservation

Dian Callaghan, Office of Consumer Counsel

Janice Finney, Colorado Department
of Human Services

Joel Johnson,* URS Corporation

Charles McCulloh, Seneca Coal/Peabody Group

Nicholas Muller, of Heppenstall, Savage, Trower
and Muller, Attorneys at Law

Karen Rae,

Silvia VanHorn,*
Colorado Springs Utilities

Diana Yee,* Xcel Energy
*Project Advisory Committee for this report.

For more information, please contact:

The Colorado Energy Assistance Foundation

Karen Brown, Executive Director

225 E. 16th Avenue, Suite 200

Denver, Colorado 80203

303-825-8750 www.ceaf.org

Colorado Energy Assistance Foundation

225 East 16 Avenue Suite 200

Denver, Colorado 80203-1612

www.ceaf.org