

# Home heating costs to break records in US

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Home heating costs are projected to soar throughout the country this winter, impacting millions of families already struggling under the weight of job losses, inadequate wages and a higher cost of living. Nearly 40 million households are considered to be in such financially precarious situations that they will not be able to absorb larger utility bills. Advocacy groups and charitable organizations are warning that requests for financial assistance are almost certain to be far above last year's volume, while available funds are frozen at last year's amounts.

Nationally, the current average price of heating this winter is expected to be upwards of \$1,400, but increases in this estimate are almost certain while many Gulf refineries remain inoperable.

The growing strains on working people come at the expense of increased profits for energy corporations. The earnings of energy companies are estimated to have jumped 73 percent in the third quarter, due in part to the surge in energy prices following Hurricanes Katrina and Rita.

Colder areas of the US more reliant on heating oil and natural gas will be most severely affected. Heating expenses may rise by more than 35 percent this winter for households in the Northeastern US and by 77 percent for those in the Midwest. For several years in a row, the retail costs of heating oil and natural gas have seen double-digit percentage increases. Since 2000, the average costs for both have doubled.

The most recent report on fuel prices from the Department of Energy estimates that the average per-gallon cost of heating oil rose by more than a third in the first half of this year over the same period in 2004, with the governmental projection for this winter up by an additional 31 percent.

While this estimate factors in the devastation wrought on refining and extraction operations in the Gulf region by Hurricane Katrina, it does not take Rita into account. The DOE also estimates that as much as 80 percent of natural gas production in the Gulf of Mexico remains out of

commission, a state which could persist for several weeks or longer.

The restrictions on supply and refining ability in Texas and Louisiana have pushed heating oil and natural gas futures up to record levels on the New York Mercantile Exchange. Trading in September has turned largely on the slow recovery of facilities, although prices of distillates such as heating fuel followed gasoline in breaking records throughout the summer, attributed at the time to tightened global supply. Natural gas prices doubled over the summer as industry drew from winter stockpiles to meet increased demand for air conditioning.

Forecasts of a colder-than-average winter are also driving trading up. Some meteorologists are projecting temperatures three degrees lower than average east of the Mississippi from December through February. For the northern Midwest and New England states, even a few degrees difference on average could significantly increase home heating costs.

The rising cost of energy, both for home consumption and transportation, have placed a significant strain on low-income families. The monthly personal savings rate remains in negative territory after reaching record lows in July. Millions of working Americans have fallen into debt and poverty due to the general cost of living increases relative to hourly wages.

In a September 30 article, the *New York Times* quoted a natural gas consultant for Risk Management, Inc. on the impending crisis facing ordinary Americans, who commented, "It's still under most people's radar screen right now. The public has absolutely no idea how high prices are going to be this year. It's going to be mind-boggling."

State government agencies and advocacy groups responsible for distributing monetary assistance are expecting a record number of applicants, although federal funding for assistance has remained practically unchanged for the third straight year.

In 2004, the Low Income Home Energy Assistance Program (LIHEAP) offset the costs of heating for more

than 5 million households. This figure, according to LIHEAP statistics, represents only 13 percent of all eligible families.

According to a study released September 21 from the American Gas Association, the number of low-income households eligible for heating assistance has grown by 66 percent between 1981 and 2002. However, LIHEAP funding has increased by only 4 percent in the last two decades, while the consumer price index has nearly doubled. Due to severely limited funds, restrictions on eligibility have been tightened.

In order to qualify in most states, applicants must earn less than 150 percent of the federal poverty threshold or less than 60 percent of the state median income, and have young children, elderly or disabled family members in the home. These restrictions automatically cut out many working class families as well as students or other renters subletting in older homes.

For those whose needs are unmet by either wages or governmental assistance, the options range from simply not using heat for periods of the day, only heating one room at a time, or falling behind on payments. Some states have passed legislation prohibiting the shutoff of utilities during cold weather, but more often policymakers simply urge energy companies not to refuse heat for nonpayment. Even when restrictions on shutoffs are in place, these regulations usually cover only a limited period in the winter, after which the utilities of many households in arrears may be cut off even while it is still cold.

A survey of 25 million utility costumers conducted by the National Regulatory Research Institute found that in March 2004, 16 percent of electric utility customers and 21 percent of natural gas utility costumers were in arrears on their winter bills.

Rather than increasing federal aid to working class families, the Bush administration has insisted that average Americans “have the power” to bear responsibility for their own impending hardships. Democrats raised shallow and disoriented criticisms in their weekly radio address October 1, wherein Washington Senator Maria Cantwell complained, “Conservation must be more than a convenient slogan.” Policy proposals put forward by the Democrats focus on investment in methods of efficiency and other forms of energy in order to reduce consumption. Not a single Democrat or Republican in Congress has suggested that the gouging of oil companies could be contained, let alone penalized.

Instead, the DOE introduced its “Powerful Savings

campaign” October 3, emphasizing consumer-level conservation such as the purchasing of new appliances, better insulating homes, and installing programmable thermostats—expenses that are simply out of reach for most Americans. Additionally, all levels of government are promoting non-need-based tax incentives for energy efficiency.

Official calls for further belt-tightening by the working class are disingenuous. In fact, current LIHEAP data indicates that since the program was created in 1981, low-income households have decreased general energy consumption by 22 percent and energy drawn for heating by 31 percent.

In Michigan, where 80 percent of households are heated exclusively with natural gas, monthly heating bills are expected to increase by as much as \$65 a month, bringing average monthly bills to over \$200. Advocates for the working poor have voiced concerns that this increase atop an already thin and burdened social safety net will leave tens of thousands in the state without heat.

Capital Area Community Services, a center in Lansing which processes LIHEAP applications, already has a three-month waiting list for weatherization assistance. The center’s coordinator, Phil Thompson, told the *Lansing State Journal*, “The majority of the low-income people are fixed income or are at a minimum wage or near minimum wage job. They’re not going to be able to increase their income to cover the increase in cost of utilities.”

Attempting to reduce heating expenses and stay warm, many low-income residents will rely more heavily on space heaters, kerosene, or ovens. In older or manufactured homes, these alternative methods of heating can be quite dangerous.

The National Fire Protection Association reports that heating accidents are the leading cause of fires during the winter months, and second only to cooking in year-round statistics. In 2001, two-thirds of all heating-related fires, and two-thirds of the hundreds of annual heating-related deaths, were attributed to portable space heaters used during the night or in restricted spaces.



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