

The 60 Plus Association

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Rising Energy Costs Harm Mississippi's Senior Citizens

Energy, like food and housing, is an indispensable necessity of life. In Mississippi's hot climate, air conditioning is essential to the survival of many elderly and infirm citizens. Rising electricity and other energy prices are disproportionately impacting Mississippi's senior citizens today. Mississippi has 259,000 households aged 65 or more ("65+"), representing nearly one-quarter of the state's 1.1 million households. *More than one-half of Mississippi's 65+ households had gross annual incomes below \$30,000 in 2012, with an average pre-tax household income of \$15,821, or \$1,318 per month.*

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 73% of Mississippi's 65+ households with gross annual incomes below \$50,000. EPA's new 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 energy price increases.

Key findings of this energy brief include:

- ✓ The average pre-tax household income of 65+ households in Mississippi was \$44,069 in 2012, 16% below the average Mississippi household income of \$52,677, and 38% below the national average gross household income.
- ✓ For Mississippi's 259,000 65+ households, electricity represents 74% of total residential utility bills.
- ✓ The modest Cost of Living Adjustments (COLA) received by Mississippi's Social Security recipients, representing one-third of all Mississippi 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 carbon rule will increase electric prices for Mississippi's 65+ households. The proposed rule sets forth "building blocks" of options for reducing emissions in Mississippi, 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 3.4% to 4.5% regional retail electric price increases in most areas of Mississippi for the proposed Clean Power rule in 2020** (CPP RIA Table 3-21, Regions SRSE, SRDA, and SRCE). This projection is highly uncertain because it assumes that Mississippi will follow EPA's prescribed "building blocks" approach to emission reductions. If the flexibility measures in EPA's proposed rule prove unworkable, or are limited by judicial decisions, higher rate impacts could result.
- ✓ **A recent assessment by National Economic Research Associates estimates that EPA's carbon rule could increase average Mississippi electric prices by 11% to 14% over the period 2017-2031, depending on the degree of compliance flexibility.** (NERA/ACCCE *et al.*, October 2014).
- ✓ **The CPP will lead Mississippi 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 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 Mississippi's 65+ fixed income population requires stable electricity and other energy prices that do not increase above the rate of inflation.