Impact Evaluation of NIPSCO Winter Warmth Program

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EXECUTIVE SUMMARY

This study examines the performance of the Northern Indiana Public Service Company (NIPSCO) Winter Warmth program relative to the objectives established for the program at its inception. NIPSCO petitioned the Indiana Utility Regulatory Commission (IURC) to establish Winter Warmth in September 2004.

Winter Warmth is a low-income energy assistance program directed toward assisting income-eligible households avoid the disconnection of service, achieve the reconnection of service, and avoid unaffordable winter heating bills. Customers may become eligible for Winter Warmth in either of two ways. First, customers who meet the State of Indiana's Energy Assistance Program ("EAP") guideline are automatically qualified. Second, customers who are classified as "hardship" by local Gift of Warmth agencies, the local community-based organizations that administer the program, are also qualified to receive benefits under the Program. These local agencies have the sole discretion for developing criteria for determining whether a customer qualifies as hardship.

Through Winter Warmth, program participants receive benefits up to $400 per customer per heating season. The local agencies administering the program may utilize the customer's program benefits to pay deposit requirements.

In addition to this direct cash assistance, disconnected EAP qualified customers will be required to pay a maximum security deposit of $150 and "hardship" qualified customers will be required to pay a maximum deposit of $300. All customers under the Program will be required to pay a minimum before receiving any benefits. The program, however, provides Gift of Warmth agencies with complete discretion to determine whether an eligible customer can afford to pay the $50 minimum payment.

The evaluation accomplishes two tasks. First, it identifies the objectives of the Winter Warmth program as set forth in the Petition for the program and the accompanying testimony. Second, the evaluation assesses the extent to which the program accomplished those objectives. The outcome findings are presented below for each of the program's seven objectives.

OBJECTIVE #1: CONTROLLING SERVICE TERMINATIONS

Did Winter Warmth control service terminations due to nonpayment attributable to a customer inability-to-pay?

The Winter Warmth program provides a noticeable interruption to the disconnection cycle within the population of customers receiving Winter Warmth benefits. Recognizing that the significant Winter Warmth enrollment began in February, the impact of such payments in helping to interrupt the disconnect cycle is evident. The proportion of accounts that received disconnect notices that eventually actually lost their service decreased after the start of the

Winter Warmth program. Similar decreases in the proportionate number of accounts moving from receipt of a disconnect notice to the eventual loss of service is seen even as the time period extends out during which a disconnection might occur.

The conclusion is inescapable that the Winter Warmth program helps interrupt the disconnect cycle. Despite the loss of cold weather protections, not only do fewer accounts receiving disconnect notices move to the actual loss of service, but the growth in the number of accounts losing service due to disconnection over time is reduced substantially as well.

The above findings do not support the conclusion that the Winter Warmth program completely insulates program participants from losing service due to shutoffs for nonpayment.[1] The program does, however, address the gap between the increased payments customers can make from their own resources during the winter and the increase in bills due to increased winter usage. The program responds to the fact that one reason for increasing arrears within the Winter Warmth population receiving disconnect notices is the inability of customers to significantly increase the amount of their payment from month to month. Winter Warmth generates the outcomes it does because these relatively constant average customer payments are often not sufficient to offset the increase in average customer bills over the course of the winter months.

In sum, this evaluation concludes that Winter Warmth serves an important function in preventing nonpayment service disconnections and resolving arrears that serve as the basis for service terminations. The gap-filling function that Winter Warmth serves when winter bills increase at a rate faster than do winter payments serves as an important strategy in seeking to prevent service disconnections attributable to nonpayment of bills.

OBJECTIVE #2: PREVENTING SPRING SERVICE TERMINATIONS

Did Winter Warmth prevent Spring service terminations due to nonpayment attributable to a customer inability-to-pay?

The Winter Warmth population does not experience a substantial rate of service disconnection during the spring months despite an ongoing level of arrears. During the spring months of March through June, while there were roughly 13,000 Winter Warmth accounts each month, the Company only terminated service, in the same month as the disconnect notice was issued, to between 200 (206 in June) and 400 (382 in March) accounts for nonpayment.

Moreover, there is a sharp decrease in the number of accounts disconnected by month after the implementation of the Winter Warmth program. The impact of the program on both the number of accounts subject to the disconnection of service, and the number of accounts actually experiencing the disconnection of service, is substantial. While the number of

[1] This conclusion should not be expected. In many instances, it is the disconnection of service that triggers the participation of customers in the Winter Warmth program.

accounts in arrears decreased roughly twelve percent (11.9%) from March through June, the number of accounts in serious payment trouble decreased much more dramatically. After the implementation of Winter Warmth, the number of accounts so far in arrears that they received disconnect notices decreased 42% while the number of accounts that experienced the actual disconnection of service for nonpayment decreased 46%.

While a substantial majority of the accounts that experienced an actual disconnection of service also experienced a growth in arrears during the winter months, there was a sharp improvement even amongst these accounts after the implementation of Winter Warmth. More than 90% of the accounts that were disconnected in March (after having received a March disconnect notice) had exhibited a growth in arrears between the month in which they were disconnected and January. By June, however, the number of disconnected accounts that had experienced a growth in arrears since January had decreased nearly 60%.

That Winter Warmth plays a substantial role in interrupting the process of increasing arrears can be little doubted. Winter Warmth payments interrupt the disconnection cycle by interrupting the growth in arrears. Winter Warmth payments as a percentage of the total bill in the month of a disconnect notice (plus the immediate subsequent current bill) serve to match with customer payments and result in a payment of a substantial portion of the bill when customer payments fall short. While customer payments were insufficient to cover two-month total bills upon receipt of a disconnect notice, Winter Warmth payments stepped in to fill the gap. Winter Warmth payments supplement and do not supplant customer payments. Customer payments do not noticeably decrease in months of the receipt of Winter Warmth payments.

OBJECTIVE #3: CONTROLLING PAYMENT DEFAULTS

Did Winter Warmth control the number of payment defaults and untimely payments?

The Winter Warmth program helps customers pay their current bills along with helping them to reduce their arrears over the winter months. Winter Warmth recipients overwhelmingly succeeded in staying out of arrears once they received their Winter Warmth benefits. Skipping the early months with a relatively small number of Winter Warmth recipients (November through February), 80% and more of the Winter Warmth recipients succeeded in staying out of arrears completely in the months following receipt of their Winter Warmth benefits.

One way Winter Warmth delivers benefits is to help accounts facing the potential disconnection of service (as evidenced by receipt of a disconnect notices) resolve their arrears. Winter Warmth recipients tend to decrease their arrears after receipt of a disconnect notice for nonpayment. Widespread distribution of Winter Warmth benefits in March led to a substantial decrease in the number of accounts receiving disconnect notices that experienced an increased arrears after their notice. The program helped reduce, by more than half, the number of accounts that had experienced an increase in

arrears in the three months after they received their disconnect notice. In looking at the flow of arrears, the data shows that Winter Warmth helped reduce the growth in arrears for accounts having received a disconnect notice one-month after the receipt of a notice, two months after receipt of a notice, three months after receipt, and four months after receipt.

OBJECTIVE #4: IMPROVING WINTER BILL MANAGEMENT

Did Winter Warmth help low-income customers "manage" their winter bills more effectively?

Winter Warmth helped customers manage their winter heating bills to allow current bills to be paid out of a combination of the customer's own resources and program funds. While other aspects of this evaluation consider total payments towards a customer's *total* bill, as well as payments throughout the entire Winter Warmth program year (November through June), this section of the evaluation focuses on payments made only toward *current* bills. A payment of *less than* 1.00 means that the customer is not paying his or her entire current bill in the period studied. A payment of *more than* 1.00 means that the customer had not only paid the entire bill, but has made some payment toward his or her arrears.

Winter Warmth customers made considerable payments from their own resources toward their cumulative current winter monthly bills. Nearly 2,800 customers, for example, made payments in excess of their current bills each month simply out of customer funds. A payment of greater than 1.0 indicates that the customer paid the current bill plus made some contribution toward a pre-existing arrears.

Winter Warmth helped customers pay their cumulative winter bills as well. While the number of customers making cumulative payments in excess of 100% of their cumulative winter bills decreased throughout the middle of the winter months, that figure picked up when winter bills moderated. The number of customers making payments in excess of their cumulative winter bills increased from February to March, to April.

Aside from those customers who made complete bill payments, it is encouraging to see the number of Winter Warmth customers that made payments each month, even when those payments did not cover their entire bills. Indeed, a substantial proportion of Winter Warmth customers made partial monthly payments. Customers made partial payments from customer resources not only on a month-to-month basis, but on a cumulative seasonal basis as well.

The impact of helping customers manage their high winter bills is to allow customers to begin to retire their arrears when warmer weather comes. This is precisely what the program sought to accomplish when it posed the objective of helping customers manage their winter bills rather than falling hopelessly behind during the high bill winter heating months. The number of accounts with a decreasing arrears rose consistently over the course of the winter.

The payment pattern demonstrated is consistent with customers falling somewhat into arrears over the course of the winter, but, through a combination of payments (customer and otherwise), beginning not simply to reduce their arrears, but to retire their arrears, when the end of the winter arrives.

As mentioned before, these results are particularly encouraging given the target population of the Winter Warmth program. Unlike a generalized low-income rate affordability program such as LIHEAP, the Winter Warmth program is focused on payment troubled customers. Unless a customer has experienced substantial payment troubles, that customer will not become a participant in the Winter Warmth program. To take this payment troubled population and generate positive payment outcomes is an achievement.

OBJECTIVE #5: REMOVING DEPOSITS AS SERVICE RESTORATION BARRIER

Did Winter Warmth help remove deposits as a barrier to a successful restoration of service after a service disconnection for nonpayment?

A deposit assistance program is an important component to the Winter Warmth program. Cash security deposits are usually requested as one prerequisite to the restoration of service subsequent to the disconnection of service for nonpayment.[2] The Company required new or additional deposits from the vast majority of accounts that were reconnected.

Nearly 90% of service disconnections for nonpayment by NIPSCO are followed by a "near-term" restoration of service. A "near-term" restoration is defined for this evaluation as one in which service is reconnected either the same month in which the disconnection occurs or the immediate subsequent month.

Roughly 60% of the service disconnections associated with Winter Warmth customer accounts followed by a near-term restoration of service had deposit demands associated with the restoration of service. The imposition of deposits is not a seasonal phenomenon. A disconnected customer that is restored in the near-term is just as likely to have a deposit imposed in the winter months as in other months of the program year (November through June).

The deposits that were required from accounts that were reconnected in the near term can impose substantial burdens on the customers seeking service restoration. Of the deposits demanded for accounts experiencing a near-term service restoration in November through June, nearly two-thirds experienced a deposit demand of $200 or more.

[2] To the extent that a customer has already posted the maximum allowable deposit, a reconnection would not be associated with a request for a new or expanded cash security deposit.

IN CONTRAST, SMALL DEMANDS, WHILE OCCASIONALLY IMPOSED, DID NOT AFFECT A SUBSTANTIAL PROPORTION OF NEAR-TERM SERVICE RESTORATIONS. OF THOSE 1,409 DEPOSITS DEMANDED FOR ACCOUNTS EXPERIENCING A NEAR-TERM SERVICE RESTORATION IN NOVEMBER THROUGH JUNE, THERE WAS A *TOTAL* OF ONLY 137 DEPOSIT DEMANDS OVER THE FULL EIGHT MONTH PERIOD THAT WERE $50 OR LESS.

The Winter Warmth program provided significant assistance to help program participants pay these deposit demands. While customer payments are often used to pay smaller deposit demands in their entirety, as deposit demands become higher, both the number and the proportion paid by customer resources decreases and both the number and the proportion paid by Winter Resource payments increases.

Winter Warmth payments became a significant resource to help meet deposit demands, particularly as the demands reached into the higher dollar amounts. While Winter Warmth payments were used to pay less than 100% of a deposit of less than $100 for a relatively small number of account, they were used to pay less than 100% of a deposit demand of more than $250 in more than 70% of the instances of such a demand. As deposit demands became bigger, Winter Warmth payments became more and more of a gap filler in meeting those demands.

In sum, cash security deposits are a fact of life for customers that have experienced a disconnection of service for nonpayment. In cases where a customer has been disconnected and then reconnected in the short-term, the Company imposes a new or additional cash security deposit requirement. As those deposit demands get bigger, it is less and less possible for customers to pay the entire deposit using only customer resources. The Winter Warmth program stepped in to pay the entire deposit in roughly one-of-four cases. More frequently, however, Winter Warmth was available to leverage customer payments so that the deposit requirement was met.

OBJECTIVE #6: PROMOTE SUCCESSFUL SERVICE RESTORATIONS.

Did Winter Warmth promote successful service restorations?

Customers that have received a Winter Warmth payment at some point during the winter heating season, and that have had their service restored after a disconnection of service, do not routinely succeed in making full payment of their current bills subsequent to the time of their service restoration.

Few restored customers make complete payments toward their current bills from customer resources in the three months immediately following the restoration of service after a disconnection. If bill payments are equal to 1.0, the customer's payment status is neither improving nor deteriorating. If, however, a customer's bill payments are less than 1.0, the customer is losing ground. In each month in which a customer bill payment is less than 1.0,

without the addition of outside (non-customer) resources, the customer incurs an arrears from that month.

The number of customer bill payments that exceed the current bill does appear to have an up-tick as the weather begins to warm. The number of payments exceeding a ratio of 1.0 is higher in the months of April (following restorations in January, February and March respectively), in May (following restorations n February and March), and in June. Nonetheless, the number of accounts making no current bill payments following a service restoration is high throughout all months studied.

The ultimate test of the lack of successful service restoration involves those accounts that have experienced a second disconnection of service after their service had once been disconnected for nonpayment and then restored. Program data demonstrates that a high proportion of accounts that had service restored in each month of the program year subsequently experienced a second (or more) disconnection of service.

These post-restoration service disconnections did not occur for minimal arrears. The disconnections occurring in March and April, for example, were for accounts with average arrears of between roughly $500 and $600. Accounts experiencing a post-restoration disconnection in May carried arrears at the time of the disconnection of between roughly $450 and $550.

While proportionately the number of disconnected accounts that had service restored, but then experienced a subsequent disconnection of service, was high, the total number of accounts falling into this group was small. Out of a Winter Warmth population of more than 13,000 accounts, the number of restored accounts experiencing a subsequent disconnection was in the hundreds.

In sum, one Winter Warmth program objective that is not being achieved is to generate not simply a temporary restoration of service, but a *successful* restoration of service after a service disconnection. Not only do restored accounts routinely fail to pay current bills as they come due, they carry high arrears and frequently suffer subsequent service disconnections for nonpayment. Few accounts succeed in reducing their arrears after their service restoration, let alone reducing their arrears to $0 and maintaining it at that level. Despite these adverse results, the number of accounts involved with this population was quite small.

OBJECTIVE #7: REDUCING WRITE-OFFS

Did Winter Warmth reduce uncollectibles passed on to remaining ratepayers due to low-income inability to pay?

The Winter Warmth program is not yet old enough to pursue an in-depth inquiry into its impacts on the write-off of participant accounts. Residential accounts are written-off six

month after they become final. While a few Winter Warmth accounts were subject to write-off in June 2005, the Program has not been in operation long enough for final accounts to have aged sufficiently to be subject to write-off.

Without speculating as to the ultimate impact that Winter Warmth will have in ***preventing*** participant accounts from moving to Final status, the Winter Warmth program has made contributions to the prevention of write-offs through the supplementation of participant cash security deposits. Of the 470 final bills against which Winter Warmth-assisted deposits were applied, the final bill balance was more than $250 in most cases. Winter Warmth directly helps to protect against the write-off of these amounts.

Despite these Winter Warmth benefits, deposits assisted by the Winter Warmth program do not cover the ***entire*** final bill for those final balances against which deposits are applied. Of the 36 Winter Warmth-assisted deposits that were applied in March, only two (2) covered the total final bill. While 127 such deposits were applied in May, only six (6) covered the entire final bill. While 134 Winter Warmth-assisted deposits were applied in June, only nine (9) covered the entire final bill.

Nonetheless, while Winter Warmth-assisted deposits tend not to cover the ***entire*** final bill facing the Company, they do, indeed, generally cover a substantial portion of that final bill. Of the 127 final bills in May against which a Winter Warmth deposit was applied, for example, 63 of those deposits covered between 50% and 100% of the final bill. Of the 134 final bills in June against which such deposits were applied, 75 of those deposits covered between 50% and 100% of the final bill.

It becomes evident that Winter Warmth contributions designed to help low-income NIPSCO customers pay cash security deposits play a role in reducing the potential dollars subject to write-off subsequent to a final bill being issued for low-income accounts. The precise extent of the role may be unrealized at this point. It is not clear, however, how many Winter Warmth-assisted deposit accounts will be subject to final bills. Insufficient time has elapsed since the inception of the program to determine whether the program helps to prevent write-offs through reduced arrears.

CHAPTER 1: INTRODUCTION

This study examines the performance of the Northern Indiana Public Service Company (NIPSCO) Winter Warmth program relative to the objectives established for the program at its inception. The objectives of the Winter Warmth program have been identified by reference to the Petition seeking to establish the program along with the testimony accompanying that Petition.

NIPSCO petitioned the Indiana Utility Regulatory Commission (IURC) to establish Winter Warmth in September 2004. The Petition was accompanied by pre-filed Direct Testimony of the following individuals:

- Michael Martin, NIPSCO director of regulatory policy;
- Marsha Karch, an independent contractor working on assistance and weatherization programs for NIPSCO; and
- Denita Ton, Community Services Director for the Salvation Army in Michigan City, Indiana.

Reference to the testimony of these individuals is to the Direct Testimony filed with the Petition.

Overview of the Winter Warmth Program

Winter Warmth is a low-income energy assistance program directed toward assisting income-eligible households avoid the disconnection of service, achieve the reconnection of service, and avoid unaffordable winter heating bills. Customers may become eligible for Winter Warmth in either of two ways. First, customers who meet the State of Indiana's Energy Assistance Program ("EAP") guideline are automatically qualified. Second, customers who are classified as "hardship" by local Gift of Warmth agencies, the local community-based organizations that administer the program, are also qualified to receive benefits under the Program. These local agencies have the sole discretion for developing criteria for determining whether a customer qualifies as hardship.

Through Winter Warmth, program participants receive benefits up to $400 per customer per heating season. The local agencies administering the program may utilize the customer's program benefits to pay deposit requirements.

In addition to this direct cash assistance, disconnected EAP qualified customers will be required to pay a maximum security deposit of $150 and "hardship" qualified customers will be required to pay a maximum deposit of $300. All customers under the Program will be required to pay a minimum before receiving any benefits. The program, however, provides Gift of Warmth agencies with complete discretion to determine whether an eligible customer can afford to pay the $50 minimum payment.

The purpose of the discussion below is two-fold. First, the evaluation will identify the objectives of the Winter Warmth program as set forth in the Petition for the program and

the accompanying testimony. Second, the evaluation will assess to what extent the program generated the outcomes that were both explicit and implicit in the identified objectives.

The Study Methodology

The evaluation below is based on extensive data generated through NIPSCO's data processing system. Data was obtained on three populations:

- The population receiving Winter Warmth benefits;
- The population receiving assistance through the federal Low-Income Home Energy Assistance Program (LIHEAP), but not through Winter Warmth in the 2004/2005 winter heating season; and
- The population receiving assistance through federal LIHEAP program in the 2003/2004 winter heating season, but not in the 2004/2005 winter heating season.

Data was provided on the complete set for each population. Data was obtained for the dates and amounts of current and total bills; the amounts of arrears; the dates and amounts of payments (by source of payment); the dates and amounts Winter Warmth payments; the dates of service disconnections and restorations (along with the underlying disconnect notices); and the dates and amounts of cash security deposits. Information on final bills, as well as on write-offs of accounts, was obtained as well.

It was subsequently determined that comparisons of the Winter Warmth population to the non-Winter Warmth Energy Assistance populations from the current and prior year did not present a valid comparison of like populations. The Energy Assistance populations were thus not further studied. The discussion below considers only the Winter Warmth data.

The planning process for how to use this data in the evaluation is presented in the next chapter.

CHAPTER 2:
PLANNING THE EVALUATION PROCESS

The first step in any performance evaluation is to establish the objectives of the program with which to begin. Basic tenets of program design and evaluation counsel that the objectives of the program should be established ***before*** the program is designed.[3] Program objectives are to be both attainable and measurable.

The discussion below focuses on how this evaluation ***measured*** program outcomes. Identifying the "thing" that you are measuring is not an insubstantial task. From an evaluation perspective, it is possible to measure three identified program components:

- Did the program *do* what it said it would do (activity measures)?
- Did the program *produce* what it said it would produce (output measures)?
- Did the program *yield* what it said it would yield (outcome measures)?

Ultimately, accomplishment of a program objective can only be measured through an analysis of program outcomes.[4] While output measures and activity measures may be relevant to a discussion of how a program operates, neither of these measurements contributes to a determination of whether the program's objectives are being met. Accordingly, the discussion below identifies Winter Warmth program objectives, and identifies outcome measurements to determine whether those objectives are being achieved.

Activities and Outputs of the Winter Warmth Program

An initial high level evaluation of the Winter Warmth program involves assessing whether the Program ***did*** what it said it would do (activity measures) as well as whether the Program ***produced*** what it said it would produce (output measures). The Company regularly collected aggregate information allowing for these assessments to occur.

[3] While that statement may seem to be self-evident, it is remarkable how many times program designers want to jump to the question "what do we want to do" before they answer the question "what do we want to accomplish."

[4] Attached as Appendix A is a discussion showing the difference between measuring activities, outputs and outcomes.

Activity Measurements

Activity measurements are designed to assess whether a program *does* what it said it would do. The Winter Warmth program is designed to "assist qualifying customers by providing a combination of reduced security deposit relief, security deposit assistance, and gas bill assistance prior to and during the critical winter heating season." (Petition, at para. 3). The referenced "gas bill assistance" involves three types of payments:

- First, arrears payments are made for customers that have already had service disconnected for nonpayment. The Petition seeking approval of the Program stated that "If a customer is disconnected for non-payment after receiving assistance under the Program, NIPSCO will apply all or a portion of the customer's otherwise applicable deposit requirement to the outstanding amount owed." (Petition, at para. 5).

- Second, arrears payments are made for customers that, while having received a disconnect notice due to nonpayment, have not yet experienced the disconnection. According to Company witness Ton, "Once eligibility is determined, we then work directly with NIPSCO to determine the level of energy assistance that is needed to. . .avoid shut-off. . ." (Ton, at 3).

- Finally, assistance payments are provided for current bills. Company witness Karch testified that one aspect of the program is to "aid in the payment of current bills because many social agencies do not provide assistance for *current bills*." (Karch, at 7) (emphasis added).

Winter Warmth is undertaking the activities it said it would undertake. As of April 2005, the program had enrolled 8,382 participants, nearly 20% (1,573 of 8,382) of whom were "hardship customers" as determined by the local administering agencies. Roughly $500,000 of the $2.9 million in Winter Warmth funds distributed through April 2005 had been distributed to "hardship" customers.

Winter Warmth was providing security deposit relief and security deposit assistance to Program participants. Each Program participant that comes into the Program as a result of a service disconnection for nonpayment (DNP) receives security deposit relief through the Program. Under Winter Warmth rules, NIPSCO immediately limits the maximum amount of gas security deposits to be collected from customers prior to reconnection of service to the following: (a) customers qualified as EAP will be required to pay a maximum security deposit of $150, (b) customers defined as "hardship" will be required to pay a maximum deposit of $300. Through April 2005, the Program provided security deposit assistance to 2,427 low-income customers.[5] Aggregate data shows that Winter Warmth provided an average security deposit benefit of $202 per participant.[6] Both EAP customers and "hardship" customers received the deposit assistance.

[5] Customers receiving security deposit assistance, by definition, also received security deposit relief.
[6] The Program establishes *maximum* deposit amounts. Actual deposit requirements may, of course, be less than the maximum.

Winter Warmth is providing "gas bill assistance" as it indicated it would do. According to the Company's periodic Program statistical reports, through April 2005, it had provided $2.4 million in assistance to 7,426 customers. Of that aid, $2.023 million was provided to EAP-eligible customers (6,109) while roughly $400,000 was provided to hardship customers (1,317). No aggregate data has been collected indicating the breakdown between payments toward arrears and payments toward current bills. It is, therefore, not possible to determine whether the Winter Warmth program is engaging in both activities that it had indicated (providing arrears assistance, providing current bill assistance).

No data has been collected to determine whether, or to what extent, or under what circumstances, local administering agencies were exercising their discretion to waive the $50 minimum payments.

Outcome Evaluation of the Winter Warmth Program

Outcome measurements are designed to assess whether a program ***accomplishes*** what it said it would accomplish. As explained in more detail above (and as is illustrated in Appendix A), a program's accomplishments can ***only*** be evaluated through the use of outcome measurements. The outcomes desired by the program are incorporated into a program's stated objectives. The discussion below identifies the seven objectives articulated for the NIPSCO Winter Warmth program.

When a program identifies a specific objective, implicit within that identification is stated, either explicitly or implicitly, a "problem" facing the Company. A "problem" is a material variance between the state of the world as the Company ***wants*** it and the state of the world as the Company actually ***faces*** it. Inherent within each objective is the desire to "fix the problem." "Fixing the problem" means reducing, to zero if possible, the material variance. The discussion below identifies for each objective the "problem to be fixed."

Finally, for each objective, the discussion then identifies the "thing to be measured." In order to move program planning from an abstract discussion of the "problems" facing the Company to a specific set of measurable metrics, the Company must identify the precise outcomes that it can identify by reference to data on its information system. When a person speaks, for example, of increasing the number of "successful restorations," what customer actions represent a "successful restoration"? Even with a seemingly concrete measurement such as "reduced service terminations," there is a need for definition. If someone avoids a service termination for 30-days after a disconnect notice, but experiences the termination after 90-days (or 120 days or 150 days), has the termination been avoided? For each objective first articulated in the Company's original filing, the discussion below specifically identifies a set of things to be measured.

Given this planning framework, the evaluation below then presents a discussion of ***actual*** program outcomes. As discussed above, outcomes do not measure what the program

does; they do not measure what the program *produces*. Instead, outcomes measure what the Winter Warmth program *accomplishes*.

CHAPTER 3:
OUTCOMES OF THE WINTER WARMTH PROGRAM

The Winter Warmth program accomplished nearly all the objectives established for the program in the original design of the program. While some objectives were clearly more fully achieved than others, the overall design of the program was well-suited to generate those outcomes identified for the program.

The outcomes of the Winter Warmth program are measured relative to the objectives of the program articulated by NIPSCO when the program was first proposed. Program objectives are traced back to the Petition filed by NIPSCO with the Indiana Utility Regulatory Commission (IURC) along with the pre-filed direct testimony submitted in support of that Petition. The Company articulated seven objectives for the Winter Warmth program:

- Reducing overall service terminations;
- Reducing *spring* service terminations;
- Reducing payment defaults;
- Improving winter bill management;
- Removing deposits as a barrier to service restoration;
- Increasing successful service restorations; and
- Decreasing write-offs.

Each of these objectives will be examined in more detail below. After documenting the source of the outcome as a Winter Warmth program objective, the discussion below examines data for program participants in an effort to determine whether the objective has been met.

OBJECTIVE #1: CONTROLLING SERVICE TERMINATIONS

Winter Warmth is designed to control service terminations due to nonpayment attributable to a customer inability-to-pay.

The Basis for the Objective

The first objective of the NIPSCO Winter Warmth program is to control the number of service terminations due to nonpayment attributable to a customer's inability to pay. In his Direct Testimony, Michael Martin states quite explicitly that "the program would reduce the number of service terminations attributable to low income customer's inability to pay for gas service." (Martin, at 7). Likewise, Denita Ton testifies that through the program, "we then work directly with NIPSCO to determine the level of energy assistance that is needed to either avoid shut-off or restore service." (Ton, at 3). She continues to state that the program "will have a tremendous, positive impact on our community providing heat and light to hundreds of clients living in the Michigan City area." (Ton, at 5). Finally, the

Petition seeking approval of the program states that "the Program is designed to assist in the restoration or avoid termination of gas service for low income customers whose service has been disconnected or is scheduled for disconnection for non-payment." (Petition, at para. 3).

Thing to be Measured

In order to test the success of NIPSCO's Winter Warmth program in achieving its first objective, the program evaluation must measure the extent to which the Program generates, within the population of customers receiving disconnect notices, a reduction in the number of actual service terminations due to nonpayment because of a customer's inability to pay (including non-spring terminations).[7]

Three empirical inquiries are necessary for this measurement.

- Did the Program help prevent service terminations in the short-term;
- Did the Program prevent service terminations in the mid-term; and
- Did the Program pay arrears that would not have been paid in the absence of the Program and that would have served as the basis for a service termination in the absence of the Program.

The Problem to be Addressed

The first problem to be addressed by the NIPSCO Winter Warmth program is that, in the absence of the Program, low-income customers cannot afford to pay bills after incurring winter arrears. The problem manifests itself in one of two ways. First, the low-income incurs an arrears that is so high that the customer cannot afford to pay the immediate amount due to prevent a service termination. Second, in the alternative, the low-income customer may be able to pay the immediate amount necessary to prevent an immediate service termination in any given month, but be unable to resolve the total arrears on the account. In these circumstances, despite the prevention of the short-term crisis (or even a series of short-term crises), in the long term, the ongoing monthly payments are not affordable, thus leading to an eventual disconnection of service.

NIPSCO addresses those problems by using Winter Warmth funds to pay the arrears underlying a noticed disconnection of service for nonpayment (DNP) when and to the extent that those arrears exceed an affordable level.[8]

[7] Service restoration is addressed as a separate objective.

[8] Care must be taken in assessing the impact of Winter Warmth on a reduction in service terminations. In the Winter Warmth program, experiencing a service termination is often the event that *triggers* program participation. For those accounts, Winter Warmth is not designed to prevent the shutoff, but rather to respond to the shutoff after it has occurred.

Program Outcomes

The Winter Warmth program provides a noticeable interruption to the disconnection cycle within the population of customers receiving Winter Warmth benefits. Table 1 shows this interruption in several different ways. Recognizing that the significant Winter Warmth enrollment began in February, the impact of such payments in helping to interrupt the disconnect cycle is evident. The proportion of accounts that received disconnect notices that eventually actually lost their service decreased after the start of the Winter Warmth program. Table 1 shows that while the percentage of disconnect notices eventually leading to the actual disconnection of service climbed steadily through the winter months, that increase subsisted with the advent of the Winter Warmth program. Moreover, despite the loss of cold weather protections, beginning in March, the percentage of accounts that had received disconnect notices and that were actually disconnected began to decrease after the company began to deliver Winter Warmth benefits. The percentage of accounts moving from the receipt of disconnect notices to the actual loss of service within 30-days after having received a notice decreased from 14.7% in February to 11.8% in March and to even lower figures in April and May.[9]

Similar decreases in the proportionate number of accounts moving from receipt of a disconnect notice to the eventual loss of service is seen even as the time period extends out during which a disconnection might occur. While the proportion of accounts moving from a disconnect notice to an actual service termination within 60-days after receipt of the notice, and within 90-days after receipt of the notice, moved steadily upwards through February, despite the loss of cold weather protections, not only were those increases stopped, but they were reversed, upon the start of the program. While 21.3% of all accounts having received a disconnect notice in February actually lost their service within 60 days, only 15.0% of the accounts having received a notice in April actually lost their service within 60-days. While 29.0% of the accounts having received a disconnect notice in February actually lost their service within 90-days, only 21.1% of the accounts receiving a disconnect notice in March lost their service within 90-days.

The shutoff protections offered by the Winter Warmth program are evident from a comparison of the rate at which accounts receiving disconnect notices move to shutoffs over time as well. After the beginning of the program, the rate of increase at which the number of accounts receiving disconnect notices moved to the actual loss of service was substantially limited. In each month of November through February, an increasing percentage of accounts having received disconnect notices actually experienced a disconnect as another month lapsed subsequent to the issuance of the notice. While 4.9% of accounts receiving notices issued in November had lost their service within 30-days, 7.3% had lost their service within 60-days (an increase of 2.4%). By February, the increased proportion of accounts receiving notices moving to actual service terminations between 30- and 60-days had increased to 6.6% (14.7% losing service within 30-days increasing to 21.3% losing service within 60-days). Beginning in March, however, the increased percentage of accounts moving from the receipt of a notice to the actual loss of service decreased to only

[9] Since June was the last month for which data was available, for accounts having received a disconnect notice in June, there was no data for the number of disconnections in subsequent months (July and later).

5.2% between 30- and 60-days, while in April, it had decreased even further to only 3.7% between 30- and 60-days.

The same results are seen as the time is extended. For accounts receiving disconnect notices in February, there is a steady increase in the proportion of accounts actually moving to the disconnection of service as time passes. While 14.7% of those noticed accounts moved to the actual termination of service within 30-days, 29.0% had moved to the disconnection of service within 90-days (an increased rate of service disconnections of 14.3%). The implementation of the Winter Warmth program helped interrupt this cycle of service disconnection. For accounts receiving notices in March, while 11.8% had been disconnected within 30-days, only 21.1% had been disconnected within 90-days, an increase of only 9.3% over the prior period.

The conclusion is inescapable that the Winter Warmth program helps interrupt the disconnect cycle. Despite the loss of cold weather protections, not only do fewer accounts receiving disconnect notices move to the actual loss of service, but the growth in the number of accounts losing service due to disconnection over time is reduced substantially as well.

The above discussion does not, of course, support the conclusion that the Winter Warmth program completely insulates program participants from losing service due to shutoffs for nonpayment.[10] Table 1 shows the number of shutoff notices issued each month to customers that would ultimately receive Winter Warmth benefits.[11] The Table then tracks, within a 120-day (four month) period after receipt of the shutoff notice, the number of accounts actually experiencing the loss of service due to a shutoff for nonpayment within that population of customers having received shutoff notices. As can be seen, for example, NIPSCO issued 3,736 shutoff notices to Winter Warmth customers in November 2004. Of those customers, 1,060 (28%) had experienced an actual termination of service for nonpayment by the fourth subsequent month (March).

Table 1 shows the number of accounts that were disconnected for nonpayment in the first month they were disconnected after receiving a disconnect notice. The columns present unduplicated accounts. Thus, for example, of the 3,736 accounts receiving disconnect notices in November, 125 were disconnected in December; 90 of those 3,736 made it through November and December without a disconnection, but were disconnected in January; 702 made it November through February (four months) without a disconnection, but were disconnected in March.[12]

[10] This conclusion should not be expected. In many instances, it is the disconnection of service that triggers the participation of customers in the Winter Warmth program.

[11] These customers were not necessarily Winter Warmth recipients at the time they had received the shutoff notice. Winter Warmth participation, in other words, is the event that triggers Winter Warmth participation.

[12] It may be that these accounts received subsequent disconnect notices in the meantime. Other aspects of arrears and disconnect notices are examined elsewhere in this evaluation.

TABLE 1: NUMBER OF ACCOUNTS BY MONTH OF FIRST SHUTOFF FOR NONPAYMENT FOLLOWING SHUTOFF NOTICE

Month of Shutoff Notice	Total Disconnect Notices	Month of First Shutoff for Nonpayment Following Shutoff Notice												
		Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Total /a/	Pct Notices Disconnected			
											Same Month	W/in 30-days	W/in 60-days	W/in 90-days
Nov-04	3,736	57	125	90	86	702				1,060	1.5%	4.9%	7.3%	9.6%
Dec-04	3,479		45	215	107	193	572			1,132	1.3%	7.5%	10.5%	16.1%
Jan-05	3,204			141	238	186	236	359		1,160	4.4%	11.8%	17.6%	25.0%
Feb-05	2,362				102	245	157	181	105	790	4.3%	14.7%	21.3%	29.0%
Mar-05	8,979					382	679	467	366	1,894	4.3%	11.8%	17.0%	21.1%
Apr-05	7,038						253	539	263	1,055	3.6%	11.3%	15.0%	
May-05	6,187							295	399	694	4.8%	11.2%		
Jun-05	5,206								206	206	4.0%			

NOTE: /a/ "Total" is the total in the month of the disconnect notice plus the four immediately subsequent months to the extent available. Since data extended only through June, starting in March, a full 120 days were not available after the receipt of the disconnect notice.

In contrast, the rows in Table 1 do not present unduplicated accounts. An account can appear in more than one month. An account that receives a disconnect notice in January, February and March, and finally experiences a disconnection of service in April, for example, is part of the 236 (January/April), 157 (February/April), and 679 (March/April) counts. Clearly, within the Winter Warmth population, service disconnections continue to occur over time. Clearly, there is no month in which the number of shutoffs for nonpayment is reduced to at or near zero. Within the Winter Warmth population, the spring time months of March, April and May still present some risk of service loss. During the months of March, April and May, from 11.8% (1,061 of 8,979 in March), to 11.3% (791 of 7,038 in April) and to 11.2% (694 of 6,187 in May) customers receiving disconnect notices were actually disconnected either in the same month of receiving the notice or in the immediate subsequent month.

These customers do have a period of repose within which the customer and the Company are provided an opportunity to address the underlying arrears and prevent the loss of service. Even setting aside the impact of winter shutoff protections, receipt of a disconnect notice still frequently provides substantial time for a customer to resolve his or her arrears. Of the 8,979 accounts receiving disconnect notices in March, for example, there were 833 accounts that did not experience a service termination until either May (467) or June (366). Of the 7,038 accounts receiving disconnect notices in April, 802 did not experience a service termination until either May (539) or June (263). While data for this evaluation ends in June 2004, presumably there would be additional accounts experiencing their first disconnection after the identified month of the notice of disconnection in even later months.[13]

The capacity of Winter Warmth to prevent the loss of service due to disconnection for nonpayment is not surprising after one identifies the gap-filling function the program serves with respect to bill payment. Customers that participated in the Winter Warmth program, and that received a disconnect notice, faced significant arrears, and thus significant total bills, at the time they received the disconnect notice. As Table 2 shows, accounts receiving a disconnect notice had an average arrears of roughly $200 or more in the months of their *lowest* arrears (November and December). Accounts receiving a disconnect notice in November had an average arrears on their November bill of $227. Accounts receiving a disconnect notice in December had an average arrears on their December bill of $195.

The arrears on the bill in the month in which a disconnect notice was issued steadily increases through the winter before moderating in the spring. Accounts receiving a disconnect notice in February had an average February arrears of $366; accounts with a March disconnect notice had an average arrears of their March bill of $556; accounts with a disconnect notice in April had an average April arrears of $424.

[13] Again, a reference to the "first disconnection" means that if an account was issued a disconnect notice in January, and is listed as having its "first disconnection" in June, that account did not experience a disconnection of service in any of the months between the notice and the actual service termination. This account, in other words, would *not* have experienced a disconnection in February through May.

TABLE 2:
AVERAGE ARREARS, CURRENT BILLS AND TOTAL BILLS FOR ACCOUNTS RECEIVING DISCONNECT NOTICE

Month of DNP Notice	Average Current Bill, Average Arrears and Average Total Bill by Month and Month of Disconnect Notice							
Month	*Average Bills*	**Nov-04**	**Dec-04**	**Jan-05**	**Feb-05**	**Mar-05**	**Apr-05**	**May-05**
Nov-04	Average Current Bill	$138	$209	$277	$253	$233	$174	$135
	Average Arrears	$227	$240	$387	$480	$576	$452	$362
	Average Total Bill	$365	$449	$664	$733	$809	$626	$497
Dec-04	Average Current Bill		$198	$264	$252	$229	$173	$128
	Average Arrears		$195	$317	$459	$537	$430	$360
	Average Total Bill		$393	$581	$711	$766	$603	$489
Jan-05	Average Current Bill			$252	$235	$219	$162	$123
	Average Arrears			$282	$382	$471	$399	$340
	Average Total Bill			$534	$617	$690	$561	$462
Feb-05	Average Current Bill				$230	$209	$161	$119
	Average Arrears				$366	$413	$416	$329
	Average Total Bill				$596	$623	$577	$449
Mar-05	Average Current Bill					$226	$168	$127
	Average Arrears					$556	$416	$341
	Average Total Bill					$782	$583	$469
Apr-05	Average Current Bill						$170	$126
	Average Arrears						$424	$323
	Average Total Bill						$594	$449
May-05	Average Current Bill							$130
	Average Arrears							$381
	Average Total Bill							$510

Winter Warmth recognizes the fact that this growth in average arrears for accounts receiving disconnect notices does not reflect a lack of payments. Table 2 shows average current bills along with average total bills (the total bill equals the average current bill plus the average arrears). As can be seen, in no month does the growth in arrears equal the average current bill. From January to February, for example, the average arrears grew $84 (from $282 to $366). The January current bill, however, was $252, indicating that a payment equal to some substantial part of the January current bill was made. From February to March, the average arrears grew $190 (from $366 to $566), even though the average February current bill was $230. From March to April, the average arrears ***fell*** $132 (from $556 to $424), even though the March current bill was $226.

Despite the widely divergent starting points of arrears –again, the starting point involves the dollars of arrears in the month a disconnect notice was received—by May, the arrears on accounts with arrears had largely equalized amongst the accounts receiving disconnect notices in the different months. Thus, for example, while accounts receiving a disconnect notice in December had a December arrears of $195, these same accounts (with a December disconnect notice) had a May arrears of $360.

In contrast, while accounts with a March disconnect notice had a March arrears of $556, those same accounts had a May arrears of $341. Accounts with an April disconnect notice had an April arrears of $424, but had a May arrears of $323. It is not as though arrears stayed constant. For the accounts receiving disconnect notices in each month, the average arrears escalated during the winter before moderating toward the May levels.[14]

Winter Warmth addresses the gap between the increased payments customers can make from their own resources during the winter and the increase in bills due to increased winter usage. The program responds to the fact that one reason for increasing arrears within the Winter Warmth population receiving disconnect notices is the inability of customers to significantly increase the amount of their payment from month to month. Table 3 shows average customer payments made by Winter Warmth customers receiving disconnect notices. The Table presents payments in the month the customer received the disconnect notice along with the two immediately succeeding months. Customers receiving a disconnect notice modestly increased the amount of their customer payment from customer resources as the winter deepened, but not nearly enough to pay the increased winter bills. The average customer payment from a Winter Warmth participant that received a disconnect notice in November, for example, increased from $148 in November to $155 and $194 in December and January respectively. Customers with an account receiving a disconnect notice in December made a customer payment of $145 in December (the month of receiving the notice) and then modestly increased their customer payment to $188 in January and $245 in February. Customers with January disconnect notices exhibited a virtually identical payment pattern.

Winter Warmth generates the outcomes it does because these relatively constant average customer payments are often not sufficient to offset the increase in average customer bills

[14] It could be that some households keep high arrears while others pay off their arrears entirely, thus lowering the average. The discussion below on payments would tend to support this conclusion.

over the course of the winter months. Within the population of Winter Warmth customers receiving a disconnect notice in November, for example, while the average customer payment went from $148 in November to $194 in January (an increase of $46), the average current month bill for these same customers (receiving a disconnect notice in November) went from $138 to $277 (an increase of $139).

In sum, this evaluation concludes that Winter Warmth serves an important function in resolving arrears that serve as the basis for service terminations. The gap-filling function that Winter Warmth serves when winter bills increase at a rate faster than do winter payments serves as an important strategy in seeking to prevent service disconnections attributable to nonpayment of bills.

OBJECTIVE #2: CONTROLLING SPRING SERVICE TERMINATIONS

Winter Warmth is designed to control <u>Spring</u> service terminations due to nonpayment attributable to a customer inability-to-pay.

The Basis for the Objective

A second, narrower, purpose of the Winter Warmth program is to control *<u>spring</u>* termination of service due to an accumulation of arrears by low-income customers during the high cost winter months. NIPSCO witness Karch, for example, explained that "if customers are presently receiving service but their service is scheduled for termination *<u>due to non-payment after the shut-off moratorium ends in the spring</u>*, customers will be able to receive up to $400 which could prevent disconnection as a result of unpaid bills during the winter heating season." (Karch, at 7). (emphasis added).

Thing to be Measured

In order to test the success of NIPSCO's Winter Warmth program in achieving its second objective, the program evaluation must measure the extent to which the Program generates, within the population of customers receiving disconnect notices, a reduction in the number of actual spring service terminations due to nonpayment because of a winter bill.

TABLE 3:
AVERAGE MONTHLY PAYMENTS BY SOURCE AND MONTH OF PAYMENT
FOR ACCOUNTS RECEIVING DISCONNECT NOTICE

Month of DNP Notice	Customer Payment and Winter Warmth Payment by Month of Payment								
Month	*Average payment*	**Nov-04**	**Dec-04**	**Jan-05**	**Feb-05**	**Mar-05**	**Apr-05**	**May-05**	**Jun-05**
Nov-04	Customer payment	$148	$155	$194					
	Winter Warmth payment	$0	$82	$207					
Dec-04	Customer payment		$145	$188	$245				
	Winter Warmth payment		$77	$199	$206				
Jan-05	Customer payment			$195	$249	$238			
	Winter Warmth payment			$229	$216	$299			
Feb-05	Customer payment				$238	$233	$224		
	Winter Warmth payment				$264	$285	$320		
Mar-05	Customer payment					$229	$227	$216	
	Winter Warmth payment					$344	$356	$340	
Apr-05	Customer payment						$211	$207	$187
	Winter Warmth payment						$359	$333	$300
May-05	Customer payment							$200	$193
	Winter Warmth payment							$341	$306
Jun-05	Customer payment								$196
	Winter Warmth payment								$310

Two empirical inquiries are necessary for this measurement.

- Did the Program prevent spring service terminations; and
- Were those service disconnections attributable to arrears that had been incurred in the immediately preceding winter heating season.

While NIPSCO does not denigrate the importance of achieving long-term energy affordability for low-income customers, the Winter Warmth program is not a long-term energy affordability program. It is, instead, a program directed toward the problems associated with high winter heating bills. Accordingly, it is the spring service disconnections caused by those high winter heating bills toward which Winter Warmth is directed toward seeking to prevent.

The Problem to be Addressed

The problem to be addressed by the NIPSCO Winter Warmth program is that, in the absence of the Program, low-income customers incurring high arrears due to high winter heating bills will face a spring disconnection of service when the customer loses his/her winter shutoff moratorium protections.

NIPSCO addresses those problems by using Winter Warmth funds to interrupt the disconnect process by paying all or part of the arrears that underlie the disconnect notice. The Program pays arrears to the extent that the payment reduces the arrears below the disconnect amount but is beyond a payment that is affordable to the customer.

Program Outcomes

The Winter Warmth population does not experience a substantial rate of service disconnection during the spring months despite an ongoing level of arrears. Table 4 presents the total number of Winter Warmth accounts with current bills, compared to the Winter Warmth accounts experiencing arrears, disconnect notices and the actual disconnection of service. During the spring months of March through June, while there were roughly 13,000 Winter Warmth accounts each month, the Company only terminated service, in the same month as the disconnect notice was issued, to between 200 (206 in June) and 400 (382 in March) accounts for nonpayment.

There is a sharp decrease in the number of accounts disconnected by month after the implementation of the Winter Warmth program. The impact of the program on both the number of accounts subject to the disconnection of service, and the number of accounts actually experiencing the disconnection of service, is substantial. There is a substantial number of Winter Warmth accounts in arrears at the end of the winter heating season, not surprising for a program eligibility for which is conditioned on an account being in arrears. While the number of accounts in arrears decreased roughly twelve percent (11.9%) from March through June, the number of accounts in serious payment trouble decreased much more dramatically. After the implementation of Winter Warmth, the number of accounts so

far in arrears that they received disconnect notices decreased 42% (from 8,979 to 5,206) while the number of accounts that experienced the actual disconnection of service for nonpayment decreased 46% (from 382 to 206).

TABLE 4:
NUMBER OF ACCOUNTS, ACCOUNTS WITH ARREARS,
ACCOUNTS WITH DISCONNECT NOTICES AND ACCOUNTS WITH SERVICE TERMINATIONS
BY MONTH DURING SPRING MONTHS

	March	April	May	June
Accounts with current bills	13,390	13,251	13,096	12,811
Accounts with arrears	12,451	12,014	11,533	10,970
Accounts receiving disconnect notices	8,979	7,038	6,187	5,206
Accounts disconnected in same month as disconnect notice	382	253	295	206

The question thus becomes how Winter Warmth affects the potential for, as well as the actual, disconnection of service for nonpayment. Winter Warmth can provide payments toward current arrears in an effort to prevent the disconnection of service. Table 5 examines the accounts where Winter Warmth did *not* prevent the disconnection of service. All accounts that are included in this analysis received Winter Warmth payments at some point. The Winter Warmth payment could have been made to help restore service, however, rather than to prevent the disconnection of service. It was not possible to distinguish between those two payments. Table 5 presents an analysis of the arrears on the bill in the month when a disconnection occurred for those accounts that were disconnected in the same month they received a disconnect notice. In Table 5, in other words, 382 accounts were disconnected in March after having received a disconnect notice in March; 206 accounts were disconnected in June after having received a disconnect notice in June.

TABLE 5:
NUMBER OF ACCOUNTS WITH SERVICE TERMINATIONS AND ARREARS
BY MONTH DURING SPRING MONTHS

	March	April	May	June
Accounts disconnected in same month as disconnect notice	382	253	295	206
Arrears on bill in month of disconnection	$719	$640	$623	$628

Contrary to the lack of growth in arrears generally experienced by customers receiving Winter Warmth payments, as discussed elsewhere in this evaluation, those accounts that experienced an actual disconnection of service during the Spring months also experienced sharp increases in arrears over the course of the winter months. Table 6 presents the ratio of arrears on the bill in the month a service disconnection occurred to the arrears on the bill of the same account in January. In order to be included in this analysis, the account was required to have an arrears of greater than $0 in the comparison month (January).

TABLE 6:
NUMBER OF DISCONNECTED ACCOUNTS
BY RATIO OF ARREARS IN MONTH OF DISCONNECTION TO PRIOR COMPARISON MONTH

	Ratio to Arrears on January Bill			
	1	2	3	4
Ratio of Arrears in Month of Disconnect to Comparison Month	Mar-05	Apr-05	May-05	Jun-05
> 0.00 <=.25	0	3	0	2
> 0.25 <=.50	5	5	6	6
> 0.50 <=.75	10	4	9	12
> 0.75 <=1.00	19	10	18	15
>1.00	315	168	201	136
Total	349	190	238	174

NOTE: The population of disconnections includes those accounts that were disconnected in the same month in which the customer received a disconnect notice. Thus, March disconnections are of accounts receiving a disconnect notice in March.

As can be seen from Table 6, while a substantial majority of the accounts that experienced an actual disconnection of service also experienced a growth during the winter months, there was a sharp improvement even amongst these accounts after the implementation of Winter Warmth. Of the 349 accounts that were disconnected in March (after having received a March disconnect notice), 315 exhibited a growth in arrears between the month in which they were disconnected and January. By June, however, the number of disconnected accounts that had experienced a growth in arrears since January had decreased nearly 60% (from 315 accounts to 136 accounts). Moreover, the percentage of disconnected accounts that had experienced a growth in arrears steadily decreased over the spring months, from 90% in March, to 85% in May to 78% in June.

January was chosen as the comparison month to capture pre-winter arrears. Arrears appearing on January bills would capture unpaid December current bills, the first winter heating month.

That Winter Warmth plays a substantial role in interrupting the process of increasing arrears can be little doubted. Table 7 below presents data on the payments posted to accounts that had received disconnect notices in the spring months of March through June. Both customer payments and Winter Warmth payments are considered. The Table presents data showing the ratio of payments made in the month in which a notice of disconnection was received, plus payments in the immediately subsequent month, to the sum of the total bill in the month in which the disconnect notice was received plus the current bill in the immediately subsequent month. Thus, for example, if a customer received a disconnect notice in March, the analysis compares the sum of the payments made in March and April to the sum of the total bill (arrears plus current bill) on the March statement plus the *current* bill on the April statement.

TABLE 7:
NUMBER OF ACCOUNTS BY RATIO OF TWO-MONTH PAYMENTS MADE BY SOURCE OF PAYMENT TO TWO-MONTH BILLS AT TIME OF NOTICE OF DISCONNECTION /A/

Two-Month Ratio of Payments to Bills	Customer Payments			Winter Warmth Payments		
	1	2	3	4	5	6
	Mar-05	Apr-05	May-05	Mar-05	Apr-05	May-05
> 0.00 <=.25	3,032	1,718	1,322	262	313	309
> 0.25 <=.50	2,193	1,636	1,353	523	547	366
> 0.50 <=.75	790	818	870	632	559	465
> 0.75 <=1.00	228	395	533	731	632	434
>1.00	100	265	316	6,332	4,374	3,844
Total	6,343	4,832	4,394	8,480	6,425	5,418

NOTES: /a/ Excludes June since data for bills and payments made in month immediately subsequent to June is not available.

The gap-filling function served by the Winter Warmth program is evident. While 6,343 customer payments were made in the April/May period for customers receiving a March disconnect notice, the vast majority of those customer payments were less than 50% of the total bills rendered to the customers in that two-month period. The "total bill" for the two-month period was defined to be the total bill (arrears plus current bill) in March plus the current bill in April.

In contrast to these customer payments, there were modestly more Winter Warmth payments (than customer payments) made (8,480) against accounts receiving March disconnect notices. The more important observation, however, is that the Winter Warmth payments fell on the upper end of the ratio of two-month payments to two-month total bills. While customer payments were insufficient to cover the two-month total bills, Winter Warmth payments stepped in to fill the gap. This pattern was found for all three "spring" months for which data was available (two-month billing and payment data for accounts receiving disconnect notices in June was not available).

The gap-filling function identified here is consistent with the payment data presented in Table 3 above. The data in Table 3 demonstrates that Winter Warmth customers make reasonably consistent customer payments month-to-month both before and after the receipt of a disconnect notice. Table 3 supports the conclusion that Winter Warmth payments supplement and do not supplant customer payments after the receipt of a disconnect notice. Table 7 demonstrates the important gap-filling function served by those supplemental payments.

OBJECTIVE #3: CONTROLLING PAYMENT DEFAULTS

Winter Warmth is designed to control the number of payment defaults and untimely payments.

The Basis for the Objective

The third objective of Winter Warmth is to reduce the number of "payment defaults" by low-income customers. According to Mr. Martin, "the Program will also benefit the remainder of NIPSCO's customers by decreasing the defaults and untimely payments which ultimately result in higher uncollectible costs." (Martin, at 7). According to the NIPSCO Petition, "the Program will protect the health and safety of Petitioner's low-income customers by. . .lowering the number of payment defaults by low-income customers. . ."

Thing to be Measured

In order to test the success of NIPSCO's Winter Warmth program in achieving its third objective, a program evaluation must measure the extent to which the Program reduces the number of payment defaults and untimely payments attributable to winter heating bills that could be expected to lead to the write-off of dollars as uncollectible.

Two empirical inquiries are necessary for this measurement.

- Did the Program reduce the number of payment defaults and untimely payments; and
- Were those payment defaults (and untimely payments) attributable to arrears that had been incurred in the winter heating season.

Clearly, not all "payment defaults" and "untimely payments" present the risk of "higher uncollectible costs." Payments that are full, but late, do not pose the risk of write-offs of dollars as uncollectible. Short-term arrears, as well as arrears that do not exceed an amount that could reasonably be paid by the customer, do not pose the expectation that they will ultimately lead to higher uncollectible costs.

The Problem to be Addressed

The problem to be addressed by the NIPSCO Winter Warmth program is that, in the absence of the Program, low-income customers will fail to make full and timely payments because of unaffordable winter home heating bills. The fact that NIPSCO's concern is directed toward arrears that present the likelihood of becoming uncollectible

implies that NIPSCO is concerned with arrears beyond an affordable size or are of a worrisome age.

NIPSCO addresses this problem by using Winter Warmth funds to pay the arrears of low-income customers at the time a customer faces the disconnection of service (as evidenced by a DNP notice). To the extent that the $400 maximum grant is not needed to pay arrears (or arrears and a deposit), the remainder of the Winter Warmth grant can be used to pay current bills.

Program Outcomes

The Winter Warmth program helps customers pay their current bills along with helping them to reduce their arrears over the winter months. The base data for the Winter Warmth program is presented in Table 8. That Table reports the number of customers who received a Winter Warmth payment toward their utility bill by the month in which they received the payment.

TABLE 8:
NUMBER OF CUSTOMERS RECEIVING WINTER WARMTH UTILITY PAYMENTS

	Month of Winter Warmth Payment toward Utility Bill							
	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Accounts receiving WW	0	79	431	549	2,211	4,164	2,977	2,261

The question becomes whether Winter Warmth helped *reduce* the number of accounts with arrears. Table 9 shows the arrearage pattern after receipt of a Winter Warmth payment. Table 9 shows the number of Winter Warmth accounts with arrears in the months after the customer received a Winter Warmth payment toward the customer's utility account (contrasted to receiving a Winter Warmth payment toward a deposit requirement). The Table shows the number of Winter Warmth customers with an arrears one month subsequent to their receipt of Winter Warmth payment, two months subsequent to receipt of their Winter Warmth payment, three months subsequent, and four months subsequent.

The data in Table 9 shows that Winter Warmth recipients overwhelmingly succeeded in staying out of arrears once they received their Winter Warmth benefits. Skipping the early months with a relatively small number of Winter Warmth recipients (November through February), more than three-of-four customers receiving Winter Warmth payments remained free of arrears within the four months after having received their program benefit.

While Table 9 shows the accounts with arrears in months after receipt of Winter Warmth, what is not available from the data is the number of customers for whom the Winter Warmth payment reduced arrears to $0 in the month of receiving the benefit and who then fell back into arrears in subsequent months. Some customers in arrears, in other words, may have remained in arrears despite their Winter Warmth payment. Winter

Warmth was designed to reduce arrears so as to avoid a disconnection of service, not necessarily to reduce arrears to $0. Moreover, Winter Warmth payments were capped at $400 per customer.

TABLE 9:
NO. OF WINTER WARMTH RECIPIENTS BY ARREARS IN MONTHS AFTER WINTER WARMTH PAYMENTS

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Winter Warmth Accounts with Arrears after Winter Warmth Payment								
1 month after WW pyt	0	22	78	77	288	681	613	
2 months after WW pyt	0	28	72	101	310	726		
3 months after WW pyt	0	13	89	108	430			
4 months after WW pyt	0	12	126	161				
Total WW recipients	0	79	431	549	2,211	4,164	2,977	2,261

The significance of Table 9 is enhanced when one focuses on the population of customers that is eligible for Winter Warmth with which to begin. Winter Warmth is a program that is directed toward customers that are in payment trouble. Being in payment trouble, in other words, is the factor that triggers participation in the program. As is evident from Table 9, Winter Warmth is taking those payment-troubled low-income customers and creating a situation where 80% or more of those customers are not only resolving their arrears in the short-term, but are then staying out of arrears once their arrears have been resolved through Winter Warmth.

Drawing conclusions about bill payment by looking at the presence or absence of arrears has some shortcomings. The primary shortcoming is that such an analysis does not distinguish between levels of nonpayment. An arrears of $0.57 is considered equal to an arrears of $57.00. Moreover, a $100 arrears on a $120 bill is considered equal to a $100 arrears on a $1,200 bill. It is necessary to look at accounts with arrears as part of an analysis of full payments, but the payment of bills (or lack thereof) should also be measured directly rather than inferred.

Table 10 presents data on the payment of bills by Winter Warmth customers making payments and having current bills each month. Table 10 examines the ratio of total payments (including Winter Warmth contributions) to cumulative bills from individual months through June. To be included in this analysis, a customer needed to receive a current bill in the month being analyzed and needed to have made some payment. The "total bill" includes the total bill (including arrears) in the first month plus the current bill in each subsequent month through June.

TABLE 10:
NO. OF WINTER WARMTH RECIPIENTS BY CUMULATIVE PAYMENT TOWARD CUMULATIVE BILLS THROUGH JUNE

Ratio	Month of Current Bill through June							
	Nov	Dec	Jan	Feb	Mar	Apr	May	June
>0 <=.25	151	183	217	272	347	548	986	1,168
>0.25 <=0.50	475	671	950	1,104	1,452	1,695	2,066	1,780
>0.50 <=0.75	1,932	2,651	3,369	3,340	3,801	2,927	2,658	1,812
>0.75 <=1.00	7,655	7,222	6,336	5,727	5,036	3,530	2,730	1,552
>1.00 <=1.50	3,441	2,918	2,659	2,763	2,456	2,720	1,926	968
>1.50 <=2.00	237	184	208	347	318	927	661	491
>2.00	167	144	140	199	215	904	1,040	1,047

Table 10 shows that 151 customers having received a current bill in November, and having made some payment in November, made payments between November and June equal to more than 0% but less than 25% of the total bill rendered to that customer during that time period.[15] Table 10 shows that 2,927 customers receiving a current bill in April, and having made some payment in April, made payments between April and June equal to more than 50% but less than 75% of the total bill rendered to that customer during that same time period. Again, the payments reported in Table 10 include Winter Warmth payments in the months in which those Winter Warmth payments were made.

Most Winter Warmth customers made payments toward their cumulative bills during the heating months constituting the Winter Warmth program year. While 71% of Winter Warmth accounts made payments of between 50% and 100% of their total bill from December through June, 52% of those accounts made payments of between 75% and 100% during the same time period. Only 6% made some payment in December but then made payments of less than 50% of their cumulative bill for the months of December through June. Similarly, while 65% of Winter Warmth accounts made cumulative payments equal to between 50% and 100% of their cumulative bills from March through June, 37% of those accounts made payments of between 75% and 100%. Only 13% of Winter Warmth accounts made payments of less than 50% of their cumulative bills between March and June.

[15] The "total bill" is the total bill for the starting month plus the current bill rendered in each subsequent month through June. Thus, for November accounts analyzed, the total bill was the total November bill plus the sum of the current bills for December through June. For accounts analyzed in April, the total bill was the total bill in April plus the sum of the current bills in May through June.

TABLE 11:
PERCENTAGE OF ACCOUNTS MAKING PAYMENT
BY CUMULATIVE PAYMENT AS PERCENTAGE OF CUMULATIVE BILL

	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Percent > 0.00 <= 0.50	4%	6%	8%	10%	13%	17%	25%	33%
Percent >0.50 <=1.00	68%	71%	70%	66%	65%	49%	45%	38%
Percent >0.50 <=1.50	93%	92%	89%	86%	83%	69%	61%	49%
Percent >0.75 <=1.00	54%	52%	46%	42%	37%	27%	23%	18%
Percent >0.75 <=1.50	79%	73%	65%	62%	55%	47%	39%	29%

The percentage of payments drops substantially during the warm weather months of May and June. Both the percentage of accounts paying a high proportion of their total bill – remember, the total bill is the total bill (including arrears) in the first month plus the sum of the current month bills through June for subsequent months—decreases while the percentage of accounts paying a smaller proportion of their total bill increases. This result is likely attributable to three factors. First, we know from the discussion of Objective 1 above that the average customer payment falls in the spring months of April, May and June. Particularly combined with high winter arrears and a decrease in the number of months for customers to make a contribution against their arrears, the percentage of total bills will decrease. Second, the number of customers receiving new Winter Warmth payments decreases in the spring months. While Winter Warmth payments are making some contribution toward total bill payment for accounts being considered in the cumulative months including February and March, the total "outside" money coming in to help cover these bills likely begins to decrease in April; the decrease in new Winter Warmth payments is dramatically seen in the months of May and June.

Finally, rather than looking at all Winter Warmth accounts, Table 12 presents data on Winter Warmth accounts that received disconnect notices. One way for Winter Warmth to deliver benefits is to help accounts facing the potential disconnection of service (as evidenced by receipt of a disconnect notices) to resolve their arrears.

Winter Warmth recipients tend to decrease their arrears after receipt of a disconnect notice for nonpayment. Table 12 examines arrearage data for Winter Warmth accounts that received disconnect notices in each month of the program. This Table considers whether arrears decreased in the three months subsequent to the receipt of a disconnect notice for Winter Warmth accounts. According to Table 12, for example, 8,979 accounts received disconnect notices in March. One month after receipt of the notice, 5,093 of those accounts had decreased had decreased their arrears. The number of those 8,979 accounts that had decreased their arrears rose to 5,690 two months after receipt of the notice, and to 5,850 three months after receipt of the notice.

TABLE 12:
NUMBER OF WINTER WARMTH ACCOUNTS RECEIVING NOTICE OF DISCONNECTIONS
BY SIZE OF ARREARS RELATIVE TO ARREARS IN MONTH OF DISCONNECT NOTICE

	Month of Disconnect Notice							
	Nov	Dec	Jan	Feb	Mar	Apr	May	June
No. of Accounts by Arrears One Month After Disconnect Notice Relative to Arrears in Month of Disconnect Notice								
No change in arrears	152	82	131	84	689	718	627	
>0 but < DNP arrears	1,060	487	685	727	5,093	3,436	2,999	
>50% of DNP arrears but < DNP arrears	763	375	510	511	2,692	1,887	1,522	
> DNP arrears	2,406	2,779	2,228	1,445	2,849	2,616	2,280	
No. of Accounts by Arrears Two Months After Disconnect Notice Relative to Arrears in Month of Disconnect Notice								
No change in arrears	82	123	123	144	786	760		
>0 but < DNP arrears	511	314	589	748	5,690	4,057		
>50% of DNP arrears but < DNP arrears	392	211	414	493	2,491	1,743		
> DNP arrears	2,986	2,857	2,379	1,319	1,963	1,756		
No. of Accounts by Arrears Three Months After Disconnect Notice Relative to Arrears in Month of Disconnect Notice								
No change in arrears	96	89	222	231	945			
>0 but < DNP arrears	470	344	894	1,026	5,850			
>50% of DNP arrears but < DNP arrears	312	245	602	542	1,984			
> DNP arrears	2,956	2,941	1,936	930	1,408			
No. of Accounts by Arrears Four Months After Disconnect Notice Relative to Arrears in Month of Disconnect Notice								
No change in arrears	89	202	310	276				
>0 but < DNP arrears	362	578	1,091	1,205				
>50% of DNP arrears but < DNP arrears	256	376	636	514				
> DNP arrears	3,153	2,519	1,570	666				

In contrast, a number of accounts experienced increased arrears after receiving a disconnect notice. Of the accounts receiving a March disconnect notice, 2,849 had increased their arrears one month later. The number of accounts with increased arrears, however, decreased over time for each month but November.

OBJECTIVE #4: IMPROVING WINTER BILL MANAGEMENT

Winter Warmth is designed to help low-income customers "manage" their winter bills more effectively.

The Basis for the Objective

The fourth objective of the Winter Warmth program is to ease the impact of high and volatile winter bills so that low-income customers can better "manage" their current monthly bills. Two aspects of winter bills were of particular concern to Winter Warmth program designers: (1) bill size, and (2) bill volatility.[16] The Petition filed by NIPSCO asserts that the program will "timely address and ease the impact of increased and volatile natural gas prices on low income customers." (Petition, at para. 11). According to Martin, the program will "provide significant [benefits] to low income gas customers by reducing their total gas bills and making winter heating bills more manageable." (Martin, at 7).[17]

It is important to note that rather than focusing on the payment of arrears once incurred, as the Program does with its components directed toward the prevention of shutoffs and toward the restoration of service, the fourth objective of the Winter Warmth program is directed toward the payment of *current* bills.[18] Company witness Karch notes that one aspect of the program is to "aid in the payment of current bills because many social agencies do not provide assistance for *current bills*." (Karch, at 7) (emphasis added). Karch continues on to emphasize the immediate need for this aspect of the Winter Warmth program, stating that "winter is fast approaching and customers need this assistance now." (Karch, at 7).[19] The Petition seeking approval of the program asserted that "the Program will assist qualifying customers. . .prior to and during the critical winter heating season." (Petition, at para. 3). Mr. Martin agreed, noting that through the Program, participating "customers will have an incentive to monitor and control usage if possible and better manage their *monthly* gas bills." (Martin, at 7). (emphasis added).

[16] Although never explicitly stated, presumably, bill "volatility" can be caused by one of two factors: price volatility or weather.

[17] This objective is stated separately, just as Mr. Martin identified it as an objective separate from the reduction of payment defaults and untimely payments. (Compare, Martin Direct Testimony, page 7, lines 7 – 9 with Martin Direct Testimony, page 7, lines 11 – 13).

[18] This fourth Program objective does not, in other words, seek to eliminate arrears (that result is captured in objective #3 of the Winter Warmth program).

[19] In contrast, the assistance directed toward the prevention of shutoffs, or toward the restoration of service, is not directed toward current bills, but rather toward arrears that appear on bills at the end of the moratorium period in the spring.

Thing to be Measured

In order to test the success of NIPSCO's Winter Warmth program in achieving its fourth objective, a program evaluation must define and measure the successful "management" of the size and volatility of winter bills by Winter Warmth participants.

The measurement is designed to capture the extent to which the Winter Warmth program helps to reduce the particular problems attributable to the high level and increased volatility of *winter* bills relative to bills that do not present the same size and volatility issues. The Program, in other words, seeks to ensure that, however well the customer had been performing during the non-winter heating months, that customer performance would not deteriorate when the customer was faced with the size and volatility of winter bills.

Two empirical inquiries are necessary for the measurement of "bill management" during the winter months when bills are high and volatile:

- What was the customer performance prior to being faced with high winter heating bills; and

- Did that performance decline during the high cost winter months.

The Problem to be Addressed

The problem to be addressed by the NIPSCO Winter Warmth program is that, in the absence of the Program, high and volatile winter bills make it difficult, if not impossible, for many low-income customers to make regular, complete and timely payments toward their winter heating bills.

NIPSCO addresses this problem by using Winter Warmth funds not only to pay the arrears of low-income customers at the time a customer faces the disconnection of service (as evidenced by a DNP notice), but also to pay the current bills of Program participants so long as the total benefits do not exceed $400.[20] To the extent that the $400 maximum grant is not needed to pay arrears (or arrears and a deposit), the remainder of the Winter Warmth grant can be used to pay current bills.

Program Outcomes

Winter Warmth helped customers manage their winter heating bills to allow current bills to be paid out of a combination of the customer's own resources and program funds. While other aspects of this evaluation consider total payments towards a customer's *total* bill, as well as payments throughout the entire Winter Warmth program year (November through June), this section of the evaluation focuses on payments made only toward *current* bills. In Table 13, a payment of *less than* 1.00 means that the customer is not paying his or her entire current bill in the period studied. A payment of *more than* 1.00 means that the customer had

[20] The "total benefits" include payments toward arrears, payments toward cash security deposit requirements, and payments toward current bills.

not only paid the entire bill, but has made some payment toward his or her arrears. This Table also distinguishes between payments made from a customer's own resources and the combined payments made by Winter Warmth and the federal energy assistance program (LIHEAP).

Winter Warmth customers made considerable payments from their own resources toward their cumulative current winter monthly bills. According to Table 13, nearly 2,800 customers made payments in excess of their current bills, simply out of customer funds. A payment of greater than 1.0 indicates that the customer paid the current bill plus made some contribution toward a pre-existing arrears.

As is evident from Table 13, a substantial proportion of Winter Warmth customers made customer payments that were not only sufficient to cover their winter bills, but were sufficient to retire some proportion of their arrears as well. This did not happen consistently throughout the winter. Between roughly 2,600 (January) and 4,500 (March) customers made payments in those specific months that more than paid their current bills. In April, the number of customers make customer payments in excess of their current monthly bill increased substantially, to nearly 6,300 accounts.[21]

Similarly, while the number of customers making cumulative payments in excess of 100% of their cumulative winter bills decreased throughout the middle of the winter months (from 2,783 making customer payments exceeding their December current bill; down to 1,931 making customer payments exceeding their December/January current bill; 1,520 making customer payments exceeding their cumulative December/January/February bill), that figure picked up when winter bills moderated. The number of customers making payments in excess of their cumulative winter bills increased from 1,520 in February (customer payments exceeded cumulative December through February current bills) to 1,931 in March (customer payments exceeded cumulative December through March bills) to 2,783 in April (customer payments exceeded cumulative December through April bills).

While Table 13 examines only the proportion of payments to *current* bills (not to total bills, which would include arrears), the Table is designed to help assess not the performance of customers relative to arrears, but rather to the "high and volatile" winter heating bills about which NIPSCO has expressed concern. The closer a customer comes to a payment ratio of 1.0, on either a month-to-month basis or on a cumulative winter heating season basis, the closer the customer comes to not falling further behind on their bills irrespective of where they may have started vis a vis arrears. A ratio of exactly 1.0 means that there is neither deterioration nor improvement. A ratio of greater than 1.0 means there is improvement, while a ratio of less than 1.0 means there is deterioration. Table 13 demonstrates that the customers participating in Winter Warmth avoided more than a modest deterioration in their bill payment status as a result of high and volatile winter heating bills.

[21] This analysis does not extend out past April. This is not because there are no payments beyond April. It is only because the purpose of this particular section of the evaluation is to consider the objective of whether Winter Warmth helps customer to manage their *winter* bills.

TABLE 13:
NUMBER OF WINTER WARMTH ACCOUNTS BY PROPORTION OF TOTAL WINTER BILL PAID BY SOURCE OF PAYMENT

		1	2	3	4	5	6	7	8	9	10
		Dec	Jan	Feb	Mar	Apr	Dec	Dec-Jan	Dec - Feb	Dec - Mar	Dec - Apr
		Total Payments									
		Monthly Current Bill					Cumulative Current Bill				
0.00	0.00	6,851	6,871	6,847	5,650	4,795	6,851	3,606	2,478	1,458	1,229
>0.00	<=0.50	1,691	1,687	1,299	1,371	807	1,691	3,689	3,948	3,471	1,750
>0.50	<=0.75	1,268	1,400	964	869	609	1,268	2,747	3,512	3,772	3,325
>0.75	<=1.00	1,193	1,305	1,260	1,183	871	1,193	1,893	2,425	3,309	4,713
>1.00	>1.00	3,035	2,762	3,599	4,848	6,847	3,035	2,094	1,639	1,970	3,013
Total >0		7,187	7,154	7,122	8,271	9,134					
		Customer Payments									
		Monthly Current Bill					Cumulative Current Bill				
0.00	0.00	6,356	6,332	6,297	5,230	4,431	6,356	3,353	2,294	1,355	1,138
>0.00	<=0.50	1,548	1,548	1,196	1,251	744	1,548	3,363	3,613	3,173	1,615
>0.50	<=0.75	1,149	1,280	891	796	559	1,149	2,523	3,229	3,477	3,073
>0.75	<=1.00	1,094	1,186	1,149	1,078	803	1,094	1,748	2,239	3,044	4,318
>1.00	>1.00	2,783	2,567	3,332	4,462	6,284	2,783	1,931	1,520	1,823	2,777
Total >0		6,574	6,581	6,568	7,587	8,390					
		Energy Assistance/Winter Warmth Payments									
		Monthly Current Bill					Cumulative Current Bill				
0.00	0.00	10,911	10,913	11,441	10,662	9,119	10,911	10,913	11,439	10,595	9,014
>0.00	<=0.50	719	546	686	1,154	2,644	719	544	683	1,103	2,219
>0.50	<=0.75	647	506	490	759	962	647	509	491	763	1,148
>0.75	<=1.00	512	474	324	442	374	512	475	320	492	579
>1.00	>1.00	677	1,027	525	489	367	677	1,025	533	513	506
Total >0		2,555	2,553	2,025	2,844	4,347					

It is encouraging to see how many Winter Warmth customers make payments aach month, even when those payments will not cover their entire bills. Indeed, according to Table 13, a substantial proportion of Winter Warmth customers made partial monthly payments. Customers made partial payments from customer resources not only on a month-to-month basis, but on a cumulative seasonal basis as well. In February, for example, more than 2,000 customers made a customer payment of more than 50% of their current bill but less than the entire bill. On a cumulative basis, 7,391 made cumulative customer payments of more than 50% of the cumulative December through April current bill, but less than the entire current bill.

There is a population of customers that makes no payments during the winter months, but that population is smaller than it might first appear. Table 13 (Column 1 through Column 5) presents data on the extent to which Winter Warmth customers made payments toward their current bills during each individual winter month. Table 13 shows that a number of Winter Warmth customers have no payments applied to their account in any given month of the winter heating season. While 6,851 accounts reported no payments in December, that number decreased to 5,650 accounts with no payments in March and decreased further to 4,795 accounts with no payments in April.

The accounts making no payments toward their individual monthly bills, however, may skip a month of making payments here and there during the winter, but these customers did not consistently stop making payments throughout the winter months altogether. Table 13 (Columns 6 through 10) shows the proportion of payments made toward the cumulative bills as the winter progresses. While 6,851 customers made no payments in December, in other words, the number of customers having made no payments for the cumulative period of December through February had decreased to only 2,478. The number of customers having made no payments toward their cumulative December-through-April bill had decreased further to 1,229. [22]

It is evident from Table 13 that Energy Assistance and/or Winter Warmth payments do not substitute for customer payments. While there were a total of 7,187 payments of more than $0 made toward the bills of Winter Warmth customers in December, in other words, there were 6,574 customer payments made during that month. This pattern remained constant throughout the winter. In February, while there were 7,122 accounts with some type of payment, there were 6,568 accounts with customer payments. In March, there were 8,271 accounts with some type of payment, while 7,587 accounts had customer payments. In April, there were 9,134 accounts with payments, while there were 8,390 accounts with customer payments in that month.

Table 14 translates these payment patterns into the growth (or reduction) in arrears over the winter months for Winter Warmth customers. Setting aside a small proportion of customers for whom the April arrears was identical to the arrears in a prior month, across the board, the

[22] The data did not allow the evaluation to limit the inquiry only to those accounts with a positive account balance. If an account had received a LIHEAP payment creating a bill credit, in other words, if the customer did not make a payment it was still reported as a $0 payment toward the current bill.

April arrears reflects the payment and billing data discussed throughout this evaluation. For nearly 10,000 accounts, the arrears appearing on the April bill exceeded the arrears at the start of the winter heating season (December). In only 2,880 instances, did the April arrears fall below the December arrears.

The movement, however, was in a direction indicating that Winter Warmth customers were beginning to manage their winter bills. A consistent growth in arrears did not appear. While 8,225 accounts had April arrears greater than January arrears, for only 6,934 accounts did April arrears exceed February arrears. While there was still a growth in arrears for some accounts from April to March, that number was down even further, with only 5,816 accounts having higher arrears in April than they had in March.

TABLE 14:
NUMBER OF ACCOUNTS BY INCREASE/DECREASE IN ARREARS FROM EACH WINTER MONTH TO APRIL

	Apr vs. Dec	Apr vs. Jan	Apr vs. Feb	Apr vs. Mar
Arrears stayed the same	427	367	392	426
Arrears increased	9,944	8,225	6,934	5,816
>$0 <= $100	1,912	1,875	1,673	1,741
>$100 <= $250	2,638	2,312	2,199	2,482
>$250	5,394	4,038	3,062	1,593
Arrears decreased	2,880	4,659	5,925	7,009

As Table 14 shows, the number of accounts with a decreasing arrears rose consistently over the course of the winter. While 2,880 accounts had a lower balance in April than they had in December, the number of accounts with a lower balance in April than they had in February increased to 5,925. The payment pattern demonstrated here is consistent with customers falling somewhat into arrears over the course of the winter, but, through a combination of payments (customer and otherwise), beginning to retire those arrears when the end of the winter arrives.

Table 15 presents some greater detail. Table 15 shows that customers did not need to reduce their April arrears to at or close to $0 in order for them to have experienced a decrease in arrears over the course of the winter. If a customer has an April arrears of $300, in other words, it makes a difference whether they started with a $50 arrears in December and, over the course of the winter, experienced an *increase* in arrears of $250 (to a total of $300), or whether they started with a $500 arrears in December and, over the course of the winter, experienced a *decrease* of $200 (to a total of $300). While 4,290 accounts with an April arrears exceeding $250 had experienced an increased arrears relative to December, an additional 3,397 accounts with an April arrears of more than $250 had an April arrears less than those arrears existing at the beginning of the winter.

TABLE 15:
NUMBER OF ACCOUNTS BY INCREASE/DECREASE IN ARREARS FROM EACH WINTER MONTH TO APRIL BY SIZE OF APRIL ARREARS

	Apr - Dec	Apr - Jan	Apr - Feb	Apr - Mar
		April Arrears > $0 <= $100		
Arrears stayed the same	11	11	17	24
Arrears increased	516	374	360	366
>$0 <= $100	494	353	324	331
>$100 <= $250	19	17	29	32
>$250	3	4	7	3
Arrears decreased	585	727	735	722
		April Arrears > $100 =< $250		
Arrears stayed the same	33	29	44	49
Arrears increased	2,194	1,453	1,153	1,100
>$0 <= $100	900	650	397	479
>$100 <= $250	1,247	770	722	608
>$250	47	33	34	13
Arrears decreased	910	1,655	1,940	1,988
		April Arrears > $250		
Arrears stayed the same	5	11	15	33
Arrears increased	7,205	6,365	5,383	4,290
>$0 <= $100	496	842	920	894
>$100 <= $250	1,365	1,522	1,445	1,826
>$250	5,344	4,001	3,018	1,570
Arrears decreased	510	1,344	2,322	3,397

Of those accounts with an April arrears of between $100 and $250, far more had that level of arrears because they had *decreased* their December arrears to that level (1,988) than because they had *increased* their December arrears to that level (1,100). So, too, did twice as many accounts with an April arrears of $100 or less derived their April arrears by decreasing their arrears over the winter (722) than by increasing their arrears (366).

OBJECTIVE #5: REMOVING DEPOSITS AS SERVICE RESTORATION BARRIER

Winter Warmth is designed to remove deposits as a barrier to a successful restoration of service after a service disconnection for nonpayment.

The Basis for the Objective

The fifth objective of the Winter Warmth program is to remove security deposits as a barrier to a successful restoration of service after a service disconnection for nonpayment.

The purpose of providing assistance to help pay cash security deposits is to help customers who have experienced the disconnection of service for nonpayment to have their service restored. The Petition seeking approval of the Winter Warmth program states that the Program "is designed to assist in the restoration. . .of gas service for low-income customers whose service has been disconnected. . .The Program will assist qualifying customers by providing a combination of reduced security deposit relief [and] security deposit assistance. . ." (Petition, at para. 3).[23]

Historically, no energy assistance program provided funds to help pay cash security deposits, thus leaving some customers without any means for relief. While Mr. Martin refers to the provision of "a combination of reduced security deposit relief [and] security deposit assistance" to income-qualified customers (Martin, at 3), it was Ms. Karch and Ms. Ton who explained the *importance* of providing such deposit relief. According to Ms. Ton, "deposit requirements for clients whose service has been terminated are a fact of life. For the first time, the Program will enable us to pay a part of the bill that we were precluded from doing so in the past." (Ton, at 4). According to Ms. Karch, "the Program's funds will be the sole source for deposit assistance. This assistance program fills a gap which NIPSCO has experienced in the past." (Karch, at 3).

Thing to be Measured

Testing the success of NIPSCO's Winter Warmth program in achieving its fifth objective involves measuring the extent to which the Program eliminates deposits as a barrier to the successful restoration of service. Two empirical measurements must be made.

[23] Ms. Karch continues to state that the customer must make a minimum payment of $50 towards any outstanding deposit "because NIPSCO believes the customer should have some responsibility to restore service." (Karch, at 6).

- The extent to which deposits requests were made to Winter Warmth participants after a disconnection for nonpayment; and

- The extent to which the Program assisted in the payment of such deposits.

This evaluation does not consider the impact of the reduced deposit demands for income-qualified customers. Instead, the discussion below focuses on the payment of deposit requirements through Winter Warmth resources.

The Problem to be Addressed

The problem to be addressed by the NIPSCO Winter Warmth program is that, in the absence of the Program, some low-income customers who are charged a deposit cannot afford to pay the deposit necessary either to avoid the disconnection or to effectuate the restoration of service after a disconnection has already occurred. In addition, even once a cash security deposit has been paid, low-income customers should be left with sufficient resources to continue to make full and timely payments toward their bills for current usage in future months.

NIPSCO addresses these problems not only by reducing cash security deposit requirements, but also by using Winter Warmth funds to help pay the cash security deposits of low-income customers when a customer with disconnected service seeks the restoration of service.

Program Outcomes

A deposit assistance program is an important component to the Winter Warmth program. Cash security deposits are usually requested as one prerequisite to the restoration of service subsequent to the disconnection of service for nonpayment.[24] The Company required new or additional deposits from the vast majority of accounts that were reconnected. Of the 2,440 accounts that both received a Winter Warmth payment and experienced a disconnection of service at some point in the program year, 1,852 had deposits imposed upon them.

The analysis below focuses on the "near-term" restoration of service. Nearly 90% of service disconnections for nonpayment by NIPSCO are followed by a "near-term" restoration of service (2,460 near-term restorations after 2,825 disconnections). A "near-term" restoration is defined for this evaluation as one in which service is reconnected either the same month in which the disconnection occurs or the immediate subsequent month. Table 16 demonstrates that the near-term restoration of service is the rule rather than the exception over all months. As can be seen, between 85% and 98% of accounts that were disconnected between November and June were reconnected in the near-term. (The June reconnections, however, reflect only the reconnections that occurred in June. No subsequent month of data existed for service restorations.)

[24] To the extent that a customer has already posted the maximum allowable deposit, a reconnection would not be associated with a request for a new or expanded cash security deposit.

TABLE 16:
RATIO OF NEAR-TERM RECONNECTIONS TO DISCONNECTIONS IN THE MONTH OF DISCONNECTION

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Disconnected this month	129	159	292	291	506	658	520	270
Reconnected this month or next	122	152	286	276	459	570	432	163
Ratio of reconnect to disconnect	95%	96%	98%	95%	91%	87%	83%	60%

Roughly 60% of the service disconnections associated with Winter Warmth customer accounts[25] followed by a near-term restoration of service had deposit demands associated with the restoration of service.[26] The imposition of deposits is not a seasonal phenomenon. As Table 17 demonstrates, a disconnected customer that is restored in the near-term is just as likely to have a deposit imposed in the winter months as in other months of the program year (November through June). Winter Warmth deposit assistance would, accordingly, provide assistance with service restorations throughout the winter months.

TABLE 17:
PERCENTAGE OF ACCOUNTS WITH NEAR-TERM RECONNECTIONS RESULTING IN DEPOSIT DEMANDS BY MONTH OF RECONNECT

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Reconnected this month or next	122	152	286	276	459	570	432	163
Accounts required to post new deposit	58	91	178	174	244	329	231	104
Pct of reconnects resulting in deposits	48%	60%	62%	63%	53%	58%	53%	64%

The deposits that were required from accounts that were reconnected in the near term can impose substantial burdens on the customers seeking service restoration. Of the 91 deposits that were demanded after a December disconnection (followed by a near-term service restoration), 56 were for $200 or more. Of the 329 deposits demanded after an April disconnection (followed by a near-term service restoration), 198 were for $200 or more. As Table 18 shows, cash security deposit were equal to or in excess of $200 in from 45% to 70% of the instances where a deposit was imposed after a near-term service restoration. Of the 1,409 deposits demanded for accounts experiencing a near-term service restoration in November through June, 884 (63%) experienced a deposit demand of $200 or more.

[25] While there were 2,440 Winter Warmth accounts that experienced a service disconnection, there were 2,460 service disconnections followed by near-term service restorations in the program year. The difference in numbers simply means that some accounts experienced more than one service disconnection. This section examines deposits associated with the event of a service disconnection and restoration, not with accounts.

[26] This evaluation does not distinguish between new or additional deposits.

In contrast, small demands, while occasionally imposed, did not affect a substantial proportion of near-term service restorations. Of those 1,409 deposits demanded for accounts experiencing a near-term service restoration in November through June, there was a *total* of only 137 deposit demands over the full eight month period that were $50 or less.[27]

TABLE 18:
CASH SECURITY DEPOSIT DEMAND BY DOLLARS OF SECURITY DEMAND
FOR NEAR-TERM RECONNECTS BY MONTH OF CASH SECURITY DEPOSIT

Deposit	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
$0	26	15	35	49	109	114	81	12
>$0 <=$50	8	11	14	19	22	38	17	8
>$50 <=$100	10	5	20	13	32	38	24	10
>$100 <=$200	14	19	30	31	39	55	33	15
>$200 <=$300	14	20	65	61	59	82	58	20
>$300 >$300	12	36	49	50	92	116	99	51
Total > $0	58	91	178	174	244	329	231	104
Total > $200	26	56	114	111	151	198	157	71
Percent of > $0 that is > $200	45%	62%	64%	64%	62%	60%	68%	68%

The Winter Warmth program provided significant assistance to help program participants pay these deposit demands. While customer payments are often used to pay smaller deposit demands in their entirety, as deposit demands become higher, both the number and the proportion paid by customer resources decreases and both the number and the proportion paid by Winter Resource payments increases.

Table 19 examines accounts that, at some time during the program year, have a customer payment made toward a deposit demand after a near-term service reconnection. It presents the ratio that a payment made within 90 days of a deposit demand is to the deposit demand. If a deposit demand is imposed of $100, in other words, and a customer makes a payment of $50 toward that deposit within 90 days of the deposit demand, the ratio is 0.50.

The reduced ability of customers to rely exclusively on customer resources is evident as the deposit demands reached higher dollar amount. As shown in Table 19, customer payments were used to pay 100% of deposit demands of less than $100 in 87 of the 96 instances where a deposit of less than $100 was imposed. In contrast, when deposits moved up to between $100 and $250, 59 (of 124) were made entirely from customer resources. Only 67 of the 325 deposits of more than $250 were made entirely from customer resources. Of the 325 deposit

[27] This evaluation does not consider *why* deposit demands were at these levels. It is likely, however, that these accounts had previously posted deposits and these demands were incremental in nature.

demands in excess of $250, customer payments representing more than $0 but less than 50% of the total demand were made in 205 instances.

TABLE 19:
RATIO OF CUSTOMER PAYMENT TO DEPOSIT DEMAND
BY MONTH OF DEPOSIT DEMAND /A/

Ratio of Payment To Deposit Demand	Customer Payments Nov	Dec	Jan	Feb	Mar	Apr	May
	Ratio of Customer Payment to $1 - $100 Deposit						
=0 <= 0.5	0	0	0	0	2	2	0
> 0.5 <= 1.0	0	0	2	1	0	0	2
= 1.0	7	5	4	6	13	15	7
>1.0	2	4	7	1	7	4	5
	Ratio of Customer Payment to $101 - $250 Deposit						
=0 <=0.5	0	3	1	11	9	6	6
> 0.5 <= 1.0	2	3	2	4	3	7	8
= 1.0	12	2	6	5	7	9	5
>1.0	2	2	2	1	3	2	1
	Ratio of Customer Payment to more than $250 Deposit						
=0 < =0.5	4	13	31	31	42	41	43
> 0.5 <= 1.0	2	4	6	11	9	13	8
= 1.0	8	7	2	0	7	11	11
>1.0	2	3	2	3	4	5	2

NOTE: /a/ Payments made in the month of the deposit, or in the two months after the deposit, are summed and matched to the deposit demand to create the ratio.

In contrast, Winter Warmth payments became a significant resource to help meet deposit demands, particularly as the demands reached into the higher dollar amounts. Table 20 presents the ratio of Winter Warmth payments toward deposit demands as a ratio of the deposit demand. While Winter Warmth payments were used to pay less than 100% of a deposit of less than $100 for a relatively small number of account (13 of 155 deposit demands), they were used to pay less than 100% of a deposit demand of more than $250 in 418 of the 583 instances of such a demand. As deposit demands became bigger, Winter Warmth payments became more and more of a gap filler in meeting those demands. For deposit demands of greater than $250 against which a Winter Warmth payment was made, Winter Warmth payments:

- Paid less than 50% of the deposit in 32% of the instances;
- Paid more than 50% but less than the full deposit in 39% of the instances; and
- Paid the full deposit in 28% of the instances.

TABLE 20:
RATIO OF WINTER WARMTH PAYMENT TO DEPOSIT DEMAND
BY MONTH OF DEPOSIT DEMAND /A/

Ratio of Payment To Deposit Demand	Winter Warmth Payments						
	Nov	Dec	Jan	Feb	Mar	Apr	May
	Ratio of Winter Warmth Payment to $1 - $100 Deposit						
=0 <= 0.5	0	0	1	0	1	2	2
> 0.5 <= 1.0	0	0	0	0	2	3	2
= 1.0	0	0	16	19	27	35	16
>1.0	0	3	6	4	4	8	4
	Ratio of Winter Warmth Payment to $101 - $250 Deposit						
=0 <=0.5	0	2	3	5	11	8	6
> 0.5 <= 1.0	0	2	2	14	13	13	13
= 1.0	0	6	26	27	23	38	25
>1.0	0	1	3	1	1	5	2
	Ratio of Winter Warmth Payment to more than $250 Deposit						
=0 < =0.5	0	8	22	22	40	57	39
> 0.5 <= 1.0	0	14	35	31	47	50	53
= 1.0	0	10	36	26	25	35	23
>1.0	0	1	0	3	1	3	2

In sum, cash security deposits are a fact of life for customers that have experienced a disconnection of service for nonpayment. In a majority of cases where a customer has been disconnected and then reconnected in the short-term, the Company imposes a new or additional cash security deposit requirement. As those deposit demands get bigger, it is less and less possible for customers to pay the entire deposit using only customer resources. The Winter Warmth program stepped in to pay the entire deposit in roughly one-of-four cases. More frequently, however, Winter Warmth was available to leverage customer payments so that the deposit requirement was met. The number of instances where Winter Warmth paid less than half of the deposit was roughly equal to the number of instances where Winter Warmth paid more than half but less than the total deposit requirement.

OBJECTIVE #6: INCREASING SUCCESSFUL SERVICE RESTORATIONS.

Winter Warmth is designed to promote the number of successful service restorations.

The Basis for the Objective

A separate objective of the Winter Warmth program, distinguishable from the objective of helping to remove the imposition of security deposits as a barrier to the restoration of service, is to assist customers that experience the restoration of service experience a

successful restoration of service. While Objective #5 specifically refers to the elimination of deposit requirements as a barrier to service restorations, this sixth objective is somewhat broader. Even when service restorations may occur, the customer may be hampered in paying *future* bills by the customer resources devoted to paying the outstanding arrears along with current bills and other connection fees. In these circumstances, even if a customer is restored to the system, that customer may quickly fall back into arrears and eventually again face a service disconnection. The objective of Winter Warmth is not simply to restore customers to the system, but to restore them in such a way as to maximize the likelihood of their future success in bill payment.

To accomplish this objective, one aspect of the Program is to leverage customer payments toward their outstanding arrears (either before or after service terminations). As Ms. Karch explains, "the customer must make a *minimum* (emphasis added) payment of $50 towards any outstanding deposit or outstanding bill in order to receive assistance under the Program. . ." (Karch, at 6). While Ms. Karch explains that local agencies may "waive the minimum payment requirement if they think it is appropriate," (Karch, at 6), Mr. Martin explained more specifically that "Gift of Warmth agencies [will] have complete discretion to determine whether the eligible customer can afford to pay the $50 minimum payment." The Company's Petition states that "NIPSCO will require that all customers requesting service restoration or to avoid service termination for non-payment pay a minimum of $50, with the Gift of Warmth agency paying the balance of up to $400 per customer per winter heating season." (Petition, at para. 5).

The fact that the Program is designed to position the customer to make future bill payments is made explicit by the Company's statement that "the Program envisions participating customers to continue to be responsible for payment of a significant portion of their gas usage." (Petition, at para. 10). This statement is consistent with the fact that the Program is designed to fill gaps in resources available to address winter payment troubles rather than to provide ongoing rate affordability assistance.

Thing to be Measured

Testing the success of NIPSCO's Winter Warmth program in achieving its sixth objective involves measuring the extent to which the Program reduces arrears to the point where Program participants not only experience a restoration of service, but experience the *successful* restoration of service.[28] Measuring the successful restoration of service involves the following empirical inquiries:

- The extent to which disconnected customers are restored to the system; and
- The extent to which participating customers are capable of making timely payments from their own resources subsequent to their service restoration.

[28] The elimination of cash security deposits as a barrier to successful service restoration is covered by objective #5.

The Problem to be Addressed

The problem to be addressed by the NIPSCO Winter Warmth program is that, in the absence of the Program, some low-income customers who experience a disconnection for nonpayment (DNP) experience a service restoration only in circumstances that do not allow for their future success in paying current bills. The lack of future success may arise as a result of two distinguishable factors.

- On the one hand, the service restoration may not resolve the customer's entire arrears. Instead, the customer makes the payments necessary to achieve the restoration of service, while entering into a deferred payment plan for those arrears remaining unpaid. In these circumstances, even of those customers who make sufficient payment to have their service restored, the level of arrears existing to be repaid over time (in addition to their current bill) leaves their total monthly payment unaffordable.

- On the other hand, some customers retire their arrears and have service restored, but still lack the absolute resources to pay their ongoing current bills. These households may simply have an absolute mismatch between household income and household expenses. In these circumstances, the customer may have his or her service restored only to experience subsequent payment troubles because their monthly payments toward current bills are simply not affordable.

NIPSCO does not purport to address the second group of customers through Winter Warmth. Instead, NIPSCO seeks to promote successful service restoration by using Winter Warmth funds to pay the arrears of low-income customers at the time a customer faces the restoration of service. In so doing, the Program intends to increase a customer's ability to pay their arrears at the time of service restoration and to pay their current bills on an ongoing basis after restoration.

Program Outcomes

Customers that have received a Winter Warmth payment at some point during the winter heating season, and that have had their service restored after a disconnection of service, do not routinely succeed in making full payment of their current bills subsequent to the time of their service restoration. Table 21 presents, by month, data on the ratio of customer payments to current bills for customers having their service restored. Customer payments are compared to current bills in the month of the service restoration, along with the three months immediately succeeding service restoration, in seeking to determine a post-restoration payment pattern.

TABLE 21:
RATIO OF CUSTOMER PAYMENT TO CURRENT BILL
FOR FOUR MONTHS AFTER SERVICE RESTORATION
BY MONTH AND BY MONTH OF RESTORATION

Customer Service Restored in November				
Ratio	Nov Current bill	Dec Current Bill	Jan Current Bill	Feb Current Bill
<= 0	7	79	70	73
> 0 <=0.50	8	9	8	7
> 0.50 =<1.0	8	9	14	11
> 1.0	67	3	5	5
Customer Service Restored in December				
Ratio	Dec Current Bill	Jan Current Bill	Feb Current Bill	Mar Current Bill
<= 0	34	115	101	92
> 0 <=0.50	26	15	15	17
> 0.50 =<1.0	19	11	10	19
> 1.0	59	8	18	22
Customer Service Restored in January				
Ratio	Jan Current Bill	Feb Current Bill	Mar Current Bill	Apr Current Bill
<= 0	49	162	115	105
> 0 <=0.50	67	17	22	10
> 0.50 =<1.0	34	8	34	24
> 1.0	63	19	46	67
Service Restored in February				
Ratio	Feb Current Bill	Mar Current Bill	Apr Current Bill	May Current Bill
<= 0	61	157	124	119
> 0 <=0.50	51	17	21	9
> 0.50 =<1.0	37	29	34	24
> 1.0	84	33	56	75
Service Restored in March				
Ratio	Mar Current Bill	Apr Current Bill	May Current Bill	June Current Bill
<= 0	81	239	168	147
> 0 <=0.50	63	15	20	13
> 0.50 =<1.0	60	30	27	38
> 1.0	127	36	106	104

Few restored customers make complete payments toward their current bills from customer resources in the three months immediately following the restoration of service after a disconnection. If bill payments are equal to 1.0, the customer's payment status is neither improving nor deteriorating. If, however, a customer's bill payments are less than 1.0, the customer is losing ground. In each month in which a customer bill payment is less than 1.0, without the addition of outside (non-customer) resources, the customer incurs an arrears from that month.

Table 21 focuses exclusively on *customer* payments. One rationale for seeing the high numbers of customer payments that equal less than the current bill might involve the availability of outside resources. To the extent that LIHEAP assistance is applied to a customer account, for example, the customer payment may be sufficient to generate a complete bill payment even though the bill is not being paid with customer resources. This rationale, though possible, does not appear to be likely given the ongoing failure of customer payments to cover the full current bill. Customer payments in June (following a March service restoration), for example, still have a substantial propensity to be less than the current June bill.

The number of customer bill payments that exceed the current bill does appear to have an up-tick as the weather begins to warm. The number of payments exceeding a ratio of 1.0 is higher in the months of April (following restorations in January, February and March respectively), in May (following restorations in February and March), and in June. Nonetheless, the number of accounts making no current bill payments following a service restoration is high throughout all months studied.

Aside from coverage of their current bills, a successful service restoration would seem to involve an account reducing their arrearages to $0 and maintaining a current bill payment. As would be expected from the data above, accounts that have experienced a service restoration do not consistently reduce their arrears to $0 and maintain that balance over time. Table 22 shows the number of customers that have a $0 arrears by month after the month of their service restoration.

TABLE 22:
NUMBER OF ACCOUNTS WITH $0 IN ARREARS
BY MONTH OF SERVICE RESTORATION AND TIME AFTER RESTORATION

	Month of Service Restoration						
With $0 Arrears. . .	November	December	January	February	March	April	May
One month after restoration	13	16	24	24	46	110	84
Two months after restoration	11	20	18	24	60	127	
Three months after restoration	14	10	29	43	83		
Four months after restoration	3	19	40	60			
Total number of service restorations	95	157	230	261	341	594	429

The ultimate test of the lack of successful service restoration involves those accounts that have experienced a second disconnection of service after their service had once been disconnected for nonpayment and then restored. Table 23 presents data on the number of accounts that had service restored in each month of the program year, but then experienced a second (or more) disconnection of service. In Table 23, for example, of the 99 accounts that had service restored in November, 15 had service disconnected for nonpayment again in December; 20 again had service disconnected for nonpayment in January; 46 had service disconnected again in April; and 36 again had service disconnected for nonpayment in June. Since one account could fall into more than one month, the months are not additive. A single account could have service restored in November, disconnected and restored again in February, and then disconnected again in May. This account would appear in the count of service disconnections in each month.

The failure of customers with restored service to experience a ***successful*** restoration of service perhaps can best be seen in the disconnection figures for the months of March and April. Of the 167 accounts with service restored in December, 119 had their service again disconnected for nonpayment in March. Of the 235 accounts with service restored in January, 145 had their service again disconnected in March. Of the 267 accounts that had their service restored in February, 137 had their service again disconnected in April.

These post-restoration service disconnections did not occur for minimal arrears. The disconnections occurring in March and April, for example, were for accounts with average arrears of between roughly $500 and $600 (with an outlier or two). Accounts experiencing a post-restoration disconnection in May carried arrears at the time of the disconnection of between roughly $450 and $550.

This population of accounts with repeat service disconnections for nonpayment demonstrates that the Company experiences a small population of "hard core" nonpayers. It is not possible from the data provided to know the circumstances of these nonpayers. It is just as reasonable to conclude that these customers face desperate circumstances as to conclude that these customers "play the system" and avoid bill payment despite an ability to pay. It is possible to conclude, however, that the population is quite small. While many low-income customers, for example, make a $0 payment in any given month, few make $0 payments for the cumulative winter season as a whole. Similarly, while some customers experience repeat service disconnections for nonpayment, the number of customers falling into this group is quite small. Further research should be performed to identify these "hard core" nonpayers. Simply providing additional dollars of unqualified bill payment assistance does not appear to be an appropriate assistance response.

TABLE 23:
SERVICE DISCONNECTIONS
AND AVERAGE ARREARS AT TIME OF DISCONNECTION
AFTER SERVICE RESTORATION BY MONTH

	Month of Disconnection						
	Dec	Jan	Feb	Mar	Apr	May	Jun
Accounts restored in November (n=99)							
Accounts disconnected	15	20	20	80	46	44	36
Average arrears	$230	$368	$390	$687	$566	$549	$521
Accounts restored in December (n=167)							
Accounts disconnected		22	31	119	69	78	54
Average arrears		$342	$369	$581	$492	$430	$366
Accounts restored in January (n=235)							
Accounts disconnected			31	145	114	100	80
Average arrears			$526	$623	$489	$436	$396
Accounts restored in February (n=261)							
Accounts disconnected				112	137	91	97
Average arrears				$581	$472	$487	$293
Accounts restored in March (n=342)							
Accounts disconnected					142	152	143
Average arrears					$501	$448	$344
Accounts restored in April (n=597)							
Accounts disconnected						183	241
Average arrears						$436	$325
Accounts restored in May (n=432)							
Accounts disconnected							112
Average arrears							$392

In sum, as can be seen throughout the data above, one Winter Warmth program objective that is not being achieved is to generate not simply a temporary restoration of service, but a *successful* restoration of service after a service disconnection. Not only do restored accounts routinely fail to pay current bills as they come due, they carry high arrears and suffer frequent subsequent service disconnections for nonpayment. Few accounts succeed in reducing their arrears after their service restoration, let alone reducing their arrears to $0 and maintaining it at that level.

OBJECTIVE #7: REDUCING WRITE-OFFS

Winter Warmth is designed to reduce uncollectibles passed on to remaining ratepayers due to low- income inability to pay.

The Basis for the Objective

The seventh and final objective of the Winter Warmth program is to reduce the incursion of the uncollectible expense that nonpayment of bills imposes on remaining ratepayers. Mr. Martin quite explicitly identifies Program objectives as including a reduction in the number of defaults and untimely payments "which ultimately result in higher uncollectible costs being imposed on petitioner's other customers." (Martin, at 7). Mr. Martin's testimony is reflected in the Company's Petition as well. (Petition, at para. 9).

Thing to be Measured

Testing the success of NIPSCO's Winter Warmth program in achieving its seventh objective involves measuring the extent to which the Program prevents accounts from moving into uncollectible status thus giving rise to dollars of uncollectible expense.

In this respect, it matters not whether the final bill is attributable to a disconnection for nonpayment or otherwise. Uncollectibles can arise either from a final account that leaves an arrears or an account that leaves an unpaid bill for current usage (even if it is not in arrears at the time the final bill is rendered).

The Problem to be Addressed

The problem to be addressed by the NIPSCO Winter Warmth program is that, in the absence of the Program, many low-income accounts either do not have their service restored after a disconnection for nonpayment (leaving a final bill ultimately written off as uncollectible), or leave their accounts with an uncollectible final bill after a service restoration.

NIPSCO addresses these problems by using Winter Warmth funds to pay the arrears of low-income customers at the time a customer faces the disconnection of service to have service restored. NIPSCO also seeks to reduce uncollectible expense by ensuring that Winter Warmth customers on whom deposits are imposed have sufficient resources to pay those deposits. Winter Warmth benefits will not only pay the winter arrears underlying a potential disconnection, but will be used to pay deposit demands securing future unpaid bills against becoming uncollectible.

Program Outcomes

The Winter Warmth program is not yet old enough to pursue an in-depth inquiry into its impacts on the write-off of participant accounts. Residential accounts are written-off six month after they become final. While a few Winter Warmth accounts were subject to write-off in June, 2005, the Program has not been in operation long enough for final accounts to have aged sufficiently to be subject to write-off. As a result, the discussion below will briefly consider the relationship between Winter Warmth payments and final accounts.

Without speculating as to the ultimate impact that Winter Warmth will have in *preventing* participant accounts from moving to Final status, the Winter Warmth program has made contributions to the prevention of write-offs through the supplementation of participant cash security deposits.

The Winter Warmth program made deposit contributions to 470 accounts that, by June 2005, were classified as an account having received a "final bill." Those final bills carried substantial balances. Table 24 presents the level of the final bill *before* deposits were applied.

TABLE 24:
LEVEL OF FINAL BILL BEFORE DEPOSIT APPLIED FOR ACCOUNTS WITH WINTER WARMTH CONTRIBUTIONS TO DEPOSIT AMOUNT

Level of Final Bill Before Deposit Applied	Number of Accounts
Equal to or less than $0	17
> $0 <= $100	15
> $100 =< $250	41
> $250	397
Total	470

In addition, other Winter Warmth payments were applied to accounts that eventually became final billed. In these circumstances, Winter Warmth payments were paid against the utility bill (contrasted to the deposit) for 1,108 accounts. While, in these circumstances, the Winter Warmth payments did not directly contribute to securitizing the account against financial loss due to the write-off of dollars upon an account being final-billed, the payments may well have contributed to a customer's ability to post his or her cash security deposit, thus indirectly promoting a decrease in eventual write-off expense.

The 470 accounts receiving Winter Warmth payments toward deposits and the 1,108 accounts receiving Winter Warmth payments toward the utility account were not necessarily unique accounts. Some accounts could have received both types of payments. Indeed, the unduplicated number of final accounts of final bill accounts receiving Winter

Warmth assistance of one type or the other was 1,239. This indicates that 339 accounts received both types of Winter Warmth payments (deposit and utility).

Winter Warmth payments directly contribute to a reduction in potential write-offs by contributing to a deposit that is eventually applied against a final bill. While not overwhelming, Winter Warmth payments noticeably contribute to a deposit applied against a final bill, thus reducing uncollectible accounts. The data is presented in Table 25. This Table shows, by the month in which a deposit from a Winter Warmth account was applied against a final bill, the ratio of the deposit to the final bill. In March, for example, 18 accounts experienced final bills against which a deposit was applied equal to between 50% and 75% of the final bill. In April, 38 accounts experienced a final bill against which deposit was applied equal to between 25% and 50% of the final bill.

TABLE 25:
RATIO OF DEPOSIT TO FINAL BILL AGAINST WHICH DEPOSIT APPLIED FOR ACCOUNTS HAVING RECEIVED WINTER WARMTH PAYMENTS TO HELP PAY CASH SECURITY DEPOSIT

Ratio: Deposit to Final Bill	Nov	Dec	Jan	Feb	Mar	Apr	May	June
<0	13	13	13	13	13	13	13	13
0	452	455	451	449	421	382	330	323
> 0 <= 0.25	2	0	2	0	5	11	14	11
> 0.25 <= 0.50	1	1	3	4	9	38	44	39
> 0.50 <= 0.75	1	0	0	2	18	19	43	49
> 0.75 <= 1.00	0	1	1	2	2	7	20	26
> 1.00	1	0	0	0	2	0	6	9
Total	470	470	470	470	470	470	470	470

Table 25 document several conclusions.

- First, in the vast majority of cases, an account that has a deposit paid in whole or part by Winter Warmth does not experience a final account. Thus, while the deposit may protect against the "risk" of write-off in some conceptual sense, that deposit plays no role in the actual reduction of write-off expenses for the Company. What is not clear is how these deposits will be used as the Company moves into a warm weather shutoff period. The increased application of deposits against final bills in the months of April, May and June is evident from Table 25. While 451 and 449 deposits were held but not applied against final bills in January and February respectively, only 330 and 323 deposits were held but not applied against final bills in May and June respectively. The converse figures are perhaps even more revealing. While eight (8) Winter Warmth-assisted deposits were applied against final bills in

February, that figure increased to 36 in March, 75 in April, 127 in May, and 34 in June.

- Second, the Winter Warmth-assisted deposits that are applied against final bills tend not to cover the entire final bill facing the Company. Of the 36 Winter Warmth-assisted deposits that were applied in March, only two (2) covered the total final bill. While 127 such deposits were applied in May, only six (6) covered the entire final bill. While 134 Winter Warmth-assisted deposits were applied in June, only nine (9) covered the entire final bill.

- Finally, while Winter Warmth-assisted deposits tend not to cover the ***entire*** final bill facing the Company, they do, indeed, generally cover a substantial portion of that final bill. Of the 127 final bills in May against which a Winter Warmth deposit was applied, for example, 63 of those deposits covered between 50% and 100% of the final bill. Of the 134 final bills in June against which such deposits were applied, 75 of those deposits covered between 50% and 100% of the final bill.

It becomes evident that Winter Warmth contributions designed to help low-income NIPSCO customers pay cash security deposits play a role in reducing the potential dollars subject to write-off subsequent to a final bill being issued for low-income accounts. The precise extent of the role may be unrealized at this point. While Table 25 documents the increasing use of deposits as the warm weather months arrive (127 and 134 in May and June respectively, compared to 36 and 75 in March and April respectively), no data currently exists on the use of these deposits during the non-heating season. It is not clear how many Winter Warmth-assisted deposit accounts will be subject to final bills.

FINDINGS

Based on the above-stated data and analysis, the following findings are proffered with respect to the objectives of the NIPSCO Winter Warmth program.

OBJECTIVE #1: CONTROLLING SERVICE TERMINATIONS

Did Winter Warmth control service terminations due to nonpayment attributable to a customer inability-to-pay?

This evaluation concludes that the response to the question above is an unqualified "yes." The conclusion is inescapable that the Winter Warmth program helps interrupt the disconnect cycle. Despite the loss of cold weather protections, not only do fewer accounts receiving disconnect notices move to the actual loss of service, but the growth in the number of accounts losing service due to disconnection over time is reduced substantially as well. More specifically, this evaluation finds:

- The Winter Warmth program provides a noticeable interruption to the disconnection cycle within the population of customers receiving Winter Warmth benefits. The impact of Winter Warmth payments in helping to interrupt the disconnect cycle is evident. The proportion of accounts that received disconnect notices that eventually actually lost their service decreased after the start of the Winter Warmth program. While the percentage of disconnect notices eventually leading to the actual disconnection of service climbed steadily through the winter months, that increase subsisted with the advent of the Winter Warmth program.

- Similar decreases in the proportionate number of accounts moving from receipt of a disconnect notice to the eventual loss of service is seen even as the time period extends out during which a disconnection might occur. After the beginning of the program, the rate of increase at which the number of accounts receiving disconnect notices moved to the actual loss of service over time was substantially limited.

- Winter Warmth does not completely prevent the termination of service. The spring months of March, April and May still present somewhat of a risk of service loss to customers that participate in Winter Warmth. Of those limited number of customers experiencing a service disconnection,[29] the spring months present a heightened risk for that disconnection to occur.

[29] In making this observation, it is important to remember that the loss of service due to a nonpayment shutoff is often the ***trigger*** for Winter Warmth participation. It was not possible to factor that influence out of the analysis. One reason why Winter Warmth participants experience service disconnections is because

- Disconnections for nonpayment do not immediately follow the issuance of a notice of disconnection. Frequently, customers have a three to four month period between the first disconnect notice they receive in the winter season and the actual disconnection of service. This lag time does not result exclusively from winter shutoff protections.

- On average, customers receiving a notice of service disconnection for nonpayment continue to make payments toward their current bills. While arrears in the month of the disconnection are higher in the mid-winter months than in the months before or after the winter season, by May, arrears have equalized despite their size at the time of the disconnect notice.

- Customers make reasonably constant customer payments over the winter months. Indeed, the average monthly customer payment increases during the mid-winter months.

- While the average customer payment increases in the mid-winter months, the increase in the amount of the average customer payment as the winter deepens is often not sufficient to offset the increase in the average current bill incurred as the winter deepens. Winter Warmth payments serve as a gap-filler for the shortfall between the continuing customer payment and the increased monthly bill.

OBJECTIVE #2: CONTROLLING SPRING SERVICE TERMINATIONS

Did Winter Warmth control Spring service terminations due to nonpayment attributable to a customer inability-to-pay.

This evaluation concludes that the response to the question above is "yes." The Winter Warmth population does not experience a substantial rate of service disconnection during the spring months despite an ongoing level of arrears. During the spring months of March through June, while there were roughly 13,000 Winter Warmth accounts each month, the Company only terminated service, in the same month as the disconnect notice was issued, to between 200 (206 in June) and 400 (382 in March) accounts for nonpayment.

Moreover, there was a sharp decrease in the number of accounts disconnected by month after the implementation of the Winter Warmth program. The impact of the program on both the number of accounts subject to the disconnection of service, and the number of accounts actually experiencing the disconnection of service, is substantial. While the number of accounts in arrears decreased roughly twelve percent (11.9%) from March through June, the number of accounts in serious payment trouble decreased much more

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those customers would not have participated in the Winter Warmth program in the absence of the disconnection.

dramatically. After the implementation of Winter Warmth, the number of accounts so far in arrears that they received disconnect notices decreased 42%, while the number of accounts that experienced the actual disconnection of service for nonpayment decreased 46%.

While the Winter Warmth program does not eliminate spring service disconnections for nonpayment, Winter Warmth payments often serve as a significant barrier both to the short-term disconnection of service and to the winter increase in arrears leading to a spring disconnection due to nonpayment. More specifically, this evaluation finds:

- The accounts that experience a disconnection of service during the spring months experience substantially higher arrears in the month the disconnection occurs than do Winter Warmth customers generally. In addition, the accounts that experience a disconnection of service during the spring months experience a substantially higher ***growth*** in arrears over the winter months. In sharp contrast to Winter Warmth customers generally, virtually all disconnected accounts had a higher arrears at the time of the service disconnection relative to the arrears on the bills at the beginning of the winter.

- Winter Warmth payments interrupt the disconnection cycle by interrupting the growth in arrears. Winter Warmth payments as a percentage of the total bill in the month of a disconnect notice (plus the immediate subsequent current bill) serve to match with customer payments and result in a payment of a substantial portion of the bill when customer payments fall short. While customer payments were insufficient to cover two-month total bills upon receipt of a disconnect notice, Winter Warmth payments stepped in to fill the gap.

- Winter Warmth payments supplement and do not supplant customer payments. Customer payments do not noticeably decrease in months of the receipt of Winter Warmth payments.

OBJECTIVE #3: CONTROLLING PAYMENT DEFAULTS

Did Winter Warmth control the number of payment defaults and untimely payments.

This evaluation concludes that the response to the question above is an unqualified "yes." While the Winter Warmth program does not eliminate payment defaults, the Winter Warmth population experiences a continuing improvement in payment patterns over the winter months. In those instances where customer payments are insufficient to pay ongoing current bills, Winter Warmth participants experience a reasonably minor deterioration in payment position over the course of the winter. More specifically, this evaluation finds:

- While a portion of Winter Warmth recipients immediately fell back into arrears subsequent to the receipt of their Winter Warmth payment, the numbers of participants falling back into arrears were not overwhelming. Between 15% and 20% of customers receiving Winter Warmth payments were in arrears within two to three months subsequent to receipt of their payment.

- Drawing conclusions about bill payment by looking at the presence or absence of arrears has some shortcomings. The primary shortcoming is that such an analysis does not distinguish between levels of nonpayment. An arrears of $0.57 is considered equal to an arrears of $57.00. Moreover, a $100 arrears on a $120 bill is considered equal to a $100 arrears on a $1,200 bill.

- Most Winter Warmth customers made payments toward their cumulative bills during the heating months constituting the Winter Warmth program year. While 71% of Winter Warmth accounts made payments of between 50% and 100% of their total bill from December through June, 52% of those accounts made payments of between 75% and 100% during the same time period. Only 6% made some payment in December but then made payments of less than 50% of their cumulative bill for the months of December through June.

- One way for Winter Warmth to deliver benefits is to help accounts facing the potential disconnection of service (as evidenced by receipt of a disconnect notices) to resolve their arrears. Winter Warmth recipients tend to decrease their arrears after receipt of a disconnect notice for nonpayment. For example, 8,979 accounts received disconnect notices in March. One month after receipt of the notice, 5,093 of those accounts had decreased had decreased their arrears. The number of those 8,979 accounts that had decreased their arrears rose to 5,690 two months after receipt of the notice, and to 5,850 three months after receipt of the notice.

OBJECTIVE #4: IMPROVING WINTER BILL MANAGEMENT

Did Winter Warmth help low-income customers "manage" their winter bills more effectively.

This evaluation concludes that the response to the question above is an unqualified "yes." The Winter Warmth population evidences an ability to make substantial payments toward their current bills from customer funds. When combined with Energy Assistance and Winter Warmth payments, as well as other energy assistance to a more limited degree, customers receiving Winter Warmth payments at some point during the winter heating season pay a substantial part of their current month bills and experience no deterioration in their payment position over the winter months. More specifically, this evaluation finds:

- Some Winter Warmth customers have no payments applied to their account in any given month of the winter heating season. The accounts making no payments toward their individual monthly bills, however, may skip a month of making payments here and there during the winter, but these customers did not consistently stop making payments throughout the winter months altogether.

- Neither Energy Assistance nor Winter Warmth payments substitute for customer payments during the winter months. While there were a total of 7,187 payments of more than $0 made toward the bills of Winter Warmth customers in December, for example, there were 6,574 customer payments made during that month. This pattern remained constant throughout the winter.

- Winter Warmth customers made considerable payments from their own resources toward their cumulative current winter monthly bills. In December, nearly 2,800 customers made payments in excess of their current bills, simply out of customer funds. By March, that number had increased to nearly 4,500; by April, the number of customers making a customer payment of greater than the current bill had increased to nearly 6,300. A payment of greater than 1.0 indicates that the customer paid the current bill plus made some contribution toward a pre-existing arrears.

- Similarly, while the number of customers making cumulative payments in excess of 100% of their cumulative winter bills decreased throughout the middle of the winter months that figure picked up when winter bills moderated. The number of customers making payments in excess of their *cumulative* winter bills increased from 1,520 in February (cumulative customer payments exceeded cumulative December through February current bills) to 2,783 in April (cumulative customer payments exceeded cumulative December through April bills).

- For nearly 10,000 accounts, the arrears appearing on the April bill exceeded the arrears at the start of the winter heating season (December). The movement, however, was in a direction indicating that Winter Warmth customers were beginning to manage their winter bills. A consistent growth in arrears did not appear. While 8,225 accounts had April arrears greater than January arrears, there were only 5,816 accounts having higher arrears in April than they had in March.

- In contrast, for more than 7,000 accounts, the arrears actually decreased from December to April. The number of accounts with a decreasing arrears rose consistently over the course of the winter. While 2,880 accounts had a lower balance in April than they had in December, the number of accounts with a lower balance in April than they had in February increased to 5,925. The payment pattern demonstrated here is consistent with customers falling

somewhat into arrears over the course of the winter, but, through a combination of payments (customer and otherwise), beginning to retire those arrears when the end of the winter arrives.

- Customers did not need to reduce their April arrears to at or close to $0 in order for them to have experienced a decrease in arrears over the course of the winter. Of those accounts with an April arrears of between $100 and $250, far more had that level of arrears because they had *decreased* their December arrears to that level than because they had *increased* their December arrears to that level. So, too, did twice as many accounts with an April arrears of $100 or less derived their April arrears by decreasing their arrears over the winter then by increasing their arrears.

OBJECTIVE #5: REMOVING DEPOSITS AS SERVICE RESTORATION BARRIER

Did Winter Warmth remove deposits as a barrier to a successful restoration of service after a service disconnection for nonpayment.

This evaluation concludes that the response to the question above is an unqualified "yes." The Winter Warmth population evidences an ability to make substantial payments toward their current bills from customer funds. When combined with Energy Assistance and Winter Warmth payments, as well as other energy assistance to a more limited degree, customers receiving Winter Warmth payments at some point during the winter heating season pay a substantial part of their current month bills and experience no deterioration in their payment position over the winter months. More specifically, this evaluation finds:

- A deposit assistance program is an important component to the Winter Warmth program. Cash security deposits are usually requested as one prerequisite to the restoration of service subsequent to the disconnection of service for nonpayment. The Company requires new or additional deposits from the vast majority of accounts that are reconnected. Roughly 60% of the service disconnections associated with Winter Warmth customer accounts followed by a near-term restoration of service had deposit demands associated with the restoration of service.

- The imposition of deposits is not a seasonal phenomenon. A disconnected customer that is restored in the near-term is just as likely to have a deposit imposed in the winter months as in other months of the program year (November through June).

- The deposits that were required from accounts that were reconnected in the near term can impose substantial burdens on the customers seeking service restoration. Of the 1,409 deposits demanded for accounts experiencing a

near-term service restoration in November through June, 884 (63%) experienced a deposit demand of $200 or more.

- In contrast, small demands, while occasionally imposed, did not affect a substantial proportion of near-term service restorations. Of those 1,409 deposits demanded for accounts experiencing a near-term service restoration in November through June, there was a *total* of only 137 deposit demands over the full eight month period that were $50 or less.

- The Winter Warmth program provided significant assistance to help program participants pay these deposit demands. While customer payments are often used to pay smaller deposit demands in their entirety, as deposit demands become higher, both the number and the proportion paid by customer resources decreases and both the number and the proportion paid by Winter Resource payments increases.

- The reduced ability of customers to rely exclusively on customer resources is evident as the deposit demands reached higher dollar amount. Customer payments were used to pay 100% of deposit demands of less than $100 in nearly all instances where a deposit of less than $100 was imposed. In contrast, of the deposit demands in excess of $250, customer payments representing less than 50% of the total demand were made in more than two-of-three instances.

- Winter Warmth payments became a significant resource to help meet deposit demands, particularly as the demands reached into the higher dollar amounts. As deposit demands became bigger, Winter Warmth payments became more and more of a gap filler in meeting those demands.

- In sum, in a majority of cases where a customer has been disconnected and then reconnected in the short-term, the Company imposes a new or additional cash security deposit requirement. As those deposit demands get bigger, it is less and less possible for customers to pay the entire deposit using only customer resources. Winter Warmth was available to leverage customer payments so that the deposit requirement was met.

OBJECTIVE #6: INCREASING SUCCESSFUL SERVICE RESTORATIONS.

Did Winter Warmth increase the number of successful service restorations.

This evaluation concludes that the response to the question above is that this is the only objective that must be answered with an unqualified "no." The objective to generate not simply a temporary restoration of service after a service disconnection, but a *successful* restoration of service after a service disconnection is not being achieved. Not only do

restored accounts routinely fail to pay current bills as they come due, they carry high arrears and suffer frequent subsequent service disconnections for nonpayment. Few accounts succeed in reducing their arrears after their service restoration, let alone reducing their arrears to $0 and maintaining it at that level. More specifically, this evaluation finds:

- Customers that have received a Winter Warmth payment at some point during the winter heating season, and that have had their service restored after a disconnection of service, do not routinely succeed in making full payment of their current bills subsequent to the time of their service restoration. Few restored customers make complete payments toward their current bills from customer resources in the three months immediately following the restoration of service after a disconnection.

- The number of accounts making no current bill payments following a service restoration is high throughout all months studied.

- Accounts that have experienced a service restoration do not consistently reduce their arrears to $0 and maintain that balance over time.

- The ultimate test of the lack of successful service restoration involves those accounts that have experienced a second disconnection of service after their service had once been disconnected for nonpayment and then restored. Irrespective of the month in which service is restored, a substantial number of accounts experiencing such restoration experience another subsequent service disconnection.

- These post-restoration service disconnections did not occur for minimal arrears. Arrears at the time of a subsequent disconnection frequently exceeded $400 and $500.

OBJECTIVE #7: REDUCING WRITE-OFFS

Did Winter Warmth reduce the uncollectibles passed on to remaining ratepayers due to low-income inability to pay.

This evaluation concludes that while the response to this question appears to be "yes," a more certain conclusion would require additional months of final bill and write-off data from the warm weather months. Winter Warmth-assisted deposits, however, unquestionably play a role in reducing the outstanding balances appearing on final bills issued to Winter Warmth participants. This evaluation makes the further findings about the impact of Winter Warmth on reducing uncollectibles passed on to remaining ratepayers:

- Residential accounts are written-off six month after they become final. While a few Winter Warmth accounts were subject to write-off in June, 2005, the Program has not been in operation to long enough for final accounts to have aged sufficiently to be subject to write-off.

- The Winter Warmth program made deposit contributions to 470 accounts that, by June 2005, were classified as an account having received a "final bill." Those final bills carried substantial balances.

- In addition, other Winter Warmth payments were applied to accounts that eventually became final billed. In these circumstances, Winter Warmth payments were paid against the utility bill (contrasted to the deposit) for 1,108 accounts. While, in these circumstances, the Winter Warmth payments did not directly contribute to securitizing the account against financial loss due to the write-off of dollars upon an account being final-billed, the payments may well have contributed to a customer's ability to post his or her cash security deposit, thus indirectly promoting a decrease in eventual write-off expense.

- Winter Warmth payments directly contribute to a reduction in potential write-offs by contributing to a deposit that is eventually applied against a final bill. While not overwhelming, the number of instances in which Winter Warmth payments contribute to a deposit applied against a final bill is not insubstantial.

- In the vast majority of cases, an account that has a deposit paid in whole or part by Winter Warmth does not experience a final account. Thus, while the deposit may protect against the "risk" of write-off in some conceptual sense, that deposit plays no role in the actual reduction of write-off expenses for the Company.

- The Winter Warmth-assisted deposits that are applied against final bills tend not to cover the entire final bill facing the Company. While Winter Warmth-assisted deposits tend not to cover the ***entire*** final bill facing the Company, they do, indeed, generally cover a substantial portion of that final bill.

APPENDIX A:
THE RELATIONSHIP BETWEEN GOALS, OBJECTIVES, STRATEGIES AND TACTICS IN PROGRAM PLANNING

APPENDIX A: BASIC PROGRAM PLANNING MODEL

1. Articulate the program goal

   The program goal is the ultimate end-in-view resulting from the program.

   Illustration: To maintain better contacts within one's family.

2. Establish one or more program objective(s)

   Program objectives are to be both attainable and measurable. It is against program objectives that program performance is subsequently measured.

   Illustration: To be home for holidays.

3. Identify the strategy through which to accomplish the objective(s)

   The "strategy" of a program is the overall direction in which the program intends to move.

   Illustration: To acquire frequent flyer miles to fund airplane tickets for holiday trips home.

4. Identify one or more tactics through which to implement the strategy

   Program "tactics" are the specific action steps through which a strategy is implemented.

   Illustration: To limit all business trips solely to a single airline to increase the accumulation of frequent flyer miles.

5. Measure program performance

Measuring the performance involves measuring outcomes, a process that is different from measuring outputs or activities. Neither output measures nor activity measures contribute to a determination of whether a program objective is being met. Accomplishment of an objective can only be measured through an analysis of program outcomes.

Illustration (outcome measure): Was I home for New Years Day, Labor Day, Fathers Day?

Illustration (activity measure): Did I fly all my business trips on one airline?

Illustration (output measure): Did I accumulate sufficient frequent flyer miles to fund a trip home for the holidays?

6. Evaluate program performance in light of the program objectives

Program performance should be measured relative to the program objective. This involves creating a feedback loop. The feedback loop provides the planner with the ability to determine if the objective was met, and if not, what changes need to be made to improve performance.

Illustration (flawed strategy): I flew enough business trips on one airline to accumulate sufficient miles for an airline ticket, but my home town does not have an airport

Illustration (flawed tactic design): I flew 100% of my business trips on a single airline, but I took only three business trips.

Illustration (flawed tactic implementation): I flew enough business trips on one airline to accumulate sufficient miles for an airline ticket, but the airline on which I took all my business trips does not fly to my home town.