AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

S. HRG. 109–340

# KEEPING THE ELDERLY WARM: HELP FOR SENIORS AND HIGH HOME HEATING COSTS

## FIELD HEARING

BEFORE THE

## SPECIAL COMMITTEE ON AGING
## UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

WEST MIFFLIN, PA

JANUARY 6, 2006

**Serial No. 109–16**

Printed for the use of the Special Committee on Aging

U.S. GOVERNMENT PRINTING OFFICE

26–546 PDF WASHINGTON : 2006

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

SPECIAL COMMITTEE ON AGING

GORDON SMITH, Oregon, *Chairman*

RICHARD SHELBY, Alabama
SUSAN COLLINS, Maine
JAMES M. TALENT, Missouri
ELIZABETH DOLE, North Carolina
MEL MARTINEZ, Florida
LARRY E. CRAIG, Idaho
RICK SANTORUM, Pennsylvania
CONRAD BURNS, Montana
LAMAR ALEXANDER, Tennessee
JIM DEMINT, South Carolina

HERB KOHL, Wisconsin
JAMES M. JEFFORDS, Vermont
RUSSELL D. FEINGOLD, Wisconsin
RON WYDEN, Oregon
BLANCHE L. LINCOLN, Arkansas
EVAN BAYH, Indiana
THOMAS R. CARPER, Delaware
BILL NELSON, Florida
HILLARY RODHAM CLINTON, New York

CATHERINE FINLEY, *Staff Director*
JULIE COHEN, *Ranking Member Staff Director*

# CONTENTS


| | Page |
|---|---|
| Opening Statement of Senator Rick Santorum | 1 |

PANEL I

| | |
|---|---|
| Wade F. Horn, Ph.D., assistant secretary for Children and Families, U.S. Department of Health and Human Services, Washington, DC | 2 |
| Margot Anderson, director of the Office of Energy Markets and End Use, Energy Information Administration, Washington, DC | 12 |

PANEL II

| | |
|---|---|
| William F. Hecht, chairman and CEO, PPL Corporation, Allentown, PA | 34 |
| Jimmy Staton, senior vice president-Operations Dominion Delivery | 49 |
| Fred Griesbach, state director, American Association of Retired Persons | 64 |
| Major Deborah R. Sedlar, program secretary, Salvation Army Divisional Headquarters, Pittsburgh, PA | 75 |
| Estelle Richman, secretary of Public Welfare, Commonwealth of Pennsylvania, Harrisburg, PA | 83 |

APPENDIX

| | |
|---|---|
| Prepared Statement of Senator Rick Santorum | 97 |

# KEEPING THE ELDERLY WARM: HELP FOR SENIORS AND HIGH HOME HEATING COSTS

**FRIDAY, JANUARY 6, 2006**

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
*West Mifflin, PA.*

The committee met, pursuant to notice, at 9:30 a.m., at the West Mifflin Municipal Center, 3000 Lebanon Church Road, West Mifflin, PA, Hon. Rick Santorum, presiding.

## OPENING STATEMENT OF SENATOR RICK SANTORUM

Senator SANTORUM. Good morning, and let me welcome all of those in attendance here this morning, and in particular let me thank our witnesses from Washington and across the Commonwealth for coming here this morning to talk about an important issue, an issue that actually has attracted a lot of attention over the last several months as we have been experiencing, as you know, a dramatic spike in energy prices and its impact. As we look out on a cold, wintry day here in Pittsburgh, we could not have picked a better setting for this hearing.

The effects of these high prices has really caused a lot of debate and discussion in Washington about what we can do to help those particularly on fixed income and lower incomes to meet their energy needs, to keep themselves and their families warm through these cold winter months here in the northern climes of the United States. The Aging Committee has been looking at this. This is an issue that disproportionately affect seniors and one that—depending on who you believe, we have the second or third largest per capita population of seniors here in Pennsylvania—this is an issue that dramatically affects Pennsylvania. The Aging Committee held a hearing about this last summer when there was concern at that time with natural gas prices in particular spiking, that there would be a crisis this winter with respect to keeping people warm through these winter months, and then with the events of Hurricane Katrina things were exacerbated even more. We are now faced with a problem of greater proportion than we anticipated. The Congress has acted to some degree. We did provide some additional funding for the Low Income Energy Assistance Program in the appropriations process. We attempted to provide more relief in what is called the reconciliation bill, which was a package that was put together to actually reduce spending overall, but included in that spending reduction bill that came out of conference was a provision to provide more money for low-income energy assistance, $2 billion immediately and long-term that was going to provide a stable source

of funding for low-income energy assistance, tying lease revenue from the sale of leases in the North Slope of Alaska for oil exploration. A percentage of that would have gone in a mandatory way—in other words, it would have been tied to providing increased money for low-income energy assistance. Unfortunately, the provision was defeated in a procedural move on the floor of the U.S. Senate, and as a result all of the benefits that attach to ANWR were stripped out, including the low-income energy assistance money and the long-term dedication of funding for that program.

There may be an opportunity, and I certainly hope that there will be one next year, to resurrect that and hopefully get a stable source. Right now there is no source of funding for the low-income program. It is simply appropriated money out of the general fund. To have a source of revenue for money on top of what we already put forward I think would be a very beneficial thing and something that certainly I will work toward.

You did not come here to listen to me, although hopefully somewhat to listen to a few things I had to say, but I came here to listen to our panelists who are here, and I want to thank all of our panelists, but in particular let me thank our representatives from the Federal Government here. Dr. Wade Horn, who is someone who I work with probably—I won't say maybe as much as anybody in the Administration, but certainly work with a lot in the Administration, in his role in helping those who are less fortunate among us, and we have worked together on a variety of things with respect to intercity programs that Wade has been involved in, trying to strengthen the family, the President's faith-based initiatives, a whole laundry list of things that Wade has been active on and involved. He is, in my opinion, one of the bright lights of the Administration. I want to thank you, Wade, for being here this morning. Your official title—and I am not real good with Administration titles—but it is assistant secretary for Administration and for Children and Families over at HHS. So Wade, thank you for being here.

Margot Anderson, her title is the director of the Office of Energy Markets and End-Use at the Energy Information Administration, and I want to thank you for coming and sharing your thoughts with us, and we can proceed.

Dr. Horn, thank you for being here.

**STATEMENT OF WADE F. HORN, PH.D., ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC**

Mr. HORN. Thank you very much, Senator Santorum, for inviting me. I particularly appreciate the kind words that you just said. If my parents were here——

Senator SANTORUM. They are not? I thought they were here.

Mr. HORN [continuing]. My father would appreciate those words and my mother would have believed them. I appreciate the opportunity to appear before you today to talk about the Low Income Home Energy Assistance Program and how it provides assistance to millions of Americans in helping them meet the cost of home energy and heating. The Low Income Home Energy Assistance Pro-

gram, known as LIHEAP, grew out of a series of emergency programs generated by the energy crisis of the late 1970's. Today LIHEAP continues to help ensure that low-income families and individuals have adequate home energy through a Federal-State partnership to provide States with the flexibility they need to design the best program approaches to meet consumer needs.

For the past several years, almost 5 million households per year received LIHEAP assistance to help get them through the winter months. The program also provides cooling assistance to about 400,000 households and weatherization assistance to about 90,000 more. The receipt of a LIHEAP benefit not only means a warm home, or sometimes a cool one, but also often means the difference between a family staying in their home or having to move, with all the disruption that that entails. Likewise a LIHEAP benefit can help make it possible for the elderly to stay in their homes. The recently enacted Labor-HHS appropriations bill provides almost $2 billion for the LIHEAP block grant program, and an additional $181 million for emergency contingency funds for fiscal year 2006. To date Pennsylvania has requested and received $95.1 million of their block grant funds for this year.

I am also very pleased to announce that yesterday we released $100 million of the emergency funds made available in the Labor-HHS appropriations Act. Pennsylvania's share of that release was nearly $7.7 million. A total of $101.5 million in emergency funds remain available for this fiscal year.

LIHEAP block grant funds are allocated to States based on a formula using the State's low-income population, home energy expenditures by low-income households, and weather conditions substantially weighted toward cold weather. The LIHEAP grantees may set their eligibility level to address families with incomes as low as 110 percent of their poverty level, as high as the greater of 150 percent of the poverty level, or 60 percent of State median income. Pennsylvania has set its eligibility rate for its heating assistance program at 135 percent of poverty in fiscal year 2005. Legislative changes in 1994 made it possible for grantees to look less at absolute income levels and more at need. In setting eligibility levels, States may, for example, give priority to households that have greater energy need because of age, for example, or health, and we, in fact, encourage States to target their programs to the more vulnerable low-income individuals in their communities, particularly households with elderly persons or with young children.

In March 2004, the Census Bureau current population survey data showed that 35 percent of households receiving LIHEAP heating assistance had at least one person 60 years of age or older; 47 percent had at least one person with a disability, and 22 percent included at least one child 5 years of age or younger. However, the data shows that the Mid-Atlantic, East North Central and West North Central areas of the country reported that the elderly are being served by the LIHEAP program at a lower rate than the national level. To address this issue, over the last 2 years the Administration has conducted an outreach program with LIHEAP brochures in both English and Spanish to help inform communities about energy assistance available to low-income older Americans. So far we have distributed more than 67,000 brochures to organiza-

tions across the country, with 53 percent of the brochures targeted to community-based organizations serving the elderly.

In Pennsylvania, the Department of Public Welfare works with area agencies for seniors across the State to get the word out about LIHEAP with outreach and application materials. In fiscal year 2004, which is the most recent year for which we have data available, DPW here in Pennsylvania authorized regular LIHEAP heating assistance for approximately 105,000 households with an elderly member over the age of 60, representing 31 percent of all heating payments made by the State. Pennsylvania also provided crisis benefits for such incidents as impending shutoffs to more than 23,000 elderly households, representing 23 percent of all crisis payments.

We are continually impressed by the resourcefulness of State and local agencies in using LIHEAP funds to provide meaningful help to families facing a home energy crisis. These workers in the front lines generally resolve or avert crises by telephoning the energy vendor who maintains or restores services based on an assurance that LIHEAP benefits will be paid, and this, of course, is important during these cold winter months to help ensure that the elderly, in particular, stay safe and healthy.

In conclusion, I want to assure the Committee that this Administration is committed to the LIHEAP program. We at the Department of Health and Human Services are working actively with our State partners to ensure that LIHEAP funds are targeted to America's most needy families, including our elderly citizens, so they can maintain a healthy temperature in their homes.

Thank you again for the opportunity to appear before you, and I particularly thank you for your steadfast leadership and support for the LIHEAP program.

[The prepared statement of Mr. Horn follows:]

TESTIMONY OF

WADE F. HORN, PH.D.

ASSISTANT SECRETARY

ADMINISTRATION FOR CHILDREN AND FAMILIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE THE

SPECIAL COMMITTEE ON AGING

UNITED STATES SENATE

JANUARY 6, 2006

Good afternoon, Senator Santorum. I appreciate the opportunity to appear before you today to talk about the Low Income Home Energy Assistance Program and how it provides assistance to millions of Americans in helping them meet the costs of home energy heating and cooling.

The Low Income Home Energy Assistance Program -- known as LIHEAP -- grew out of a series of emergency programs generated by the energy crises of the late 1970s. Today, it continues to help ensure that low-income families and individuals have adequate home energy through a Federal-State partnership that provides States with the flexibility they need to design the best program approaches to meet consumer needs.

As such, LIHEAP continues to fulfill its dual responsibility to provide ongoing assistance where it is most needed, and to respond to emergency situations such as extreme weather conditions, supply disruptions, price spikes and relief for crises such as Hurricane Katrina. For the past several years, almost 5 million households per year received LIHEAP assistance to help them get through the winter months. The program also provides cooling assistance to about 400,000 households, and weatherization assistance to about 90,000 more.

The receipt of a LIHEAP benefit not only means a warm home (or sometimes a cool one), but also often means the difference between a family staying in their home or having to move, with all the disruption that can entail. Indeed, having to move because there is no heat can mean loss of a job, a change in schools for children, or loss of a child

care arrangement. Likewise, a LIHEAP benefit can help make it possible for the elderly to stay in their homes, for families receiving aid under the Temporary Assistance for Needy Families (TANF) program to continue to move toward self-sufficiency, and for working parents to avoid having to seek other forms of public assistance.

LIHEAP provides critical assistance to low-income households affected by energy emergencies. In Fiscal Year (FY) 2005, States received a total of $1.9 billion in LIHEAP block grant funds. Pennsylvania's share of the block grant was $126.8 million. Pennsylvania also received an additional $18.7 million as part of the $250 million in emergency contingency funds that went to all States last winter because of high fuel prices. In September, a total of $27.25 million in contingency funds was released to Alabama, Florida, Louisiana and Mississippi to help with the home energy crisis needs of households impacted by Hurricane Katrina.

The recently enacted FY 2006 Labor/HHS Appropriations bill provides almost $2 billion for the LIHEAP block grant program and an additional $181 million for emergency contingency funds. To date, Pennsylvania has requested and received $95.1 million of their block grant funds for FY 2006.

I am pleased to announce that yesterday, we released $100 million of the emergency contingency funds made available in the budget to assist families in need pay their heating bills this winter. Pennsylvania's share of the release was almost $7.7 million. A total of $101.5 million remains available under the contingency fund for this fiscal year.

At the current funding level, LIHEAP funds are allocated to States based almost entirely on the allocation formula percentages established in 1981 when the block grant program was created. The formula is calculated using the States' low-income population, home energy expenditures by low-income households, and weather conditions substantially weighted towards cold weather. State and federally-recognized tribes may request direct funding from the Department of Health and Human Services, and about 140 tribes and tribal organizations do so. Smaller amounts go to the territories.

States often use local entities called community action agencies to provide direct assistance to individuals in need. States and other LIHEAP grantees have great flexibility in applying LIHEAP funds to meet local needs.

LIHEAP grantees may set their income eligibility level as low as 110 percent of the poverty level, or as high as the greater of 150 percent of the poverty level or 60 percent of the State median income. For a family of four, 110 percent of poverty to 150 percent of poverty would translate to an income of $20,735 to $28,275. For example, sixty percent of State median income for a family of four in FY 2006 ranged from $28,530 in West Virginia, to $49,444 in New Jersey. Pennsylvania set its eligibility rate for its heating assistance program at 135 percent of poverty in FY 2005 which translates into an income level of $13,920 for a household size of one to $43,726 for household size of eight.

Legislative changes in 1994 made it possible for grantees to look less at absolute income levels and more at need. In setting eligibility levels, States may, for example, give priority to households that pay a large percentage of their income for home energy or that include members who have the greatest energy need because of age or health. We encourage States to target their programs to the more vulnerable low-income individuals in their communities – households with elderly persons or young children.

In the March 2004 Census Bureau Annual Social and Economic Supplement to the Current Population Survey, data show that 35 percent of households receiving LIHEAP heating assistance had at least one person 60 years old or older; 47 percent had at least one person with a disability; and 22 percent included at least one child 5 years old or younger.

However, in 2004 the Mid-Atlantic, East North Central and West North Central areas of the country reported that the elderly were being served at a rate lower than the national level in the LIHEAP program. To address this issue, over the last two years the Administration has conducted an outreach campaign with LIHEAP brochures in English and Spanish to help inform communities about energy assistance available to low-income older Americans. So far this fiscal year, we have distributed more than 67,000 brochures to organizations across the nation, with 53 percent of the brochures targeted to community-based organizations serving the elderly in the regions of the country showing low rates of LIHEAP usage among the elderly.

In Pennsylvania, the Department of Public Welfare (DPW) works with area agencies for seniors and senior centers across the State to get the word out about LIHEAP with outreach and application materials. In FY 2004, the most recent year data are available, DPW authorized $21.8 million in regular LIHEAP heating assistance for approximately 105,000 households with an elderly member over the age of 60. This represented 31 percent of all heating payments made by the State. In addition, the State provided crisis benefits for such incidents as impending shut offs to over 23,000 elderly households, in the amount of $6.8 million, representing 20 percent of all crisis payments.

We are continually impressed by the resourcefulness of State and local agencies in using LIHEAP funds to provide meaningful help to families facing a home energy crisis. These workers on the front lines generally resolve or avert crises by telephoning the energy vendor, who maintains or restores service based on an assurance that a LIHEAP benefit will be paid. This is especially important during these cold winter months to help ensure that the elderly stay safe and healthy. We are confident that increased Federal, State and local efforts to reach the elderly in the Mid-Atlantic, East North Central and West North Central areas of the country in 2006 will increase the participation of the elderly in the LIHEAP program.

Conclusion

In conclusion, I want to assure the Committee that this Administration is committed to the Low Income Home Energy Assistance Program. We, at the Department of Health and Human Services, are working actively with our State partners to ensure that LIHEAP

funds are targeted to America's most needy families, including our elderly citizens, so that they can maintain a healthy temperature in their homes.

Thank you. I would be happy to answer your questions.

Senator SANTORUM. Thank you very much, Wade.

Margot.

**STATEMENT OF MARGOT ANDERSON, DIRECTOR OF THE OFFICE OF ENERGY MARKETS AND END USE, ENERGY INFORMATION ADMINISTRATION, WASHINGTON, DC**

Ms. ANDERSON. Thank you, and I, too, appreciate the opportunity to appear before you today to discuss the outlook for energy prices and heating expenditures and to examine their impact on the elderly population. The Energy Information Administration is an independent statistical and analytic agency within the Department of Energy. We are charged with providing objective, timely and relevant data analysis and projections for the Congress, the Administration and the public. We do not take positions on policy issues, but we do produce data and analysis forecasts that are intended to assist policymakers in their deliberations. As it is for all Americans, direct energy expenditures for the elderly, defined in this testimony as those age 65 and over, is a combination of energy cost for running the household, such as heating and cooling, and energy cost for transportation fuel. There are also indirect expenditures embodied within the energy component of the costs for goods and services, but this testimony focuses only on the direct costs. The two major determinants for energy expenditures for households are energy prices and consumption levels. Energy prices are determined predominantly by world events, at least in the case of oil prices, and by domestic trends in the case of natural gas and electricity prices. In the short run, household energy consumption levels are determined largely as a function of weather. In the longer run, household consumption patterns are influenced by technology structure and behavioral trends as homes are constructed or remodeled and energy-consuming equipment is purchased.

Consumption levels for transportation are a function of vehicle choice, driving behavior and other behavioral issues.

In 2005, U.S. spot prices of crude oil and natural gas increased an average of 36 and 47 percent, respectively, and total U.S. energy demand remained flat despite a healthy economic growth rate of more than 3 percent. Prices for crude oil, petroleum products and natural gas are projected to remain high through 2006 due to continuing tight international supplies and the slow recovery from hurricane-induced supply losses.

I will note that all of the numbers that I am talking about today are based on our December 2005 forecast. Next week, on the 10th of January, we will release another monthly forecast that will have slightly revised numbers. We are not expecting full hurricane recovery until late winter or early spring of 2006, so this will continue to impact the markets. For example, the price of West Texas Intermediate crude Oil, which is our benchmark crude oil price, is projected to average $57 per barrel in 2005 and $63 per barrel in 2006. Regular gasoline prices are projected to average $2.27 when we look at all of 2005, and $2.41 in 2006. Natural gas prices are expected to average almost $9.00 per thousand cubic feet in 2005 when we compile all the numbers for the year, and about $9.30 in 2006. Retail natural gas prices are always higher than the spot prices.

Winter residential space heating expenditures in the winter of 2005 and 2006 are projected to be higher relative to the winter of 2004 and 2005, mostly because of these higher energy prices. On average, households heating primarily with natural gas, which is what you would find used in this region, will likely spend $281 or 38 percent more this winter than last winter. Houses heating primarily with heating oil, which is used predominantly in the Northeast, can expect to pay on average $255 or 21 percent more relative to last winter. Households heating primarily with propane—that is typically used in the Midwest—can expect to pay on average $167 more. These projections are based on weather forecasts by the National Weather Service. Should colder weather prevail, expenditures could be significantly higher. These averages provide a broad guide to changes from last winter, but fuel expenditures are highly dependent on local weather conditions, the size and efficiency of individual homes and their heating equipment and thermostat settings. The effects of energy expenditures on the elderly can be difficult to isolate because the elderly live in a variety of housing arrangements. Many live alone. Others live with elderly or nonelderly partners. Some live in extended households and have primary responsibility for energy costs, while others live in the care of younger household members and may have only partial or no responsibility for energy costs. We base these numbers on a household residential survey that we conduct every 4 years. These numbers are based on a 2001 residential consumption survey, and we will be updating that next year when the new numbers come in from the 2005 survey.

Our data show that households consisting solely of elderly members use about as much energy as other households, after accounting for the number of household members. The elderly use less energy per household, but that is because they tend to live alone and live in smaller homes. The data show that floor of about $1,000 for energy expenditures as of 2001. Converting that to 2005 prices, that floor is about $1,200 even for the least energy consuming household.

Regardless of living arrangements, the elderly still have transportation requirements. In contrast to household expenditures, the relative gap between transportation use by the elderly and by other types of households is quite large, even after considering differences in household composition. The elderly drive quite a bit less than members of younger households, although when there are two or more elderly persons in a totally elderly household, they tend to have two cars and drive almost as many miles as a one-person elderly household. Hence, that would translate into higher gasoline purchases.

The amount of energy expenditures is meaningful in itself, but it is also useful to examine those expenditures relative to household income. Once again, there appears to be a floor of about $1,000 per household as of 2001 for household energy expenditures regardless of income. Applying the generally higher 2005 prices to 2001 consumption levels results in higher expenditures. The burden falls most heavily on the lowest income households, which are relatively more prevalent for the elderly than for the rest of the population. For a household with $15,000 or less in household in-

come, an annual energy bill exceeding $1,100 has a much greater impact than a $2,000 annual energy bill for a household with greater than $50,000 annual income. To the extent energy consumption for both household and transportation use is different now than it was in 2001, the annual energy bill will be different, but adding household and transportation energy costs together, many low-income households, including low-income elderly, are now spending 10 to 20 percent of their income on energy, which is relatively higher than those that are in the higher income categories.

This concludes my testimony, Mr. Chairman, and I would be glad to answer any questions you have.

[The prepared statement of Ms. Anderson follows.]

**STATEMENT OF MARGOT ANDERSON**

**DIRECTOR, OFFICE OF ENERGY MARKETS AND END USE**

**ENERGY INFORMATION ADMINISTRATION**

**U.S. DEPARTMENT OF ENERGY**

**Before the**

**SPECIAL COMMITTEE ON AGING**

**UNITED STATES SENATE**

**January 6, 2006**

**Mr. Chairman and Members of the Committee:**

I appreciate the opportunity to appear before you today to discuss the outlook for energy prices and heating expenditures and to examine their impact on the elderly population.

The Energy Information Administration (EIA) is an independent statistical and analytical agency within the Department of Energy. EIA is charged with providing objective, timely, and relevant data, analysis, and projections for the Congress, the Administration, and the public. We do not take positions on policy issues, but we do produce data, analyses, and forecasts that are intended to assist policy makers in their energy policy deliberations. Because we have an element of statutory independence with respect to our analyses, our views are strictly those of EIA and should not be construed as representing those of the Department of Energy or the Administration. However, EIA's baseline projections on energy trends are widely used by government agencies, the private sector, and academia for their own energy analyses.

**Introduction**

As it is for all Americans, direct energy expenditures for the elderly–defined for this testimony as those age 65 and over–is a combination of energy costs for running the household (such as heating and cooling) and the energy costs for transportation fuel. There are also indirect expenditures embodied within the energy component of the costs for goods and services, but this testimony will focus only on the direct costs.

The two major determinates of energy expenditures for households are energy prices and consumption levels. Energy prices are determined predominantly by world events, at least in the case of oil prices, and by domestic trends in the case of natural gas and electricity prices. In the short run, household energy consumption levels are determined largely as a function of weather. In the longer run, household consumption patterns are influenced by technology, structure, and behavioral trends, as homes are constructed or remodeled and energy-consuming equipment is purchased. Consumption levels for transportation are a function of vehicle choice, driving behavior, and other technological, structural, and behavioral issues.

Consumption patterns for this testimony are based on EIA's 2001 Residential Energy Consumption Survey (RECS), a quadrennial national-level survey on residential energy consumption and expenditures. (Data from the 2005 RECS survey are not yet available.) We recognize that consumption patterns are likely to change–as they have in the past– as technology continues to improve and new products enter the marketplace.

I first want to examine recent and projected energy prices and energy expenditures based on EIA's most recent monthly *Short-Term Energy Outlook*, which was released on December 6, 2005. (The next monthly *Outlook* will be released on January 10th.) I will then focus on consumption patterns and energy expenditures for elderly households.

Generally, demand drives energy prices higher but in 2005, the price increases were more the result of supply concerns due to the destruction caused by the hurricanes, as well as the reduction in world spare oil production capacity, which fell to its lowest level in over

three decades. Indeed, as U.S. spot prices of crude oil and natural gas increased an average of 36 and 47 percent, respectively, total U.S. energy demand remained flat in 2005, despite a relatively healthy economic growth rate of more than 3 percent. Similarly, world oil prices climbed throughout the year despite slower demand growth in both the United States and China, the two largest consumers of oil.

In 2006, total domestic energy demand is projected to increase at an annual rate of about 2.0 percent, despite continued concerns about tight supplies and projected high prices for oil and natural gas. Recent declines in petroleum product prices (especially gasoline and diesel) due to mild weather and ongoing hurricane recovery efforts have caused us to lower our petroleum price forecasts for the next few months. However, prices for crude oil, petroleum products, and natural gas are projected to remain high through 2006 due to continuing tight international supplies and the slow recovery from hurricane-induced supply losses. For example, the price of West Texas Intermediate (WTI) crude oil is projected to average $57 per barrel in 2005 and $63 per barrel in 2006. Retail regular gasoline prices are projected to average $2.27 per gallon in 2005 and $2.41 in 2006. Henry Hub natural gas prices are estimated to average $8.88 per thousand cubic feet (mcf) in 2005 and $9.30 per mcf in 2006.

**Hurricane Recovery**

As of December 29, approximately 26 percent of normal daily Federal Gulf of Mexico oil production and approximately 19 percent of Federal Gulf of Mexico natural gas production remained shut-in due to Hurricanes Katrina and Rita. In Louisiana, shut-in on-shore oil and natural gas production is down to about 40 percent of pre-hurricane

capacity and is projected to be fully restored by the end of March 2006. In the Gulf of Mexico region, refinery shutdowns as of December 15 (latest data available) totaled 367,000 barrels per day. While two refineries in Louisiana remain out of service, both are projected to be operating by the end of February 2006.

The supply of natural gas has been disrupted because of hurricane damage to production platforms, subsea pipelines, and natural gas processing plants. However, the interconnectivity of the natural gas gathering system has helped speed the recovery of shut-in production as suppliers reroute gas flow around damaged pipelines to active processing plants. We now expect shut-in Federal Gulf of Mexico natural gas production to fall to 0.66 billion cubic feet (bcf) per day (6.5 percent of pre-hurricane Gulf production) by March 2006.

Gulf crude oil production has also improved, albeit at a slower pace than natural gas. The majority of platform repairs are projected to be completed by the end of 2005, although some of the largest oil platforms damaged by the hurricanes are projected to remain out of service through the second quarter of 2006. Crude oil production is projected to recover at a slightly faster pace than previously predicted. We forecast a gradual increase in Federal Gulf of Mexico crude oil production as shut-in production declines from about 504,000 barrels per day (bbl/d) in early December to about 297,000 bbl/d by March 2006 (19 percent of its June 2005 level).

**Winter Heating Expenditures**

Winter residential space-heating expenditures in 2005-06 are projected to be higher relative to the winter of 2004-05 because of higher energy prices. On average, households heating primarily with natural gas likely will spend $281 (38 percent) more for fuel this winter than last winter. Households heating primarily with heating oil can expect to pay, on average, $255 (21 percent) more this winter than last. Households heating primarily with propane can expect to pay, on average, $167 (15 percent) more this winter than last. Households heating primarily with electricity can expect to pay, on average, $46 (7 percent) more. These projections are based on weather forecasts by the National Weather Service. Should colder weather prevail, expenditures could be significantly higher. These averages provide a broad guide to changes from last winter, but fuel expenditures for individual households are highly dependent on local weather conditions, the size and energy efficiency of individual homes and their heating equipment, and thermostat settings **(Table 1)**.

**Petroleum Markets**

Many of the same factors that drove world oil markets in 2005, such as low spare oil production capacity and rapid oil demand growth, will continue to affect markets in 2006. Other factors are less certain, such as the frequency and intensity of hurricanes, other extreme U.S. weather, and geopolitical instability in some of the major oil producing countries.

Worldwide petroleum demand growth in 2005 is projected to slow from 2004 levels, due largely to slower growth in China and the United States. However, world oil demand is estimated to increase by about 1.7 million bbl/d in 2006, up from 1.2 million bbl/d in 2005, led by an oil demand recovery in the United States.

Non-OPEC oil supply outside of the United States is estimated to grow by a net of approximately 800,000 bbl/d in 2006. New production of around 400,000 bbl/d is estimated to come online from the Caspian region (Azerbaijan and Kazakhstan), with additional projected increases of 450,000 bbl/d from the Western Hemisphere (particularly Canada and Brazil) and 150,000 bbl/d from West Africa. Conversely, production declines at mature fields in the North Sea, Mexico, and the Middle East will offset this supply growth. Additional capacity increases are projected in OPEC members such as Nigeria, Saudi Arabia, and the United Arab Emirates.

As non-OPEC and OPEC supplies increase, world spare oil production capacity will likely increase during 2006, despite growth in world oil demand. Overall, 2006 will likely see a 1-million-bbl/d increase in spare oil production capacity (to 2.0-2.5 million bbl/d).

Total U.S. petroleum demand in 2005 is projected to average 20.6 million bbl/d (0.5 percent less than the 2004 level) because of hurricane-related disruptions and higher prices. Petroleum demand in 2006 is estimated to average 21.1 million bbl/d, 2.3 percent more than in 2005.

Total U.S. refinery output in 2005 is projected to decline by about 0.3 percent compared with 2004 because of hurricane outages. A warmer-than-normal October-November and an increase in product imports continue to keep total product inventories at levels close to the average of the last few years. Current distillate fuel inventories remain above last year's levels, but motor gasoline and residual fuel oil inventories continue to lag behind.

**Natural Gas Markets**

Because prices remain high, 2005 total natural gas demand will likely remain at about 2004 levels, then increase by 1.0 percent in 2006, assuming a return to normal weather and expected reactivation of hurricane-damaged industrial plants in the Gulf of Mexico region. Residential demand is projected to decline by about 1.7 percent in 2005 mostly in response to relatively weak heating-related demand during the latter part of last winter, while industrial demand is estimated to decline by 7.5 percent in 2005 due to the much higher prices for natural gas as a fuel or feedstock. By 2006, both end-use sectors are expected to recover somewhat, with residential demand projected to increase 2.4 percent from 2005 levels and industrial demand to increase by 4.6 percent.

Domestic dry natural gas production in 2005 is estimated to decline by 3.8 percent, due mainly to the hurricane-induced infrastructure disruptions in the Gulf of Mexico, then to increase by 4.8 percent in 2006. Total liquefied natural gas (LNG) net imports for 2005 are estimated to remain at their 2004 level of approximately 650 bcf, then increase in 2006 to an average of about 1,000 bcf.

On December 23 (latest data available as of January 4), working natural gas in storage stood at an estimated 2,640 bcf, a level 234 bcf below 1 year ago but 1.3 percent above the 5-year average. End-of-year storage levels are estimated to be 8.9 percent lower at the end of 2005 than they were at the end of 2004. Natural gas storage levels at the end of 2006 will likely match the 2005 level. Hurricane-related natural gas production losses have reduced the amount of natural gas available for the market, which increases the projected requirement for withdrawals of gas from underground storage this winter.

**Electricity Demand**

Weather conditions and continuing economic growth are estimated to increase electricity demand by 3.5 percent in 2005 and an additional 1.2 percent in 2006. Year-over-year electricity demand growth rates are estimated to be particularly strong, as cooling and heating demands likely will be higher than in the mild third and fourth quarters of 2004. When compared to 2004 figures, regional residential demand in 2005 rose in nine of the ten regions (Alaska and Hawaii, treated as one region, is the exception). Commercial demands increased across all ten regions, but industrial demands fell in the three regions along the East Coast. Estimated 2005 prices for delivered electricity across all end uses range from 6.2 cents per kilowatt hour (kwh) in the East South Central region to 11.8 cents per kwh in New England. In response to higher utility fuel prices, average electricity prices for all end uses are projected to rise by 10.8 percent in New England and 8.7 percent in West South Central, but by 6.4 percent or less in all other regions in 2005 compared with 2004.

In 2005, electric power sector demand for coal is projected to increase by 2.4 percent and by 1.7 percent in 2006. Power sector demand for coal continues to increase in response to higher oil and particularly higher natural gas prices. U.S. coal production is projected to grow by 0.8 percent in 2005 and by an additional 3.9 percent in 2006. Coal prices to the electric power sector increased significantly in the first half of 2005, growing by 15.3 percent compared with the first half of 2004. These price increases are attributed to low coal inventories (caused by high demand and transportation problems) and increased transportation costs. The price of coal to the power sector is projected to rise throughout the forecast period, although at a lower rate than in the first half of 2005. More specifically, coal prices are projected to rise by an average 13.2 percent in 2005 and by an additional 5.0 percent in 2006, increasing from $1.35 per million Btu in 2004 to $1.61 per million Btu in 2006.

**Energy Use and Expenditures by the Elderly**

*Household Energy Use and Expenditures.* The effects of energy expenditures on the elderly can be difficult to isolate because the elderly live in a variety of housing arrangements. Many live alone; others live with elderly or non-elderly partners. Some live in extended family households and have primary responsibility for energy costs, and others live in the care of younger household members, and may have only partial or no responsibility for energy costs. Still others live in institutional or retirement facility settings where they may pay directly for energy or it may be included in their housing payment to the facility.

**Table 2** shows the average energy use and expenditures for households with various configurations of elderly and non-elderly members (data are from EIA's 2001 Residential Energy Consumption Survey). The table shows that households consisting solely of elderly members use about as much energy as other households after accounting for the number of household members. The elderly use less energy per household because they tend to live alone and in smaller homes. The data show a floor of about $1,000 for energy expenditures as of 2001 and $1,200 using 2005 energy prices, for even the least-energy-consuming households.

*Transportation Energy Use and Expenditures.* Regardless of the living arrangements of the elderly, they still have transportation requirements. **Table 3** illustrates that, in contrast to household expenditures, the relative gap between transportation use by the elderly and by other types of households is quite large, even after considering differences in household composition. The elderly drive quite a bit less than younger households; although when there are two or more elderly persons in a totally elderly household they tend to have two cars and drive almost twice as many miles as a one-person elderly household.

*Energy Expenditures.* The amount of energy expenditures is meaningful in itself, but it is also useful to examine those expenditures relative to household income. **Table 4** shows average household energy expenditures for household-age composition and income categories. Once again there appears to be a floor of about $1,000 per household for household energy expenditures regardless of income, even as of 2001. Applying the

generally higher 2005 energy prices to 2001 consumption levels, since 2005 consumption data are not yet available, results in higher expenditures. The burden falls most heavily on the lowest-income households, which are relatively more prevalent for the elderly than for the rest of the population. For a household with $15,000 or less in household income, an annual energy bill exceeding $1,100 has a much greater impact than a $2,000 annual energy bill for a household with income greater than $50,000.

To the extent that energy consumption for both household and transportation use is different now from what it was in 2001, the annual energy bill will also be different. But, adding household and transportation energy costs together, many low-income households, including low income elderly, are now spending 10 to 20 percent of their income on energy.

This concludes my testimony Mr. Chairman. I would be glad to respond to any questions you may have.

**Table 1. Selected U.S. Average Consumer Prices* and Expenditures for Heating Fuels for the Winter**

| Fuel / Region | 01-02 | 02-03 | 03-04 | Avg. 99-04 | 04-05 | Forecast 05-06 | % Change (04-05/05-06) |
|---|---|---|---|---|---|---|---|
| **Natural Gas** | | | | | | | |
| U.S. Average | | | | | | | |
| Consumption (mcf**) | 62.5 | 71.7 | 67.2 | 69.7 | 66.7 | 66.7 | -0.1 |
| Price ($/mcf) | 7.45 | 8.37 | 9.76 | 8.41 | 11.14 | 15.36 | 37.9 |
| Expenditures ($) | 465 | 600 | 655 | 586 | 743 | 1,024 | 37.8 |
| Households (thousands) | 59,367 | 59,602 | 60,388 | 58,877 | 61,225 | 62,003 | 1.3 |
| **Heating Oil** | | | | | | | |
| U.S. Average | | | | | | | |
| Consumption (gallons) | 542.7 | 670.5 | 625.1 | 642.5 | 622.9 | 610.5 | -2.0 |
| Price ($/gallon) | 1.16 | 1.42 | 1.44 | 1.35 | 1.92 | 2.38 | 23.7 |
| Expenditures ($) | 627 | 951 | 903 | 865 | 1,199 | 1,454 | 21.3 |
| Households (thousands) | 8,119 | 8,000 | 8,018 | 8,286 | 8,052 | 8,079 | 0.3 |
| **Propane** | | | | | | | |
| U.S. Average | | | | | | | |
| Consumption (gallons) | 634.4 | 720.9 | 679.4 | 685.7 | 670.0 | 678.2 | 1.2 |
| Price ($/gallon) | 1.16 | 1.29 | 1.42 | 1.29 | 1.64 | 1.87 | 13.8 |
| Expenditures ($) | 736 | 928 | 962 | 885 | 1,102 | 1,269 | 15.2 |
| Households (thousands) | 4,982 | 4,939 | 4,972 | 4,929 | 5,006 | 5,048 | 0.8 |
| **Electricity** | | | | | | | |
| U.S. Average | | | | | | | |
| Consumption (kwh***) | 7,980.9 | 8,547.5 | 8,260.4 | 8,356.7 | 8,191.6 | 8,259.2 | 0.8 |
| Price ($/kwh) | 0.08 | 0.08 | 0.08 | 0.08 | 0.09 | 0.09 | 5.6 |
| Expenditures ($) | 665 | 699 | 700 | 685 | 717 | 763 | 6.5 |
| Households (thousands) | 30,961 | 31,226 | 31,655 | 31,027 | 32,121 | 32,536 | 1.3 |
| **All households** | 103,429 | 103,766 | 105,033 | 103,120 | 106,404 | 107,666 | 1.2 |
| **Average Expenditures ($)** | 551 | 672 | 702 | 687 | 786 | 989 | 25.7 |

* Prices include taxes

** thousand cubic feet

*** kilowatthour

Source: EIA Short –Term Energy Outlook, December 6, 2005

**Table 2. Household Energy Characteristics by Household Composition**

| | Single-Person Households | | Multiple-Person Households | | |
|---|---|---|---|---|---|
| **Household Characteristics** | **65+** | **Under 65** | **All Members 65+** | **Some Members 65+** | **No Members 65+** |
| **Number of households (millions)** | 11.7 | 16.4 | 7.8 | 8.2 | 62.9 |
| **Percentage of households that are single family dwelling** | 48 | 41 | 72 | 73 | 62 |
| **Average floorspace per household** | 1550 | 1449 | 2258 | 2417 | 2255 |
| **Average consumption per household** | 67 | 65 | 96 | 111 | 101 |
| **Average dollars per household (2001 prices)** | 1039 | 1064 | 1473 | 1802 | 1652 |
| **Average dollars per household (2005 prices)** | 1270 | 1287 | 1804 | 2185 | 1980 |

Notes: Consumption values in million British thermal units (Btu).
Sources: 2001 Residential Energy Consumption Survey, Energy Information Administration; December 2005 Short Term Energy Outlook, Energy Information Administration, for prices used to derive 2005 expenditures

**Table 3. Transportation Characteristics by Household Composition**

| | Single-Person Households | | Multiple-Person Households | | |
|---|---|---|---|---|---|
| **Transportation Characteristics** | **65+** | **Under 65** | **All members 65+** | **Some Members 65+** | **No Members 65+** |
| **Vehicles per household** | 1.1 | 1.2 | 1.8 | 2.2 | 2.2 |
| **Vehicle Miles per household** | 7606 | 13516 | 14486 | 23368 | 28633 |
| **Gallons per household** | 377 | 650 | 753 | 1188 | 1410 |
| **Average dollars per household (2001 prices)** | 539 | 930 | 1077 | 1699 | 2016 |
| **Average dollars per household (2005 prices)** | 863 | 1489 | 1724 | 2721 | 3229 |

Sources: 2001 National Household Travel Survey, December 2005 Short Term Energy Outlook for prices used to derive expenditures, and the EPA Fuel Economy Ratings to derive vehicle energy consumption.

**Table 4. Household Energy Expenditures for 2001 Energy Use by Household Composition and Income**

| | | | Household Energy Dollars per Household | |
|---|---|---|---|---|
| **Household Composition and Income** | **Number of Households (million)** | **Average floorspace (square feet)** | **Using 2001 Prices** | **Using 2005 Prices** |
| All Members 65+ | | | | |
| Less than $15,000 | 6.9 | 1303 | 948 | 1162 |
| $15,000 - $29,999 | 6.0 | 1805 | 1281 | 1575 |
| $30,000 - $49,999 | 4.0 | 2232 | 1337 | 1631 |
| $50,000 + | 2.6 | 2686 | 1558 | 1892 |
| | | | | |
| Some Members 65+ | | | | |
| Less than $15,000 | 1.1 | 1542 | 1477 | 1788 |
| $15,000 - $29,999 | 2.1 | 1822 | 1536 | 1881 |
| $30,000 - $49,999 | 2.2 | 2524 | 1879 | 2297 |
| $50,000 + | 2.7 | 3176 | 2089 | 2505 |
| | | | | |
| No Members 65+ | | | | |
| Less than $15,000 | 10.6 | 1208 | 1113 | 1332 |
| $15,000 - $29,999 | 14.8 | 1471 | 1282 | 1544 |
| $30,000 - $49,999 | 20.9 | 1865 | 1434 | 1722 |
| $50,000 + | 33.0 | 2788 | 1837 | 2202 |

Sources: 2001 Residential Energy Consumption Survey, Energy Information Administration; December 2005 Short Term Energy Outlook, Energy Information Administration, for prices used to derive 2005 expenditures

Senator SANTORUM. Thank you very much, Margot. I appreciate that information.

Doctor, a couple of questions. You mentioned in your testimony that you noticed that the percentage of seniors here in this region using LIHEAP was lower and that you were starting an ad campaign. First off, did you do an analysis as to why seniors are not using the program here in Pennsylvania or in the Northeast as much as other areas of the country?

Mr. HORN. As you know, under the LIHEAP program States have enormous flexibility to target their funds. The Federal Government encourages States to target those funds to the most vulnerable populations, but it is still a decision that is left up to the States. We do not have the ability to mandate that the States target certain populations, but we do have the ability to advocate the issue. Pennsylvania is not substantially below the national average, but as a region the North-Central, East Coast area tends to be lower than the national average, and that is why, as I have mentioned, we have been publishing brochures in both English and Spanish and distributing them through the Eldercare Locator Network that is administered through the U.S. Administration on Aging, and working in partnership with a variety of different community organizations to get this information into the hands of the elderly. However, this remains a decision that is made at the State level and at the local level through community action agencies. It is not something we can mandate that they actually provide services to a particular population.

Senator SANTORUM. So you are suggesting that the reason it is lower is more likely a result of State policy and local policy than it is the result of any lack of awareness on the part of seniors?

Mr. HORN. It is certainly not a result of inadequate Federal policy in the sense that Federal policy allows States flexibility to target these funds in the ways that makes sense to State governments. Again Pennsylvania is not substantially below the national average and we have been working with the State to distribute brochures, and do more effective outreach to the elderly. My guess is that part of the problem is related to the elderly who may live in remote rural areas in Pennsylvania and may not have access to the kind of information that would allow them to enroll into the program, but I think with more effective State outreach we could reach those elderly households.

Senator SANTORUM. Do you have any sense of the impact of the campaign that you have engaged in, as to whether it is having an impact at all?

Mr. HORN. It is too early to tell because it is a relatively new campaign for us, but we hope to be able to report back in the next year or so as to the impact.

Senator SANTORUM. The Energy Policy Act, as you know, requires you to report to Congress on how LIHEAP could be used more effectively to prevent loss of life, and I know you are fulfilling that requirement right now. Do you have any thoughts on what you have learned up to this point?

Mr. HORN. As you know, under the act we are required to consult and we are, in fact, consulting with all 50 States and the District of Columbia around this issue. We have been working in consulta-

tion with the National Energy Assistance Directors Association. We also have been in contact with the Centers for Disease Control (CDC) to bring their expertise in the health arena to bear on this question. We also have been identifying best practices through our LIHEAP Clearinghouse. Although we do not have any hard information yet to share with you, we are on track as required by the law to provide a report to Congress by August 2006, so you can invite me back in August 2006 to talk to you about it.

Senator SANTORUM. No one will be thinking about cold weather in August 2006 around here, let me assure you. Let me ask a question on the release of the emergency funds. You have suggested you released—and I think you said Pennsylvania got—I think it was $7 million from that release. Is that money released the same—per the formula that is for traditional LIHEAP or is there a separate allocation?

Mr. HORN. Under the law, the contingency fund can be released by the President at his discretion, and there are various ways that one can release contingency funds. Generally we take into account factors such as high energy costs, temperatures and so forth.

Senator SANTORUM. On a State-by-State basis?

Mr. HORN. Yes, and you do not have to distribute the contingency fund monies per a formula. You can use those monies to target crisis needs, and that is the purpose of the contingency fund. In fact, for example, after Hurricane Katrina hit the Gulf Coast we released about $27 million to those States for energy-related needs because of the impact of the hurricane. Yesterday we released $100 million in contingency funds particularly targeted to cold weather States because of the high energy prices and the cold weather.

Senator SANTORUM. Very good.

Margot, a couple of questions. Obviously, the concern about the cost of natural gas here in Pennsylvania, as you mentioned, that is a primary source of heat for most of our residents here, although obviously electricity and home heating oil is another factor, but primarily we are a natural gas State and we have seen a dramatic rise in the cost of natural gas, yet there is testimony all over the lot about what is causing that, and some have suggested that demand has been fairly flat, yet prices continue to go up. Any thoughts on what is the dynamic there if demand is really not going up very much? I think you said demand was flat. Why are we seeing dramatic increases in price?

Ms. ANDERSON. Well, demand has only been relatively flat for total energy for the last year or 18 months. I think if you look back over the course of the 1990's and 2001, 2002 and 2003, there were rather dramatic increases in natural gas demand as a lot of power plants converted to coal and to natural gas, and as new natural gas plants were constructed, and a lot of this has put pressure on supplies. Supplies have not kept up, quite frankly, with demand.

One of the issues you have with natural gas is, of course, the market is mostly just a North American market and primarily just a U.S. market, unlike petroleum, which is a global market. So prices are determined by our ability to either produce for ourselves or purchase from Canada, from Mexico, LNG from Trinidad, et cetera, and so in a more constrained market where supply has not kept pace with demand you will see these long-term pressures on

prices. If you look at supply growth you will see that that has not kept pace with the large increases, in demand particularly due to the conversion from coal to natural gas over the last 10 years.

Senator SANTORUM. So you do not think there is anything going on beyond just a pure supply and demand issue here? I mean, some have suggested that the markets are manipulating the prices and what is going on in the futures market could be a little bit more transparent than it is. You do not have any thoughts on that?

Ms. ANDERSON. No, I do not.

Senator SANTORUM. OK. You did mention that prices are going up. The question I had is are you seeing any impact on those prices being elevated on demand? You say demand has flattened out. Is that because of the increase in price or have you seen any conservation efforts? I mean, what is going on that is affecting demand right now, particularly in the natural gas area?

Ms. ANDERSON. I think a lot of the fourth-quarter effects were coming from what we would call demand destruction due to the hurricanes, where there were simply just not a lot of consumers in the Gulf area using natural gas. There likely has been some price effect. It is very difficult to quantify in the short term. Sometimes those price effects will not show up till a quarter or two after the impact because it is just difficult to get the data and do the analysis, but we certainly suspect there is conservation going on. There is that impact due to price. There is probably some fuel switching, a little bit here and there, which is probably having an effect. We are surprised that we have not seen as much demand effect due to high prices either in the crude sector or the natural gas sector. I think everyone, every economist, would have expected demand to have shown more dramatic decreases than we have actually seen in the data. Part of that is attributed to a rather robust economy, so that while we have had these high energy prices, the underlying economy has been pretty strong, which, as economists would say, would translate into something called an income effect. If your income is relatively stable or increasing, as it is for some Americans, that would swamp a price effect.

Over the last 10 or 20 years Americans are devoting relatively less of their income to energy expenditures as we become much more efficient in our energy use. So all of these factors are affecting why we are not seeing the kind of price effects that you might expect as gasoline prices got as high as they did in the last quarter of 2005.

Senator SANTORUM. Do you have that information as to what Americans now are spending on energy as a percentage of their overall income versus what it was 10, 20 years ago, and—well, why don't you share that and then we can sort of make conclusions from that?

Ms. ANDERSON. Total energy expenditures as a percent of Gross Domestic Product (GDP) declined from 8.1 percent in 1990 to 6.0 percent in 1999 (expenditures and GDP are measured in 2004 dollars). In 2000, total energy expenditures as a percent of real GDP increased to 7.0 percent then fell in 2001 to 6.8 percent and to 6.2 percent in 2002. Since 2003, energy expenditures as a percent of real GDP have been increasing, rising to 8.5 percent in 2005. The recent increase is due in large part to increasing energy prices.

Senator SANTORUM. What is happening in the residential market? Have you seen, because of the spike in natural gas here in Pennsylvania or in places that use a lot of natural gas, any move to converting to other forms of energy as a result of these high prices?

Ms. ANDERSON. Well, we have not really seen that from our data at this point, but that is not likely to show up for months because the surveys just cannot keep pace with behaviors, but there are technology constraints to being able to do that. Not everyone can just switch to one fuel source versus another.

Senator SANTORUM. What about manufacturers? They probably have a little bit more.

Ms. ANDERSON. A little bit more, but sometimes they are locked into a single source. So we are trying to get better information with our survey instruments to try and figure out the flexibility that manufacturers, the industrial, commercial sectors, might have in their capability to fuel switch, but some of that capability just simply is not there and they are stuck with the fuel source that they are relying on primarily.

Senator SANTORUM. Very good. Thank you both very much for your testimony. I appreciate it.

If the second panel could come up, I would appreciate that. I do not think Secretary Richman is here, right? I do not see her, so we may have to proceed without her. I hate to do that, but she would have been our first witness.

Secretary Estelle Richman, secretary of DPW, is scheduled to be here. We have not heard whether—she is probably just delayed, probably due to the weather, so we will move then to Bill Hecht, who is the chairman and CEO of PPL.

Bill, I appreciate you making the trek across the State from Allentown to be with us here today and look forward to your testimony. Thank you, Bill.

## STATEMENT OF WILLIAM F. HECHT, CHAIRMAN AND CEO, PPL CORPORATION, ALLENTOWN, PA

Mr. HECHT. Thank you. I am pleased to be here, Senator. PPL is a Pennsylvania-based company with headquarters in Allentown. Through our subsidiaries, we serve about five million customers worldwide and generate and sell electricity at wholesale in markets in Pennsylvania and in the western U.S. In the U.S., PPL serves about 1.3 million electricity customers and 75,000 natural gas customers in Pennsylvania, primarily in the eastern and central parts of our State. Our utility operations have earned honors for customer service. PPL Electric Utilities, for example, has won more awards for customer satisfaction from JD Power Associates than any other utility in the U.S. Today's hearing addresses a topic of particular importance to PPL, the effect of higher costs for home heating on the elderly. In the areas of Pennsylvania that we serve, about 28 percent of the residents are age 65 or older. This is more than double the national average. The increases in home heating bills have been primarily driven by oil and natural gas prices. Electricity rates in Pennsylvania have been essentially stable for many years because of the way the State has deregulated the electricity

industry. PPL's electricity rates, for example, have increased less than 10 percent since 2002.

Despite greater stability of electric rates, PPL recognizes that high oil and gas prices may leave some customers, especially the elderly that are on fixed incomes, less able to afford electric service. PPL's utility companies offer many payment programs, payment options and notification services to help customers pay their bills and maintain service. Some are specifically designed for the elderly, others are available to all customers with a limited ability to pay, but often benefit the elderly. In 2006, PPL Electric Utilities will spend more than $26 million on programs for low-income customers in Pennsylvania. Over the last 2 years, PPL has increased funding for the programs by about 25 percent to meet growing need for customer assistance. One program, Operation Help, was one of the first utility-sponsored funds in the Nation for heating assistance when electric utilities created it in 1983. The program is funded voluntarily by PPL and by tax-deductible contributions from our customers and employees. Operation Help offers cash grants to low-income customers to help them meet their heating bills regardless of fuel type, including not only those that use electricity for space heating, but also those who use oil, gas, propane or other fuels that may not be supplied by PPL.

Social service agencies administer the program on behalf of PPL and decide who receives the grants, which averaged about $225 for some 3,500 recipients last year. This winter, PPL is contributing $700,000 to Operation Help, and that is an increase of about 40 percent over last winter. PPL Gas Utilities, one of Pennsylvania's smaller gas companies, provides assistance for gas bill payments through the Operation Share program, which is similarly funded by voluntary contributions. Because of natural gas prices, PPL is tripling its Operation Share contribution this winter. In addition to outright grants, elderly customers who meet income guidelines may qualify for reduced bills through PPL's Customer Assistance Programs, or CAP. PPL expects to provide more than $90 million in CAP assistance in 2006 and has increased funding by more than 20 percent in the last 2 years.

PPL Electric Utilities also provides home energy audits and energy conservation measures to low-income customers through what we call our Winter Relief Assistance Program, or WRAP. Customers with electric home heating have saved an average of 10 percent on their electric bills after receiving these services. In the last 2 years, some 700 elderly homeowners have benefited from that program. While eligibility for payment assistance and weatherization programs is based on income, we have other services that are developed specifically for the needs of the elderly. For example, PPL will not shut off service for a customer having trouble paying their electric bill during the winter if we are made aware that there is an elderly resident in the home.

We also offer a program specifically for the elderly that extends the due date of bills to coincide with the arrival of pension or Social Security checks, and elderly customers may designate a third party to receive late payment or shut off notices as an extra measure of protection. Our budget billing program, although not specifically created for the elderly, offers equal monthly payments so that those

on fixed incomes can more effectively plan their budgets. We remain alert and sensitive to the needs of the elderly and all customers so we can adjust and expand the programs as needed. PPL works productively with community-based social services agencies in all 46 counties that we serve. We train our employees to recognize problems and to refer the elderly to social service organizations which can open doors to a wide range of services and other sources of assistance through area agencies on aging. Simply put, the elderly that may have difficulty meeting their energy bill payments may also have other assistance needs, and we can direct them.

In closing, Senator, I would like to acknowledge your support and the support of Senator Specter for increased LIHEAP funding. Last winter, some 24,000 PPL customers received $6.3 million in LIHEAP assistance. One-third of those customers were elderly. Last, I want to thank you and the Special Committee on Aging for convening this hearing in Pennsylvania to focus on the needs of the elderly in our State and across the country.

[The prepared statement of Mr. Hecht follows.]

**Statement of William F. Hecht**
**Chairman and Chief Executive Officer of PPL Corporation**
**Before the U.S. Senate Special Committee on Aging**
**January 6, 2006**

Mr. Chairman and members of the Senate Special Committee on Aging, thank you for the opportunity to appear before you today. My name is Bill Hecht. I am Chairman and Chief Executive Officer of PPL Corporation.

PPL is a Pennsylvania-based company, with headquarters in Allentown. Through its subsidiaries, PPL generates and sells electricity in Pennsylvania and other U.S. markets, and delivers energy to about 5 million homes and businesses on three continents, including more than 1.3 million electricity customers and 75,000 natural gas customers here in Pennsylvania.

PPL's 12,000 employees in the United States, the United Kingdom and Latin America understand that the company's success is built on outstanding operations, good corporate citizenship and a commitment to customer service.

PPL's power plants generate competitively priced electricity, and PPL will invest more than $1.5 billion through 2010 in environmental projects, including the installation of scrubbers at all its major coal-burning power plants in Pennsylvania.

PPL's domestic and international utility operations have earned numerous awards for customer service. PPL Electric Utilities has received more awards from J.D. Power and Associates for customer satisfaction than any utility in the United States.

Our Pennsylvania utility operations are of particular interest for this hearing. PPL Electric Utilities serves 1.3 million Pennsylvania homes and businesses in the eastern and central parts of the state – including the communities of Allentown, Bethlehem, Harrisburg, Lancaster, Wilkes-Barre, Scranton and Williamsport. PPL Gas Utilities, which PPL acquired in the 1990s, serves 75,000 natural gas customers in parts of 34 Pennsylvania counties.

Today's topic is one of critical importance to PPL's utility operations because Pennsylvania has one of the largest elderly populations of any state.

According to figures from the 2000 Census, more than 15 percent of Pennsylvania's population is age 65 or older. Only Florida has a higher percentage of elderly residents.

Looking strictly at areas of Pennsylvania served by PPL's utility operations, the percentage of the population 65 or older is about 28 percent, which is more than double the national average of 12 percent. This statistic reflects the tendency of

PPL service area residents to remain in the communities where they were born and raised.

Given the older customer base we serve, PPL has a particular interest in addressing the special needs of the elderly, many of whom must meet necessities such as food, medicine and heat with limited or fixed incomes.

Today's hearing is focused on the impact of higher energy costs on the elderly. It should be noted that the recent increases in energy costs have been predominately related to the prices of home heating oil and natural gas. The price PPL customers pay for electricity has been essentially stable while prices of oil and natural gas have risen significantly over the last four years.

Because of the way Pennsylvania structured electricity deregulation in the mid-1990s, the rates that customers of PPL Electric Utilities pay for the energy portion of their bills, which make up about half of the total bill, were established for each year through 2009.

Even though electricity rates in Pennsylvania have remained essentially stable, we recognize that electricity is a necessity, and that high prices for other fuels will place an added financial burden on customers with limited means, who now may be less able to afford electric service.

PPL's utility companies offer a variety of programs and services to assist the most vulnerable residents of the communities we serve, particularly the elderly. These programs and services include:

- Payment assistance for people with limited financial means.
- Payment options that offer flexibility and convenience.
- Notification services that provide extra protection from shut-offs.

Through the presence and involvement of PPL employees in the communities we serve, we remain alert and sensitive to the needs of consumers, particularly the elderly, so that we can adjust and expand programs as needs change. We continue to evaluate the effectiveness of our programs over time, to ensure that they are targeted to help those with the greatest needs. Assisting us in this effort is a network of community-based, social service organizations, such as Community Action Committee of the Lehigh Valley, with which we have maintained productive relationships for over two decades.

**LIHEAP**

Before I describe PPL's programs in more detail, I would like to address the vital importance of the Federal Government's Low-Income Home Energy Assistance Program, or LIHEAP, which is available to elderly people with limited or fixed incomes.

As a large, cold-weather state, Pennsylvania is the second largest recipient of LIHEAP funding. Last winter, nearly 450,000 Pennsylvania households received $115 million in LIHEAP assistance. About 24,000 PPL electric and gas customers received $6.3 million in LIHEAP assistance. About 30 percent of those recipients were over the age of 60.

This winter, with heating oil and natural gas prices at record levels, the need for LIHEAP is even more compelling.

LIHEAP has done a great deal to help the elderly and other customers in need, but it can do more. At the current level of funding, LIHEAP reaches less than a quarter of eligible customers.

Federal guidelines for LIHEAP allow states to serve households up to 150 percent of the poverty level, but Pennsylvania has chosen to lower the eligibility guidelines to 135 percent because of limited funding. As a result, thousands of Pennsylvanians, including some of our elderly residents, who could benefit from LIHEAP, do not have access to funds because their income is between 135 percent and 150 percent of the poverty level.

PPL is pleased with the increased authorization level in the Energy Policy Act of 2005 and remains hopeful that Congress will fully fund LIHEAP at the $5.1 billion level.

We recognize and appreciate Senator Rick Santorum's long-standing support for LIHEAP funding, as well as that of Senator Arlen Specter. In addition, we acknowledge that many other members of the Special Committee on Aging have been active in pushing for increased LIHEAP funding.

**Operation HELP**

For more than 20 years, PPL has offered assistance programs that meet the needs of customers, including the elderly, with limited or fixed incomes. We have been an industry leader in that regard.

One such program is Operation HELP, which PPL Electric Utilities established in 1983. Operation HELP provides cash grants for heating bill payments of any type – whether electric, gas, oil, propane or other fuel – to customers who earn less than 200 percent of the federal poverty level (about $19,700 a year for an individual living alone, nearly $26,000 for an elderly couple).

About 3,500 customers received Operation HELP assistance in 2005. The average grant amount was $225.

Fourteen community agencies administer Operation HELP funds in the 29 Pennsylvania counties served by PPL Electric Utilities. The agencies interview

applicants, decide who receives Operation HELP grants, and refer customers to other programs and services.

Operation HELP was one of the first utility-sponsored heating assistance funds in the nation, and has raised nearly $14.5 million since its inception. Funding comes from PPL Electric Utilities, its employees, and its customers

This winter, PPL Electric Utilities has increased its Operation HELP contribution by 40 percent, to $700,000. Tax-deductible contributions from customers and employees amount to about $400,000 a year.

**Operation Share**

PPL Gas Utilities – one of Pennsylvania's smaller gas companies, with only 65,000 residential customers and 10,000 business customers – provides heating assistance for low-income customers, including the elderly, through the Operation Share program.

This program is like Operation HELP in that the funding comes from voluntary contributions by employees, customers and the company. But unlike Operation HELP grants, which can be used for any type of heating bill payment, Operation Share grants are limited to gas bill payments.

Because of high natural gas prices on the market today, PPL Gas Utilities has tripled its annual contribution to Operation Share this winter, from $50,000 to $150,000, increasing the level of assistance to customers, including the elderly, who need it most.

I would like to acknowledge the support of The Dollar Energy Fund, based here in Pittsburgh, which administers Operation Share for PPL Gas Utilities. The Dollar Energy Fund partners with 17 utility companies in Pennsylvania, New Jersey and New York to administer programs to help customers in need.

**Customer Assistance Program**

For elderly customers earning less than 150 percent of the poverty level ($14,355 for an individual senior citizen, $19,425 for an elderly couple) who are behind in their utility bill payments, both PPL Electric and PPL Gas have Customer Assistance Programs. These ratepayer-funded programs offer reduced bills, based on the customers' ability to pay.

Recognizing the need to help customers cope with higher heating costs because of oil and natural gas prices, PPL Electric and PPL Gas have expanded these programs.

PPL Gas is increasing enrollment in its Customer Assistance Program by 10 percent this winter. PPL Electric – with approval of the Pennsylvania Public

Utility Commission – has reallocated $3 million to its Customer Assistance Program from funds that were set aside in 1998 to help customers learn about electricity deregulation.

**Extended Protection from Shut-offs**

As a further measure of protection that benefits the elderly, PPL Electric and PPL Gas have committed that they will not shut off service this winter to any customer who earns less than 300 percent of the poverty level (about $29,000 a year for an individual living alone, about $38,500 for an elderly couple), and to any household that includes an elderly resident.

Under Pennsylvania's consumer-protection regulations, elderly customers receive added protection if they have a medical condition that could be made worse by shutting off the electric or gas service.

That protection lasts for a period of up to 90 days for customers who provide certification signed by a doctor or nurse practitioner. If the power or gas already has been turned off before we receive the signed medical certification, we will reconnect service within 24 hours.

**Winter Relief Assistance Program**

PPL Electric offers a Winter Relief Assistance Program to customers who earn less than 200 percent of the poverty level. Services available to eligible

customers include home energy audits, energy conservation plans and home improvements that reduce energy use, such as insulation, caulking, weather-stripping and energy-efficient lighting and appliances.

This program serves about 2,500 households annually. In the last two years, about 700 elderly homeowners have benefited from PPL Electric's Winter Relief Assistance services.

Customers who have electric home heating save an average of 10 percent a month on their electric bills as a result of these services.

**Additional Programs and Services**

PPL recognizes that not all elderly customers qualify for low-income programs. That's why the services that PPL makes available to elderly customers extend beyond traditional payment assistance.

For example, electric and gas bills may be due on days before elderly customers receive their pension or Social Security checks. PPL Electric and PPL Gas provide the flexibility of due-date extension. We will change the scheduled payment date to make it easier on customers with fixed incomes.

Both companies also offer and promote Budget Billing as a payment option for elderly customers. Budget Billing divides the customer's expected annual costs

for electric or gas service into equal monthly payments, removing the seasonal differences that result from increased energy use, particularly in the winter.

Another option for PPL's elderly customers is third-party notification. This service is useful for customers with health concerns and customers who are away from home for long periods of time. PPL sends copies of late-payment and shut-off notices to a third party, who is designated and approved by the customer. The third party could be a family member, neighbor, a clergy member, or community agency.

The third party is not responsible for paying the bill, but can check on the customer to make sure he or she received and understood the notice. The third party can notify PPL of any problems, giving the elderly customer an added measure of protection from shut-offs.

PPL Electric also supports the special needs of hearing-impaired and vision-impaired customers. The company provides telephone communications for hearing-impaired customers through Telecommunications Devices for the Deaf. Through a partnership with local associations for the blind, PPL Electric offers Braille versions of its bills.

The investment by PPL and its customers in programs and services for low-income and elderly customers is considerable. In 2006, PPL Electric and PPL

Gas expect to spend $26.5 million on initiatives that help low-income customers with bill payments, energy conservation and protection from shut-offs. The elderly are frequently the beneficiaries of these programs.

As the electric and gas service provider for an area with one of the largest percentages of elderly residents in the nation, PPL will continue a tradition of caring for the needs of our customers and communities.

In closing, I would like to commend the Committee and Senator Santorum for their attention to the needs of the elderly in Pennsylvania and across the country.

Senator SANTORUM. Thank you, Bill. I appreciate that.

Next we would like to hear from Jimmy Staton, who is the senior vice president of Operations for Dominion Delivery.

Thank you very much, Jimmy, for being here.

**STATEMENT OF JIMMY STATON, SENIOR VICE PRESIDENT-OPERATIONS, DOMINION DELIVERY**

Mr. STATON. Thank you. Good morning, Senator. As you indicated, I'm the Senior Vice President of Operations for Dominion Delivery, which is one of the major business units of Dominion Resources, Inc. Our natural gas distribution company in Pennsylvania is Dominion Peoples, which is based in Pittsburgh and serves more than 350,000 homes and businesses in 16 counties. All of us at Dominion Peoples appreciate the opportunity to offer comments this morning on the rising price of natural gas for home heating and its impact on customers who are elderly or have limited incomes. We are always eager to get the word out about the programs available to assist those customers, and we hope the hearing will result in more people seeking that help.

The price of natural gas Dominion Peoples buys to serve its customers has increased sharply this winter. This has occurred despite our best efforts to hold down our procurement costs. These measures include buying about 40 percent of our supply locally from western Pennsylvania production, a step that hold downs our transportation expenses. We are also fortunate to have a significant natural gas storage capacity in Pennsylvania. This also helps to mitigate our price swings. Despite these measures, we estimate the average residential bill will increase by more than 40 percent from January 2005 to January 2006. Under Pennsylvania Public Utility Commission regulations, Dominion Peoples earns no profit from this purchased gas. The cost of the fuel is simply passed along to customers on a dollar-for-dollar basis. Additionally, our fuel costs are periodically audited by the PUC.

We are very sensitive to the impact these prices can have on our customers with low or fixed incomes, especially the elderly. We estimate that about 20 percent of our residential customers are age 62 or older. We offer and support of a variety of programs to help our low-income customers. These programs include the CAP program, or Customer Assistance Program, a special payment plan for low-income customers having trouble paying their bills. We recently asked the PUC for permission to expand the number of participants significantly from the currently about 10,000 customers served by this program.

We also have a weatherization initiative, the Low Income Usage Reduction Program, or LIURP, which provides home energy efficiency improvements and audits. We also offer the Customer Assistance Referral and Evaluation Services, or CARES, program that matches customers with special needs such as serious medical conditions with appropriate assistance programs. The Dollar Energy Fund, which is an independent nonprofit organization that offers last resort assistance regardless of fuel source to persons on low or fixed incomes. Our customers make contributions to help fund the program and Dominion Peoples provides matching contributions and covers administrative costs. We also offer a Budget Billing pro-

gram that helps customers manage their energy bills by allowing them to make level monthly payments. This program allows them to spread their winter heating costs throughout the year. Budget Billing is open to all customers who are not in arrears on their bills. We also provide special services for persons with needs due to age or health, including medical certification, to delay service termination or to restore service for patients with severe health issues. We also offer the Gatekeeper program that enables our company personnel to recognize danger signals in the elderly and make sure those individuals are getting the help that they need. We also have third-party notification, helping individuals who may have trouble handling their bills by notifying a designated third-party such as a relative, neighbor or a friend of an impending service termination. We also offer the provision of easy-to-read thermostats and large-print bills to customers with impaired vision and interaction with hearing-impaired customers through telecommunications devices for the deaf. Additionally, we help put our customers in touch with government programs that can help pay energy bills, such as the Low Income Home Energy Assistance Program you have been such a great supporter of.

Important as these programs are, they are not long-term solutions and many of them are approaching their limits of effectiveness. Expansion of some of them could result in higher customer rates, and it is unclear how much additional money is going to be available from government sources. Pennsylvania has certainly done its part, with Governor Rendell recently signing a bill committing up to $20 million in additional funds for fuel aid. But Congress so far has failed to expand LIHEAP funding for fiscal 2006. We hope Congress will make additional appropriations this month before many States start running out of fuel assistance money. Conservation can help, too, and we are seeing some new interest in energy efficiency due to the recent price increases. Ultimately, however, the best way to help all of our customers, including those who are elderly or on limited incomes, is to produce more natural gas. Within existing limits, producers are trying to do just that. Our sister company, Dominion Exploration and Production, drilled more than 100 new gas wells in Pennsylvania last year, producing an additional six million cubic feet per day. Dominion plans to increase its drilling activity in Pennsylvania by 15 percent in 2006, but to ensure adequate supplies we, as a Nation, must take additional steps to meet that goal. We must take steps to increase offshore natural gas production, especially from the Outer Continental Shelf. Congress should pass legislation allowing the States to opt out of the decades-old moratoria that have blocked exploration and production in these waters. There is no economical or environmental justification for maintaining such blanket drilling bans.

We should also open more Federal lands for natural gas exploration and production, including selected portions of the Arctic National Wildlife Refuge in Alaska, as well as other Federal properties. On Federal lands already open to drilling, the permitting process must be improved and accelerated. The Domestic Petroleum Council estimates that clearing the current permitting backlog could increase Rocky Mountain Area natural gas reserves by several trillion cubic feet. We should continue to support construc-

tion of a new pipeline from Alaska to provide North Slope gas to the lower 48 States, and finally we should continue to promote development of facilities to bring additional supplies of liquefied natural gas, or LNG, into the United States. If we are truly serious about helping customers in need, our national policies must take a variety of steps to bring more natural gas to market. Action is long overdue.

I thank you for the opportunity to address the Committee. I will be happy to answer any questions you have.

[The prepared statement of Mr. Staton follows:]

**Testimony of Jimmy D. Staton**
**U.S. Senate Special Committee on Aging**
**Field Hearing on Natural Gas Prices**
**West Mifflin, Pennsylvania**
**January 6, 2006**

Good morning, Mr. Chairman and members of the committee. My name is Jimmy Staton, and I am senior vice president – Operations for Dominion Delivery, one of the major business units of Dominion Resources, Inc. Our natural gas distribution company in Pennsylvania is Dominion Peoples, which is based in Pittsburgh and serves more than 350,000 homes and businesses in 16 counties.

All of us at Dominion Peoples appreciate the opportunity to offer comments this morning on the rising price of natural gas for home heating and its impact on customers who are elderly or have limited incomes. We are always eager to get the word out about the programs available to assist those customers, and we hope the hearing will result in more people taking steps to seek help.

As a distribution company, Dominion Peoples works hard to find economical and reliable sources of natural gas for our customers. We help keep costs down by purchasing about 40 percent of our supply from production in western Pennsylvania. This minimizes gas transportation costs and helps offset the higher cost of natural gas purchased from the interstate market. Dominion Peoples and other Dominion subsidiaries also operate extensive natural gas storage facilities in Pennsylvania. The nearby storage helps cushion price swings for us and our customers.

We are also required by law and regulation to buy the most reliable and least expensive supplies of gas available, and we take this obligation very seriously. The Pennsylvania Public Utility Commission conducts periodic audits of our gas procurement to make sure we follow these criteria.

Unfortunately, despite all these steps to hold down costs, the price we must pay for gas to serve our customers has risen sharply this winter.

Prices have risen so dramatically that we estimate the average residential bill this month will be 40 percent higher than a year ago.

Under PUC regulations, Dominion Peoples passes the cost of the fuel along to its customers on a dollar-for-dollar basis, with no markup. We earn no profit from these higher prices.

We are very sensitive to the impact these higher prices can have on our customers on low and fixed incomes, especially older adults. Rising heating costs can pose a special burden on these individuals, since many have fixed incomes and health problems.

Dominion Peoples offers a variety of programs to assist customers on low or fixed incomes. As they have in the past, these programs should help thousands of Pennsylvanians get through the coldest months in warmth and safety. We also help link customers to other programs administered by social services agencies that offer heating assistance.

The programs are worthwhile and valuable. So are additional steps to increase conservation and energy efficiency. The recent higher prices for energy have led both government and consumers to implement new conservation and efficiency measures. The comprehensive federal Energy Policy Act, passed by Congress last summer, contains a variety of tax incentives and other provisions to promote conservation.

In the end, however, the best means to assist these customers are strong and effective steps to increase the supply of natural gas. Increased supplies are the only long-term insurance against sustained high prices for the fuel. We must significantly expand our production of this valuable resource. We can do so in a sound, environmentally safe way. We no longer have the luxury of placing vast quantities of natural gas resources off limits while promoting the use of this efficient and clean-burning fuel. Such contradictory policies make no sense. Unwarranted restrictions on exploration and production harm our economy and our national energy security, while doing nothing to protect the environment.

I will return to this point later. First, I would like to focus on our company's efforts to help our customers with restricted incomes stay warm. A significant number of our residential customers can be classified as low income. Between 18 and 20 percent have household incomes at or below 150 percent of the federal poverty level. We also estimate that approximately 20 percent of our residential customers are 62 years of age or older.

We offer a variety of programs to assist these customers.

- Dominion People's **Customer Assistance Program (CAP)** is a special payment plan for low-income customers who are having trouble paying their bills. Customers agree to pay a percentage of their monthly before-tax household income for gas service, with the percentage determined by household income and family size. These monthly payments are lower than the bill for actual usage. CAP currently helps more than 10,000 households. We recently asked the Public Utility Commission to approve changes to CAP that will set no future limits on the number of participants in the program.

- Our **weatherization** program, **the Low Income Usage Reduction Program (LIRUP),** helps customers reduce their bills by improving their homes' energy efficiency. Energy auditors visit the homes and thoroughly inspect them. Based on their evaluations, customers may be eligible for measures that provide energy savings. These may include heating system improvements, insulation, and caulking and weather stripping. The weatherization program is available to customers eligible for the CAP program.

- The **Customer Assistance Referral and Evaluation Services program**, or **CARES**, provides assistance to customers with special needs, in addition to an inability to pay their utility bills. Special needs include problems such as serious medical or mental health conditions, learning disabilities and recent unemployment. Our CARES representatives review the customer's situation and help match the

family with the appropriate programs, including fuel assistance and social service agencies.

- The **Dollar Energy Fund** is an independent, non-profit organization supported for many years by Dominion Peoples. It provides heating assistance to persons on low or fixed incomes in our service area. The Dollar Energy Fund is a "last resort" program directed chiefly toward persons who have exhausted other forms of aid. Our customers make contributions to help fund the program. The company also provides matching contributions and covers administrative costs.

- We also help put customers in touch with **government programs** that can help with energy bills, including the **Low Income Home Energy Assistance Program (LIHEAP)**, supported by federal funds and administered by the Pennsylvania Department of Public Welfare. LIHEAP customers also may be eligible for the **CRISIS** program, which provides assistance to those in emergency situations.

- And Dominion's **Budget Billing** program helps customers better manage their energy bills by allowing them to spread the cost of winter heating throughout the year. Participants make a level payment each month. The Budget Billing program is open to all customers who are not in arrears on their bills.

Additionally, Dominion Peoples provides services to persons with special needs due to age or health.

- The **Medical Certification Program** delays service termination or restores service to customers with severe health issues. We recognize that service termination in such cases can be especially dangerous, or even life threatening. Customers can obtain information on medical certification by calling Dominion Peoples.

- The **Gatekeeper** program aids older adults who need help but may not be able to obtain it by themselves. Dominion Peoples employees – including customer service personnel, meter readers and others – are trained to recognize danger signals in the elderly, such as changes in behavior, signs of confusion or increasing disability. These employees report problems to company customer relations program specialists who, in turn, work with the customers to make sure they are getting the help they need. The customer relations program specialists may refer individuals to their local Area Agencies on Aging, which can provide help with a variety of needs ranging from health services to food and transportation.

- Dominion Peoples' **Third Party Notification** program helps individuals who may have trouble handling their bills. Under the program, a designated third party – such as a relative, neighbor or friend – receives a copy of any shutoff notice. Although it will not stop service disconnection, it will alert the third party to the fact that the person needs help.

- We provide special **easy-to-read thermostats and large-print bills to customers with impaired vision.** Hearing-impaired customers can also

use **Telecommunications Devices for the Deaf (TDDs)** to communicate with Dominion Peoples.

- We also participate with other utilities and government agencies in several initiatives, including the **Pennsylvania Energy Utilities and Aging Consortium; county councils** on health and human services programs; **furnace cleaning and tune-up programs;** and the **Be Utility Wise** program, offering training for social services representatives on current utility issues.

These programs are very significant. But they are not long-term solutions. Many of them are reaching their limits. The cost of several utility programs, including the CAP, CARES and weatherization programs, are recovered through rates; expansion could mean higher bills for most customers.

Additionally, the percentage of the natural gas bill under the direct control of local distribution companies such as Dominion Peoples is shrinking. As a distribution company, we control only about twenty cents of every dollar collected from the customer. Everything else is a pass-through covering the cost of natural gas. It's difficult for the party responsible for those twenty cents to correct the problems caused by the other eighty.

Finally, it's questionable how much additional money is available from government sources for heating relief. This winter, Pennsylvania has certainly done its share. In December, Governor Rendell signed legislation committing up to $20 million in state funds to supplement the LIHEAP program. However, Congress' response to the problem has so far been

disappointing. Approved LIHEAP funding levels for fiscal year 2006 now appear to be about $2.16 billion – slightly less than the amount approved for the last fiscal year. We hope Congress will move quickly this month to pass a supplemental appropriations bill for additional LIHEAP funds. Without such action, many states may quickly run out of fuel assistance money.

Ultimately, increasing the supply of gas is the best way to help all customers, including the elderly and those with low or fixed incomes. There isn't much hope for a better pricing situation unless we implement policies designed to boost the supply of the fuel dramatically. Without such steps, prices are likely to get worse. The laws of supply and demand dictate that result.

Demand for gas is soaring – and the trend will continue. A comprehensive study issued by the American Gas Foundation last February predicted domestic natural gas consumption will increase by as much as 27 percent from 2003 to 2020. And a recent survey by the American Gas Association found that nearly 70 percent of the new single-family homes built in the United States feature natural gas heat.

Rising gas prices will impact all consumers – not just those who use the fuel to heat their homes. Increasingly, natural gas is the "fuel of choice" for electric generation. It burns cleanly and produces low levels of emissions. In just seven years – from 1997 to 2004 – the amount of gas used to produce electricity shot up by almost one-third, according to the U.S.

Energy Information Administration. In 2006, the EIA expects no less than 80 percent of the new electric generating capacity to be gas-fired.

Within current limits and restrictions, natural gas producers are doing their part to address the supply situation. Our sister company, Dominion Exploration and Production, drilled more than 100 new gas wells in Pennsylvania last year. These new wells produce approximately 6 million cubic feet of natural gas per day. They boosted Dominion's daily Pennsylvania production to 40 million cubic feet. Dominion plans to increase its drilling activity in Pennsylvania by 15 percent this year.

But the nation must take additional steps to increase supply. Here are a few options. All are well known and have been thoroughly debated. In most cases, however, action has been delayed, or even rejected.

- We must take steps to **increase offshore production**, especially from the Outer Continental shelf. Congress should pass legislation allowing the states to waive the federal moratoria on drilling on the shelf. Currently, the moratoria cover all gas resources available from the Outer Continental Shelf off the Atlantic coast and almost all off the Pacific coast. The situation is only marginally better in the Gulf of Mexico, where 56 percent of the gas resources are covered by the moratoria. These blanket drilling bans go back almost two decades. They date from an era when gas was plentiful and cheap. Today, they block development of 76 trillion cubic feet of gas resources, according to an American Gas Foundation report released last year.

- Offshore gas drilling has a long, proven record of environmental protection. Hundreds of rigs currently operate safely in the Gulf of Mexico and in many other offshore fields around the world. There are no sound reasons for Congress not to give states the option to remove their offshore waters from the ban and allow development of gas resources. It is certainly encouraging that Congress gave such proposals serious consideration during 2005. Unfortunately, serious consideration did not mean passage.

- We should **open more federal lands** for natural gas exploration and production. And we should take steps to improve the permitting process for drilling on those lands.

  - These federal lands include portions of the Arctic Natural Wildlife Refuge and other federal properties, in the Rocky Mountain area and elsewhere. Majorities in both the House and Senate supported limited ANWR drilling during 2005; unfortunately, the proposal failed to become law.

  - For federal lands already opened to drilling, the permitting process must be improved and accelerated. In a recent report, the Domestic Petroleum Council found the federal Bureau of Land Management faces a backlog of more than 3,000 applications for permits to drill, or APDs. The Council also found that clearing the APD backlog could increase Rocky Mountain area natural gas reserves by several trillion cubic feet, and that some of the reserves would soon be in production.

- In contrast, total gas production in Pennsylvania during 2003 was about 149 billion cubic feet. Approximately 43 billion cubic feet was produced into the Dominion Peoples system.

- We should continue to make construction of a **new pipeline from Alaska** a top priority. In the fall of 2004, Congress approved a series of regulatory and financial incentives for the project. It could help make some of the vast North Slope gas resources – by some estimates, more than 35 trillion cubic feet – available for use in the lower 48 states. All parties involved in the final negotiations on this project should work toward a swift and successful conclusion.

- Finally, we should continue to promote the development of facilities to bring additional supplies of liquefied natural gas (LNG) into the United States.

  - While emphasizing domestic production, we should not overlook the fact that LNG importation offers a safe, economical way to increase the supply of natural gas, especially in the Mid-Atlantic and Northeast.

  - Another Dominion subsidiary operates the nation's largest LNG terminal at Cove Point, Maryland, and is now seeking federal approval to expand the facility. The project would increase Cove Point's daily output capacity to 1.8 billion cubic feet of natural gas, almost double the current capacity. The project includes new storage

tanks and pipeline expansions in Maryland and Pennsylvania. The expanded pipelines are necessary to bring the additional supplies of natural gas from Cove Point into the energy-intensive markets in the Mid-Atlantic region.

These long-term steps to increase supply are the best way to hold down the price of natural gas and protect consumers. Of course, they do not eliminate the need for measures to help elderly and low-income customers. Utilities and government are providing the aid these customers need to help them heat their homes this winter.

However, these programs are approaching their limits. If we are truly serious about helping customers in need, our national policies must take a variety of steps to bring more natural gas to market. Action is long overdue.

Once again, I thank you for the opportunity to address the committee. I will be happy to answer any questions you may have.

Senator SANTORUM. Thank you, Mr. Staton. I appreciate that.

Now it is my pleasure to introduce Fred Griesbach, who is the state director of the AARP. Thank you for being here to testify.

**STATEMENT OF FRED GRIESBACH, STATE DIRECTOR, AMERICAN ASSOCIATION OF RETIRED PERSONS**

Mr. GRIESBACH. Thank you for inviting us. This is a critical issue, and I cannot tell you how much we appreciate your focus on it. Yes, I really want to make four points here today. One is stating the obvious: Energy prices are going up. We heard earlier testimony—gas heat, $281 more this winter; oil heat, $255 more nationally. The reality is it looks to us in Pennsylvania like it may be worse here than nationally. PGW bills are estimated by the PUC to be going up over $400 this year and will be on average this year—average—projected to be $2,046. That is $400 more than it was last year, and frankly this is not just a blip. In 2002–2003, the average gas bill in PGW was $870, so we are looking at a very dramatic increase in Pennsylvania over a relatively short period of time, and in the western part of the State we heard 40 percent increases. These are increases that are $400 for some people. So whatever is going on nationally, it looks, at least to people—frankly, most of the folks who open up their bills, they do not know a BTU from—all they see is that bottom line and say, "Oh, my God."

This is a crisis for folks in Pennsylvania, and that is the first point, that this is not just a blip. This has been going on, and it just seems to be getting worse. The second point is that the elderly are more vulnerable on this. Elderly people generally spend a greater percentage of their income on energy than younger people. That is a fact. However, low-income elderly are paying an even greater share. The average low-income elderly person is paying 14, 15 percent of their income for energy, and at least a quarter of elderly people are paying—and this is nationally—are paying 20 percent of their income for energy. So this is a big deal to low-income people, generally. It is a very big deal to low-income elderly people.

It is not just that it is a greater percent. They are changing behavior to accommodate these energies, and some of those changes in behavior are very, very dangerous changes. We have surveyed—AARP nationally surveyed folks, elderly people, low income; 60 percent of them had or already were trying these things. They are turning the thermostat down in the winter. They are turning the thermostat up in the summer. So they are living in houses that are colder perhaps than they should be, or warmer than they should be, depending on the season. But additionally—and this gets kind of scary—about 12 percent of them were limiting or doing without food in order to pay their energy bills, 11 percent limiting or doing without medical treatment to deal with their energy bills, 10 percent limiting or doing without prescription drugs to deal with their energy bills. We surveyed our members in Pennsylvania, and this is before this new kind of wave of increase, and frankly one out of seven, over a third, said they were having trouble paying their bills, and one out of seven were either skipping meals or skipping prescription drugs or not doing something else that was important for their health in order to pay their energy bills. So clearly it is not just that they are paying more; they are making choices al-

ready that are not necessarily good choices for their long-term health.

The third point is, in fact, LIHEAP, and it is very interesting—I mean, about a third of the folks in Pennsylvania who are on LIHEAP are elderly people, but the problem is—and as you asked earlier, "OK, well, should there be a greater percentage of elderly people on LIHEAP?" There should be more elderly people on LIHEAP. That is absolutely true, but the reality is we are not serving everybody who is eligible, and really the one thing we do not want to do is start to force choices where, in order to put elderly people on LIHEAP we have to take somebody else who is equally deserving and equally needy off LIHEAP. When we talk about the increase in the bills this winter, that increase is bigger than the LIHEAP grant. So if we give everybody that we gave a grant to last year this year, they will still be worse off than they were last year in terms of their overall energy bill. So the LIHEAP issue, which—I mean, the State put nearly $25 million—for the first time Pennsylvania has put money into the LIHEAP program. I would love to say that AARP could take great credit for that, but the reality is I just think it is partly advocacy, but it is partly the fact that they are looking and saying, "You know what? We are in deep trouble here and we have to do something," and on that level you have been a champion of LIHEAP, and we need a champion. When this session reconvenes, we need LIHEAP assistance and we need somebody to make sure it happens, and I am urging you and your colleagues—I know we do not have a defined source for it, but we have a very defined need for it, and we have to meet that need. If we do not, a bad situation in Pennsylvania and nationally is going to be worse.

Finally—and you have nothing to do with this, but I am hoping maybe you could help—Pennsylvania has about 20,000 households right now who have no heat, has about another 15,000 who have no electricity, and it has about 4,000—these estimates are from the PUC—who are heating with things like space heaters or kerosene, which are very dangerous. We allow people to be shut off in the winter if their income is above a certain level. Given what we are looking at, at prices, when you get the chance perhaps and are speaking to your colleagues in Pennsylvania, we may need to relook at that, and I urge whatever you can do when you talk to them, see if you can get them to rethink that one. But the most important thing is that we need additional funding for LIHEAP, whatever you can do, and the fact that you are holding these hearings, I know you know this is important. We need you to be the champion when you get back.

Thank you.

[The prepared statement of Mr. Griesbach follows:]

TESTIMONY

BEFORE THE

SPECIAL COMMITTEE ON AGING

OF THE

UNITED STATES SENATE

ON

THE IMPACT OF ENERGY PRICES ON OLDER AMERICANS

PITTSBURGH, PENNSYLVANIA

WITNESS: FRED GRIESBACH
DIRECTOR, AARP PENNSYLVANIA

For further information, contact:
Federal Affairs Department
(202) 434-3800

Good morning. Mr. Chairman and members of the Committee, thank you for this opportunity to testify today on behalf of AARP, regarding a national issue of crucial importance to consumers. My name is Fred Griesbach and I am AARP's Pennsylvania State Director.

Energy prices have reached their highest levels in years and consumers across the country have felt the impact in their homes and wallets. Older Americans, however, face some of the most serious consequences of these rising energy costs. My remarks this morning will focus on five critical issues concerning the impact of rising energy costs on older Americans:

1) Energy prices are projected to continue to rise into the winter this year;
2) Older Americans devote a higher percentage of total spending to residential energy costs and are particularly vulnerable to rapid price increases;
3) Rising energy costs force older Americans to adjust their overall spending, sometimes resulting in life-threatening choices;
4) In addition to utility services, increased energy costs impact older Americans' reliance on transportation and transportation services; and
5) Federal Assistance programs, such as the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program, offer life-saving assistance to consumers, but reach only a fraction of eligible households.

**Energy prices are projected to continue their dramatic rise into the cold winter months this year;**

According to the Department of Energy, the average household heating primarily with natural gas likely will spend $281 (38 percent) more for fuel this winter than last winter. Households heating primarily with heating oil can expect to pay, on average, $255 (21 percent) more this winter than last. Households heating primarily with propane can expect to pay, on average, $167 (15 percent) more this winter than last.

These increases come at a time when the purchasing power of the average LIHEAP grant was already greatly depressed. The National Energy Assistance Directors Association announced earlier this year that it estimates that purchasing power is down almost 50 percent since FY 2002, even though appropriations had increased to $2.186 billion from $1.8 billion during that same period.

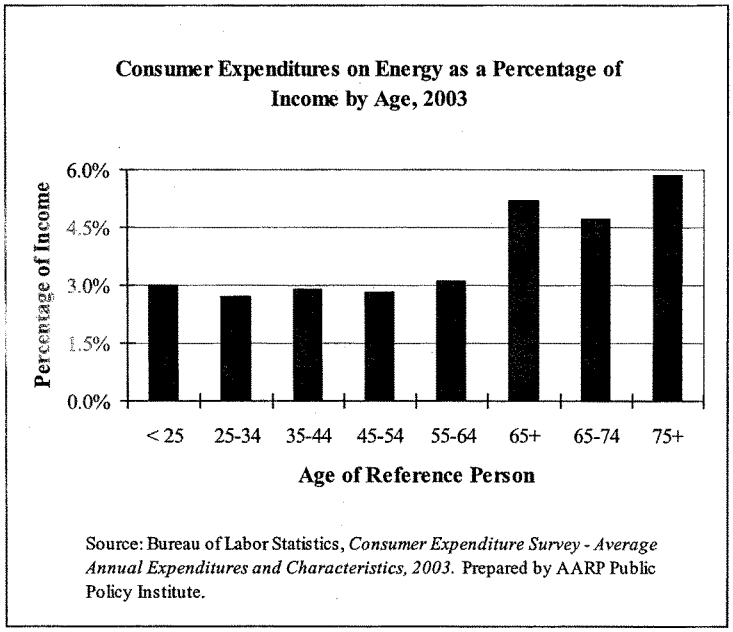
**Older Americans devote a higher percentage of total spending to residential energy costs.**

Older Americans spend a higher percentage of their overall household budget on their energy costs. One factor contributing to this is that older people spend a greater proportion of their income on home heating costs, even after adjusting for weather and home size. Low-income older Americans spend an average of 14 percent of their income on residential energy. However, about one of every four low-income, older households spend 19 percent *or more* of their entire income on home energy bills[1]. Too often, low-income older people must choose between risking their health and comfort by cutting back on energy expenditures, and reducing spending for other basic necessities.

---

[1] Consumer Expenditure Survey. *Average Annual Expenditures and Characteristics, Bureau of Labor Statistics.* (2003).

The graph below depicts the impact energy expenditures have on older Americans' overall budget. The relative percentage of energy expense, as related to overall household budget, rises dramatically for those over the age of 65.




Source: Bureau of Labor Statistics, *Consumer Expenditure Survey - Average Annual Expenditures and Characteristics, 2003.* Prepared by AARP Public Policy Institute.

**Rapidly rising energy costs force older Americans to adjust their overall spending, sometimes resulting in life-threatening choices.**

AARP recently surveyed about 850 older Americans across the country to determine if they have taken any steps to deal with the rising energy costs. Consumers have altered their lifestyles in several ways:

- 61 percent have limited the use of energy in their homes;
- 62 percent have raised their thermostat in hot weather or lowered their thermostat in cold weather;
- 48 percent have limited their travel by automobile; and
- 11 percent have turned to public transportation rather than drive their own car.

A number of the older Americans surveyed have also delayed payment for their energy bills (11 percent) and/or their bills for other services (14 percent). In addition, rising energy costs led 11 percent of those surveyed to apply for energy assistance.

Most troubling, however, are the significant number of older Americans that have taken more serious measures to account for rising energy costs. The increased costs have forced them to limit, or do without, essential services and products.

- 12 percent have been forced *to limit or do without food;*
- 11 percent have reduced or done without *medical services*; and
- 10 percent have limited or done without their *prescription drugs;*

As we experience the hot summer months and look ahead to another cold winter, too many older Americans are burdened by the prices they have already paid, and will continue to pay, for mounting energy costs. The safety and security of older Americans should not be compromised.

**In addition to utility services, increased energy costs impact older Americans' reliance on transportation and transportation services.**

Rising energy costs are also reflected in gasoline prices, which have had an immediate impact on older individuals as well as on the agencies that serve them. Ninety percent of trips by older persons are by private vehicle. Most older people live in communities where public transportation is infrequent or nonexistent, forcing them to rely on automobiles. Transportation is the second highest expenditure category for households age 45 and above, second only to housing. According to the 2001 Consumer Expenditure Survey, transportation consumes, on average, 19 percent of the spending in these households. Gasoline makes up about 16 percent of transportation costs. These costs represent an even higher percentage of household spending for older Americans with lower incomes.

We've seen and heard reports that services for seniors that rely on cars, vans, and trucks – such as transportation services and meals on wheels programs -- are being severely challenged by the sharp increase in gasoline prices. Many meals programs have had little, if any, increase in funding and are operating in deficit to cover the higher gas costs. Volunteer drivers for meals programs are particularly affected by fuel costs. More volunteers are applying for mileage reimbursement, and in many instances, such volunteers, on fixed incomes themselves, have had to leave the program. Agencies find that clients often can't afford to contribute to the cost of their meals. In order to cope, many agencies have had to make shorter and fewer trips, reduce days of delivery, and substitute frozen for hot meals that permit several days' worth of meals with a single trip.

Higher gas prices particularly affect transportation service providers in rural areas where destinations are at greater distances from one another. Older persons (age 65+) comprise about 40 percent of transit riders in rural areas[2]. We understand that cost increases have led transportation service providers to ask for higher contributions from riders and that they have scaled down some services as well. Urban transit operators have also felt the pinch, but the silver lining is that transit ridership has increased in some areas, such as in Los Angeles, as drivers look for more economical ways to get around.

**Federal assistance programs, such as the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program, offer life-saving assistance to consumers.**

For many older Americans on fixed incomes, home energy costs are unaffordable. The burden of these costs keeps growing as natural gas, heating oil and propane prices continue to rise. Federal assistance programs for energy services provide a critical safety net for low-income and older American households.

The Low-Income Home Energy Assistance Program (LIHEAP), one of the most critical federal assistance programs, provides financial assistance for home heating and cooling. Without this program's assistance for energy services, many low-income households would have to choose between heating and other necessities such as food, medicine, rent or mortgage. For some older Americans, this presents an unacceptable choice: a warm

---

[2] "Status Report on Public Transportation in Rural America", *Community Transportation Association of America for the Rural Transit Assistance Program*, (1994).

home during the cold winter or life-sustaining food and medicines. Older Americans should not have to make this choice.

Since 1981, the number of households eligible for LIHEAP assistance has grown. This winter, requests for energy assistance are expected to reach an all-time high. While the need for this program is greater than ever, LIHEAP has struggled to keep pace with the ever-increasing number of eligible households. Based on the latest information available from the Administration on Children and Families, the proposed LIHEAP budget will assist only 14% of the estimated 34 million eligible recipients. In Pennsylvania, LIHEAP was only able to serve 22.2% of the over 1.471 million low income households eligible for benefits[3]. According to Senate Budget Committee Chairman Gregg, LIHEAP needs at least $3.276 billion for fiscal year 2006 to simply maintain the assistance level it provided last year.

The Weatherization Assistance Program is another valuable federal assistance program. This program provides an alternative solution to high energy bills by utilizing energy efficient measures in the home. Weatherization services are provided to low-income households free of charge, reducing the burden of energy costs they face. The Department of Energy provides the funding and technical guidance to the states to run their own programs in communities with the greatest need.

---

[3] The LIHEAP Databook: *A State-by-State Analysis of Home Energy Assistance*, Campaign for Home Energy Assistance, January 2004.

In conclusion, AARP looks forward to working with the members of this Committee, and Congress, to ensure the welfare of older Americans at a time when burgeoning energy costs have the potential to threaten their safety, health, and welfare.

Senator SANTORUM. Thank you. I appreciate that, and we have been and we certainly will be, and I appreciate your advocacy for senior's heating needs.

Our final testimony is from Major Deborah Sedlar, who is the program secretary for the Divisional Headquarters of the Salvation Army. Thank you very much for coming and being with us this morning.

**STATEMENT OF MAJOR DEBORAH R. SEDLAR, PROGRAM SECRETARY, SALVATION ARMY DIVISIONAL HEADQUARTERS, PITTSBURGH, PA**

Ms. SEDLAR. Thank you for your invitation this morning, Senator. We appreciate it, and while the Salvation Army does not have expertise in these areas, we do have some observations that come from meeting with the folks who are within our communities. I actually represent the Western Pennsylvania Division of this area, and it is roughly half of the State, but it is 28 counties, to be precise, and our headquarters is here in Pittsburgh. So we are grateful that you convened here. That is rather convenient for us. There are some issues that come up when it comes to the elderly folks, and I merely want to make some observations to you from the Salvation Army's perspective.

We have provided 1,320 families with energy assistance, and that average supplement was about $125, totaling approximately $165,000 in the last year. This is exclusively through Salvation Army units. Most of the funding is generated through government grants or private foundations that we have secured. The funding pool is decreasing annually as the need rises. Once the resources are depleted there really are no alternate funding sources, except to draw from other provisions of service that we have. In other words, if we are paying out energy bills, then perhaps we cannot assist as many people with food or other things that we generate. Agencies that serve as conduits for these funds often change annually, such as the FEMA funding program or the LIHEAP or the Dollar Energy. Sometimes the agency to which a client must go changes annually, so they do not know from year-to-year where to go, and it becomes rather confusing. Some funding sources are restricted to one-time use. We often have foundational things, criteria that hold us to just a once-in-a-lifetime use of that emergency funding. Transportation issues for the elderly and communication barriers contribute a great deal to an already strained system of assistance that particularly impacts these folks. I think about the new programs that are coming out for prescription benefits for many of the elderly folks. They are extremely confused by that, so to try and broach the idea of trying to get some help to pay the energy bills—I think they would rather stay home and be in the cold than try to do this on their own. Assisting this population base presents very unique challenges, and most seniors have a deep sense of pride and are often embarrassed and ashamed to ask for assistance.

In the United States, more than 3.5 million children are raised by grandparents. This presents a new problem to many of these folks. These multigenerational homes require increased social services in order for these families to thrive. Heating is not something

that can be done without when you have grandchildren in the house with you. Often impoverished elderly often have substandard and older housing units that are not energy efficient, and subsequently that creates increased higher costs, probably more so than many of the newer homes that are more energy-efficient. As the energy costs increase, so does every other cost to live. The cost for food will go up. The cost for any other basic need—clothing—will go up. Retailer costs will increase as the cost of energy goes up because they have to maintain their operations, as well. Collaborative efforts are having the most impact from what we can see as an agency and an organization, but that often means that an individual who needs assistance has to meet with a number of agencies in order to draw from multiple resources, and this becomes very confusing to an elderly person.

So we appreciate the opportunity to speak to you today and certainly we commend you for your efforts and would welcome any help that you can give to this area for these purposes.

Senator SANTORUM. Thank you very much, Major. Just to pick up on what you were saying, because when I was listening to the testimony from Bill and Jimmy I was struck by the number of programs that both of the companies have, and then I hear your testimony that this is very, very confusing for a senior. Do you guys have a response? Is there a way that we can help sort of cut through?

Mr. HECHT. Yes. We do work with the same agencies, so the social service agencies that are in our communities are multiple—community action committees, Salvation Army, other charity groups. So we do work with those agencies and bring them together to allocate our customer assistance money. We also work with the agencies when we refer our consumers that are identified with a problem to individual agencies, so we know which services the different agencies provide, which services fit the needs of consumers when we learn what some of their challenges are. I did spend an afternoon a couple of years ago with what we call our CARES representative, or Customer Assistance and Referral program representative, making house calls, and saw firsthand that many of the consumers that have difficulty paying their energy bills have other challenges. We can help identify what they are and send them to the right agency, but it is true that although we have great benefits from private philanthropy in the U.S., at the same time that private philanthropy does get channeled through multiple agencies. That is a fact.

Mr. STATON. Senator, I would agree. It is a fact, that it does come through multiple agencies. The way we have attempted to try to address that is on staff at Dominion Peoples we have two social workers as part of our CARES program and we actually do a casework approach, if you will, to helping our customers, so that we help them go through the entire process and not just simply refer them, because I think we have certainly seen the same thing. We can refer to multiple agencies but our customers are never going to get all of the help that they truly need.

Senator SANTORUM. Do you have a comment on that?

Ms. SEDLAR. I think these gentlemen are accurate, and they even do a great deal within their bills to provide information to people

who might need help and where to call and where to go, and that is a referral process, unfortunately, because then when the person calls the company, they are referred to the specific agency in their area and have to then make another call. As an older person, that is more difficult than being a younger person. I think the elderly also do not have the access to Internet, which is becoming such a thriving area. I think about, in terms of the Yellow Pages, it is now costing agencies and organizations and businesses to post their information within the Yellow Pages so many more are opting not to do that. They use Internet sources because they are economical. The elderly do not have that. They have the Yellow Pages that come to their home every year or so, and that is what they have to work with, so they do not have access to all of the possibilities that they might need, and they might give up a whole lot easier than a younger person might. Again, I want to say there is competition for the dollars, as in getting there first to be able to get the access to them. Once the dollars run out, then there is no more. If there is that type of competition, the elderly folks are left behind because they are not out there first, they are not the first to hear about it. They are pretty much the turtles in the race, so to speak, by virtue of their own person.

Senator SANTORUM. Mr. Griesbach, you have a statistic here that caught my attention. You said lower-income older Americans spend an average of 14 percent of their income on residential energy. Do you know what that number is in Pennsylvania? Is it higher here, or do you have information on that?

Mr. GRIESBACH. I do not know. This is a national figure.

Senator SANTORUM. Right.

Mr. GRIESBACH. We are trying to find out for Pennsylvania, but we do not know. It has not been broken down that narrowly yet.

Senator SANTORUM. OK. In listening to the testimony from Mr. Hecht and Mr. Staton, I was struck with the programs that you have in place to be able to help those in need, and then particularly, Mr. Staton, you talked about the other side of the equation, and that is what do we do to try to drive any energy costs down, and even though this is a meeting on LIHEAP, obviously part of the equation or the need for LIHEAP is the fact that we have seen skyrocketing energy prices, which we talked about with the first panel. You mentioned something interesting to me, that you get 40 percent of your supply from Pennsylvania. I suspect that that would surprise most people in the room, that there is that much production of natural gas—I assume in western Pennsylvania—predominantly in western Pennsylvania. You said that new wells produce approximately six million cubic feet of natural gas per day. Can you give me an idea of what—I do not know how much six million cubic feet of natural gas—I mean, maybe people in the audience do, but I do not know what that is. I mean, how much is six million cubic feet? What does an average consumer use? Is it millions of cubic feet or thousands of cubic feet? I mean, what does that mean?

Mr. STATON. Generally customers will use about 100 MCF or 100,000 cubic feet of natural gas on an annual basis in our service territory.

Senator SANTORUM. So you say they would use 100,000 cubic feet. So that is one customer?

Mr. STATON. One customer, on average.

Senator SANTORUM. Yes, so six million cubic feet does not sound like a lot of gas to me.

Mr. STATON. Six million cubic feet a day.

Senator SANTORUM. A day. Oh, OK. I'm sorry. A day?

Mr. STATON. Yes.

Senator SANTORUM. Well, then that is a little bit more. That is a little bit more. [Laughter.]

That is six million cubic feet of additional capacity?

Mr. STATON. Yes.

Senator SANTORUM. OK. Forty percent of what you use in natural gas comes from western Pennsylvania. How much is that?

Mr. STATON. In total, we deliver about—40 percent would be about 12 billion cubic feet.

Senator SANTORUM. Twelve billion?

Mr. STATON. A year.

Senator SANTORUM. A year, OK. Is it your sense that there is more natural gas production capability here—I mean, a lot more here in western Pennsylvania?

Mr. STATON. I would love to say that there is. Appalachian supplies generally are not as dramatic as, say, the Gulf Coast supplies. When you drill in the Gulf Coast you get huge benefits in a very short period of time. You do not get that big of a bank for the buck, if you will, but there is still capability in western Pennsylvania and the rest of the Appalachian Basin to continue to bring on additional resources. It is just a matter of being able to get the permits that are necessary to drill and to bring it to market.

Senator SANTORUM. The question I have, and one of the concerns that I know a lot of folks have with respect to any kind of energy production, and that is the environmental impact of that. We sit here in Pittsburgh, and I guess most folks here would really not know very much about what are the environmental impacts of drilling a natural gas well. Can you talk about that, because I certainly know from the issue of offshore drilling, one of the big concerns is what are the environmental impacts of offshore drilling and maybe they are different than the environmental impacts of drilling here in the Appalachian Basin, but can you give us an idea of what that is?

Mr. STATON. The environmental implications—in the old days of drilling, you ate up a lot of space, a lot of land, and you created a lot of disruption, if you will—arguably you created a lot of disruption as you drilled for natural gas or for oil. With the newer technologies that we have and the capabilities we have, we are not drilling as many holes in order to get the same results, if you will. So the environmental impacts have dropped dramatically as a result of better technology, better underground technology, and greater reach from single locations. Directional drilling, for instance, would be an example of where in the past you might have to drill in a particular area. In an acre of land or 100 acres of land, you might need a well per acre in order to drain the reservoir. Now you can do that in a much more limited space. So the environmental impacts have dropped dramatically, and again we are caretakers of

the environment as we drill, and when we are done drilling, restoring the land to where it needs to be has become a much greater effort.

Senator SANTORUM. A couple of other things that you mentioned I just want to go through to talk about the impact. You mentioned the permitting process. Is there something that you believe Congress can do to deal with that permitting process? What is the complication here?

Mr. STATON. Let me give you an example. As Margot indicated earlier, the natural gas market is a national market and the prices are driven by national supply and demand. Dominion currently drills on Bureau of Land Management property in Utah, and that would be a good example. We have plans to drill, in 2006, 75 wells in Utah. Each of these wells will cost us about $1 million and will produce about a million cubic feet of gas per day. Currently we only have 33 drilling permits in hand in order to be able to do that, and the process—again, we have 75 prospects, but only 33 permits. The process is taking now 7 to 8 months to get these permitted for a process that should only take a couple of weeks. I would point out when we make the application, all of the environmental work has been done beforehand, and so the process should be streamlined. The Energy Policy Act of 2005 gave BLM additional funding and broader new authorities to eliminate their backlog of permit applications. We have committed a significant amount of capital and other resources. We would just like to see the BLM do their part, and we do believe that with some pressure from Congress, the BLM will do what they were permitted to do in the Energy Policy Act.

Senator SANTORUM. On the first panel, Margot mentioned and you reiterated that this is a national price as opposed to an international price for natural gas. Having read in the paper of the dispute between Ukraine and Russia and looking at the price of natural gas in Russia, which was just like, what, a dollar or something like that, as opposed to 9 or 10—it has been as high as $13 or so here in the United States. In the Middle East it is 50 cents for what we pay $13 for, which—unlike oil, which has a world price and that is what everybody pays, that is not the case here. So it is very much tied—here in Pennsylvania where we are dependent upon natural gas, it is very much tied to how much we can produce here in this country to meet this demand. You mentioned a couple of other things that I think are important. We did pass a bill that allows for a pipeline to come from Alaska. There is a lot of controversy about drilling for oil in what is called ANWR. This has nothing to do with that. This has to do with where drilling is going right now, which is on the Prudhoe Bay, where we drill for oil and we send the oil down the oil pipeline, but up in that same area—in fact, coterminous in some cases with the oil—is gas, and the gas is, to my understanding, just pumped back into the ground. Actually the gas does come with the oil, and they just have to pump the gas back into the ground because we have no way to get it here. So this pipeline which we passed, I guess, 2 years ago is hopefully something that will get a major reserve of gas into our country.

The other issue is LNG, which you mentioned and Margot mentioned earlier from the Caribbean, but LNG is another potential source of internationalizing, if you will, the price of gas by having gas liquefied and then being able to be shipped. I guess the question I have is what are the limitations on our ability to make LNG a viable source of natural gas?

Mr. STATON. Currently I would say it is capacity. Dominion owns the Cove Point LNG facility in Maryland, and it is one of only four in the country currently that can receive natural gas or can receive liquefied natural gas. What we need to be able to do——

Senator SANTORUM. Just for the technology point of view, you receive the liquefied natural gas from Qatar, for example?

Mr. STATON. Yes.

Senator SANTORUM. It comes here, and you have a plant there that receives it and processes it?

Mr. STATON. We have a plant there that receives it, gasifies it again, and then we deliver it into our pipeline and deliver it up into the Northeast and into the Mid-Atlantic area of the country.

Senator SANTORUM. It has the same properties—once you gasify it, it has the same properties as——

Mr. STATON. There may be some that dispute that right now, but yes, it has essentially the same properties, flows through our pipelines just like any other type of natural gas.

Senator SANTORUM. OK.

Mr. STATON. What we need to be able to do is to continue to permit additional facilities and to——

Senator SANTORUM. Does this have the same permitting problems as a refinery would have in the sense that people do not want an LNG facility in their backyard, if you will? I mean, I guess we could have one here along the river or someplace, but what goes on there that people would not like to see have go on in their neighborhood?

Mr. STATON. Again, it is really a relatively low-key facility. It does not look like a refinery. It is a series of tanks and gasification facilities in a very contained area. I think aesthetics is not the primary issue. I think folks are concerned about potential terrorism impacts, which again, with liquefied natural gas, that is really not a problem.

Senator SANTORUM. Why is that?

Mr. STATON. The ability for it to burn is not what people would think. It is the same as natural gas. Natural gas only burns within very defined limits. Liquefied natural gas in its liquid form is not particularly flammable, but nevertheless there are folks that raise that issue as a concern due to a lack of understanding. So I think it is somewhat aesthetics, but I also think it is unwarranted concerns, if you will, as to safety.

Mr. HECHT. Yes, I would reinforce that. There are fairly well-publicized issues that have come to light in the proposed expansion of a number of LNG terminals and the proposed establishment of other LNG terminals in the U.S. Their construction has proceeded much more slowly than the marketplace would suggest it should. The debates have been over safety and security, primarily. There is a process being followed. It takes more time to work through that process and bring LNG online than many of us would like to

see. I would suggest that the market indicated that natural gas prices were rising and the market was tight even before Katrina, and Katrina certainly magnified the shortage in supply.

I might also reinforce the statements of others regarding environmental permitting. We have a very limited amount of natural gas production, very, very limited, much smaller than my colleague. In one particular case we found it economical to make a charitable contribution of the mineral rights rather than attempt to get the environmental permits to produce the gas.

Senator SANTORUM. OK. Just a final comment on the LNG facility, because this was somewhat of a—there is a controversy on the other end of the State, in Philadelphia, about trying to site an LNG terminal in the Philadelphia area, and I am not an expert on this, but community groups, upset about that facility in their neighborhood even though the proposed facility is along the Delaware River, separated by an industrial sector and I–95 and then the neighborhood—but that is still—it looks to me like they are not moving forward on the facility as a result of that. So I wanted to make sure that that is in the record in the sense that we talk about Pennsylvania being dependent upon natural gas, and then when we try to bring more supply in here to get the cost down so heating bills are not so high, then we have all sorts of impediments to try to get more energy here into this country. It is one of those things where you cannot have your cake and eat it, too, and somehow or another we have got to work out something where we are going to try to drive—we pay more for natural gas in this country than any other country in the world, and that is because we just simply do not produce what the demand is and we do not allow those countries that—the price of natural gas in Qatar is 75 cents, I think that's what it is. We pay, what, 15, 20 times that here, and we want to take that natural gas at that price, liquefy it, bring it here, and we cannot. So it is a frustration, but it is something that all of those who are advocates for energy assistance need to understand, that we would not need as much advocacy for energy assistance if the energy costs were lower, and there are ways to get those costs lower, and we just need to be conscious about pursuing those also in a way that is safe and environmentally friendly.

I was notified 15 minutes ago that Secretary Richman will be here in 5 minutes. So we have sort of gone off in a little different direction—I won't say stalling for time—but wanted to give Secretary Richman every opportunity to come here so she could testify.

I do not have any additional questions. If anybody has any other comments that they would like to make for the record, our panel will accept them.

Mr. GRIESBACH. I am not known as the AARP expert on the environmental stuff, and if there is a way to do this more efficiently and quicker, that is good. We do have a problem in the here and now that is imminent, and no matter what we do on these issues, this imminent problem is not going to go away. These programs that they are running to help low-income people are terrific programs, but just in Pennsylvania alone, while we have about 300,000 people, 300,000 households that got LIHEAP assistance last year, the projected need is probably 1.4 million households. So we are not near reaching—and add all these programs together,

make them all totally efficient so that they are all working together, and we are still not there yet in terms of providing the kind of heat——

Senator SANTORUM. Yes. Of the company-sponsored programs, how many folks do you reach compared to the LIHEAP program? I mean, what is the total universe of folks? Obviously, you potentially know from your companies, but do we know what the philanthropic and corporate participation is, how many people were served?

Mr. HECHT. I can give you a general idea, Senator. LIHEAP probably helps about 3,500 recipients—no, that is not correct.

Senator SANTORUM. You said 300,000, right?

Mr. GRIESBACH. Statewide.

Mr. HECHT. That is Statewide. Among our customers, LIHEAP is probably more than half of the total direct cash assistance that we are able to provide. As I think I pointed out——

Senator SANTORUM. Would you say you are fairly typical of most utility companies, that LIHEAP is the majority of the assistance?

Mr. HECHT. We may not be, Senator. I would not want to say, because we serve primarily middle-sized cities, 100,000 population or lower, and the urban areas have their own set of challenges that can be different than the rural and midsize cities and suburban areas that we serve.

Senator SANTORUM. Jimmy, do you have any——

Mr. STATON. My numbers are not significantly different. In total, we have about 10 percent of our customer base, or in the 30,000 customer range, that are receiving either LIHEAP help or are part of our Customer Assistance Program.

Senator SANTORUM. I guess the breakout between who gets LIHEAP and who gets——

Mr. STATON. About 20,000 of our customers receive LIHEAP assistance.

Senator SANTORUM. So about two-to-one.

Mr. STATON. Then about 10,000 under the CAP program.

Senator SANTORUM. You finished your answer just at the right time. Secretary Richman just walked into the room, so——

Mr. STATON. Always willing to help, Senator.

Senator SANTORUM. We have had an interesting discussion on a variety of topics, Madam Secretary, in making sure that we spent enough time to make sure that you could get here, because we knew you were trying hard to come and we wanted to make sure that your efforts were rewarded. This is a reward? I don't know. Some may not think this as much of a reward, but if this was your objective, then——

Ms. RICHMAN. This is my objective.

Senator SANTORUM. Madam Secretary, thank you so much for making the extraordinary effort to be here, and I will let you offer your testimony. Thank you.

**STATEMENT OF ESTELLE RICHMAN, SECRETARY OF PUBLIC WELFARE, COMMONWEALTH OF PENNSYLVANIA, HARRISBURG, PA**

Ms. RICHMAN. Thank you. First let me officially thank you for the action taken yesterday and comment on that.

Good morning, Senator.

Senator SANTORUM. You can thank assistant secretary Horn, who was the person who declared that emergency or executed that emergency.

Ms. RICHMAN. Well, thank you.

Good morning, Senator Santorum. I am Estelle Richman. I am the secretary of public welfare for the Commonwealth of Pennsylvania. Thank you for providing me with the opportunity to discuss what we are doing in Pennsylvania to help the elderly and some of our most vulnerable citizens stay warm during this winter season. We are only 2 weeks into the official winter season and already much has been said and written about the potentially dangerous situation that many Pennsylvanians will face this winter because they cannot afford to heat their homes. We need help. The rising cost of home heating is putting tremendous financial stress on all of our citizens of low and even middle income, but this is especially true in the case of people who are elderly and on fixed incomes. According to the PUC, the cost to heat homes with gas is expected to rise about 50 percent this year, and the cost to heat homes with oil is expected to rise 32 percent. As of December 15, over 21,000 households were without use of their central heating system, an increase of more than 19 percent from last year. The Energy Policy Act of 2005 increased the authorized spending level for LIHEAP to $5.1 billion annually. To authorize is one thing, to appropriate is another. Unless further action is taken in the next congressional session, which as you know convenes in mid-January, LIHEAP will receive only the $2.1 billion in the Labor-HHS Education bill that passed the Senate. This amount is less than half of what was authorized and woefully inadequate to support the number of households here in Pennsylvania and across the country that will need energy assistance this winter.

When adjusted for the 1 percent across-the-board cut to discretionary funds, this means that the regular LIHEAP program will receive approximately $1.98 billion, and the 1-year contingency funds are approximately $181.1 million. In Pennsylvania, this translates into about $133 million in basic funding, about 5 percent higher than last year, but unfortunately not nearly enough to keep pace with the 40-percent average increase in home heating costs. The $7.6 million in contingency funds that were announced yesterday for Pennsylvania will still leave us short of needed funds.

Demand for assistance through LIHEAP is very high so far. As of December 30, 2005, we had already received 322 applications for the cash component of LIHEAP. This represents a 5-percent increase over last year and means that over 17,000 additional Pennsylvania households have requested basic heating assistance so far this winter. We have seen a 15-percent increase in crisis applications, as well, from just over 38,000 at this time last year to just over 45,000. Already over 6,000—nearly 7,000—more households in Pennsylvania are facing a heating crisis than at the same time last

year. The simple fact is we need more Federal funds to protect at-risk Pennsylvanians from the cold in the coming months.

In Pennsylvania, Governor Rendell's response to the situation is a multi-pronged initiative called Stay Warm Pennsylvania. Stay Warm was launched at the beginning of November when the Governor convened a statewide energy summit that brought together 180 stakeholders. During this live statewide videoconference, the Governor and top Cabinet members heard firsthand from a broad range of the public and private sector leaders and consumers about what our energy needs would be for this winter. The summit generated real solutions and real ideas on ways for Pennsylvanians to stay warm and safe in the winter. The LIHEAP program is the foundation of Stay Warm Pennsylvania. Other key components include encouraging energy companies to help low-income consumers manage their heating bills, ensuring that low-income families get a second chance to pay their bills before their heat is shut off, removing barriers for families seeking to have their service restored, and assembling volunteers to help seniors winterize and take care of their homes to help lower energy costs. In addition to working with the utility companies, the Governors have secured many key partners in the Stay Warm Pennsylvania initiative, among them are the United Way, the Red Cross, the Salvation Army, the AFL–CIO and the Pennsylvania Council of Churches.

As I noted a moment ago, LIHEAP is at the center of Stay Warm Pennsylvania. For more than 25 years the LIHEAP program has been helping citizens who are unable to pay their utility bills in the coldest months. To help supplement this vital program, Governor Rendell asked for and has received an additional up to $21 million from the State Legislature. This is the first time since the inception of the program that the State has put in its own funds into the program and demonstrates the commitment that Pennsylvania has to helping our citizens stay warm and safe this winter.

The increased State and Federal funding is critical. With the dramatic increases in energy costs, our estimates show that we will need approximately $50 million in additional funding to maintain LIHEAP purchasing power just to provide assistance to the same number of people as last year. Much more will be needed to provide assistance to the number of households that will need help this winter. Keeping in mind that this Committee's focus is on the energy needs of older Pennsylvanians, I would like to point out that the Department of Public Welfare works very closely with the Pennsylvania Department of Aging to ensure that seniors in Pennsylvania know about LIHEAP and how to apply for this important benefit. In preparation for this year's heating season, we sent out outreach and application materials to the 54 Area Agencies on Aging and 518 senior centers across Pennsylvania. In addition, seniors who received a LIHEAP grant last year were automatically mailed an application for this year's program.

During the 2004–2005 winter season, more than 128,000 of the households that received LIHEAP assistance had at least one person over the age of 60. This represents roughly one-third of our total number of households served. As of December 24, the Department had authorized both cash and crisis benefits for approximately 75,437 households which have at least one member over the

age of 60. This is nearly 40 percent of the total approved households. With the additional funding coming from the State and Federal sources, we are hopeful that we can increase the level of support to older Pennsylvanians and other low-income households. In addition to the work we are doing with the LIHEAP program, the Governor is reaching out to the broader community to help those in need through Stay Warm Pennsylvania. For example, the Governor has secured agreement from Pennsylvania's utility companies to take voluntary steps to ensure that their customers have heat this winter even if they are having trouble paying their bills. The utilities answered the call to action by expanding existing programs that help customers pay their bills, by reducing or eliminating disconnections and by removing hurdles poor citizens face to reconnect fuel service.

The Governor challenged the CEOs of the State's major utilities to double enrollment into the Customer Assistance Program. This is a State program that requires participating energy companies to provide grant recipients with reduced monthly energy bills. Our efforts to partner more actively with these companies are already bearing fruit; 12 utility companies have pledged $12 million in new funds to protect low-income households. Another successful partnership is with Lowe's, which operates 60 home-improvement retail stores in the State. They have agreed to hold weatherization workshops on a regular basis at senior centers and other locations and to provide weatherization materials at no cost to volunteer groups that will winterize the homes of seniors and families in need.

Through outreach with community organizations, we have assembled a corps of volunteers to weatherize homes, aid the frail and elderly, and establish warm rooms in homes and community centers. In Pennsylvania, we have developed a broad strategy so our most vulnerable citizens are not left out in the cold this winter. While working to address the immediate energy needs of low-income citizens, we are also taking steps to address the larger issues surrounding our energy needs in Pennsylvania and throughout the Nation. The Governor is moving quickly and effectively to make Pennsylvania a leader in clean and sustainable energy initiatives. Investment in wind energy, biodiesel fuel production and converting old waste coal to diesel fuel will bring clean, renewable sources to Pennsylvania that will meet the needs of Pennsylvania citizens and boost the State's economy. This portfolio of energy investment has placed Pennsylvania in the lead among States in the Energy Independence 2020 Plan, a national effort to reduce dependence on foreign oil.

At this time I would like to conclude my remarks and again thank the Committee and the Senator for inviting me to offer my comments here today on behalf of the Rendell administration.

[The prepared statement of Ms. Richman follows.]

## Prepared Statement of Estelle Richman

Good morning, Sen. Santorum and members of the Senate Special Committee on Aging.

Thank you for providing me with the opportunity to discuss what we are doing in Pennsylvania to help the elderly and some of our most vulnerable citizens stay warm during this winter season.

We are only two weeks into the official winter season, and already much has been said and written about the potentially dangerous situation that many Pennsylvanians will face this winter because they cannot afford to heat their homes. We need help!

The rising cost of home heating is putting tremendous financial stress on all of our citizens of low and even middle income, but this is especially true in the case of people who are elderly and on fixed incomes. According to PUC, the cost to heat homes with gas is expected to rise about fifty (50) percent this year and the cost to heat homes with oil is expected to rise thirty-two (32) percent. As of December 15, over 21,000 households were without use of their central heating system - an increase of more than 19 percent from last year.

The Energy Policy Act of 2005 increased the authorized spending level for LIHEAP to $5.1 billion annually. To authorize is one thing, to appropriate is another. Unless further action is taken in the next

Congressional session, which convenes in mid January, LIHEAP will receive only the $2.1 billion in the Labor / HHS / Education bill that passed the Senate. This amount is less than half of what was authorized and woefully inadequate to support the number of households here in Pennsylvania and across the country that will need energy assistance this winter.

When adjusted for the 1 percent across-the-board cut to discretionary funds, this means that the regular LIHEAP program will receive approximately $1.98 billion and the one year contingency funds are approximately $181.1 million. In Pennsylvania this translates into about $133 million in basic funding – about 5 percent higher than last year and not nearly enough to keep pace with the 40 percent average increase in home heating costs. The $7.6 million in contingency funds that were announced yesterday for Pennsylvania will still leave us short of needed funds.

Demand for assistance through LIHEAP is very high so far. As of December 30, 2005, we had already received 322,028 applications for the Cash component of LIHEAP. This represents a 5 percent increase over last year and means that 17,290 *addtional* Pennsylvania households have requested basic heating assistance so far this winter. We have seen a 15

percent increase in crisis applications as well, from just over 38,000 at this time last year to over 45,000. Already 6,837 more households in Pennsylvania are facing a heating crisis than at the same time last year.

The simple fact is that we need more Federal funds to protect at-risk Pennsylvanians from the cold in the coming months.

In Pennsylvania, Governor Rendell's response to the situation is a multi-pronged initiative called Stay Warm PA

Stay Warm was launched at the beginning of November when the Governor convened a statewide energy summit that brought together 180 stakeholders. During this live, statewide video-conference, the Governor and top Cabinet members heard firsthand from a broad range of public and private sector leaders and consumers about what our energy needs would be for this winter.

The summit generated real solutions and real ideas on ways for Pennsylvanians to stay warm and safe this winter.

The LIHEAP Program is the foundation of Stay Warm PA. Other key components include encouraging energy companies to help low-income consumers manage their heating bills; ensuring that low-income families get a second chance to pay their bills before heat is shut off; removing barriers for families seeking to have their service restored; and assembling

volunteers to help seniors winterize and take care of their homes to help lower energy costs.

In addition to working with the utility companies, the Governor has secured many key partners for the Stay Warm PA Initiative. Among them are the United Way, the Red Cross, the Salvation Army, the AFL-CIO and the Pennsylvania Council of Churches.

As I noted a moment ago, LIHEAP is at the center of Stay Warm PA. For more than 25 years, the LIHEAP program has been helping citizens who are unable to pay their utility bills in the coldest months. To supplement this vital program, Gov. Rendell asked for and has received an up to $21 million from the state Legislature. This is the first time since the inception of the program that the state has put its own funds into the program and demonstrates the commitment that Pennsylvania has to helping our citizens to stay warm and safe this winter.

The increased state and federal funding is critical. With the dramatic increases in energy costs, our estimates show that we will need approximately $50 million in additional funding to maintain LIHEAP purchasing power just to provide assistance to the same number of people as last year. Much more will be needed to fully provide assistance to the number of households who will need help this winter.

Keeping in mind that this committee's focus is on the energy needs older Pennsylvanians, I would like to point out that DPW works very closely with the Pennsylvania Department of Aging to ensure that seniors in Pennsylvania know about LIHEAP and how to apply for this important benefit. In preparation for this year's heating season, we sent outreach and application materials to 54 Area Agencies on Aging and 518 senior centers across Pennsylvania. In addition, seniors who received a LIHEAP grant last year were automatically mailed an application for this year's program.

During the 04-05 winter season, more than 128,000 of the households that received LIHEAP assistance had at least one person over the age of 60. This represents roughly one-third of our total number of households served.

As of December 24, the Department had authorized both cash and crisis benefits for approximately 75,437 households which have at least one member over the age of 60. This is nearly 40 percent of the total approved households.

With the additional funding coming from state and federal sources, we are hopeful that we can increase the level of support to older Pennsylvanians and other low income households.

In addition to the work we are doing in the LIHEAP program, the Governor is reaching out to the broader community to help those in need through Stay Warm PA:

For example:

- The Governor has secured agreement from Pennsylvania's utility companies to take voluntary steps to assure that their customers have heat this winter, even if they are having trouble paying their bills. The utilities answered the call to action by expanding existing programs to help customers pay their bills, by reducing or eliminating disconnections, and by removing hurdles poor citizens face to reconnect fuel service.
- The Governor is challenging CEOs of the state's major utilities to double enrollment in the Customer Assistance Program (CAP). This is a state program that requires participating energy companies to provide grant recipients with reduced monthly energy bills.

  Our efforts to partner more actively with these companies is already bearing fruit. Twelve utility companies have pledged $12 million in new funds to protect low income households.

- Another successful partnership is with Lowe's, which operates 60 home improvement retail stores in the state. They have agreed to hold weatherization work shops on a regular basis at senior centers and other locations, and to provide weatherization materials at no cost to volunteer groups that will winterize the homes of seniors and families in need.
- Also, through outreach to community-based organizations, we have assembled a corps of volunteers to weatherize homes, aid the frail and elderly, and establish "warm rooms" in homes and community centers.

In Pennsylvania, we have developed a broad strategy so that our most vulnerable citizens are not left out in the cold this winter.

While working to address the immediate energy needs of low income citizens, Governor Rendell is also taking steps to address the larger issues surrounding our energy needs in Pennsylvania and throughout the nation. Gov. Rendell is moving quickly and effectively to make Pennsylvania a leader in clean and sustainable energy initiatives. Investments in wind energy, biodiesel fuel production and converting waste coal to diesel fuel

will bring clean, renewable energy sources to Pennsylvania that will meet the needs of Pennsylvania's citizens and boost the state's economy. This portfolio of energy investment has placed Pennsylvania in the lead among states in the Energy Independence 2020 plan, a national effort to reduce dependence on foreign oil.

At this time, I would like to conclude my remarks and again thank the committee for inviting me to offer my comments here today on behalf of the Rendell Administration.

Senator SANTORUM. Thank you very much, Madam Secretary, and you were well worth the wait. I appreciate it. I just was making some calculations based on some of the numbers that are in your testimony. You say LIHEAP funding, according to the numbers that you provided, was about $140 million, $21 million from the State program, $12 million additional from corporate programs. So we are looking at $173 million in funding, of which it looks like close to $40 million of that is new money.

Ms. RICHMAN. That is right.

Senator SANTORUM. So that is a fairly substantial increase, obviously not as big an increase as we have seen in the cost, but I think there is some good news here, is that the State and the corporate community, as well as Congress, has done something, although as I said earlier we wanted to do a lot more, and my hope is that when we get back next year, that we can figure out a way to get some additional funding through. But I would put out a warning that just to put additional money on the table without some mechanism to offset where that money is coming from is going to be a very, very tough thing in a budget that the President is going to lay out here in about a month that looks to be probably in the area of $400 billion to $500 billion in deficit this year, which is substantially higher than it was last year. So I just put a warning out that I am going to do everything I can, and I have been doing everything I can, to try to get more energy assistance money, but we are going to have to find some way to offset this, and my hope is that we can bring back the idea that went down in the Senate. Hopefully, we can come back and do some refashioning of that and hopefully be successful, because a $2 billion addition, basically doubling of the Federal commitment, would be more than what you had even asked for to meet those needs.

Mr. HECHT. Senator, if I may clarify an answer to an earlier question and also help put LIHEAP in perspective as a fraction of the total, our company last winter had about in excess of $22 million of private assistance. We have increased that to $28 million, and in addition LIHEAP last winter provided $6.3 million. So that gives you a proportion of the private funding versus the scope of LIHEAP to our corporation.

Senator SANTORUM. So LIHEAP is a much smaller——

Mr. HECHT. LIHEAP is a much smaller fraction than my earlier response to you, in our total funding.

Senator SANTORUM. You do not have those numbers?

Mr. STATON. I do not have those numbers, but dollar wise I would imagine we are not too dissimilar.

Senator SANTORUM. OK. Well, it would actually be helpful for me—and we can certainly, Madam Secretary, pursue this—is to understand what the scope of aid out there is. I mean, I think you talked about the increase being $12 million on the corporate side. The question is what is the base? To look at all of the money that is coming from all different sources to help those in need, it sounds to me it could be certainly well in excess of the number that we are talking about here. So that is something that we need to get a better handle on and understand where that money is being spent.

You mentioned also, Madam Secretary—I cannot pass up the opportunity—the Governor's efforts on clean coal and taking waste coal and turning it into diesel fuel, and we actually just 3 weeks ago—well, the week before Christmas—were able to pass a technical correction that needed to be passed to authorize a loan guarantee for that project, which is in Schuylkill County, which is on the other side of the State, Pottsville area, which will take coal which is basically sitting in piles all over the place, old anthracite waste coal, and turning that into zero-sulfur diesel fuel, which also can be used for home heating oil. That is a project that I have been working on for 6 years. We were able to get a $100 million Department of Energy grant 3 years ago, and that grant has been turned into a loan guarantee which will guarantee $450 million in the project, which basically will make the project go.

The State has agreed to be a purchaser of that fuel when the plant gets operational, but this could be a prototype of something that could be incredibly beneficial for the environment, cleaning up the environment, producing home heating oil here in Pennsylvania, and creating jobs at the same time. It is not just waste coal, but we can also use—that is, waste anthracite coal—but we can also use bituminous coal here in western Pennsylvania and create facilities of the same kind. So it is about a $700 million construction which is going to happen here in Pennsylvania, so there are jobs related to that, plus the production of—we could be an oil-producing State here in Pennsylvania here again.

Ms. RICHMAN. That would be very nice.

Senator SANTORUM. Yes, but I just want folks to know that we have got to look at this holistically. You cannot just look at it as the immediate need. Obviously, the immediate need is one that we need to deal with, and we have people that are in crisis right now, but we are going to be back here again year after year after year unless we do something with the bigger picture. So that is one of the reasons I wanted to expand into that, and we have been working cooperatively with the Governor on this project, and it is an important one for me and one that we hope to make happen here in the next couple of years.

With that, I do not know if anybody has any additional comments. I just want to thank everybody for attending, and we are adjourned.

[Whereupon, at 11:21 a.m., the committee was adjourned.]

# APPENDIX

---

PREPARED STATEMENT OF SENATOR RICK SANTORUM

In June, Chairman Smith held a hearing to examine the effect of high energy prices on the elderly and how the basic need of heating their homes can be met. Now that winter is here, the increasing cost of home heating fuel weighs heavily on the minds of the elderly and the rest of the American population. Many of our seniors are having to decide what they must sacrifice in order to make ends meet.

Prices of this winter were already projected to be considerably higher than last year; the advent of Hurricanes Katrina and Rita has made projections even more sobering. For example, the Energy Information Administration's December Short-Term Energy Outlook shows that on average, consumers will spend 38 percent more for natural gas this winter than they did last winter.

Pennsylvania routinely faces harsh winters and is home to the third-highest percentage of seniors in the country. According to the 2004 American Community Survey, approximately 53 percent of Pennsylvania's elderly households rely on natural gas to heat their homes; 26 percent use fuel oil; and 15 percent heat their homes with electricity.

The primary federal heating assistance program is the Low-Income Home Energy Assistance Program. In FY2005, over 128,000 Pennsylvania seniors received LIHEAP benefits. According to the LIHEAP Home Energy Notebook, the three-year (2001–2003) average number of elderly households eligible for LIHEAP under state guidelines was nearly 330,000. In 2003 (the most recent year for which data is available), only 32 percent of those households actually received benefits. Compared to other states, Pennsylvania is ranked third for most number of elderly receiving this benefit in 2003.

Unfortunately, as we know, LIHEAP does not reach all of those who are eligible. Since being a member of the House of Representatives, I have been an ardent, vocal supporter of LIHEAP funding. We cannot minimize the importance of this program; however, the purpose of this hearing is to take another look at the prices of home heating fuel now that winter is well underway and to hear from some of our witnesses about efforts they are making to help alleviate these burdensome prices for some of our most vulnerable citizens. Participation by private companies is vitally important to ensuring the warmth of our seniors. In addition, the tireless efforts of countless non-profits is commendable and essential. By continuing to raise awareness for this basic need of our elderly population, it is my hope that government, together with the private sector, can improve the assistance given to these individuals and reduce the number of those living with little or no heat.

I look forward to hearing your testimony and thank you for your time today.