The Utility of the Future and Low-Income Households

Energy efficiency investments, especially when directed at low-income communities, reduce costs to utilities, thereby lowering rates for all customers. A new model that focuses on low-income households will benefit the utility by easing demand on the grid, increasing on-time payments, and reducing expenditures on debt collection and shutoffs. In a future in which households have options for energy resources outside of the traditional utility, reduced operating costs and lower rates are vital to helping utilities maintain a competitive edge.

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I. Understanding the Low-Income Population

In Illinois, the opportunity to better serve low-income households is particularly striking. Over the past few years, the population and proportion of low-income households has increased, while real income has declined. Utility costs make up a larger percentage of the family budget of low-income families than of more affluent households, and these households consume more electricity per square foot than the rest of the population.[1] Programs already exist in Illinois that serve low-income households, and surveys indicate that these customers are just as interested in sustainability and conservation as other groups. Yet, barriers to accessing these programs include lack of capital and/or financing to invest in

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energy efficiency or renewables, as well as limited access to financial services. Given that low-income households account for such a large proportion of the population and present myriad opportunities for engagement, utilities and implementers should reframe programs and services with a primary goal of serving low-income families.

From 2010 to 2013, the federal poverty rate among Illinois residents increased to almost 15 percent of individuals and 21 percent of children, while median household income decreased to just under $57,000 in 2013 (Figure 1). In addition, Illinois households increasingly rent their homes, speak a language other than English at home, and participate in the Supplemental Nutrition Assistance Program (SNAP), also known as food stamps (Figure 2). Over 1.1 million households in Illinois earn 150 percent or less of the federal poverty line, a figure roughly equivalent to $35,775 for a family of four in 2014.[2]

As shown in Figure 3, from 2012 to 2014 households earning 150 percent of the federal poverty level typically spent between 8 and 9 percent of their annual income on home energy costs, and families earning just $11,775 spent between 26 and 30 percent of their income on home energy costs.[3] Households that earn less than 80 percent of area median income are eligible for ratepayer-funded energy efficiency programs in Illinois. By this measure of income

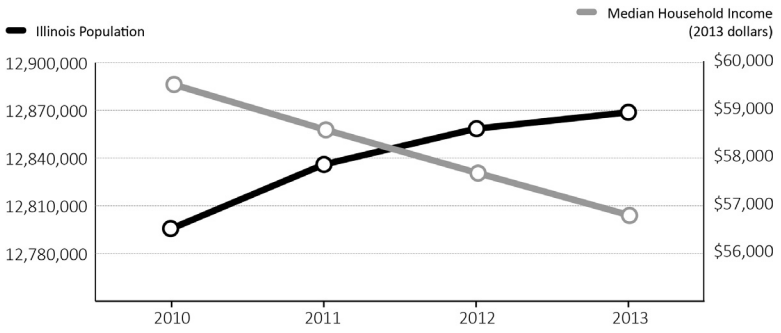

Figure 1: Illinois Population and Median Household Income: 2010–2013

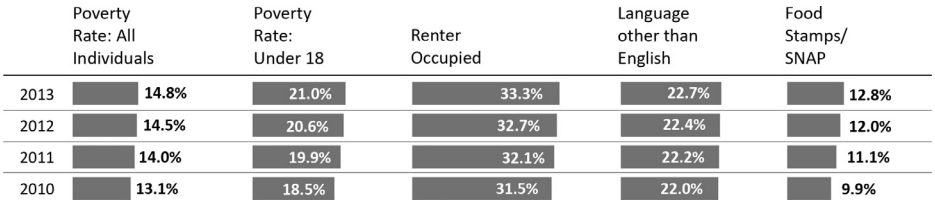

Figure 2: Illinois Poverty Rate and Other Trends: 2010–2013

	Federal LIHEAP Funding	Households Served	Number of Households <150% FPL	150% FPL	Home Energy Costs as a Percent of Income: Below 50% FPL	50-100% FPL	100-125% FPL	125-150% FPL
2014	$167.5 M	334,191	1,102,620	$35,775	26%	14%	9%	8%
2013	$160.2 M	322,756	1,071,493	$35,325	28%	15%	10%	8%
2012	$185.7 M	350,000	1,035,809	$34,575	30%	16%	11%	9%

Figure 3: Illinois LIHEAP Funding and Home Energy Costs: 2012–2014
Source: Colton, R., 2014, May. Illinois 2013 Home Energy Affordability Gap.

distribution, 48 percent of families in Illinois are considered low-income—in Chicago this is equivalent to earning $58,000 for a family of four in 2013. According to Elevate Energy program data, households in low-income neighborhoods in Chicago consume more electricity per square foot than households in more affluent communities, in both single- and multifamily homes.[4] Low-income households tend to live in older housing, smaller units and houses, and with more residents per household, contributing to these differences. Investing in energy efficiency will help preserve the enormous investments in affordable housing already being made by governments, nonprofits, and private affordable-housing developers.

Elevate Energy has documented the energy burden shouldered by low-income households throughout Illinois. In Cook County, households in low-income census tracts consume more electricity per square foot than households in more affluent

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