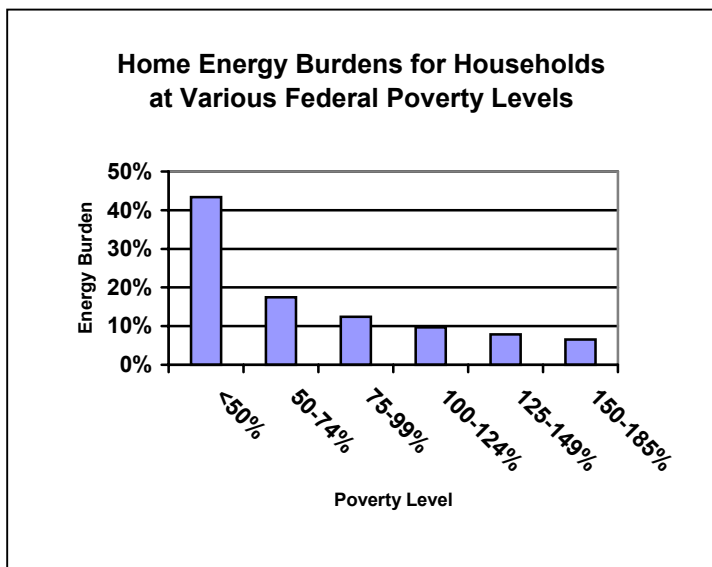


ON THE BRINK

The Home Energy Affordability Gap in MISSISSIPPI

APRIL 2003

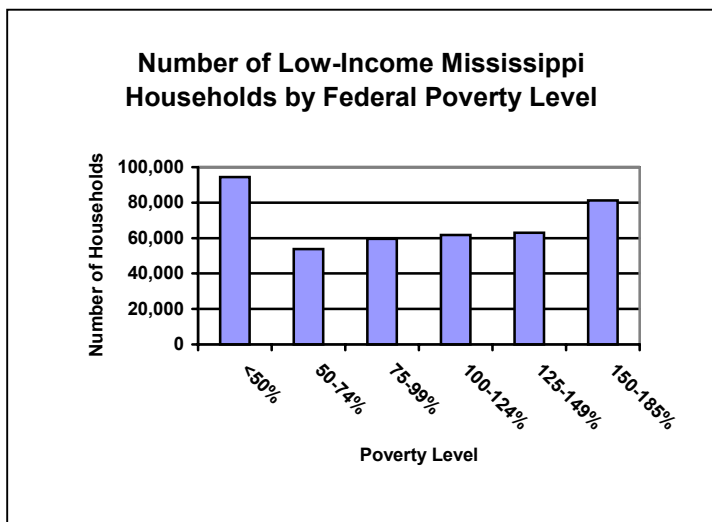
Finding #1



Home energy is a crippling financial burden for low-income Mississippi households. Mississippi households with incomes of below 50% of the Federal Poverty Level pay 43% or more of their annual income simply for their home energy bills.

Home energy unaffordability, however, is not simply the province of the very poor. Bills for households between 50% and 100% of Poverty take up 15% of income. Even Mississippi households with incomes between 150% and 185% of the Federal Poverty Level have energy bills above the percentage of income generally considered to be affordable.

Finding #2

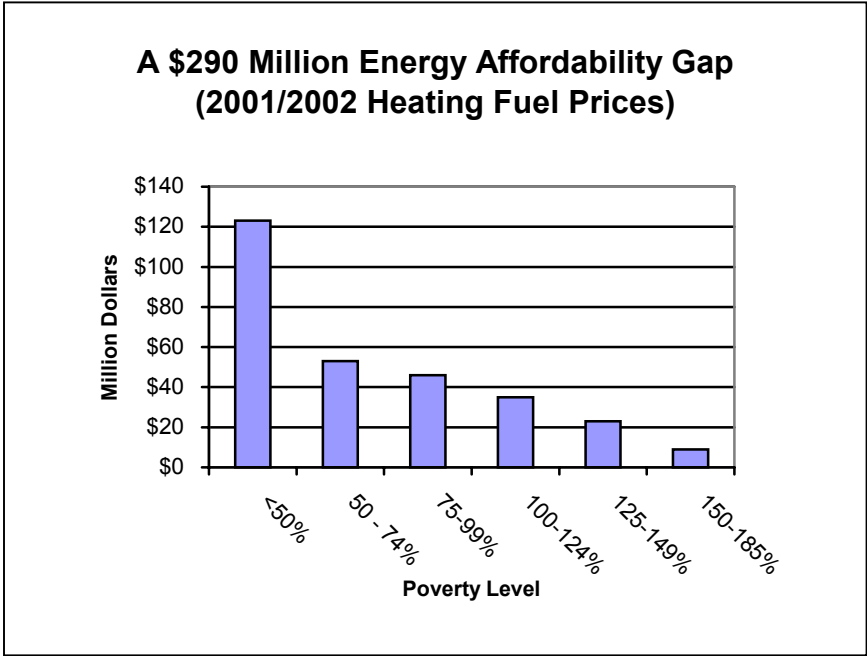


The number of households facing these energy burdens is staggering. More than 94,000 Mississippi households live with income at or below 50% of the Federal Poverty Level and thus face a home energy burden of 43% of income or more.

54,000 additional Mississippi households live with incomes between 50% and 74% of Poverty (home energy burden of 18%).

60,000 *more* Mississippi households live with incomes between 75% and 99% of the Federal Poverty Level (home energy burden of 12%).

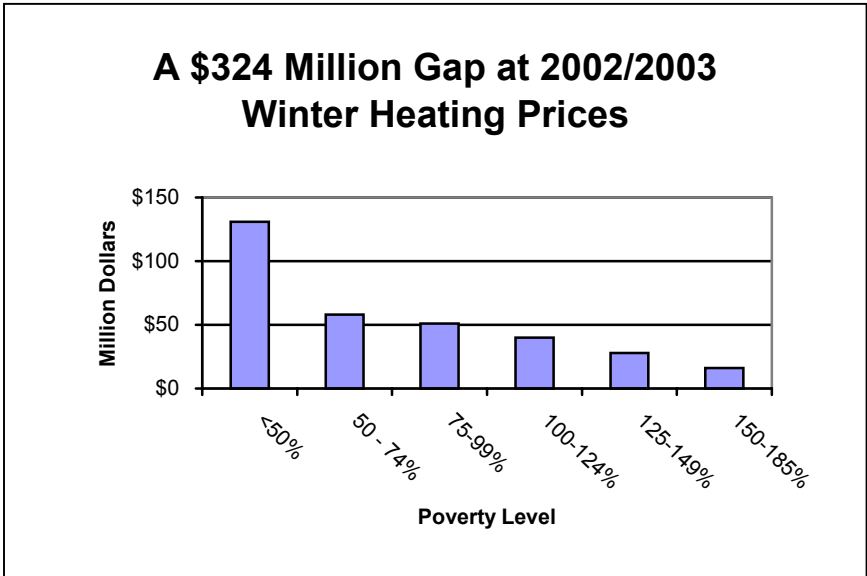
Finding #3



Existing sources of energy assistance do not adequately address the energy affordability gap in Mississippi. Actual low-income energy bills exceeded affordable energy bills in Mississippi by nearly \$290 million at 2001/2002 winter heating fuel prices.

In contrast, Mississippi received a gross allotment of federal energy assistance funds of \$12.3 million for Fiscal Year 2003. Some of those funds will be used for administrative costs, weatherization, and other non-cash assistance.

Finding #4

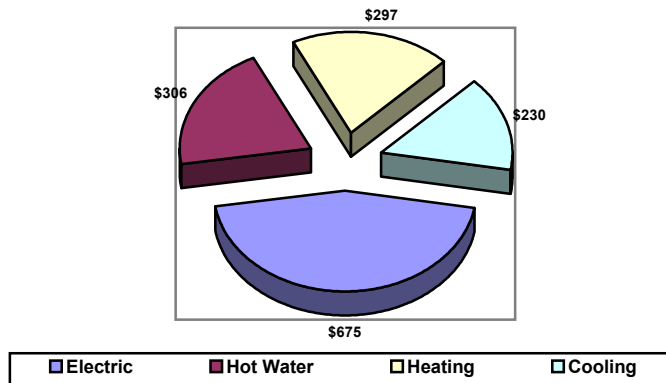


Increases in the prices of natural gas, propane and fuel oil during the 2002/2003 winter heating season drive the unaffordability gap up to more than \$324 million.

While the gap for the lowest income households (0-50% of Poverty) increases by more than 6% (from \$123 million to \$131 million), the gap for the highest income households (150-185% of Poverty) increases by more than 70% (from \$9 million to \$16 million).

Finding #5

Low-Income Energy Bills in Mississippi by End Use (2001/2002 Winter Heating Prices)



The energy affordability gap in Mississippi is not created exclusively, or even primarily, by home heating and cooling bills.

At 2001/2002 winter heating prices, while home heating bills were \$297 of a \$1,508 bill (19.7%), electric bills (other than cooling) were \$675 (44.7%). Annual cooling bills represented \$230 in expenditures (15.3% of the total bill), while hot water represented \$306 in expenditures (20.3%).

Finding #6

The unaffordability of home energy bills frequently causes low-income households to take drastic actions that are detrimental to their health, safety and welfare. A survey of energy assistance recipients by the Iowa Department of Human Rights found that:

- Over 12 percent of the surveyed energy assistance recipients went without food to pay their home heating bill.
- More than one-in-five went without medical care to pay for heating bills, including not seeking medical assistance when it was needed, not filling prescriptions for medicine when a doctor has prescribed it, and/or not taking prescription medicines in the dosage ordered by the doctor.
- Almost 30 percent reported that they did not pay other bills, but did not elaborate as to which bills were not paid.
- In addition to not paying other bills, many low-income households incurred debt in order to pay both their home heating bills and other basic necessities: borrowed from friends and/or neighbors; used credit cards to pay for food and other necessities, or did not pay the heating bill.

MISSISSIPPI Energy Gap Rankings
(scale of 1 – 51)

AVERAGE DOLLAR AMOUNT BY WHICH ACTUAL HOME ENERGY BILLS
EXCEEDED AFFORDABLE HOME ENERGY BILLS
FOR HOUSEHOLDS BELOW 185% OF POVERTY LEVEL.

\$700 per household

RANK: #34

AVERAGE TOTAL HOME ENERGY BURDEN FOR
HOUSEHOLDS BELOW 50% OF POVERTY LEVEL.

43.4% of household income

RANK: #30

PERCENT OF INDIVIDUALS BELOW 100% OF POVERTY
LEVEL.

19.9% of all individuals

RANK: #50

COMBINED HEATING/COOLING AFFORDABILITY GAP COVERED BY FEDERAL
HOME ENERGY ASSISTANCE.

11.5% of gap is covered

RANK: #39

DEFINITIONS AND EXPLANATIONS

Each state (along with the District of Columbia) has been ranked (from 1 to 51) in terms of four separate measures of the extent of the energy affordability gap facing its low-income customers:

- (1) The percent of individuals with annual incomes at or below 100% of the Federal Poverty Level. This data is obtained directly from the 2000 U.S. Census.
- (2) The average total home energy burden for households with income at or below 50% of the Federal Poverty Level shows the percentage of income which households with these incomes spend on home energy. “Total home energy” includes all energy usage, not merely heating and cooling. A home energy bill is calculated on a county-by-county basis. The statewide average is a population-weighted average of county-by-county data.
- (3) The average affordability gap (in dollars per household) for all households with income at or below 185% of Poverty is the dollar difference between actual total home energy bills and bills that are set equal to an affordable percentage of income. Affordability for total home energy bills is set at 6% of household income.
- (4) The extent to which federal energy assistance covers the combined heating/cooling affordability gap for each state. The combined heating/cooling affordability gap is the difference between actual heating/cooling bills and bills that are set equal to an affordable percentage of income. Affordability for combined heating/cooling bills is set at 2% of income. This measure thus examines the proportion of the heating/cooling gap that is covered by the gross federal Low-Income Home Energy Assistance Program (LIHEAP) allocation to the state assuming that the entire LIHEAP allocation is used for cash benefits.

In the state’s rankings, a higher ranking indicates better conditions while a lower ranking indicates worse conditions relative to other states. Thus, for example:

- (1) The state with the rank of #1 has the lowest percentage of individuals living in households with income at or below 100% of the Federal Poverty Level while the state with the rank of #51 has the highest percentage.
- (2) The state with the rank of #1 has the lowest average home energy burden for households with income below 50% of the Federal Poverty Level while the state with the rank of #51 has the highest average home energy burden.
- (3) The state with the rank of #1 has the lowest average affordability gap (dollars per household) while the state with the rank of #51 has the highest dollar gap.
- (4) The state with the rank of #1 has the highest percentage of its heating/cooling affordability gap covered by federal energy assistance while the state with the rank of #51 has the lowest percentage of its heating/cooling gap covered.

All references to “states” include the District of Columbia as a “state.” Low-income home energy bills are calculated using average residential revenues per unit of energy. State financial resources and utility-specific discounts are not considered.