

Low income energy conservation and assistance



Developing a low income energy conservation and assistance strategy for Ontario



INDÉCO 

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Executive summary

The Toronto Environmental Alliance (TEA) commissioned this report in response to a request by the Minister of Energy. At a meeting on March 12th, 2004 with the Canadian Environmental Law Association (CELA) to discuss its recommendations to the Ontario Energy Board on low income energy efficiency programs, Minister Duncan asked CELA to develop recommendations on actions the government could take to help low income households cope with the rise in electricity prices immediately.

Because of the urgency of this matter, the Minister asked for the recommendations to be forthcoming prior to April 15, 2004. The Minister also requested that the recommendations be presented to the Minister of Community and Social Services.

TEA agreed to work with CELA on the development of the recommendations for the Minister and to take a leadership in their preparation. With a donation from Enbridge Gas Distribution, TEA retained IndEco Strategic Consulting Inc. to prepare this report to respond to the Minister's request.

This report provides recommendations for an overall model for low income energy programs in Ontario, including recommendations on:

- Principles for low income strategy design;
- Program development approach;
- Consumer protection policies;
- An energy rebate program; and
- A comprehensive set of energy efficiency programs.

Recommendations on principles for low income strategy design

TEA recommends that the government of Ontario develop a low income energy assistance strategy based on the following principles:

- Energy for the safe preparation and storage of food, home heating, and cooling (for vulnerable groups such as seniors and infants) is a basic necessity of life.

- The strategy should meet the immediate needs of low income households, but should focus on the development of preventative measures over the long term.
- The strategy should be developed in consultation with low income consumer and advocacy groups.
- There needs to be a clear, simple, and easily accessible screening process for identifying eligible program participants.
- All low income households should receive direct energy assistance, including those that pay utilities in their rent.
- Any direct assistance monies (emergency assistance or bill assistance) that low income customers receive should not be deducted from monies received from other sources.
- No capital outlay should be required for low income participation in energy efficiency upgrade programs. Programs should be paid either as a direct subsidy to low income consumers or through energy savings on their utility bills. In the latter case, the upfront cost is covered by the energy efficiency program and then recovered by the utility through savings on the participant's utility bill. This ensures that no financial costs are borne by the participant.
- Energy efficiency and conservation programs should be comprehensive, addressing appliances, building envelopes, heating systems (efficiency & fuel switching to more efficient equipment), and cooling systems¹.
- Electric and gas utilities should be encouraged to cooperate in determining the design of DSM programs for low income households. The delivery channels for these programs should include local community groups that supply services to low income households and non-profit groups with experience in delivering energy efficiency programs, such as the members of the Green Communities Association.

Recommendations for program development approach

TEA supports full cost energy pricing. TEA believes that special assistance is required to help low income consumers deal with higher

¹ Assistance for cooling systems would apply to the most vulnerable low income groups such as the elderly, the infirm, the disabled or families with very young children

prices, including direct financial assistance to keep their energy burden at a manageable level and energy efficiency programs which assist them with meeting their needs while using less energy and thus reducing their bills and the associated environmental impacts.

TEA recommends that the program development approach for the low income energy strategy should:

- Focus first on initiatives with broad coverage, and easy implementation with quick start-up and delivery, so that as many low income people as possible can be helped to some degree in the first year or two of program implementation.
- Based on experience, modify (e.g., roll out in year three) the initiatives so that the highest level of assistance is provided to those with the greatest need.

Recommendations for consumer protection policies

In line with need to recognize electricity and heat as a basic necessity and to ensure universal, non-discriminatory access to these services, TEA recommends that the government of Ontario develop the following policies:

- A no-cut off policy for heating and electricity service for low income consumers during the heating season as well as for seniors and other vulnerable households during the cooling season.
- There should be a mandatory exemption for low income households from consumer security deposit requirements which can adversely impact, or even exclude, these households from accessing electric service².

Recommendations for energy rebate program

TEA recommends that the government of Ontario immediately develop an energy rebate program for low income consumers in Ontario with the following features:

² Currently, local distribution companies have the discretionary authority to waive security deposit requirements for a customer or future customer. Under clause z.4 in section 88(1) of the Ontario Energy Board Act, 1998, the government has regulation-making authority with respect to the amount charged by distributors for consumer security deposits and can require distributors to refund all or part of security deposits charged after November 25, 2002.

- The program should be implemented by Fall 2004, so that households can receive the rebates in advance of the winter season when heating bills are the highest.
- Statistics Canada's pre-tax, post-transfer Low Income Cut Off (LICO) values should be used to define low income households.
- All low income households should be eligible for the rebate, regardless of whether they receive social assistance, live in subsidized housing and/or pay utility costs in their rent.
- The rebate should be annual, linked to household size and of an amount significant enough to reduce the energy burden for households at or below pre-tax, post-transfer LICO. The exact structure of the rebate should be developed in the consultation process described below.
- Eligible households should be identified based on tax returns filed in the previous year. Rebates should be annual and automatically sent to eligible households by the Ontario Ministry of Finance. A rebate application process should also be made available to ensure that those eligible households that may be missed as a result of this process, such as those that did not file a tax return the previous year, or those who may have moved, can still receive a rebate.
- The program should include a comprehensive awareness campaign to inform potential low income participants of the rebate program and how to apply, if they do not automatically receive the rebate.

In order to ensure that all eligible households are aware of the rebate and that there is no claw-back on other social assistance programs associated with the rebate, TEA recommends that the government develop an aggressive public education and outreach campaign which includes, but is not limited to, the following:

- Outreach and education about the program through local distribution companies³, e.g. bill inserts.
- Outreach and education about the program through municipal social services agencies which administer Ontario Works and Ontario Disability Support Program, with a particular focus on ensuring that eligible households are aware that there are no claw-backs on other social assistance programs associated with the energy rebate.

³ Any costs to utilities for bill inserts should be recovered in utility rates.

- Outreach and education about the program through charitable organizations, community and advocacy groups (e.g. Green Communities Association, Share the Warmth, Toronto Environmental Alliance, Advocacy Centre for Tenants Ontario, Income Security Advocacy Centre).
- Outreach and education targeted at special needs of New Canadians (e.g. multi-lingual communication materials).
- Media advertisements (television, print & radio) and information on ministry websites, including, but not limited to, the Ministry of Energy, the Ministry of Community and Social Services and the Ministry of Finance. This outreach and education should focus not only on the energy rebate program itself, but also on the broader issue of low income energy burden, in order to raise awareness and support for low income energy programs among all Ontarians.

Over the next two years based on experience with implementation, the energy rebate program should be modified to target the most vulnerable households more effectively and to provide assistance to them commensurate with the level of need.

Recommendations for comprehensive set of energy efficiency programs

Programs targeted specifically to low income household are needed to reduce their energy expenditures on a sustained basis. A comprehensive set of energy efficiency and conservation programs needs to be developed immediately based on the following:

- Electric and natural gas utilities should be accountable for energy efficiency and conservation and encouraged to do so aggressively and cost-effectively⁴. Utilities should be encouraged to use local community groups that supply services to low income households and non-profit groups with experience in delivering energy efficiency programs (e.g. members of the Green Communities Association) as delivery channels for their energy efficiency and conservation programs.
- The programs should address appliances, building envelopes, heating systems (efficiency & fuel switching to more efficient equipment), and cooling systems.

⁴ As with existing energy efficiency programs of the natural gas utilities in Ontario, the cost of programs specifically targeted at low income customers, including related public education and outreach, should be recovered in utility rates. Similarly, the cost of low income programs of the electric utilities should also be recovered in rates.

- The government should initiate a comprehensive consultation process beginning in April 2004 to identify an initial set of low income energy efficiency programs for implementation in the fall of 2004 in time for the 2004-2005 heating season.
- The consultation would identify an additional set of low income energy efficiency programs for implementation in time for the 2005-2006 heating season.
- Stakeholders in the consultation should include, but not be limited to, natural gas and electric utilities, customer and advocacy organizations.
- The government should provide financial assistance to groups who require funds to participate effectively in the consultation.

1 Introduction

The electricity market in Ontario has undergone major changes over the last few years, creating opportunities and challenges. Some key changes are highlighted in the figure below.

May 2002	Competitive electricity market opens
November 2002	Provincial government freezes retail electricity commodity price at 4.3 cents per kWh for residential and designated customers.
June – Dec 2003	Ontario Energy Board coordinates a stakeholder consultation process on demand side management and demand response in Ontario's electricity and natural gas markets. Electricity Conservation and Supply Task Force conducts research and consultation and submits its report to Minister of Energy in December 2003.
November 2003	Provincial government announces intention to raise electricity price cap to 4.7 cents per kWh for first 750kWh consumed and 5.5 cents per kWh thereafter.
March 2004	Government announces regulation to establish new energy efficiency standards for 9 products. Government announces establishment of \$2 million energy emergency fund for low income consumers.
April 1, 2004	New retail electricity price cap comes into force.

Figure 1 Recent events related to Ontario's electricity system

Among these are two changes that will have a significant impact on low income households in Ontario in the future. The first is the outcome of the Ontario Energy Board consultation and recommendations to the Minister of Energy on demand-side management (DSM). The second is the rise in electricity prices effective April 1, 2004.

The Toronto Energy Alliance (TEA)⁵, through its mandate to promote a greener Toronto, is actively involved in projects and programs related to smog and climate change, including those related to DSM. Because of

⁵ TEA was formed in 1988 in order to provide an activist voice for local Toronto issues. TEA focuses on six major campaign areas: smog and climate change; urban pesticides, waste reduction, sustainable transportation, water and involving youth. TEA undertakes research, education, and action on these issues.

this interest, TEA joined the Low-Income Energy Network (LIEN), an advocacy group to promote programs to assist low income households to better cope with the rise in energy prices through energy conservation programs and other measures.⁶

TEA also joined forces with the Canadian Environmental Law Association (CELA)⁷, a participant in the OEB DSM consultation process, by retaining CELA as its legal counsel to work on this report.

CELA had made a written submission as part of its participation in the OEB process, which included the background report prepared by IndEco Strategic Consulting, *DSM for low income consumers in Ontario*, as well as CELA's recommendations:

- 1 There should be a requirement to have DSM programs specifically for low income consumers in Ontario;
- 2 The OEB should require gas and electric utilities to develop low-income DSM programs as part of their DSM portfolio. The OEB should also consider allocating a specific amount of money from the utility's total DSM budget to low income programs.
- 3 These low income DSM programs should be developed in consultation with low income DSM customers and advocacy organizations.
- 4 The OEB should encourage the development of programs to replace electric space heating units with natural gas (or other sustainable heating source) units where gas (or other) service is available, beginning with low income customers and extending to other consumers over time.

CELA was invited to meet with the Minister of Energy to discuss the recommendations of its report to the OEB. At the meeting with Minister Duncan on March 10, 2004, the Minister asked CELA for recommendations on actions the government could take to help low income households cope with the rise in electricity prices immediately. Because of the urgency of this matter, the Minister asked for the recommendations to be forthcoming prior to April 15, 2004. The

⁶ LIEN has recommended that direct energy assistance be provided, targeting low income households unable to absorb the higher cost of power or those in emergency situations made the following commendations to assist low income households and that a low income conservation program/strategy be developed to make energy efficiency upgrades accessible to low income households. CELA is also a member of LIEN.

⁷ CELA represents low income clients in matters related to the environment broadly defined. This includes matters related to the natural environment, land use, human health, and energy. CELA also has a mandate to do law reform work on behalf of its low income constituency. Because CELA's resources are limited, CELA focuses on environmental matters not covered by other legal aid clinics or environmental groups.

Minister also requested that the recommendations be presented to the Minister of Community and Social Services.

TEA agreed to work with CELA on the development of the recommendations for the Minister and to take a leadership in their preparation. With a donation from Enbridge Gas Distribution, TEA retained IndEco Strategic Consulting Inc. to prepare this report to respond to the Minister's request.

1.1. Purpose of this report

The purpose of this report is to respond to the Minister of Energy's request for recommendations on actions the government could take to help low income households cope with the rise in electricity prices immediately. This report builds upon the information and recommendations contained in CELA's submission to the OEB DSM consultation process as well as the LIEN recommendations. The report provides recommendations for an overall model for low income energy programs in Ontario, which include immediate actions to assist low income households.

Specifically, this report:

- Provides evidence of the high energy burden facing low income consumers in Ontario (chapter 2);
- Provides an overview of the types of low income energy programs that have been developed in other jurisdictions in North America (chapter 3);
- Identifies a number of issues that should be considered during the early stages of designing low income energy programs in Ontario (chapter 4).
- Recommends a number of principles to guide the development of a low income energy strategy, as well as a number of specific recommendations on low income energy conservation and assistance that should be implemented immediately (chapter 5).

2 Low income energy use

According to the 2001 census by Statistics Canada, 14.4% of Ontario residents (or 1,611,505 persons) were living at or below the pre-tax, post-transfer low income cut offs (LICOs) – a widely accepted measurement of poverty lines – in 2000 (Statistics Canada, 2001). The majority of low income people in Ontario (approximately two thirds) live in tenant households (ACTO, 2003).

2.1. *Energy burden*

Low income residential utility customers face a much higher ‘energy burden’ (i.e. percent of household income devoted to energy costs) than median and higher income households. A 1993 study by the US National Consumer Law Center (NCLC) showed that the energy burden for median income families in the US was approximately 4 percent, whereas low income families spent between 12 and 26 percent of their income on energy (Oppenheim & MacGregor, 2000)⁸. This situation is not unique to the United States. A 2002 submission by the Dalhousie Legal Aid Service to the Nova Scotia Utility and Review Board, showed that low income consumers have higher energy burdens than average income households, right across Canada (Table 1). The gap is even wider when comparing the lowest and highest income quintiles. Statistics Canada data shows that in 2002, the lowest earning quintile of Ontario households spent nearly five times the relative amount of their income on water, fuel and electricity than did the highest income quintile (Table 2).

⁸ The energy burden statistics quoted from Oppenheim and MacGregor should not be directly compared to those in Table 1 and 2, as various studies do not always use the same definition of income (e.g. pre-tax versus post-tax).

Table 1 Power bill comparisons across Canada

City	Monthly power cost (\$)	Power bill as % of Assistance Income	Power bill as % of Stats Can LICO	Power bill as % of Average Income
Edmonton, AB	108.42	11.20 %	5.52%	3.4%
Charlottetown, PE	112.41	10.76%	6.72%	4.6%
Halifax, NS	108	10.58%	6.4%	5%
Regina, SK	101.42	9.84%	6%	4.3%
Moncton, NB	105.10	9.78%	6.24%	5%
Toronto, ON	91.59	7.95%	4.66%	3%
St. John's, NFL	95.16	7.78%	5.65%	4.5%
Winnipeg, MB	68.67	7.23%	3.5%	3.1%
Montreal, QC	69.39	6.25%	3.53%	2.8%
Vancouver, BC	67.47	5.75%	3.44%	2.6%

SOURCE: DALHOUSIE LEGAL AID SERVICE, 2002.

Table 2 Ontario average household energy expenditure as a percent of average income, by income quintile, 2002

Fuel use	All Ontario households	Lowest Quintile	Second Quintile	Third Quintile	Fourth Quintile	Highest Quintile
Water, fuel and electricity	3.8%	11.6%	5.8%	4.5%	3.5%	2.0%
Fuel	1.9%	6.8%	3.1%	2.1%	1.6%	0.9%
Electricity	1.9%	5.8%	3.1%	2.3%	1.6%	0.9%

SOURCE: CALCULATED FROM STATISTICS CANADA SURVEY OF HOUSEHOLD SPENDING, 2002

2.2. Characteristics of low income energy use

There are at least two factors that contribute to this higher energy burden among low income consumers. Firstly, there is a relatively inelastic demand for household utilities, i.e. regardless of the price, there is a certain amount of energy that is required to heat and light a household.

The second factor is that there are other characteristics, in addition to the proportion of household income spent on energy, that differ among income groups. Statistic Canada's 2002 survey of household spending (Table 3) illustrates that, compared to both the Canadian average and

the highest Canadian income quintile, the lowest Canadian income quintile has a far greater proportion of households that:

- are rented;
- have electric space heating;
- have principal heating equipment more than 10 years old; and
- have electric water heating.

The net result is that low income households in Ontario and in many other parts of Canada are likely paying more per unit of energy (since electric heating is more expensive than other fuels) and may be using more energy per household (due to older appliances).

The inability to pay utilities is one of the leading economic causes of homelessness (LIEN, 2004). To stave off homelessness, low income families often have to make impossible choices between eating and heating, and for seniors and those with special needs between medication and heating. LIEN estimates that over 50,000 households a year have their energy disconnected in Ontario. That amounts to one household every ten minutes, every day, 365 days a year (LIEN, 2004).

The increase in electricity rates in Ontario effective April 1, 2004 will increase the energy burden for low income households. Energy prices are likely to continue to rise over time, exacerbating the energy burden problem for low income households.

Table 3 Dwelling characteristics and household equipment by household income quintile, Canada, 2002

	All Canadian households	Lowest Quintile	Second Quintile	Third Quintile	Fourth Quintile	Highest Quintile
Average household pre-tax income						
	59,410	14,046	30,520	49,133	71,599	131,753
Tenure						
Owned	65.2%	32.5%	55.8%	67.5%	79.7%	90.4%
Rented	34.8%	67.5%	44.2%	32.5%	20.3%	9.6%
Principal heating equipment						
Steam or hot water furnaces	13.5%	18.4%	14.9%	13.2%	11.3%	9.4%
Forced hot air furnaces	52.4%	35.5%	45.1%	50.1%	59.8%	71.4%
Other hot air furnaces	2.3%	2.3%	2.7%	2.4%	2.8%	F
Heating stoves	4.3%	3.5%	4.9%	6.9%	3.6%	2.5%
Electric heating	27.2%	40.0%	31.9%	26.7%	22.3%	15.0%
Other	0.4%	F	F	F	F	F
Age of principal heating equipment						
5 years or less	19.7%	15.1%	18.3%	18.4%	21.5%	25.2%
6 to 10 years	16.2%	10.8%	12.6%	19.4%	18.6%	19.5%
Over 10 years	64.1%	74.1%	69.1%	62.2%	59.9%	55.3%
Principal heating fuel						
Oil or other liquid fuel	12.5%	12.4%	14.6%	12.6%	13.3%	9.8%
Piped gas	49.1%	37.9%	42.1%	45.3%	54.9%	65.4%
Bottled gas	1.1%	1.2%	F	1.4%	F	F
Electricity	31.6%	44.0%	35.4%	32.2%	26.2%	20.2%
Wood	5.2%	4.1%	6.4%	7.9%	4.4%	3.4%
Other	0.4%	F	F	F	F	F
Principal heating fuel for hot water						
Oil or other liquid fuel	5.0%	5.6%	5.1%	5.2%	5.0%	4.1%
Piped gas	47.4%	37.8%	40.1%	43.3%	52.8%	63.2%
Electricity	46.5%	55.7%	54.2%	50.2%	41.2%	31.5%
Other heating fuel or no running hot water	1.0%	0.8%	0.6%	1.3%	1.0%	1.2%

SOURCE: STATISTICS CANADA SURVEY OF HOUSEHOLD SPENDING, 2002

3 Low income energy programs

The following chapter provides an overview of types of low income energy programs that are currently in place in various jurisdictions within the United States and Canada. The information provided is based on a review of readily available information and should not be viewed as a comprehensive inventory of all low income energy programs⁹. The purpose of the review was to identify various approaches to low income programs in order to develop recommendations for Ontario.

There are a number of ‘players’ in the design and delivery of low income programs within the U.S. and Canada, including federal governments, state/provincial governments, municipal governments, gas and electric utilities, charitable organizations and local community action agencies. The specific roles and responsibilities of these organizations (e.g. funding, program design, program delivery) vary greatly between jurisdictions.

This chapter categorizes low income energy programs based on four general approaches – emergency assistance, bill assistance, energy efficiency and consumer protection & education. Each approach addresses the low income energy burden in a different way. The US Low Income Home Energy Assistance Program (LIHEAP), a federally mandated and funded program which has been implemented for over 20 years, includes emergency assistance, bill assistance and weatherization components. The LIHEAP program is discussed throughout the following sections and an overview of the administration of the program and some of its results is provided in Appendix A.

3.1. *Emergency assistance*

Emergency assistance programs are generally those in which households receive financial assistance due to emergencies such as:

- an impending energy service cut-off
- a short term spike in energy prices

⁹ The review focuses on programs in the United States, because of the availability of a comprehensive set of programs for low income customers. There are a number of low income energy assistance programs in Canada delivered by non-profit or charitable agencies, such as the Salvation Army, Share the Warmth and Green Communities Association. These programs should be examined in more detail during the development of the recommended low income energy conservation and assistance strategy.

- the need to replace or repair home heating equipment

Emergency assistance programs generally limit the number of times an individual can apply for assistance within a specific timeframe and the maximum benefit available. These programs set criteria regarding the definition of an 'emergency' and usually require customers to provide proof of the emergency situation, such as a letter from their utility indicating that their service will be cut off.

In the U.S., each state decides how much of its LIHEAP block grant to dedicate to emergency assistance programs¹⁰ and determines eligibility criteria and maximum benefits. In 2004, the proportion of state grants dedicated to emergency assistance programs ranges from 1% in Main to 32% in California and Florida, with an average of approximately 13%. The maximum benefit level for these programs ranges from \$100 US (Hawaii) to \$2,450 (Alaska), with an average of \$545 US.

In Ontario, Ontario Works and Ontario Disability Support Program recipients may be eligible for emergency assistance benefits, discretionary benefits and/or community start up benefits, which may be used for various energy emergencies depending on the particular fund (PSPC, 2002)¹¹. There are also several charitable organizations in Canada, such as the Salvation Army and Share the Warmth, which provide once per year assistance to low income households that are facing an energy crisis.

On March 29, 2004, the Government of Ontario announced that it will establish two emergency assistance programs - a \$10 million rent bank and \$2 million energy emergency fund to assist low income households that are in danger of eviction or energy service cut-off, respectively (Government of Ontario, 2004).

3.2. *Bill assistance*

Bill assistance programs are aimed at making energy more affordable for low income households. These programs strive to make it easier for low income consumers to pay their energy bills *on an ongoing basis*. There are three main types of bill assistance programs: discount programs, percentage of income payment plans (PIPPs) and arrearage management programs.

¹⁰ LIHEAP refers to these programs as 'crisis assistance' programs.

¹¹ For example, households may be eligible for community start up or discretionary benefits to pay utility security deposits.

Discounts

Discount programs provide low income consumers with a reduction on their energy bills, generally in one of three ways:

- A **fixed percentage** discount where low income consumers receive a fixed percentage discount off their energy bill. In the U.S., these discounts range from 7% to 40%, depending on the state and utility, with some states waiving the tax on energy as a fixed percentage discount (Oppenheim and MacGregor, 2000).
- A **fixed dollar amount** where low income consumers receive a fixed dollar reduction on their bill, regardless of how much energy they consume. In many jurisdictions, such as Alabama and Mississippi, this fixed dollar amount is the monthly customer charge for energy service (Oppenheim and MacGregor, 2000).
- A **variable discount** where the low income consumers' discount on energy reduces as their consumption level increases. For example, in Arizona, low income consumers receive 30% off the first 400kWh of electricity they use, then 20% off usage between 401 and 800kWh, 10% off usage between 801kWh and 1200kWh, and a \$10 credit for any usage above that point (Oppenheim and MacGregor, 2000).

Each discount type has its own benefits. The fixed percentage and fixed dollar amounts are relatively easy to calculate and administer, while the variable discount provides an incentive to conserve energy. Oppenheim and MacGregor (2000) indicate that the fixed dollar discount and the variable discount tends to be most beneficial to the lowest income households, while the fixed percentage discounts tends to be most beneficial for households that have high consumption levels with low levels of control over energy use (e.g. electric heating, rental units with inefficient appliances).

In the U.S., discount programs are generally administered directly by utilities, either due to a government regulation or on a voluntary basis.

PIPPs

A percentage of income payment plan (PIPP) is also a type of discount program, however the discount is related to the income of the customer, rather than the price of electricity. In PIPP programs, customers pay a fixed percentage of the total income towards their energy bills. This percentage (i.e. their energy burden) is usually more than that of the average customer, however it is considerably lower than if they were paying the full cost of the energy. The specific percentage level used may also vary depending on the income level of

the customer, as seen with the example of Columbia Gas in Pennsylvania, in the table below.

Table 4 Columbia Gas (Pennsylvania) PIPP program

Income (percent of Federal Poverty Level)	Percent of income paid to utility
0-50%	5%
51-100%	7%
101-150%	9%

SOURCE: OPPENHEIM & MACGREGOR (2000)

While the PIPP approach successfully reduces the energy burden of participants, it provides a significant disincentive to conserve energy, as participants' energy bills are completely detached from the amount of energy they consume.

Arrearage management

Arrearage management programs help low income customers to address any arrears that they have accumulated so that they can avoid service cut-offs and increase their ability to keep up with current payments. Common arrearage management programs include an arrearage payment plan with a certain amount of debt-forgiveness, if the customer keeps up with the payments.

3.3. Energy efficiency

Energy efficiency programs reduce the energy burden of low income households by reducing the amount of energy used. These energy efficiency programs are preventative measures which permanently reduce energy costs and the need for reactive intervention such as crisis and energy bill assistance.

Low income energy efficiency programs often consist of a range of different energy efficiency services. Based on a review of low income energy efficiency programs in a number of U.S. jurisdictions, typical energy efficiency services offered within these programs include:

- energy audits;
- weatherization services;

- heating and cooling systems;
- lighting and appliance upgrades.

Energy audits

An energy audit identifies how much energy a home consumes and evaluates what measures can be taken to make it more energy efficient. These audits are generally applied to the building envelope of the home, however, audits may also determine the efficiency of a home's heating and cooling systems. Once the areas of energy loss have been identified weatherization techniques can be used to reduce energy loss (OEERE, 2004a). Energy audits are often the first step in any energy efficiency program.

A comprehensive energy audit program for low income households is provided by CentrePoint Energy in Minnesota. This utility provides a free standard energy audit to low income customers in which a state-certified energy auditor checks windows, doors, insulation and heating and cooling equipment and provides energy-saving improvements and practices. The program also provides a complete home energy analysis report. This program also offers a free home performance audit to low income customers. The audit consists of a blower door test that determines the location of air leaks, a combustion safety test and carbon monoxide (CO) check, and an infrared inspection that pinpoints the location of air leaks and moisture problems (IndEco, 2003).

There are a number of energy audit programs within Canada (e.g. NRCan's Energuide for Housing Evaluation). The upfront cost for participating in these programs presents a barrier to low income customers.

Weatherization

Weatherization programs provide cost-effective energy efficiency measures for existing low-income residential and multifamily housing. Weatherization includes a wide variety of energy efficiency measures applied to the building envelope (OEERE, 2004b). Two federal programs in the United States provide weatherization assistance to low income households. These are:

- **Weatherization Assistance Program (WAP)**, started in 1976, WAP is a federal block grant administered by individual states and supervised by the Department of Energy. Each state enters into contracts with local providers (non-profits and public agencies) which then enter into contracts with homeowners or landlords (OEERE, 2004b).

- **Low Income Energy Assistance Program (LIHEAP)**, described in the previous section, also has weatherization component to the program. Weatherization services are funded through the general LIHEAP federal block grants disbursed to the states, however these funds are often supplemented with state funds, church donations and utility subsidization.

In many (32) states the same department supervises both the LIHEAP and WAP programs (LIHEAP Clearinghouse, 2004a). Many local utilities also have their own weatherization programs which “piggyback” on the federal programs. For example, as part of its energy efficiency program the Massachusetts utility KeySpan Energy Delivery provides free weatherization services to eligible homeowners and renters. These services include: ceiling insulation, door weather-stripping, caulking, switch and outlet gaskets and covers, pipe insulation, faucet aerators, and minor repairs to exterior doors and/or windows (IndEco, 2004).

There are existing building retrofit incentive programs in Canada, such as NRCan’s Energuide for Housing Retrofit Incentive (EGHRI). The upfront costs for these types of programs, however, present a barrier to low income participants.

Heating and cooling systems

Many energy efficiency programs provide services that deal specifically with heating and cooling systems of houses and apartments. Heating and cooling services include: equipment maintenance, repair and/or replacement, programmable thermostats, air conditioner covers, and water heater blankets. The Low-Income Energy Efficiency (LIEE) program offered in California, for example, provides many of these heating and cooling services to eligible low income renters and homeowners free of charge (IndEco, 2004).

Lighting and appliance upgrades

Upgrading to high efficiency light bulbs and/or major appliances (most commonly refrigerators and dryers) is also a common part of many energy efficiency programs. For example, as part of their Comfort Partners program, utilities in New Jersey provide efficient lighting products and refrigerator replacement free of charge for income eligible households (IndEco, 2004).

In general, weatherization appears to be the most common service offered within energy efficiency programs, followed by heating and appliance upgrades. However, most of the U.S. jurisdictions examined provide energy efficiency programs encompassing a number of energy efficiency services. For example, in New York State the AffordAbility

Program of Niagara Mohawk, provides low income customers who have a documented “inability to pay” their full energy costs a package of set energy efficiency services that can include any or all of the following: weatherization services, refrigerator replacement, installation of energy efficient fluorescent fixtures, electric hot water tank and/or clothes dryer fuel switch (IndEco, 2004).

3.4. *Consumer protection & education*

While emergency assistance and bill assistance programs directly reduce the energy burden of low income consumers, there are also consumer protection and education initiatives that can indirectly reduce energy burden and/or protect low income consumers from the risks associated with high energy burdens (e.g. service cut-off, eviction, homelessness). These initiatives may be implemented by government (e.g. energy efficiency standard regulations) or by other stakeholders such as local community action agencies (e.g. household budgeting education programs).

This section provides examples of some consumer protection and education initiatives that have been implemented within the U.S. and Canada or have been promoted by academics and/or advocacy groups.

No cut-off policy

Government policy can dictate that under certain circumstances utilities can not cut off customers for not paying their bills. For example, in the United States most states recognize situations where there is a need to protect the most vulnerable customers and that disconnection for non-payment is not allowed¹². Common shut off moratorium conditions used in the U.S. include:

- **Medical based**, disconnection is prohibited where the customer has a serious medical condition or it would endanger the health of a resident.
- **Age based**, prohibits disconnection if there are elderly people or infants in the home.

¹² For example, In the state of New York, the Fair Home Energy Practices Act prohibits utilities from imposing security deposit requirements on recipients of public assistance, supplemental security income or additional State payments. In addition, utilities cannot demand or hold a security deposit from persons 62 years of age or older unless the customer has had service terminated by the utility for non-payment of bills within the preceding six months.

- **Date based**, restricts customer disconnection during a selected period of time, usually during the winter heating season when temperatures may be extreme. This policy however only delays disconnection rather than avoiding it and the predictable dates can lead to misuse of the system (Janigan and Miller, 2001).
- **Temperature based**, utilities can not disconnect customers on days with extreme hot or cold temperatures. This approach provides immediate relief on extreme days, but only provides a temporary solution for a very short period of time (CSPC, 2002; Janigan and Miller, 2001; Oppenheim and Macgregor, 2000).

Energy efficiency standards

Raising energy efficiency standards on appliances can save large amounts of energy for both low income and other customers. However, incentives are also needed to encourage low income households or landlords to purchase and install these technologies. As mentioned earlier, a split incentive currently exists when it comes to the installation of energy efficient appliances in rental households. The government of Ontario recently introduced a regulation setting new energy efficiency standards for nine products. The regulation, filed under Ontario's *Energy Efficiency Act*, will set standards for two new products and raise the standards for seven products already covered (Government of Ontario, 2004b)¹³.

Raising the energy efficiency standards for new buildings will also reduce energy consumption. There has been a call for increased energy efficiency standards for buildings to those used by the federal government's Commercial Buildings Incentive Program (CBIP) (NRCan, 2004). This program requires that building designs must demonstrate a reduction in energy use by at least 25% when compared to the standard requirements of the Model National Energy Code for Buildings (NRCan, 2004). There has also been pressure to change the Building Code to make individual meters mandatory in multi-residential housing so that each household knows how much energy they use and therefore where they can make energy savings. The Ontario Cabinet is expected to decide in the near future on whether to require that all new homes in Ontario be equipped with 'smart' electricity meters that would monitor and record the amount of power used at different times of the day (Mackie, 2004).

¹³ The two new products are thermostats used with individual-room electric space-heaters, and industrial commercial gas-fired furnaces with inputs about 400,000 BTU's. The seven other products include: power transformers, incandescent reflector lamps, gas-fired automatic storage-type water heaters, household dishwashers, dusk-to-dawn luminaries, packaged chillers for commercial buildings, and household electric ranges.

Conversion from electric heat

As seen in Table 3, more than twice as many households in the lowest income quintile across Canada use electricity as their principle heating fuel than do households in the highest income quintile. In Ontario, electric space heating is significantly more expensive than natural gas heating. In Vermont, conversion of electric heating to natural gas, propane or oil, is offered to eligible participants through the low income weatherization program.

Efficiency & conservation education

Raising customers' awareness of energy issues, regardless of their income, is critical to affecting real change with respect to energy efficiency and conservation. Customers need to understand how much energy they use, the impacts of their energy use and how they can benefit by using energy more efficiently. Oppenheim and MacGregor (2000) state that the most effective way to educate customers on energy efficiency and conservation is as part of a comprehensive weatherization and energy efficiency audit and installation. They suggest that through this approach auditors can provide the low income customers with a customized reading of energy use in their home and provide techniques for cost effectively minimizing the electricity usage. They also state that the most effective energy education program is one that is designed to motivate customers and to give them a sense of control over their environment. For example, a study into a Niagara Mohawk Power Company energy efficiency program found that customers who received education along with their energy efficiency services showed greater savings than those customers who received energy efficiency services alone (Oppenheim and MacGregor 2000).

Equal billing

Equal billing plans, which are offered by many utilities through North America, may help low income households to make their utility payments. These plans do not change how much a customer pays for their electricity, but simply even out the cost throughout the year, thereby reducing the high energy burden of the winter heating season. A potential downside to this approach, however, is that customers may owe the utility a large balance at the end of the year, if they have consumed a lot more electricity than was assumed when determining the equal billing amounts. Generally, customers can still be disconnected for non-payment throughout the year or if they are unable to true-up at the end of the billing period. Utilities in Ontario are currently not mandated to offer equal billing plans and can limit their offer to certain customers (e.g. those with good credit history of at least 1 year).

4 Issues to consider

This chapter discusses a number of issues that should be considered during the early stages of designing low income energy programs in Ontario.

4.1. *Creating the right balance of programs*

The four types of low income programs discussed in the previous chapter – emergency assistance, bill assistance, energy efficiency and consumer protection & education – each help low income consumers in different ways. While emergency assistance provides immediate and direct help to low income consumers that are in crisis situations, it is a reactive and temporary solution to many larger problems. Energy efficiency programs and consumer education initiatives, on the other hand, may not provide benefits that are as immediate as emergency assistance; however they will often be more sustainable and cost effective and serve to *prevent* energy crises rather than just *react* to them after they have occurred.

Figure 2, below, presents a suggested model for low income energy programs in Ontario. This model was based closely on a suggested Energy Assistance Plan in Peterborough Social Planning Council's (PSPC) 2002 report *Energy Assistance Plan for Low Income Households in Peterborough City and County*. Some different categorization of programs has been used, however the overall strategy of focusing on preventative rather than reactive strategies remains.

Based on a review of existing programs, the PSPC report suggests that the ideal model is currently inverted in Canada with the majority of efforts going to reactive programs at the top of the pyramid rather than preventative programs at its base.

Ontario's recently announced \$2 million energy emergency fund represents an emergency assistance program at the top of the model. While this fund is a positive step towards helping low income consumers deal with their high energy burden, it is critical that the focus switch to the development of long term preventative measures.

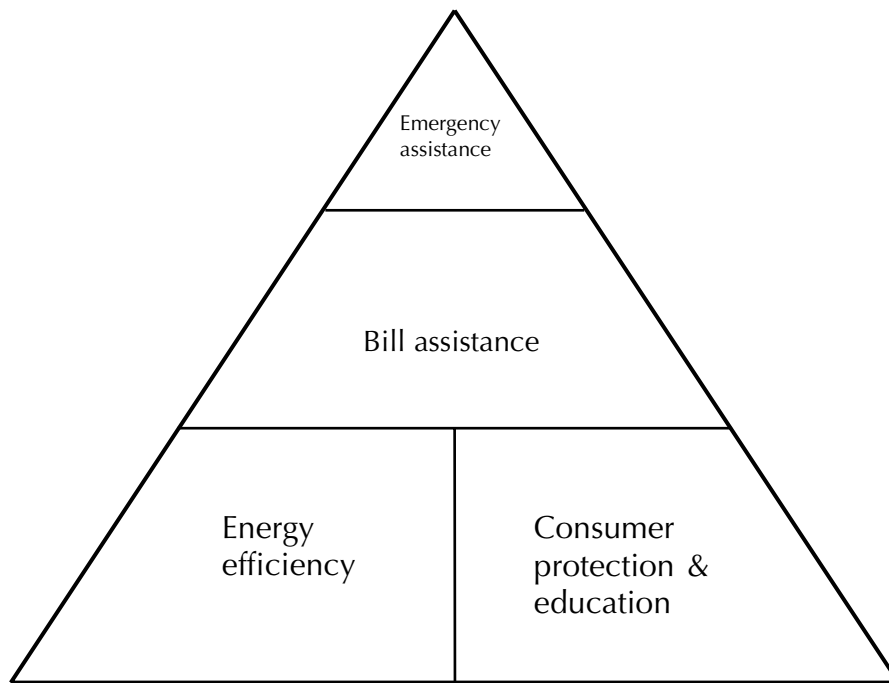


Figure 2 Model for low income energy programs in Ontario

4.2. *Tenancy and payment of utilities*

The majority (two thirds) of all low income individuals in Ontario are tenants (ACTO, 2003) and the majority (approximately 75%) of all Ontario tenants (of all incomes) pay utility costs as part of their rent, not directly (CSPC, 2002).

The fact that most low income tenants in Ontario do not directly pay for their utilities presents two major challenges in developing and implementing low income energy assistance and energy efficiency programs. Specifically, these utility costs inclusive rents make it difficult to identify and reach low income households through bill assistance programs and they create a split-incentive for energy efficiency upgrades. These issues should be addressed in the upcoming government consultation process on the legislation that will replace the *Tenant Protection Act*.

Bill assistance programs can become complex

The fact that the majority of low income households in Ontario have utility costs inclusive rents (i.e. they do not pay their utilities directly)

presents a number of challenges for providing energy assistance programs to all low income households.

Currently, many of the low income energy assistance programs in Ontario operate by providing funds directly to the participants' energy utilities. For example, the discretionary benefits of the Ontario Works and Ontario Disability Support Programs (ODSP), the Share the Warmth program and the Salvation Army Emergency Assistance all pass assistance directly to the customer's utility account. The result, therefore, is that the majority of low income customers in Ontario are currently not eligible for energy assistance programs.

If low income tenants with utility costs inclusive rents are deemed eligible for direct energy assistance, there is still the challenge of determining what level of assistance is appropriate. Given that many multi-unit buildings are 'master-metered', it is difficult to determine exactly how much electricity a particular tenant is consuming. Determining the appropriate benefit becomes even more complicated if the tenant is residing in subsidized housing (see next section).

The issue of utilities being included in rents has been tackled recently by state LIHEAP coordinators in the U.S. As each state has great latitude in designing and implementing their LIHEAP programs, a variety of approaches have been used. These include:

- **Non-eligibility.** In Georgia and Pennsylvania households are not eligible for LIHEAP benefits if their heat is included in their rent.
- **Same benefits.** Rent inclusive households are eligible for the same benefits as those that are responsible for their own utility bills. (e.g., Delaware, Missouri and Tennessee).
- **Reduced benefits.** When the heating costs are inclusive of rent, then households receive a lower sum than if responsible for their heating bills. This is commonly a 50% reduction from the regular benefit the household would get (e.g., District of Columbia, Michigan, Nebraska and South Carolina).
- **Fixed amount.** Low income households receive a fixed dollar amount if their electricity is included in rent (e.g., Nevada, New York and Rhode Island).
- **Different criteria.** The criteria for determining the benefit is changed if heat is included in rent. For example, where benefits received are based on a point system, heat inclusive households receive fewer points (e.g., Iowa, Indiana, Illinois).

- **Estimation.** If individual electricity bills are not available for the household, estimates of heating costs are made based on fuel costs and dwelling type and size (e.g., Wisconsin). In some states the low income households only receive a proportion of these estimated costs (e.g., Vermont, Idaho).
- **Landlord assisted.** Landlords of low income tenants are required to play a role in obtaining the heating benefit. For example, in South Dakota the landlord agrees to reduce the rent by 30% each month until the LIHEAP benefit is exhausted or the heating season ends. In Texas the landlord must deduct the amount of the benefit from the tenants rent (LIHEAP Clearinghouse, 2004).

Split incentive for energy efficiency programs

Rents that include utility payments create a split incentive with respect to energy conservation. Landlords pass on utility costs to the tenants and therefore have little incentive to improve the energy efficiency of the building and its appliances. The tenants, meanwhile, have little or no control over the efficiency of their building envelope and major appliances and have little incentive to conserve energy through behavioural actions as they will not benefit from reduced energy bills. The *Tenant Protection Act* allows the capital costs of energy efficiency improvements to be passed on to tenants, but does not allow the tenants to get the rent reductions based on the reduced energy bills that result from these improvements (CSPC, 2002).

There is also a split incentive with respect to the energy efficiency of new buildings – both rental and owner occupied. This split incentive applies to both private and social housing. Developers only pay the initial capital costs of a building, while occupants pay its lifetime operating costs. As such, there is an incentive for developers to use the least cost options first, which may not be energy efficient or cost effective when evaluated on a life-cycle basis. For example, electric baseboard heaters are relatively inexpensive to install, but are extremely expensive to operate compared to other heating fuels.

4.3. Other social assistance programs

Another issue for consideration in the development and implementation of low income energy programs is the interaction, if any, with other social assistance programs. For example:

- Should recipients of Ontario Works (OW) and Ontario Disability Support Program (ODSP) be eligible for low income energy programs, given that they already receive a basic needs and shelter allowance (which includes energy) under the *Ontario Works Act*? If

so, should they receive the same level of benefits as low income consumers who are not recipients of OW or ODSP?

- Should low income tenants living in subsidized housing be eligible for low income energy programs? If so, should they receive the same level of benefits as those in the private rental market?
- Should emergency or bill assistance provided to low income individuals be included in their income calculations when applying for other social assistance programs? A 2002 report by the Peterborough Social Planning Council (PSPC, 2002) noted that there is a perceived risk among eligible recipients of existing energy assistance programs in that area that by applying for any sort of energy assistance that they may lose their other benefits or that they may incur overpayments on existing assistance (PSPC, 2002).

4.4. *Setting priorities and monitoring results*

In addition to considering the balance of programs, as discussed in section 4.1, it is necessary to clearly define the goals and priorities of a low income energy strategy during the initial stages of design. For example, should the aim be to provide assistance to *all* low income households, or should a priority be placed on certain low income customers (e.g. households with children or elderly members, households with electric space heating, or households with the highest energy burden)? Additionally, should all programs within the strategy be implemented simultaneously, or phased in over time?

The U.S. federal government addressed some of these issues, by amending the federal statute to indicate that the LIHEAP program is to target its assistance to vulnerable households (i.e. those with elderly persons or children under 5 yrs) as well as households with the highest energy burden. Three indicators have been developed to help measure the extent to which these vulnerable and highest energy burden households are targeted through the LIHEAP program.

While the targeting indicators measure how successfully the priority households were reached, they do not provide an indication of how *well* those households were actually helped. However, the LIHEAP Data book, published by the Campaign for Home Energy Assistance, and the LIHEAP Energy Notebook, published by the U.S. Federal Government both provide statistics and analysis of the overall program, including trends over the past twenty years. Some key findings include:

- In 2001, approximately 15.5% of LIHEAP eligible households (4.6 million out of 29 million) received heating and/or cooling assistance.

- In 2001, the total LIHEAP block grant to states was \$1.86 billion.
- The level of LIHEAP funding has been reduced in recent years, and has struggled to keep pace with the need (Thomson, 2004).
- Between 1981 and 2000, the number of federally eligible households rose by 49%, however, LIHEAP funds only increased by 22% (OCSDEA, 2002).
- Between 1981 and 2000, the percentage of the total home heating bill covered by LIHEAP decreased from 23% to 11% (OCSDEA, 2002).
- Decreased funding has resulted in increased targeting efforts to serve the neediest households first (e.g. vulnerable households). In 2001, about 32% of LIHEAP recipient households had at least one member 60 years or older, about 30% included at least one disabled member and about 22% included at least one child five years or younger (Thomson, 2004).

5 Recommendations for Ontario

5.1. Principles for low income strategy design

Based on the preceding information, TEA recommends that the government of Ontario develop a low income energy conservation and assistance strategy that is based on the following principles:

- Energy for the safe preparation and storage of food, home heating, and cooling (for vulnerable groups such as seniors and infants) is a basic necessity of life.
- The strategy should meet the immediate needs of low income households, but should focus on the development of preventative measures over the long term.
- The strategy should be developed in consultation with low income consumer and advocacy groups.
- There needs to be a clear, simple, and easily accessible screening process for identifying eligible program participants.
- All low income households should receive direct energy assistance, including those that pay utilities in their rent.
- Any direct assistance monies (emergency assistance or bill assistance) that low income customers receive should not be deducted from monies received from other sources.
- No capital outlay should be required for low income participation in energy efficiency upgrade programs. Programs should be paid either as a direct subsidy to low income consumers or through energy savings on their utility bills. In the latter case, the upfront cost is covered by the energy efficiency program and then recovered by the utility through savings on the participant's utility bill. This ensures that no financial costs are borne by the participant.
- Energy efficiency and conservation programs should be comprehensive, addressing appliances, building envelopes, heating

systems (efficiency & fuel switching to more efficient equipment), and cooling systems¹⁴.

- Electric and gas utilities should be encouraged to cooperate in determining the design of DSM programs for low income households. The delivery channels for these programs should include local community groups that supply services to low income households and non-profit groups with experience in delivering energy efficiency programs, such as the members of the Green Communities Association.

5.2. *Low income programs*

Program development approach

TEA supports full cost energy pricing. TEA believes that special assistance is required to help low income consumers deal with higher prices, including direct financial assistance to keep their energy burden at a manageable level and energy efficiency programs which assist them with meeting their needs while using less energy and thus reducing their bills and the associated environmental impacts.

TEA believes that the Ontario government's low income energy strategy should focus first on initiatives that are blunt instruments – i.e. those with broad coverage and easy implementation with quick start-up and delivery, so that as many low income people as possible can be helped to some degree in the first year or two of program implementation. TEA recognizes the limitations of this initial approach, which include the lack of focus on vulnerable households and a limited level of monitoring and evaluation, but believes that these trade-offs are warranted, given the magnitude and importance of the problems being addressed.

With experience, the initial approach would be refined. The bill assistance programs, in particular, and the energy efficiency programs, where appropriate, should be modified to become less blunt by including more sophisticated targeting and monitoring of success. This shift would occur over time (e.g. roll out in year three) resulting in the provision of the greatest assistance to those with the greatest need, where practical and cost-effective.

¹⁴ Assistance for cooling systems would apply to the most vulnerable low income groups such as the elderly, the infirm, or families with very young children

Low income consumer protection policies

In line with the above recommended principle of recognizing electricity and heat as a basic necessity and ensuring universal, non-discriminatory access to these services, TEA recommends that the government of Ontario develop the following policies:

- A no-cut off policy for heating and electricity service for low income consumers during the heating season as well as for seniors and other vulnerable households during the cooling season.
- There should be a mandatory exemption for low income households from consumer security deposit requirements which can adversely impact, or even exclude, these households from accessing electric service¹⁵.

Energy rebate program

TEA recommends that the government of Ontario immediately develop an energy rebate program for low income consumers in Ontario. To ensure that the rebate program is simple, easy to implement and has a broad coverage, we recommend that:

- The program should be implemented by Fall 2004, so that households can receive the rebates in advance of the winter season when heating bills are the highest.
- Statistics Canada's pre-tax, post-transfer Low Income Cut Off (LICO) values be used to define low income households.
- All low income households should be eligible for the rebate, regardless of whether they receive social assistance, live in subsidized housing and/or pay utility costs in their rent.
- The rebate should be annual, linked to household size and of an amount significant enough to reduce the energy burden for households at or below pre-tax, post-transfer LICO. The exact structure of the rebate should be developed in the consultation process described below.

¹⁵ Currently, local distribution companies have the discretionary authority to waive security deposit requirements for a customer or future customer. Under clause z.4 in section 88(1) of the Ontario Energy Board Act, 1998, the government has regulation-making authority with respect to the amount charged by distributors for consumer security deposits and can require distributors to refund all or part of security deposits charged after November 25, 2002.

- Eligible households should be identified based on tax returns filed in the previous year. Rebates should be automatically sent to eligible households by the Ontario Ministry of Finance. A rebate application process should also be made available to ensure that those eligible households that may be missed as a result of this process such as those that did not file a tax return the previous year, or those who may have moved, can still receive a rebate.
- The program should include a comprehensive awareness campaign to inform potential low income participants of the rebate program and how to apply, if they do not automatically receive the rebate.

While an energy rebate can provide direct energy assistance to all low income households in Ontario, there are some potential drawbacks to this approach. For example, the rebate does not take into account that not all low income consumers will be impacted to the same extent or at the same time due to the electricity price increase on April 1, 2004. Individuals in rent-gear-to-income households, where their rent includes utilities, may be protected from electricity price increases entirely. Low income tenants in the private rental market who pay utilities as part of their rent will not be impacted by higher electricity prices until 12 to 18 months after the price increase, at which time the increase can be incorporated into rents through Annual Rent Increase Guidelines or through Above-Guideline Rent Increases (AGIs).

In order to ensure that all eligible households are aware of the rebate and that there is no claw-back on other social assistance programs associated with the rebate, TEA recommends that the government develop an aggressive public education and outreach campaign which includes, but is not limited to, the following:

- Outreach and education about the program through local distribution companies¹⁶, e.g. bill inserts.
- Outreach and education about the program through municipal social services agencies which administer Ontario Works and Ontario Disability Support Program, with a particular focus on ensuring that eligible households are aware that there are no claw-backs on other social assistance programs associated with the energy rebate.
- Outreach and education about the program through charitable organizations, community and advocacy groups (e.g. Green Communities Association, Share the Warmth, Toronto Environmental

¹⁶ Any costs to utilities for bill inserts should be recovered in utility rates.

Alliance, Advocacy Centre for Tenants Ontario, Income Security Advocacy Centre).

- Outreach and education targeted at special needs of New Canadians (e.g multi-lingual communication materials).
- Media advertisements (television, print & radio) and information on ministry websites, including, but not limited to, the Ministry of Energy, the Ministry of Community and Social Services and the Ministry of Finance. This outreach and education should focus not only on the energy rebate program itself, but also on the broader issue of low income energy burden, in order to raise awareness and support for low income energy programs among all Ontarians.

The energy rebate program is a blunt instrument. It is a flat rebate and as such does not recognize that some low income households (e.g. those with electric space heating) will be impacted more than others due to electricity prices increases. The rebate also does not differentiate between low income households that will immediately be impacted by the price increase (i.e. those who pay utilities directly) and those that will not be impacted for 12 to 18 months (i.e. tenants who pay utilities through rent).

Over the next two years based on experience with implementation, the program should be modified to target the most vulnerable households more effectively and to provide assistance to them commensurate with the level of need.

Comprehensive set of energy efficiency programs

Programs targeted specifically to low income households are needed to reduce their energy expenditures on a sustained basis. A comprehensive set of energy efficiency and conservation programs needs to be developed immediately.

Electric and natural gas utilities should be accountable for energy efficiency and conservation and encouraged to do so aggressively and cost-effectively¹⁷. Utilities should use local community groups that supply services to low income households and non-profits with experience delivering energy efficiency programs (e.g. Green Communities Association members) as delivery channels for their low income energy efficiency and conservation programs.

¹⁷ As with existing energy efficiency programs of the natural gas utilities in Ontario, the cost of programs specifically targeted at low income customers, including related public education and outreach, should be recovered in utility rates. Similarly, the cost of low income programs of the electric utilities should also be recovered in rates.

These energy efficiency programs should address appliances, building envelopes, heating systems (efficiency & fuel switching to more efficient equipment), and cooling systems. The government should encourage the development of programs to replace electric space heating units with natural gas (or other sustainable heating source) units where gas (or other) service is available, beginning with low income customers and extending to other consumers over time.

Because of the time constraints associated with the preparation of this report, the complexity of the matter, the need to consult broadly, and the urgency in addressing the immediate term needs, it was outside the scope of this report to recommend the particular set of low income energy efficiency and conservation programs¹⁸. In order to develop this set of programs, TEA makes the following recommendations:

- The government should initiate a comprehensive consultation process beginning in April 2004 to identify an initial set of low income energy efficiency programs for implementation in the fall of 2004 in time for the 2004-2005 heating season.
- The consultation would identify an additional set of low income energy efficiency programs for implementation in time for the 2005-2006 heating season.
- Stakeholders in the consultation should include, but not be limited to, natural gas and electric utilities, customer and advocacy organizations.
- The government should provide financial assistance to groups who require funds to participate effectively in the consultation.

¹⁸ Some examples of programs that could be considered include: free or subsidized building audits and building envelope upgrades (e.g. free bulk shrink wrap for windows); a free consulting and advisory service to landlords of subsidized housing as well as to low income home owners.

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Appendix A. Low Income Home Energy Assistance Program

The Low Income Home Energy Assistance Program (LIHEAP) is a federally mandated and funded US program that helps low-income households with their home energy bills. The federal LIHEAP statute requires states to provide assistance to low-income households in meeting their home energy costs, intervene in energy crisis situations, and provide low-cost residential weatherization and other cost-effective energy-related home repair.

The LIHEAP program consists of three components for assisting low income households with their energy needs:

- bill payment assistance (heating and cooling)
- energy crisis assistance
- weatherization and energy-related home repairs

The federal government funds the LIHEAP program by providing a percentage of a block fund to each state. This block grant allows each state to have considerable latitude in the design of various aspects of their LIHEAP programs including administration of the program, client eligibility, program components, and the benefits/assistance provided.

The sections below describe the various aspects of the LIHEAP program design, the mandatory requirements for the program, and the common characteristics of the program from each state.

Administration

The LIHEAP program is most often administered by existing state and local agencies. There is administrative overlap among the components of LIHEAP (heating and cooling, crisis and weatherization assistance) and among related human services programs including: the Community Services Block Grant (CSBG), the Department of Energy's Weatherization Assistance Program (WAP), and the Temporary Assistance for Needy Families (TANF).

In the majority of states the same agency is responsible for the bill assistance (heating and cooling) and the crisis assistance portions of the LIHEAP program. In over half of the states, these programs are administered by the state welfare department which also runs the TANF program. In the remaining states the LIHEAP billing and crisis assistance is administered by other state agencies including the Departments of Commerce, Development, Housing and Community Development or Energy. The weatherization portion of the LIHEAP program is also generally administered by one of these departments. The same agency is also often responsible for the Federal Weatherization Assistance Program (WAP). The majority of states agencies contract directly with local community action agencies and other community based non-profits to deliver the programs.

Eligibility

The agencies that administer LIHEAP are responsible for setting the eligibility criteria for participation. The *Low Income Energy Assistance Act* does however set out maximum eligibility levels based on the poverty guidelines. The statute states that the maximum income level for LIHEAP recipients cannot exceed 150% of the federal poverty guidelines, (except where 60% of a state's median income is higher). Individual states, however, may reduce this maximum income limit to as low as 110% of the federal poverty.

In determining eligibility for LIHEAP, the state agencies not only take into consideration the applicants household income, using Federal Poverty Income Guidelines, but also their assets. They may also target or prioritize certain households such as the elderly or handicapped. The eligibility criteria for LIHEAP differ from state to state and also between different components of the LIHEAP program. For example, the maximum income level for receiving bill assistance may be different from that for receiving LIHEAP weatherization services.

Program components

The state agencies responsible for administering the LIHEAP program can determine what proportion of the block grant goes to which program components (bill, crisis assistance and weatherization and home repairs). However the LIHEAP statute requires states to spend 15% to 25% of the grant on bill and crisis assistance and weatherization and energy-related home repair; it also allows states to spend no more than 10% of their grant for administrative purposes. In some cases, state legislatures have mandated component expenditures. For example, state statutes in California, Minnesota, Pennsylvania, Tennessee and Virginia mandate the amount of the weatherization set aside from LIHEAP funds.

In 2004 the proportion of the grant each state set aside for heating bill assistance ranged from 13% in Florida to 87% in Connecticut. Most states do not set aside any funds for cooling bill assistance, however Missouri plans to spend 25% of the grant on helping low income households pay their cooling bills. For crisis assistance the states dedicate anywhere between 1% and 30%, with 13% being the average. Each state also sets aside approximately 10% to 15% of the grant for weatherization programs.

Benefits

The overall consideration for states in establishing benefit levels for the LIHEAP programs is the annual LIHEAP allocation from the block grant. Beyond that, the states establish benefits based on a variety of criteria tailored to the needs and characteristics of their low income populations. In order to tailor their benefits to the needs of the households, states have used a number of criteria to establish benefit levels including: income, household size, energy cost, fuel type, climate/region, dwelling type, energy burden, and energy need.

Congress has encouraged program administrators to specifically consider "energy burden" and "energy needs" in establishing benefits. "Energy burden" is defined as the expenditures of the household for home energy divided by the income of the household. "Energy needs" means taking into account both the energy burden of a household and the unique situation

of a household that results from having members of vulnerable populations, including very young children, individuals with disabilities, and frail older individuals.

In 2003 the maximum assistance given for heating bills in each of the states ranged from \$150 US in Florida to \$2,450 US in Alaska. The average maximum benefit was around \$650 US. Similar numbers were found for the crisis assistance benefits, these ranged from \$100 US in Hawaii to \$2,450 US in Alaska.

Results and trends

In 2001 an estimated 4.6 million low income households received LIHEAP heating and/or cooling assistance from the \$1.86 billion in funding granted to the states. However, this level of funding only made it possible to assist 15.5% of the more than 29 million income-eligible households (Thompson, 2004).

The level of LIHEAP funding has been reduced in recent years, and has struggled to keep pace with the need (Thompson, 2004). For example, between 1981 and 2000, the number of federally eligible households rose by 49%, however, LIHEAP funds increased by only 22% (OCSDEA, 2002).

Not only has the number of LIHEAP recipients decreased, but also the proportion of their energy bills the program covers decreased. For example, the percentage of the total home heating bill covered by LIHEAP decreased from 23% in 1981 to 11% in FY 2000 (OCSDEA, 2002).

The decreased funding of the LIHEAP program has resulted in a trend towards targeting, and states serving the neediest households first. The vast majority of LIHEAP-recipient households include elderly, people with disabilities, or young children, and are at or below 150% of the federal poverty standards. For example, of the households receiving assistance in FY 2001, about 32% had at least one member 60 years or older, about 30% included at least one disabled member and about 22% included at least one child five years or younger (Thomson, 2004).



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