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Energy Affordability Assistance**

NOTE TO READERS

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**The Public, When Asked, Indicates a
Willingness to Pay for Rate Affordability
Assistance for the Poor**

As proposals expand to provide ratepayer-funded rate affordability assistance today – places such as Colorado and Illinois have added affordability programs in recent years—one question that arises involves the reaction of members of the public who are called upon to pay for such programs.

In response to interest by the Ontario Minister of Energy, Fisher, Sheehan & Colton ("FSC") summarized a series of public opinion surveys documenting the extent to which, if at all, the public is willing to pay increased rates to fund affordability programs. These surveys further examined the levels of assistance that the public would be willing to incorporate into their public utility rates.

The surveys were conducted by a variety of firms for AARP.¹ The surveying occurred over a five-year period (2004 through 2008). Most, but not all, of the surveys were performed on a state-specific basis.

Montana Residents: 2004

¹ In 1999, AARP dropped the words "American Association Retired Persons" from its name and is now known exclusively by what previously had been its acronym.

In 2004, AARP surveyed Montana residents² regarding energy rates and services on the one hand, and prescription drug costs on the other hand. One resulting AARP report³ explored the impacts of energy rates on Montanans aged 18 years and older.

Nearly three-quarters of all Montanans are aware of energy affordability programs in the state. Of those who are aware, however, more than four-in-five (83%) have not applied for assistance. Of those not applying, most (76%) say it is because they are not eligible. An additional 11% said they don't ask for or need help.

An overwhelming majority of Montanans said it is important to provide home energy affordability assistance. More than seven-in-ten (71%) said that it is "very important" while an additional one-in-four (23%) said it is "somewhat important."

The responses in Montana have an income aspect to them, even though all income levels supported rate affordability assistance. While 97% of those surveyed with an income less than \$25,000 per year believed it was important to provide affordability assistance (84% very important; 13% somewhat important), only 95% of those with income between \$25,000 and \$50,000 did (71% very important; 24% somewhat important). Of Montana residents with annual income exceeding \$50,000, 83% thought energy af-

² The AARP survey was of all Montana residents 18 years or older, not merely of AARP members.

³ AARP (Sept. 2004). *Montana Energy Service, Prices and Programs: An AARP Survey*. Performed by: Alan Newman Research (ANR): Washington D.C.

fordability assistance was important (62% very important; 31% somewhat important).

Nevada AARP Members: 2004

In 2004,⁴ AARP conducted a mail survey of its membership in Nevada.⁵ The survey was stratified into three age groups: 50 – 59; 60 – 74; and 75 and older. Survey responses were weighted to reflect the distribution of the age segments in the member population in Nevada.

A substantial majority (86%) of Nevada AARP members support the state's energy assistance programs for low-income residents. Of those, just over half (44%) of those expressing support for maintaining the Nevada energy assistance programs "strongly support" such programs, while just under half (42%) "somewhat support" such programs. Only one-in-ten Nevada residents oppose maintaining such programs (3% strongly opposed; 9% somewhat oppose). No age differences existed in the support for low-income energy affordability program support.

More than one-in-three (34%) Nevada residents said the existing Nevada universal service charge collected monthly from customers in Nevada was "about right," while only one-in-six (17%) thought the charge

⁴ AARP (2005). *Nevada AARP Survey of Members: Concerns and Opinions about Utility Rates and Programs*. AARP was assisted in the management of data and data tabulation by FGI, Inc.

⁵ As of January 2005, AARP had 284,156 members in Nevada.

was “too high.” An additional 1% thought the charge was “too low.”⁶

No age differences existed in the proportion of Nevada residents who supported the state’s rate affordability programs, or in the proportion that supported the existing level of the universal service charge.

Pennsylvania AARP Members: 2005

In 2005, AARP conducted a telephone survey of Pennsylvania AARP members.⁷ The survey was commissioned to explore the extent to which, if at all, AARP members were concerned about increasing heating fuel prices. Roughly three-fourths (74%) of Pennsylvania’s AARP members reported that their heating bills within the past three years had increased either a lot (39%) or a little (35%). One one-in-five AARP members (19%) said their bills had stayed the same, while an additional two percent (2%) said their bills had decreased.

Nearly eight-in-ten Pennsylvania AARP members supported legislation that would create and fund a low-income energy assistance program. More than half (51%) strongly supported such a program, while roughly three-in-ten (28%) somewhat supported a low-income energy assistance program.

⁶ 40% of Nevada AARP members thought the universal service charge should be collected exclusively from large business and industrial customers, not residents.

⁷ AARP (2005). *Keep the Heat on: An AARP Member Survey of Utility Rights*. AARP retained Woelfel Research, Inc. to conduct the survey.

In addition nearly nine-in-ten Pennsylvania AARP members supported using money from unclaimed utility security deposits to create a hardship fund for individuals who are unable to pay their home heating bill.

New York “Likely Voters”: 2005

In December 2005, AARP conducted a survey of “likely voters” in New York regarding home heating issues.⁸ A substantial majority of New York voters said they would support (53% strongly support; 30% somewhat support) having the state provide additional assistance to “fill the gap” if federal programs could not provide enough assistance to help low-income New Yorkers heat their homes.

New York voters did not support giving assistance based on age. While 76% of the respondents supported government assistance targeted to older persons and others with income below \$50,000, only 13% supported giving \$200 to all individuals 65 and older with an income of \$65,000 or less.

New Yorkers overwhelmingly supported discount rates for low-income residents. Nearly three-in-five (55%) said they would strongly support “requiring New York’s electric and gas utilities to provide reduced rates for individuals with low incomes, even if you personally were not eligible.” An additional 31% said they would somewhat

⁸ AARP (December 2005). *AARP New York Home Heating Poll*. AARP retained Zogby to administer the survey.

support requiring gas and electric utilities to provide such reduced rates. Only one-in-ten either “strongly opposed” (5%) or “somewhat opposed” a requirement that New York utilities provide reduced rates to the needy.

Vermont Residents: 2006

In 2006, AARP conducted a telephone survey of Vermont residents examining the experiences of Vermonters with rising utility rates.⁹ The survey was of Vermont residents age 18 and older. The data was weighted by age and gender to reflect the actual distribution of residents in the state.

More than eight-in-ten Vermont residents support state legislation that would create and fund a low-income energy assistance program. More than half (55%) strongly support an energy assistance program, while more than one-quarter (27%) somewhat support such a program.

According to the AARP survey, “residents are equally supportive of creating a low-income assistance program regardless of their own income.”

The Vermont survey measured support for an assistance program given the cost of such a program. More than three-quarters of Vermont residents, AARP found, “would continue to support a low-income energy assistance program, even if they had to pay an additional \$1.25 each month on their electric

⁹ AARP (August 2006). *Help Keep the Lights on: Vermonters’ Opinions of an Electricity Assistance*

bill.” Most Vermont residents (73%) said that all customers (including business, industrial and commercial users) should contribute to such a low-income affordability program.

Connecticut AARP Members: 2006

In the late 1990s and early 2000s, Connecticut moved to a “restructured” electric market. In 1998, the Connecticut legislature enacted legislation opening the state’s electric market to competition. The legislation provide for a mandated 10% rate reduction through the end of 2003. In 2004, however, the legislature removed the 10% rate reduction and provided for a 10.3% rate increase effective January 1, 2005.

In light of the legislature’s stated intention to again consider legislation relating to electric service in 2006, AARP conducted a mail survey of its members to measure opinions about electric restructuring.¹⁰ The survey was stratified by three age groups, including 50 to 59, 60 to 74, and 75 and older. Survey responses were weighted to reflect the distribution of the age segments in the AARP membership base. As of December 31, 2005, there were 604,479 AARP members in Connecticut.

Program. AARP retained Alan Newman Research to conduct the interviews and prepare the data.

¹⁰ AARP (January 2006). *Connecticut Electric Utility Survey: Opinions of AARP Members.* AARP retained FGI to complete the data entry and tabulation for this study. Jack Katosh of JPK Research prepared the report.

A substantial majority of Connecticut AARP members support having the state create a program that helps make electricity affordable to low-income households. More than four-in-ten (42%) strongly support a state low-income electricity assistance program, while an additional three-in-ten (29%) somewhat support such a program.

More than half of Connecticut's AARP members support requiring all customers – including residential, business, industrial and commercial electric users—to help fund the program should a low-income electricity assistance program be adopted.

Mississippi Residents: 2008

In 2008, AARP conducted a telephone survey of Mississippi residents age 18 and older (without regard to whether they were AARP members).¹¹ The residents were randomly selected from persons living in the service territories of Entergy Mississippi and Mississippi Power companies.

The Mississippi survey measured support for ratepayer-funded energy assistance programs, both in the abstract and with a cost assigned to them. Virtually the same proportion of Mississippi residents supported both low-income weatherization and low-income rate assistance programs. While 76% of residents said they strongly supported low-income weatherization, 73% said they supported ratepayer-funded energy assistance.

¹¹ AARP (2008). *2008 Survey of Mississippi Residents 18+ on Electric Utilities*.

Support for weatherization was modestly stronger than support for rate assistance. While 53% of Mississippi residents said they strongly supported a weatherization program, and 23% somewhat supported such a program, 47% of those residents strongly supported a rate assistance program, with 27% somewhat supporting one.

In contrast, support for the rate assistance program was just barely deeper given the stated cost of the program. While 85% of those who supported a rate assistance program would continue to do so given a cost of \$1 per month, and 13% said they would not (2% not sure), 82% of those who supported a weatherization program would continue to do so given a cost of \$1 per month, and 14% said they would not (4% not sure).

National Residents: 2008

In 2008, AARP commissioned a national survey to determine how residents 45 years or older were coping with rising energy prices and related economic issues.¹² Respondents were stratified into three age groups (45 to 49, 50 to 64, 65+).

The AARP survey found that a solid majority of respondents believed the government should help pay some of the home energy costs for people who cannot afford to pay those costs. No meaningful difference ex-

¹² AARP (2008). *AARP Survey on Home Energy Costs*. AARP retained International Communications Research (ICR) to administer the survey.

isted based on age group in this belief. While 74% of persons age 45 to 49 supported such government assistance, 71% of all persons aged 50 and older did. Lower-income individuals, however, expressed greater support. More than eight-in-ten (81%) of persons with income of up to \$50,000 supported government assistance, while 58% of persons with income over \$50,000 did so. Even these higher income individuals, therefore, supported rate affordability assistance.

Overall, more than seven-in-ten respondents indicated that they strongly supported (43%) or somewhat supported (28%) the proposition that government should help to pay some of the heating and/or cooling costs for people who cannot afford those costs.

Consistent with these findings, most respondents reported that they did not believe elected officials were doing enough to help people affected by soaring home energy costs. Persons at all income levels (17% up to \$50,000; 18% over \$50,000) expressed this belief. Fewer younger respondents agreed that government was doing enough (12%) than older individuals (18% age 50 – 64 agreed; 17% age 65 or older agreed).

Summary

For more information regarding low-income rate affordability assistance, please write:

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Fisher, Sheehan and Colton, Public Finance and General Economics (FSC) provides economic, financial and regulatory consulting. The areas in which *FSC* has worked include energy law and economics, fair housing, affordable housing development, local planning and zoning, energy efficiency planning, community economic development, poverty and telecommunications policy, regulatory economics, and public welfare policy.
