

The 60 Plus Association

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Energy Bills Strain Louisiana Seniors' Budgets

Energy, like food and housing, is an indispensable necessity of life. In Louisiana's hot and humid climate, air conditioning is essential to the survival of many elderly and infirm citizens. Rising electricity and gasoline prices are disproportionately impacting Louisiana's senior citizens today. Louisiana has 377,000 households aged 65 or more ("65+"), representing 22% of the state's 1.7 million households. *Nearly one-half of Louisiana's 65+ households had gross annual incomes below \$30,000 in 2012, with an average pre-tax household income of \$16,211, or \$1,351 per month.*

Future energy cost increases, driven in large measure by petroleum supply and demand trends and by current and pending U.S. EPA regulations, are likely to outstrip real household incomes among the 70% of Louisiana's 65+ households with gross annual incomes less than \$50,000. EPA's newest proposal to regulate greenhouse gas emissions from existing power plants will further strain the budgets of low- and fixed-income seniors who are among the most vulnerable to electric rate and other energy price increases.

Key findings of this energy brief include:

- ✓ The average pre-tax household income of 65+ households in Louisiana was \$46,664 in 2012, 23% below the average Louisiana household income of \$60,911, and 33% below the national average gross household income.
- ✓ For Louisiana's 337,000 65+ households, electricity represents 73% of total residential utility bills.
- ✓ The modest Cost of Living Adjustments (COLA) received by Louisiana's Social Security recipients, representing 29% of all Louisiana households in 2012, do not keep pace with inflation.
- ✓ U.S. DOE's domestic projection for Henry Hub wellhead natural gas prices calls for a 3.7% annual real increase from 2012 to 2040. These price increases do not account for the increase in natural gas demand expected to result from EPA's proposed Clean Power Plan ("CPP") for reducing CO2 emissions from existing power plants.
- ✓ EPA's CPP will increase electric prices for Louisiana's 65+ households. The proposed rule sets forth "building blocks" of options for reducing emissions in Louisiana, focused on decreasing the use of coal in favor of natural gas, while increasing energy efficiency and renewable energy resources.
- ✓ EPA's Regulatory Impact Analysis ("RIA") for the CPP projects national costs of \$5.4 to \$7.4 billion annually in 2020. EPA's projections assume billions of dollars of annual savings from reductions of electric demand through widespread investments in energy efficiency measures.
- ✓ **EPA projects 4.5% to 11.7% regional retail electric price increases in Louisiana for the proposed Clean Power rule in 2020** (EPA CPP RIA Table 3-21, Regions SRDA and SPSD). These increases will follow those anticipated due to compliance with EPA's 2011 Mercury and Air Toxics Standards rule. EPA projects that this rule will increase regional retail Louisiana electricity prices by 3.1% to 6.3% in 2015 (EPA MATS RIA, Tables ES-1 and 3-12, Regions STV and SPP).
- ✓ **A recent assessment by National Economic Research Associates estimates that EPA's carbon rule could increase average Louisiana electric prices by 13% to 18% over the period 2017-2031, depending on the degree of compliance flexibility.** (NERA/ACCCE *et al.*, October 2014).
- ✓ **The CPP will lead Louisiana to greater dependence on natural gas as a main source of electric generation.** U.S. DOE projects that the price of natural gas delivered to electric utilities will increase at a compound annual rate of 3.1% above the rate of inflation between 2012 and 2040, the highest rate of real price increase for any delivered fuel in any sector of the economy (DOE Annual Energy Outlook 2014). **EPA projects that the Clean Power Plan will lead to further increases in real (constant \$2013) delivered natural gas prices of 7.5% to 11.5% in 2020** (EPA CPP RIA, June 2014).

Just maintaining the energy budget status quo for Louisiana's 65+ fixed income population requires stable electricity and other energy prices that do not increase above the rate of inflation.