

Indiana Billing and Collection Reporting:
Natural Gas and Electric Utilities
(2007)

Prepared For:

Coalition to Keep Indiana Warm
Indianapolis, Indiana

Prepared By:

Roger D. Colton
Fisher, Sheehan & Colton
Public Finance and General Economics

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EXECUTIVE SUMMARY

This report provides information on the collection circumstances facing Indiana's six largest utilities. This is the second report provided based on information that utilities began collecting in January 2005. The objective of the reporting is to compile data that will assist Indiana policymakers, public and private, to identify and respond to the energy needs of low-income Indiana residents. Information is presented for a July (2006) through June (2007) reporting period.

This report is intended to contribute to that objective in two ways:

- To collect data on a *uniform basis* among five Indiana utilities –Indianapolis Power and Light (IPL did not report data for 2006/2007)-- so that information can be aggregated and evaluated on a statewide basis knowing that the data is comparable between companies.
- To institutionalize reporting data on an *annual basis* among the Indiana utilities so that information can be assessed from year-to-year given the different external factors that are affecting utility customers.

This report presents data on a statewide basis. Not only are data from individual companies combined into a single statewide figure, but data from natural gas and electric companies are combined into a single statewide figure. As a result, it is not accurate to refer to “customers” in making collection assessments. Instead, the report will refer to customer “accounts.” This difference in terminology is significant. One customer may have more than one account if that customer takes natural gas and electric service from different utility providers.

Information provided for this report includes data on two different populations. First, data is provided for all residential accounts. Second, data is provided for all “low-income” accounts. For purposes of this report, a “low-income” account is defined as an account to which the company has posted a benefit payment from the federal Low-Income Home Energy Assistance Program (LIHEAP).

The Coalition to Keep Indiana Warm will continue to work with Indiana's electric and natural gas distribution utilities, along with the Indiana Utility Regulatory Commission (IURC) and the Office of Utility Consumer Counselor (OUCC), to obtain uniform reportable data to create a meaningful document that provides useful data to Indiana policymakers in assessing the energy assistance needs of low-income Indiana utility consumers.

The data presented below is for the following Indiana natural gas and electric utilities:

- American Electric Power Company (AEP)

- Duke Power (Cinergy/Public Service Company of Indiana)
- Citizens Gas & Coke Utility (CGCU)
- Northern Indiana Public Service Company (NIPSCO)
- Vectren Energy Delivery

The report is presented in three parts:

- **Chapter 1** examines data for the residential population as a whole;
- **Chapter 2** examines data for low-income residential accounts;
- **Chapter 3** examines external factors that are likely to affect the nature and extent of utility customer payment-troubles.

The full text of the report should be viewed to determine limitations on data presented in this Executive Summary.

CHAPTER 1: RESIDENTIAL POPULATION AS A WHOLE

This chapter provides data on the total residential customer base of the five reporting utilities. Since company-specific data is combined into a single statewide figure, including the combination of both natural gas and electric company data, the information can be construed only with respect to customer *accounts*, not to individual *customers*. Any individual customer, in other words, might have both an electric account and a natural gas account, particularly if that customer takes natural gas and electric service from different companies.

Accounts and Bills

Indiana averages roughly 3.1 million residential accounts per month. There is a seasonal variance in the bills experienced by Indiana residential customers. Bills rendered in the winter heating months of January through March could be up to twice as high as bills rendered in the non-heating months of May through July. An average Indiana residential account in February 2007 received a combined natural gas/electric bill of \$159, while an average residential account received a combined natural gas/electric bill of \$74 in May 2007.

Accounts and Dollars in Arrears

Indiana residential utility accounts evidence a seasonal variation both in the number of accounts in arrears and the dollars in arrears. In March 2007, more than 560,000 Indiana residential accounts were in arrears on their utility bills. By June 2007, the number of accounts in arrears had decreased by more than 20,000 accounts. The number of June

2007 accounts in arrears exceeded the number of July 2006 accounts in arrears by 130,000 accounts.

In contrast to the number of accounts in arrears, February represented the month in which the dollars of arrears reached their peak in the reporting period included in this analysis. Total residential arrears reached \$80 million or more for Indiana utility accounts in each month January through April.

As with the number of accounts in arrears, the dollars of arrears experienced a decrease during the warm weather months. The rate of decrease in the *dollars* of arrears was much sharper than the rate of decrease in the *number of accounts* in arrears.

In Indiana, the average arrears per account in arrears peaked in February 2007, at \$184. By June 2007, the average residential arrears had decreased to \$118, only 64% of its February level.

Arrears Subject to Payment Arrangements

A small portion of the total number of accounts in arrears was subject to deferred payment agreements for their arrears. While not all utilities provided the number of accounts in arrears on agreement, those that did reported that between four percent (4%) and eight percent (8%) of the accounts in arrears were subject to agreement. The proportion of accounts in arrears on agreement increased somewhat in the months of February through May, before decreasing in June.

The percentage of residential revenue in arrears subject to agreement was higher than the percentage of residential accounts that is subject to agreement. The proportion of revenue in arrears that was subject to agreement increased during the spring months of March through May before decreasing.

Levelized Budget Billing Plans

Roughly one of every five residential utility accounts in Indiana is billed through a levelized monthly budget billing arrangement. Somewhat over 560,000 residential accounts receive service through a levelized budget-billing plan. Small but noticeable seasonal differences appeared for the reporting year. A slightly higher number (and proportion) of residential accounts used a levelized billing plan during the winter months than during the non-winter months.

Service Disconnections and Reconnections

The Indiana utilities reporting data issued a total of nearly 2.75 million notices of service terminations for nonpayment during the reporting period (July 2006 through June 2007). April represented the month in which the highest number of disconnect notices were issued, with nearly 287,000 notices being reported for residential accounts. July represented the month with the fewest number of residential disconnect notices (148,134). More than 250,000 disconnect notices were issued in each month January through March even though Indiana has a moratorium on service disconnections during those months.

Indiana utilities disconnected service to nearly 200,000 accounts during the reporting period. The number of service disconnections for nonpayment peaked in April, May and June. Indiana utilities reported disconnecting service to significant numbers of accounts in both January 2007 (11,499) and February 2007 (8,437).

The number of service *re*connections tracks the number of service disconnections by month. Indiana utilities reconnect between 60 and 70 accounts for every 100 accounts they disconnect in any given month. The proportion of reconnected accounts to disconnected accounts peaked in the pre-winter months of October (with 108 accounts being reconnected for every 100 accounts being disconnected) and November (with 107 accounts being reconnected for each 100 disconnected). The proportion of reconnected accounts to disconnected accounts is substantially lower in March through June 2007 (averaging 0.517 per month for those three months). For the entire 12 month reporting period, the reconnect rate was 0.68, with 171,439 accounts being disconnected and 115,722 being reconnected.

Uncollectible Accounts and Gross Charge-offs

Monthly data on residential accounts determined to be uncollectible, as well as on gross charge-offs, is difficult to report given the substantive differences in charge-off policies among Indiana utilities. One utility, for example, determines uncollectible accounts and gross charge-offs on only a quarterly basis. To attribute the entire number of accounts, as well as the entire gross charge-off amount, to the specific month representing the end of the quarter would be to misrepresent the actual situation. However, to allocate quarterly data between months is to supply by assumption what this discussion is intended to report as fact.

Given these observations, this discussion focuses on quarterly totals for uncollectible accounts and gross charge-offs. Indiana utilities charged-off more than \$12.1 million dollars in the third quarter of 2006 and over \$6.5 million in the first quarter of 2007. More than \$33.0 million was charged off during the reporting period of July 2006 through June 2007. More than 128,000 accounts were written off as uncollectible during the reporting period. The average charge-off for each account written-off did not significantly vary between quarters, ranging from a high of \$327 per account (July-

September 2006) to a low of \$217 per account (January through March 2007). Gross charge-offs were roughly 1.14% of total revenue in the reporting period.

CHAPTER 2: LOW-INCOME RESIDENTIAL CUSTOMERS

This chapter provides data on the low-income residential customer base of the six reporting utilities. The limitations of the term “low-income” need again be emphasized. Since, as a general rule, Indiana utilities have no reason to record data on a customer’s income in their Customer Information Systems (CIS), for purposes of this report, a “low-income” customer is defined as a customer for whom the company has posted a benefit payment from the federal Low-Income Home Energy Assistance Program (LIHEAP) to his or her account. In Fiscal Year (FY) 2005, the most recent year for which data is available, Indiana provided LIHEAP benefits to 126,500 eligible households. According to the most recent federal LIHEAP notebook, there were 678,580 households eligible for LIHEAP at the maximum federal eligibility of 60% of state median income.

Accounts and Bills

Indiana utilities reported serving roughly 110,000 low-income accounts. Low-income utility bills experience the same seasonal variation as do total residential utility bills, with the May/June/July bills being roughly 50% as high as the January/February/March bills. Low-income bills are virtually identical to total residential bills on an average monthly basis. Low-income bills noticeably higher than total residential bills in the winter heating months of January through March 2007, while being somewhat lower in July through November 2006.

Accounts in Arrears and Dollars in Arrears

Indiana’s low-income residential utility accounts evidence a seasonal variation both in the number of accounts in arrears and the dollars of arrears. In April 2007, nearly 46,000 low-income accounts in Indiana were in arrears. That number stayed reasonably constant through June (with 41,000 accounts in arrears). April represented the month experiencing the peak number of low-income accounts in arrears. March represented the peak number of low-income dollars in arrears.

Coming out of the 2006/2007 winter season, unlike the small change in the number of accounts in arrears from April to June (from 45,900 to 41,019), the drop in the amount of revenue arrears was much greater. Compared to the \$11,120 million in March 2007 arrears, Indiana utilities reported a June arrears of \$6.4 million, a drop of roughly 42%.

In Indiana, the average arrears per low-income account in arrears peaked in February at \$183. The average arrears for accounts in arrears then decreased to \$96 in April and to \$68 in June, 35% of its February peak.

A substantial minority of Indiana’s low-income accounts was reported as being in arrears coming out of the 2007 winter heating season. Roughly 36,300 low-income accounts

were in arrears in an average month, with an average monthly arrears of \$6.9 million. The average monthly arrears, of accounts in arrears, was \$188.

Arrears Subject to Payment Arrangements

The proportion of low-income accounts in arrears that are subject to deferred payment arrangements is somewhat higher than the proportion of total residential accounts in arrears subject to payment agreements, though the percentage is still small. The proportion of low-income accounts in arrears subject to payment agreements exceeded the total residential figure in every month of the reporting period. Throughout the reporting period, the percentage of low-income accounts in arrears that were subject to agreement was between three and six times higher than the proportion of total residential accounts in arrears subject to agreement. The peak difference was reached in the months of March through June, when between 20% and 27% of low-income accounts in arrears were subject to agreement, compared with the total residential figure of between 5% and 8%.

As with total residential accounts, the proportion of low-income accounts in arrears subject to agreement increased throughout the winter and spring months and then decreased during the warm weather months.

As with the number of accounts in arrears being subject to agreement, the proportion of low-income dollars in arrears subject to agreement exceeded the proportion of total residential dollars in arrears subject to agreement in nearly every month. In the spring months (March through May), the dollars of low-income arrears subject to agreement varied from 32% to 35%. In June 2007, however, the percentage of low-income dollars of arrears subject to agreement dropped to less than 30%. Nonetheless, the year-ending percentage of dollars in arrears subject to agreement (28% in June 2007) was much higher than the year-beginning figure (20% in July and 17% in August 2006).

Levelized Budget Billing Plans

Few low-income utility accounts in Indiana are on levelized budget billing plans. Fewer than one of every seven low-income accounts receive levelized monthly bills. Just as the proportion of total residential accounts on levelized monthly budget billing showed a slight, but noticeable, seasonal variation during the reporting period, low-income accounts evidence a similar slight, but noticeable, seasonal variation.

Service Disconnections and Reconnections

Indiana utilities disconnected nearly 14,500 low-income accounts in the three months of April through June (2007). During that same three-month period, Indiana utilities issued more than 91,500 disconnect notices to low-income accounts. Over the entire 12-month reporting period, Indiana utilities issued more than 235,000 disconnect notices to low-income accounts, and disconnected 23,821 low-income accounts. The number of service disconnections for nonpayment peaked in April and May and began to decrease in June.

The ratio that reconnected accounts represent of disconnected accounts was lower for low-income accounts than it is for the total residential population. While there were 49 reconnected low-income accounts in March and April for each 100 disconnected residential accounts, there were 22 and 36 reconnected low-income accounts for each 100 disconnected accounts in the same months. There were 43 reconnected low-income accounts in May for each 100 disconnected accounts, compared to 50 reconnected residential accounts in that same month. For the entire 12-month reporting period, the reconnect ratio was 0.56, with 23,809 low-income accounts being disconnected and 13,221 being reconnected.

Uncollectible Accounts and Gross Charge-offs

Evaluating the number of uncollectible low-income accounts, along with the gross charge-offs from low-income accounts, suffers from the same difficulties facing the evaluation of uncollectible accounts and gross charge-offs for the total residential customer base. For example, one utility determines its uncollectible accounts and charge-offs only on a quarterly basis. To attribute the entire amount to a single month would be inaccurate.

To seek to address this problem, the monthly figures have been aggregated into quarterly totals. Indiana utilities charged off more than \$3.4 million dollars in revenue from low-income accounts in the first quarter of the reporting period (July - September 2006) and more than \$1.5 million in the second quarter (October - December). More than \$6.7 million was charged-off during the 12-month reporting period.

Nearly 17,700 low-income accounts were written-off as uncollectible during the 12-month reporting period (July 2006 through June 2007), with more than 80% of those accounts charged off during the period July through December 2006.

The average dollars of gross charge-off were significantly higher for low-income accounts than for residential accounts generally. The July-September low-income charge-off (per written-off account) was \$472 (compared to a charge-off of \$327 for residential accounts generally), while the October-December low-income charge-off was \$517 per written-off accounts (compared to a charge-off of \$217 for total residential accounts). Gross low-income charge-offs were roughly 6.72% of total low-income revenue in the 12-month reporting period of July 2006 through June 2007.

Public and Private Energy Assistance

Public assistance provided through the federal Low-Income Home Energy Assistance Program (LIHEAP) is a significant source of low-income energy assistance in Indiana. According to the data from the six reporting Indiana utilities, \$34.9 million in LIHEAP assistance was posted to more than 208,000 low-income accounts during the period July 2006 through June 2007. Low-income accounts having LIHEAP benefits posted in the

January through June 2007 time period received an average LIHEAP benefit of \$168 in Indiana.

Indiana LIHEAP benefits provide an important, yet inadequate, source of winter utility bill assistance to low-income households. Low-income utility bills for the four months of December through March reached \$597 in Indiana, or roughly \$4.93 per day. The average LIHEAP benefit of \$168 thus paid for only 34 days of winter utility service in the 2006/2007 winter heating season.

Indiana utilities generated roughly \$5.9 million in crisis assistance through customer contributions to individual fuel funds in the January through July time period.¹ Two caveats must be placed on this observation. One utility reported that it did not know its customer contributions to local fuel funds because the fuel fund contributions are not collected and administered by the utility. A second utility directs customer contributions not only toward its fuel fund, but also toward a low-income program designed to prevent, as well respond, to the disconnection of service. Those dollars have been included in the fuel fund line-item beginning this year.

As a general rule, Indiana utilities did not report substantial investor contributions to local fuel funds. As with customer contributions, however, the data reporting combined dollars for a fuel fund and a broader energy assistance program were excluded from this report.

CHAPTER 3: EXTERNAL FACTORS

One fallacy often attributed to low-income energy assistance programs is the notion that controlling the level of home energy bills will ensure that those bills will remain “affordable.” In fact, a multitude of factors affects affordability, some of which are outside of the direct control of the energy assistance agency. The purpose of the discussion below is to identify some of the primary *external* factors that affect home energy affordability for low-income households in Indiana.

Energy Prices

One of the primary factors affecting home energy affordability in Indiana is the price of fuel. Natural gas prices moderated during the 2006/2007 winter heating season. While the January 2007 natural gas price was 33% lower than the January 2006 natural gas price, it was still 48% higher than the January 2002 price. The February 2007 price was 23% lower than the February 2006 price and roughly 7% lower than the February 2003 price. The February 2007 price was nonetheless nearly 50% higher than the February 2002 price.

Electricity prices in Indiana have not exhibited the same price increases as have natural gas. Electric prices in Indiana have climbed moderately in the past six years. In contrast,

¹ One company reported its customer and investor contributions in a single combined number. This figure has been allocated completely to “customer” contributions.

however, electric prices in 2007 were nearly identical to 2006 electric prices. During the summer months of June through August, 2007 prices varied by no more than two-tenths of a cent from prices for the preceding year. The December 2007 price of \$0.0775 was, for all practical purposes, identical to the December 2006 price of \$0.0774.

Weather

In addition to the impacts that prices have on the affordability of home energy for low-income households, weather has an impact on bills as well. For purposes of this analysis, “weather” will be measured by Heating Degree Days (HDDs)² and Cooling Degree Days (CDDs).³

Heating needs can be unpredictable in Indiana. January and February 2003 were both substantially (12%) colder than “normal.” When combined with the substantially higher natural gas prices, low-income customers in Indiana could expect to face a substantial increase in risks resulting from higher prices compounded by colder-than-normal weather.

Colder-than-normal weather in individual months, however, may or may not result in colder-than-normal weather for the year. Despite the extreme weather in January and February 2003, for example, the overall temperature during 2003 as measured by HDDs was only three percent (3%) colder than the norm. Continuing high natural gas prices in the 2006/2007 heating season were moderated by warmer-than-normal weather.

The flipside of heating weather involves cooling weather. Cooling needs are measured by Cooling Degree Days (CDDs). The cooling-related weather in Indiana for the past four years has been somewhat more stable than heating-related weather. In 2006, total CDDs were nearly identical to normal CDDs. In 2007, however, total CDDs exceeded the normal CDDs by more than 30%. June, August and September all saw hotter-than-normal weather in 2007m ranging from 20% greater CDDs (June) up to 58% (August) and 78% (September). The cooler than normal July did not offset the hotter than normal months for the rest of the summer.

LIHEAP Benefits

Benefits provided through the federal Low-Income Home Energy Assistance Program (LIHEAP) fell further behind in 2007. According to the annual Home Energy Affordability Gap analysis published in April 2007, actual low-income energy bills exceeded affordable energy bills in Indiana by \$412 million at 2006/2007 winter heating fuel prices. In contrast, Indiana received a gross allotment of federal energy assistance funds of \$51.3 million for Fiscal Year 2007.

² Heating degree days measure the extent to which average daily temperatures are below 65° Fahrenheit. A day with an average temperature of 55° (F), therefore, would generate ten (10) heating degree days.

³ Cooling degree days measure the extent to which average daily temperatures are above 65° (F). A day with an average temperature of 80° (F), therefore, would generate 15 cooling degree days.

Indiana's LIHEAP allocation has lost ground relative to its Home Energy Affordability Gap. From 2002 to 2007, the total Home Energy Affordability Gap increased by \$412 million. In comparison, the federal LIHEAP allocation to Indiana increased \$7.4 million. While LIHEAP covered 8.0% of Indiana's Home Energy Affordability Gap in 2007, it had covered 31.1% of the Affordability Gap in 2002, the first year the Affordability Gap was calculated.

Housing Costs

Closely related to energy costs, but still having a substantive impact on the affordability of energy, is the overall affordability of housing facing low-income households. In general, the affordability of energy is spoken of in terms that do not take into account a household's competing financial needs. In relative terms, however, energy may be made more or less affordable by the fact that other household expenses are going up or down.

The ability of Indiana residents to afford housing in Indiana stayed relatively constant between 2006 and 2007. While 30% of median income statewide would have supported an affordable monthly housing price (in terms of rents) of \$441 in 2006, the same income in 2007 would support a monthly rent of \$440.

Despite the slight decreases in the ability of low-income households to pay rents, many low-income Indiana residents fell even further behind in their ability to afford housing between 2006 and 2007. For households with income at 30% of area median income, statewide, the capacity to rent affordable housing decreased by \$1/month. In contrast, housing prices increased \$31 per month during the same time period. While low-income households statewide in Indiana experienced a decreased capacity to rent affordable housing of \$128 per year, in other words, they faced an increase in housing prices of \$372 per year.

Recent Changes in Earning Capacity

The incomes of wage-earners in Indiana are affected by two primary factors. The first is the wage paid to the worker. The second is the amount of work that is available. Average weekly earnings for workers in non-durable goods industries –these industries are used since they are more likely to have the low-wage workers served by LIHEAP--experienced virtually no change in 2007. Weekly wages in January, April and July (2007) were all between 2% and 3% lower than weekly wages in the corresponding month in 2006. Weekly earnings in 2007 decreased for the year as a whole, as did hourly earnings.

Summary and Conclusions

Various factors directly affect the affordability of home energy to low-income Indiana residents. Frequently, the affordability of home energy is an outcome that energy assistance programs can often only influence. Home energy affordability is not subject to comprehensive control. While energy assistance may help address some of these issues, many of the broad macro external factors can not be controlled.

INTRODUCTION

This report provides information to the Coalition to Keep Indiana Warm (Coalition) on the collection circumstances facing five of Indiana's six largest utilities.⁴ This report provides data based on information that utilities began collecting in January 2005. The purpose of the reporting is to compile data that will assist Indiana policymakers, public and private, to identify and respond to the energy needs of low-income Indiana residents.

This report is intended to contribute to that objective in two ways:

- To collect data on a *uniform basis* among Indiana's utilities so that information can be compiled and evaluated on a statewide basis.
- To institutionalize reporting data on an *annual basis* among Indiana's utilities so that information can be assessed from year-to-year given the different external factors that are affecting utility customers.

The current report continues to use reporting protocols that are relatively new to most Indiana utilities. Data used in this report is for the period July 2006 through June 2007. A July through June reporting period allows the report to capture two critical comparisons:

- It allows comparisons to be made from year-to-year. The beginning of the reporting period (July 2006) can be meaningfully compared to the end of the reporting period (June 2007) to reach some conclusions about changes from year-to-year.
- It allows comparisons to be made from pre-winter heating season to post-winter heating season. A comparison of October data to April data, for example, will allow for conclusions to be reached about the impact of the winter heating bills.

Just as this report represents a substantive improvement in reporting over the reports from the previous two years, the expectation is that over time, utility systems will continue to become even more capable of providing the requested data and this periodic report will have fewer notations of incomplete reporting. It is further expected that Indianapolis Power and Light (IPL) will provide data for future reports.

The report presents data on a statewide basis. Not only are data from individual companies combined into a single statewide figure, but data from natural gas and electric companies are combined into a single statewide figure. As a result, it is not accurate to refer to "customers" in making collection assessments. Instead, the report will refer to customer "accounts." This difference in terminology is significant. One customer, for

⁴ Indianapolis Power and Light Company (IPL) did not provide data for the current reporting year.

example, may have more than one account if that customer takes natural gas and electric service from different utility providers.

Information provided for this report includes data on two different customer populations. First, data is provided for all residential customers.⁵ Second, data is provided for all “low-income” customers. Since, as a general rule, Indiana utilities have no reason to record data on a customer’s income in their Customer Information Systems (CIS), for purposes of this report, a “low-income” customer is defined as a customer for whom the company has posted a benefit payment from the federal Low-Income Home Energy Assistance Program (LIHEAP) to his or her account.

Indiana’s utilities provide monthly reports on a variety of agreed-upon data involving the number of customers, revenue, arrears, payment plans, service disconnections for nonpayment (including disconnect notices and service reconnections), charge-offs and energy assistance (both public and private). The report below reviews each of these measures by reporting the raw data itself and by using the data to arrive at calculated variables that are useful in assessing the collection status of Indiana utility customers. All of the data and statistics presented with respect to utility billing and collections are drawn from information submitted in response to the reporting protocol agreed to by each of the utilities and the Coalition.

The Coalition to Keep Indiana Warm will continue to work with Indiana’s electric and natural gas distribution utilities, along with the Indiana Utility Regulatory Commission (IURC) and the Office of Utility Consumer Counselor (OUCC), to obtain uniform reportable data to create a meaningful document that provides useful data to Indiana policymakers in assessing the energy assistance needs of low-income Indiana utility consumers.

The data presented below is for the following Indiana natural gas and electric utilities:

- American Electric Power Company (AEP)
- Duke Power Company (Cinergy/Public Service Company of Indiana (PSI))
- Citizens Gas & Coke Utility (CGCU)
- Northern Indiana Public Service Company (NIPSCO)
- Vectren Energy Delivery

Due to ongoing internal staffing problems, Indianapolis Power and Light (IPL) did not provide data for the current year’s report.

⁵ It is important to note that the data is *not* for low-income customers and non-low-income customers. It is for low-income customers and for *total* customers.

With this introduction, the report is presented in three parts:

- **Chapter 1** examines data for the residential population as a whole;
- **Chapter 2** examines data for low-income residential accounts;
- **Chapter 3** examines external factors that are likely to affect the nature and extent of utility customer payment-troubles.

NOTES

CHAPTER 1: RESIDENTIAL POPULATION AS A WHOLE

This chapter provides data on the total residential customer base of the six reporting utilities. Since company-specific data is combined into a single statewide figure, including the combination of both natural gas and electric company data, the information can be construed only with respect to customer *accounts*, not to individual *customers*. Any individual customer, in other words, might have both an electric account and a natural gas account, particularly if that customer takes natural gas and electric service from different companies. All data reported below applies only to residential accounts, whether or not the text explicitly states so.⁶ Indiana averages roughly 3.1 million residential accounts per month.⁷

ACCOUNTS AND BILLS

There is a seasonal variance in the bills experienced by Indiana residential customers. Bills rendered in the winter heating months of January through March can be up to twice as high as bills rendered in the non-heating months of May through July. An average Indiana residential account in February 2007 received a combined natural gas/electric bill of \$159, while an average residential account received a combined natural gas/electric bill of \$74 in May 2007. In 2007, heating bills began to appear in November, when the average residential bill climbed from \$74 in October to \$87 in November. Heating related bills were mitigated by May, when the average bill had declined back to \$74. The average monthly bill over the 12-month reporting period was \$92 (\$1,110 annual bill).

<i>Table 1: Residential Accounts, Total Revenue and Average Bill per Account</i>							
	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Average Annual
Total accounts	2,706,538	2,680,538	2,657,847	2,614,438	2,688,389	2,617,552	
Total revenue (000s)	\$218,905	\$201,850	\$230,728	\$236,606	\$371,513	\$193,903	
Average monthly bill /a/	\$81	\$75	\$87	\$91	\$138	\$74	\$92
NOTES:							
/a/ Average monthly bill is calculated by dividing total revenue by total number of accounts.							

⁶ One company reports data for budget billing customers, disconnections, disconnection notices and reconnections, as a combined figure for residential and commercial. A split is not available.

⁷ A comparison of aggregate numbers from this report to prior reports would be inappropriate, since IPL did not provide data for this year's report.

ACCOUNTS IN ARREARS AND DOLLARS IN ARREARS

Indiana residential utility accounts evidence a seasonal variation both in the number of accounts in arrears and the dollars in arrears. In March 2007, nearly 560,000 Indiana residential accounts were in arrears on their utility bills. The number of accounts in arrears had declined by 20,000 in May.

The total aggregate dollars of residential arrears substantially increased during the winter months in 2007. The dollars of residential arrears increased from \$52.3 million in November 2006 to \$101.4 million in March 2007. Total residential arrears had declined to \$69.4 million in April 2007.

The average monthly arrears of accounts in arrears for the 2006/2007 reporting period was \$133. In any given month, there was an average of roughly 534,000 accounts in arrears, owing an average of roughly \$71 million.

In Indiana, the average arrears per account in arrears peaked in February 2007, at \$184. By June 2007, the average residential arrears had decreased to \$11892, only 64% of its February level.

Despite the substantial increase in the absolute dollar level of arrears, Indiana residents appear to make continuing winter bill payments on a reasonably regular basis. While arrears increased in absolute dollar terms during the winter months, residential customers did not experience a significant increase in their “bills behind.” Indiana accounts carried a “bills behind” of between 1.61 (July 2006) and 1.54 (August 2006). While dipping to 1.25 (September) to 1.23 (November) in the pre-winter months, the “bills behind” increased to only 1.70 (February), 1.80 (March) and 1.90 (April). By May (1.62) and June (1.51), the bills behind for residential customers had decreased to their pre-winter levels. While there are greater dollars of arrears per customer during the winter months, it appears that these arrears do not reflect that customers miss more months of payments. Rather, the payments that *are* missed simply reflect higher dollar amounts.

The bills-behind statistic is calculated by dividing the average arrears by a three-month rolling average bill. A “bills behind” statistic of 1.0 for April, in other words, means that the April arrears is exactly equal to the average bill for February/March/April. A “bills behind” of less than 1.0 means that a customer is less than one month behind on his or her payment, while a “bills behind” of more than 1.0 means that a customer is more than one month behind on his or her payment.

The use of “weighted arrears” (or “bills behind” statistic) as a mechanism to assess payment outcomes is based on a foundation first provided by the Bureau of Consumer Services (BCS) of the Pennsylvania Public Utilities Commission. According to a 1983 BCS analysis, any assessment of arrears must control for the impact of monthly bills.⁸ BCS explains that its “bills behind” statistic “permits comparisons to be drawn between

⁸ Joseph Farrell (1983). *Utility Payment Problems: The Measurement and Evaluation of Responses to Customer Nonpayment*, at 19, Pennsylvania Public Utility Commission: Harrisburg, PA.

companies by eliminating the effects of different customer bills on arrearages.” Without such a measure, “the interpretation of average arrearages, either over time or in comparison between companies, presents some difficulties.”

Table 2: Residential Accounts in Arrears and Average Arrears per Account in Arrears							
	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Average Annual
No of accounts in arrears	480,342	568,904	554,276	530,239	556,862	535,912	533,647
Revenue in arrears (000s)	\$57,649	\$57,839	\$57,313	\$80,926	\$101,395	\$69,429	\$70,868
Average arrears /a/	\$81	\$75	\$87	\$91	\$138	\$74	\$92
Average “bills behind” /b/	1.61	1.25	1.23	1.78	1.80	1.62	
NOTES:							
/a/ Average arrears is calculated for those accounts in arrears. Accounts with \$0 arrears are excluded.							
/b/ “Bills behind” calculated by dividing average arrears by rolling three-month average bill.							

Nearly 560,000 Indiana residential utility accounts were in arrears at the end of the winter heating season in 2007 (March). The number of accounts in arrears increased throughout the year, with nearly 130,000 more accounts (610,000) in arrears in June 2007 than in July 2006 (480,000). The number of accounts in arrears showed a moderate increase during the winter heating months (from roughly 530,000 in January to roughly 560,000 in March).

Indiana utilities carried roughly \$101 million in arrears as of March 2007. As with the number of accounts in arrears, the dollars of arrears experienced a decrease during the warm weather months. There was a sharp rate of decrease in the dollars of arrears in the warm weather months. After the peak arrears (March) of \$101 million, April accounts experienced only \$83 million in arrears. By May, arrears had decreased by 30% from the winter high (to \$69 million).

Despite the variability in dollars of arrears, there is a constant proportion of accounts in arrears. Indiana utilities experienced roughly one-fifth of their residential accounts in arrears at any given time during the reporting period. The percentage of accounts in arrears ranging from a minimum of 18% (July 2006) to a maximum of 23% (June 2007). The percentage of accounts in arrears remained reasonably consistent for the months of August 2006 through May 2007, not falling below 19% nor exceeding 22% in any given month. The average monthly percentage of accounts in arrears in any given month for the 2006/2007 reporting period was 20%.

Table 3: Proportion Residential Accounts and Revenue in Arrears							
	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Avg Monthly
Percent accounts in arrears	18%	21%	21%	20%	21%	20%	20%
Ratio: dollars in arrears-to-monthly billings	0.26	0.29	0.25	0.34	0.27	0.36	0.29

Accounts in arrears appear to have somewhat higher bills than on average in 2006/2007. While 20% of all residential accounts were in arrears in January, 34% of all residential revenue was in arrears. After seeing the difference dip somewhat in February, 2007 (19% vs. 22%), the spread between the percentage of accounts in arrears compared to the percentage of revenue in arrears became greater again in April (19% vs. 34%), May (20% vs. 36%) and June (23% vs. 41%). The difference between the percentage of accounts in arrears and the percentage of revenue in arrears narrowed during the warm weather months. Accounts with higher bills appear to fall into arrears during the winter months. The average monthly proportion of residential dollars in arrears in any given month was 29% in the 2006/2007 reporting period, with the monthly average being below the annual average for each month July through November.

ARREARS SUBJECT TO PAYMENT ARRANGEMENTS

A small portion of the total number of accounts in arrears was subject to deferred payment agreements for their arrears. While not all utilities could provide the number of accounts in arrears on agreement, those that did reported that between four percent (4%) (August, September, October, December) and eight percent (8%) (April) of the accounts in arrears were subject to agreement in any given month. The number and proportion of accounts in arrears on agreement increased somewhat in the months of March through May, but was lower during the warm weather months. On average, 5% of all residential accounts in arrears had arrears that were subject to deferred payment arrangements.

Table 4: Proportion Residential Accounts in Arrears on Agreement							
	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Average Monthly
No. accounts in arrears on agreement	25,715	22,859	19,188	25,836	36,166	37,132	27,568
Pct accounts in arrears on agreement /a/	5%	4%	3%	5%	6%	7%	5%
NOTES:							
/a/ The percent of accounts in agreement for companies reporting the number of accounts in arrears on agreement.							

The percentage of residential revenue in arrears subject to agreement was higher than the percentage of residential accounts that was subject to agreement. The proportion of revenue in arrears that was subject to agreement increased during the spring months of

March, April and May (from 9% in February to 21% in April) before decreasing somewhat in June (16%).

Not all accounts in arrears (and not all dollars in arrears) would necessarily benefit from being subject to deferred payment agreements. Short-term, small dollar, arrears would not be placed on an agreement. The “bills behind” statistic documenting that, on average, accounts in arrears were roughly only one bill behind would seem to indicate that a high proportion of Indiana residential accounts in arrears do not represent the type of long-term, high dollar value, arrears that a utility would place on a deferred payment arrangement. The fact that the proportion of dollars of arrears subject to agreement is substantively higher than the proportion of accounts in arrears subject to agreement indicates that accounts subject to agreement are those accounts that carry a somewhat higher than average dollar value in arrears. On average over the 2006/2007 reporting period, roughly \$9.2 million of arrears were subject to payment plans, 13% of the total dollars in arrears.

Table 5: Proportion Residential Revenue in Arrears on Agreement							
	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Average Monthly
Revenue in arrears on agreement (000s)*	\$8,846	\$6,823	\$4,835	\$6,452	\$14,606	\$14,412	\$9,219
Pct revenue in arrears on agreement /a/	15%	12%	8%	8%	14%	21%	13%
NOTES:							
/a/ The percent of revenue in arrears on agreement for companies reporting the revenue in arrears on agreement.							

LEVELIZED BUDGET BILLING PLANS

Roughly one of every five residential utility accounts in Indiana are billed through a levelized budget billing arrangement each month.⁹ Somewhat over 560,000 accounts received service through a levelized budget-billing plan on an average monthly basis. Small but noticeable seasonal differences appeared. A slightly higher number (and proportion) of residential accounts used a levelized budget billing plan during the winter months than during the non-winter months. The difference between the peak month (590,362 accounts on budget billing plans) of February and the non-peak month of August (509,273) is substantial in absolute terms, even if not in relative terms. The total number of accounts on budget billing in June 2007 (549,412) was only moderately different from the total number on budget billing the previous September.

⁹ This proportion is somewhat overstated. One utility reports budget billing data only for a combined residential/commercial population. It is not possible to isolate the residential budget billing accounts for this company, and, accordingly, the total thus has some commercial accounts included.

Table 6: Number and Percent of Residential Accounts on Levelized Budget Billing

	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Average Monthly
No. accounts on levelized budget billing	567,360	561,032	568,325	578,358	590,362	578,087	562,042
Pct of accounts on levelized budget billing	21%	21%	21%	22%	22%	22%	21%

SERVICE DISCONNECTIONS AND RECONNECTIONS

Indiana utilities report issuing nearly 2.75 million notices of service terminations for nonpayment from July 2006 through June 2007, roughly 230,000 each month on average. April 2007 represented the month in which the highest number of disconnect notices were issued, with nearly 287,000 notices being reported for residential accounts.¹⁰ July 2006 was the month with the fewest number of residential disconnect notices (148,134). More than 250,000 disconnect notices were issued by Indiana utilities for each month January (269,303), February (253,305) and March (285,312) even though Indiana has a moratorium on service disconnections during those months.

Indiana utilities disconnected service to nearly 200,000 accounts during the period of July 2006 through June 2007, roughly 16,600 each month on average. The number of service disconnections for nonpayment peaked in April (26,708 disconnected accounts), May (29,602 disconnections), and June (23,337 disconnections). The monthly number of “warm weather” disconnects ranged from 12,700 (September) to somewhat over 16,000 (August and October). Indiana utilities reported disconnecting service to significant numbers of accounts in both January 2007 (11,499 disconnections) and February 2007 (8,437).

Indiana utilities issue an average of nearly 14 shutoff notices for each disconnection of service they actually perform each month. The “notice ratio” for Indiana utilities modestly increases during the winter months, with more than 23 notices being issued for each service disconnection completed in January and 30 notices issued for each service disconnection completed in February. The figures would support the conclusion that Indiana utilities continue to issue disconnect notices during the winter months even though such notices do not as frequently directly lead to the disconnection of service. Over the 12-month period July 2006 through June 2007, the ratio of disconnect notices to actual nonpayment service terminations averaged less than 14-to-1. During the warm weather months (July 2006 - October 2006), the notice-to-disconnect ratio averaged 12-to-1, while during the winter months (January 2007 to March 2007), the notice-to-disconnect ratio averaged 19-to-1.

¹⁰ Again, one company combines its residential and commercial accounts for purposes of reporting certain data, including the number of disconnect notices.

Table 7: Residential Disconnect Notices and Disconnections for Nonpayment							
	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Avg Monthly
Number of disconnect notices	148,134	196,779	191,402	269,303	283,312	284,617	228,170
No. of accounts disconnected for nonpayment	12,746	14,473	11,588	11,499	22,873	29,602	16,578
Ratio: Disconnect notices to disconnections	11.6	13.6	16.5	23.4	12.5	9.6	13.8

The number of service *re*connections tracks the number of service disconnections by month. Indiana utilities reconnect between 60 and 70 accounts for every 100 accounts they disconnect in a typical month.¹¹ The proportion of reconnected accounts to disconnected accounts peaks in the pre-winter months of October (with 108 accounts being reconnected for every 100 accounts being disconnected), November (with 107 accounts being reconnected for each 100 accounts disconnected), and December (with 129 accounts being reconnected for each 100 disconnected). The proportion of reconnected accounts to disconnected accounts is substantially lower in March through June 2007 (averaging 0.517 per month for those three months). The proportion of reconnections was somewhat higher during the warm weather months of July through September 2006 (averaging 0.751 per month for those three months).

For the entire 12-month reporting period (July 2006 through June 2007), the reconnect ratio was 0.68, with 171,439 accounts being disconnected and 115,722 being reconnected.

Table 8: Residential Disconnections for Nonpayment and Service Reconnections							
	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Avg Monthly
No. of accounts reconnected after disconnect	6,999	10,069	9,868	6,992	10,266	13,252	9,644
Ratio: reconnections to disconnections	0.69	0.88	1.07	0.69	0.49	0.50	0.68

UNCOLLECTIBLE ACCOUNTS AND GROSS CHARGE-OFFS

Monthly data on residential accounts determined to be uncollectible, as well as on gross charge-offs, is difficult to report given the substantive differences in charge-off policies among Indiana utilities. One utility determines uncollectible accounts and gross charge-offs, for example, on only a quarterly basis. To attribute the entire number of accounts,

¹¹ These figures do not seek to match service disconnections with service reconnections. Accordingly, it is not possible to say that a certain proportion of disconnected accounts is subsequently reconnected. It is merely possible to report, for example, that while Indiana utilities disconnected 100 accounts in April of a given year, they reconnected 60 accounts in April of that year. The 60 reconnections may or may not be drawn entirely from the 100 accounts disconnected in that same month.

as well as the entire gross charge-off amount to the specific month representing the end of the quarter would be to misrepresent the actual situation. However, to allocate quarterly data between months is to supply by assumption what this discussion is intended to report as fact.

Given these observations, this discussion focuses on quarterly totals for uncollectible accounts and gross charge-offs. Indiana utilities charged-off more than \$12.1 million dollars in the third quarter of 2006 and nearly \$6.5 million in the first quarter of 2007. More than \$33.0 million was charged off during the reporting period of July 2006 through June 2007. More than 128,000 accounts were written off as uncollectible during the reporting period (July 2006 through June 2007). The average charge-off for each account written-off did not significantly vary between quarters, ranging from a high of \$327 per account (July-September 2006) to a low of \$217 (January through March 2007). Gross residential charge-offs were roughly 1.14% of total residential revenue in the reporting period of July 2006 through June 2007 (\$33.102 million in charge-offs on \$2.91 billion in revenues).

Table 9: Residential Uncollectible Accounts and Gross Charge-offs					
	Jul-Sept (05)	Oct-Dec (05)	Jan-Mar (06)	Apr-Jun (06)	Annual
Number of accounts uncollectible*	37,177	34,751	28,754	27,682	128,364
Dollars of gross charge-off (000s)*	\$12,139	\$8,226	\$6,428	\$6,490	\$33,102
Avg charge-off per uncollectible account	\$327	\$237	\$217	\$234	\$258

SUMMARY AND CONCLUSIONS

This report presents a continuing journey in the effort of Indiana stakeholders to develop an empirical basis to make policy decisions regarding low-income payment troubles in Indiana. The report has evident advantages:

- By the end of the July 2006 through June 2007 reporting period, nearly every utility, with the exception of Indianapolis Power and Light, was reporting nearly every data element in a uniform manner.
- A full year of data is available. Using a reporting period of July through June, the data allows not only a comparison between the current year and prior year, but also a comparison between the pre-winter and post-winter season.

Given the not-yet-completely uniform reporting of all utilities, the proportions, ratios and rates are more significant than absolute numbers. Comparative data from year-to-year can be obtained by comparing one annual report to another.

In many instances, the data for a particular month, or a particular year, will not be so important standing alone. Rather, the significance will be in what the data is *relative to other years* during which prices may have been different, weather may have been different, economic conditions may have been different, or some other influencing factor may have been different.

NOTES

CHAPTER 2: LOW-INCOME ACCOUNTS

This chapter provides data on the low-income residential customer base of the reporting utilities. Since company-specific data is combined into a single statewide figure, including the combination of both natural gas and electric company data, the information can be construed only with respect to customer accounts, not to individual customers. Any individual customer, in other words, might have both an electric account and a natural gas account, particularly if that customer takes natural gas and electric service from different companies.

Moreover, the limitations of the term “low-income” need again be emphasized. Since, as a general rule, Indiana utilities have no reason to record data on a customer’s income in their Customer Information Systems (CIS), for purposes of this report, a “low-income” account is defined as an account to which the company has posted a benefit payment from the federal Low-Income Home Energy Assistance Program (LIHEAP). In Fiscal Year (FY) 2005, the most recent year for which data is available, Indiana provided LIHEAP heating benefits to 126,500 eligible households. According to the most recent federal LIHEAP notebook, there were 678,580 households eligible for LIHEAP at the maximum federal eligibility standard of 60% of median statewide income.

ACCOUNTS AND BILLS

Indiana utilities reported serving more than 110,000 low-income accounts. The tracking of LIHEAP accounts begins with the federal program year each October. The growth in the number of accounts for which a LIHEAP payment has been posted can be seen through the following June.¹² There is substantial growth in the number of accounts on which a LIHEAP payment is posted in November through April. There is some decline, albeit not substantial, from April through the end of the reporting period.

Low-income utility bills experience the same seasonal variation as do total residential utility bills, with the May/June/July bills being roughly 50% as high as the January/February/March bills. The higher winter bills of February (\$193) and March (\$168) compare to bills of \$74 (May) and \$68 (June). Low-income Indiana accounts experienced an average monthly bill of \$97, with an average annual bill of \$1,169.

Low-income bills are virtually identical to total residential bills on an average monthly basis. During the reporting period of July 2006 through June 2007, the average monthly low-income bill of \$94 was not substantively different from the average monthly bill of \$92 for the total residential population. The low-income bills are noticeably higher during the winter heating months of January through March (the amount by which low-income bills exceeded residential bills reached: January: \$46; February: \$34; March: \$30) while being somewhat smaller in the months of July through November (\$12 - \$16 difference).

¹² This report provides data on a July through June reporting period each year.

Table 10: Low-Income Accounts, Total Low-Income Revenue and Average Bill per Account							
	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Average Monthly
No. low-income accounts	112,382	110,443	49,135	92,022	76,444	107,341	88,263
Low-income revenue (000s)	\$7,720	\$6,606	\$3,672	\$12,607	\$12,834	\$7,957	\$8,309
Average monthly bill /a/	\$68	\$60	\$75	\$137	\$168	\$74	\$97
NOTES:							
/a/ Average monthly bill is calculated by dividing total revenue by total number of accounts for companies reporting both revenue and numbers of accounts.							

ACCOUNTS IN ARREARS AND DOLLARS IN ARREARS

Indiana’s low-income residential utility accounts evidence a seasonal variation both in the number of accounts in arrears and the dollars of arrears. In April 2007, nearly 46,000 low-income accounts in Indiana were in arrears. That number stayed reasonably constant through June (with 41,000 accounts in arrears). While April represented the month experiencing both the peak number of low-income accounts in arrears (45,900), March represented the month with the peak number of low-income dollars in arrears (\$11,120 million).

Coming out of the 2006/2007 winter season, unlike the small change in the number of accounts in arrears from April to June (from 45,900 to 41,019), the drop in the amount of revenue arrears was much greater. Compared to the \$11,120 million in March 2007 arrears, Indiana utilities reported a June arrears of \$6.4 million, a drop of roughly 42%.

In Indiana, the average arrears per low-income account in arrears peaked in February (\$193). The average arrears in March (\$168) were only somewhat lower. The average arrears for accounts in arrears then decreased to \$96 in April and \$68 in June, 35% of its February peak.

Roughly 36,300 low-income accounts were in arrears in an average month, with an average monthly arrears of \$6.9 million. The average monthly arrears of accounts in arrears was \$188.

In addition to the increased dollar amount of arrears experienced in the 2007 winter months, Indiana’s low-income residents appear to have not been able to substantially catch-up on their arrears incurred in the previous winter heating season. While low-income customers experienced a “bills behind” of 2.2 and 2.30 in July through November 2006, that bills behind statistic remained at or near 2.0 through the heating season. While low-income customers did not fall further bills behind during the winter, neither did they retire those pre-existing arrears. In May 2007, the bills behind for Indiana’s low-income customers decreased to 1.6, but that drop was temporary. It remained at 1.98 in June

2007. The “bills behind” statistic is calculated using a three month rolling average bill as its basis.

Table 11: Low-Income Accounts in Arrears and Average Arrears per Low-Income Account in Arrears							
	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Average Monthly
No of accounts in arrears	44,187	45,680	15,135	41,423	35,885	44,596	36,305
Revenue in arrears (000s)	\$6,839	\$7,045	\$2,167	\$8,935	\$11,120	\$8,017	\$8,573
Average arrears /a/	\$155	\$154	\$140	\$216	\$310	\$180	\$236
Average “bills behind” /b/	2.21	2.29	2.18	2.08	1.87	1.60	---
NOTES:							
/a/ Average arrears is calculated for those accounts in arrears. Accounts with \$0 arrears are excluded.							
/b/ “Bills behind” calculated by dividing average arrears by rolling three-month average bill.							

A substantial minority of Indiana’s low-income accounts was reported as being in arrears coming out of the 2007 winter heating season. Roughly five out of every ten low-income accounts (47%) were in arrears in March 2007 (a decrease from the February peak of 57%). In May and June, roughly 40% of the state’s low-income accounts (42% and 39% respectively) were reported as being in arrears. In an average month, 41% of Indiana’s low-income accounts were in arrears.

The dollar level of low-income arrears exceeded the dollar level of monthly low-income bills in the months of May. The ratio of dollars of arrears to the dollars of monthly billing peaked in May, with \$1.01 of arrears matching to every \$1.00 of monthly billing in that month. While this ratio of dollars in arrears to dollars of billing dropped in June (to \$0.89), it remained at or close to its pre-winter levels (September: \$0.89; October: \$0.88). The average ratio of low-income dollars in arrears to low-income billed dollars in any given month was 0.84.

Table 12: Proportion Low-Income Accounts and Revenue in Arrears							
	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Average Monthly
Percent accounts in arrears	39%	41%	31%	45%	47%	42%	41%
Ratio: arrears-to-monthly billing	0.89	1.07	0.58	0.71	0.87	1.01	1.03

ARREARS SUBJECT TO PAYMENT ARRANGEMENTS

The proportion of low-income accounts in arrears that are subject to deferred payment arrangements is substantially higher than the proportion of total residential accounts in arrears subject to payment agreements, though the percentage is still small. The proportion of low-income accounts in arrears subject to payment agreements exceeded the total residential figure in every month of the reporting year. Throughout the reporting period, the percentage of low-income accounts in arrears that were subject to agreement was between three and six times higher than the proportion of total residential accounts in arrears subject to agreement. The peak difference was reached in the months of March through June, when between 20% and 27% of low-income accounts in arrears were subject to agreement, compared with the total residential figure of between 5% and 8%.

As with total residential accounts, the proportion of low-income accounts in arrears subject to agreement increased throughout the winter and spring months. The percentage of accounts in arrears subject to agreement was 12% in August 2006 and 11% in September 2006. The percentage had decreased from a peak of 27% in March 2007 down to 20% in June 2007.

Table 13: Proportion Low-Income Accounts in Arrears on Agreement							
	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Average Monthly
No. accounts in arrears on agreement	8,156	3,099	3,688	4,386	4,941	5,729	4,138
Pct accounts in arrears on agreement /a/	18%	11%	24%	15%	27%	21%	17%
NOTES:							
/a/ The percent of accounts in agreement for companies reporting the number of accounts in arrears on agreement.							

As with the number of accounts in arrears being subject to agreement, the proportion of low-income dollars in arrears subject to agreement exceeded the proportion of total residential dollars in arrears subject to agreement in nearly every month. In the spring months (March through May), the dollars of low-income arrears subject to agreement ranged from 32% to 35%. In June 2007, however, the percentage of low-income dollars of arrears subject to agreement dropped to less than 30%. Nonetheless, the year-ending percentage of dollars in arrears subject to agreement (28% in June) was much higher than the year-beginning figure (20% in July and 17% in August). The average annual proportion of accounts in arrears that were subject to agreement was 20% for Indiana utilities in any given month between July 2006 and June 2007.

Table 14: Proportion of Low-Income Revenue in Arrears on Agreement

	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Average Monthly
Revenue in arrears on agreement (000s)	\$768	\$676	\$150	\$203	\$1,887	\$1,630	\$847
Pct revenue in arrears on agreement	20%	16%	8%	3%	33%	32%	14%

NOTES:

The percent of revenue in arrears on agreement for companies reporting the revenue in arrears on agreement.

LEVELIZED BUDGET BILLING PLANS

Few low-income utility accounts in Indiana are billed through a levelized budget billing plan. Only one of every seven low-income accounts receives levelized monthly bills. Just as the proportion of total residential accounts on levelized monthly budget billing showed a slight, but noticeable, seasonal variation during the reporting period, low-income accounts evidenced a similar slight, but noticeable, seasonal variation. While the percentage of accounts on levelized billing stayed constant in the warm weather months of July through September (14%), the proportion increased in the cold weather months (to 16% in February and March). The year-ending figure of 14% (June 2007) was the same as the year-beginning proportion of 14% (July 2006). On average, 14% of low-income accounts were being billed each month through a levelized monthly budget-billing plan.

Table 15: Number and Percent of Low-Income Accounts on Levelized Budget Billing

	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Average Monthly
No. accounts on levelized budget billing	9,603	8,996	4,897	8,030	6,439	9,677	7,608
Pct of accounts on levelized budget billing	14%	14%	10%	12%	16%	14%	14%

NOTES:

The percent of accounts on budget billing for those companies reporting the number of accounts on budget billing.

SERVICE DISCONNECTIONS AND RECONNECTIONS

Indiana utilities disconnected nearly 14,500 low-income accounts in the three months of April through June. During that same three-month period, Indiana utilities issued nearly 91,500 disconnect notices to low-income accounts. Over the entire reporting period, Indiana utilities issued more than 235,000 disconnect notices to low-income accounts, and disconnected 23,821 low-income accounts. The number of service disconnections for nonpayment peaked in April and May, when 5,478 and 5,517 low-income accounts were disconnected respectively. The numbers began to decrease in June (down to 3,443). In an

average month in the 2006/2007 reporting period, Indiana utilities issued nearly 20,000 shutoff notices to low-income accounts, and actually disconnected 1,985 low-income accounts.

The “notice ratio” for Indiana utilities was quite high for low-income accounts during the late winter months, with 26 shutoff notices being issued to low-income accounts in January for every one account actually being disconnected, and 16 notices being issued in March for every one account actually being disconnected. During the months of April through June 2007, Indiana utilities issued only 6 – 8 shutoff notices for each disconnected low-income account. In the months coming out of the winter heating season, the “notice ratio” is noticeably lower for low-income accounts in Indiana than it is for total residential accounts. A low-income account in Indiana that receives a shutoff notice in the post-winter heating season months, in other words, was more likely to move on to the actual disconnection of service for nonpayment than was a residential account in general. This was not the case in the pre-winter months of July through November 2006.

Table 16: Low-Income Disconnect Notices and Disconnections for Nonpayment							
	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Avg Monthly
Number of disconnect notices	21,830	20,725	7m341	12,767	30,857	32,141	19,665
No. of accounts disconnected for nonpayment	1,964	1,320	544	495	1,915	5,517	1,985
Ratio: Disconnect notices to disconnections	11.1	15.7	13.6	25.8	16.1	5.8	9.9

The ratio that reconnected accounts represents of disconnected accounts was lower for low-income accounts in the reporting period than it was for the total residential population, except for the winter heating months. While there were 49 reconnected residential accounts in March and April for each 100 disconnected accounts, there were 22 and 36 reconnected low-income accounts for each 100 disconnected accounts in March and April respectively. There were 43 reconnected low-income accounts in May for each 100 disconnected accounts, compared to 50 reconnected residential accounts in that same month. A significant number of low-income accounts are reconnected immediately preceding the winter heating season, with the ratio of reconnections-to-disconnections being 2.64 in November 2006 and 2.56 in December 2006. These ratios indicate that for every 100 low-income accounts disconnected in December, there were 256 low-income accounts reconnected in that month. For the entire 12-month reporting period (July 2006 through June 2007), the reconnect ratio was 0.56, with 23,809 low-income accounts being disconnected and 13,221 being reconnected.

Table 17: Low-Income Disconnections for Nonpayment and Service Reconnections

	July-06	Sept-06	Nov-06	Jan-07	Mar-07	May-07	Avg Monthly
No. of accounts reconnected after disconnect	1,058	1,145	1,426	653	414	2,344	1,102
Ratio: reconnections to disconnections /a/	0.539	0.867	2.636	1.319	0.216	0486.	0.555

NOTES:

/a/ Ratio of reconnections to disconnections for companies reporting *both* disconnection and reconnection data.

UNCOLLECTIBLE ACCOUNTS AND GROSS CHARGE-OFFS

Evaluating the number of uncollectible low-income accounts, along with the gross charge-offs from low-income accounts, suffers from the same difficulties facing the evaluation of uncollectible accounts and gross charge-offs for the total residential customer base. For example, one utility determines its uncollectible accounts and charge-offs only on a quarterly basis. To attribute the entire amount to a single month would be inaccurate.

To seek to address this problem, monthly figures have been aggregated into quarterly totals. Indiana utilities charged off more than \$3.4 million in revenue from low-income accounts in the first quarter of the reporting period (July - September 2006), and more than \$1.5 million in the second quarter of the reporting period (October - December 2006). More than \$6.7 million was charged-off over the 12-month reporting period.

Nearly 17,700 low-income accounts were written-off as uncollectible during the 12-month reporting period (July 2006 - June 2007), with nearly 80% of those accounts charged off during the period July through December 2006.

The average dollars of gross charge-off per individual written off account were significantly higher for low-income accounts than for residential accounts generally. The July-September low-income charge-off (per written-off account) was \$472 (compared to an average charge-off of \$327 for residential accounts generally), while the January-March low-income charge-off was \$517 per written-off account (compared to the equivalent charge-off of \$217 for total residential accounts). The average annual charge-off per written off account was \$380 for low-income accounts, compared to the average annual charge-off of \$258 for total residential accounts. Gross low-income charge-offs were roughly 6.72% of total low-income revenue in the reporting period of July 2006 through June 2007.

Table 18: Low-Income Uncollectible Accounts and Gross Charge-offs

	Qtr-1	Qtr-2	Qtr-3	Qtr-4	Annual
	Jul-Sept (06)	Oct-Dec (06)	Jan-Mar (07)	Apr-Jun (07)	
Number of accounts uncollectible	7,257	6,785	1,758	1,857	17,657
Dollars of gross charge-off (000s)	\$3,424	\$1,549	\$909	\$823	\$6,705
Avg charge-off per uncollectible account	\$472	\$228	\$517	\$443	\$380

NOTE:

Not all utilities charge-off revenue on a monthly basis. Some utilities charge-off revenue on a quarterly basis, and thus do not report monthly data.

PUBLIC AND PRIVATE ENERGY ASSISTANCE

Public assistance provided through the federal Low-Income Home Energy Assistance Program (LIHEAP) is a significant source of low-income energy assistance in Indiana. According to the data from the five reporting Indiana utilities –Indianapolis Power and Light (IPL) did not provide data for this reporting year-- \$34.9 million in LIHEAP assistance was posted to nearly 208,000 low-income accounts during the reporting period July 2006 through June 2007.¹³ Low-income accounts having LIHEAP benefits posted in the reporting period received an average LIHEAP benefit of \$168 in Indiana.¹⁴

Indiana LIHEAP benefits provide an important, yet inadequate, source of winter utility bill assistance to low-income households. Low-income utility bills for the four months of December through March reached \$597 in Indiana, or roughly \$4.93 per day. The average LIHEAP benefit of \$168 thus paid for only 34 days of winter utility service in the 2006/2007 winter heating season.

Indiana utilities generated roughly \$5.9 million in crisis assistance through customer contributions to individual fuel funds in the reporting year. Two caveats must be placed on this observation. One utility reported that it did not know its customer contributions to local fuel funds because the fuel fund contributions are not collected and administered by the utility. A second utility directs customer contributions not only toward its fuel fund,

¹³ Two utilities provided year-to-date data beginning at the start of the LIHEAP program year in October 2005. Given the timing of federal funding allocations, along with the timing of program operations, it is unlikely that this reporting difference represents a substantial difference.

¹⁴ In contrast to the dollars of LIHEAP per low-income account, the Indiana Department of Housing and Community Development Authority reports that for FY 2007, the average benefit was \$250 per household for all fuel types. These benefits would, in other words, include users of bulk fuels such as propane, LPG and fuel oil. As discussed in more detail above, households taking natural gas and electric service from different companies will have two accounts, one for each company.

but also toward a low-income program designed to prevent, as well respond, to the disconnection of service. Those dollars have been included in the fuel fund line-item beginning this year.

As a general rule, Indiana utilities did not report substantial investor contributions to local fuel funds. This report, however, does not report investor dollars devoted to broader rate affordability programs.

Table 19: Public and Private Energy Assistance	
	July 2006 - June 2007
No. of accounts receiving LIHEAP	207,809
Dollars of LIHEAP received	\$34,925,391
Average LIHEAP payment per accounts receiving LIHEAP	\$168
Customer contribution to fuel fund /a/	\$5,902,850
Investor contribution to fuel fund	\$1,459,503
NOTES:	
/a/ One utility indicated that it did not know its customer contributions to local fuel funds because local fuel fund contributions were not run through the utility, but rather through an external agency.	

SUMMARY AND CONCLUSIONS

Since Indiana utilities have not historically identified their low-income customers, some Indiana companies continue to struggle to report data on low-income customers in particular. As with Chapter 1, each journey begins with the first step. All stakeholders to this data collection effort, public and private, are to be commended for making continuing progress toward the regular reporting of uniform inter-utility data on low-income billing and collections.

NOTES

CHAPTER 3: EXTERNAL FACTORS

One fallacy often attributed to low-income energy assistance programs is the notion that controlling the level of home energy bills will ensure that those bills will remain “affordable.” In fact, a multitude of factors affects affordability, some of which are outside of the direct control of the energy assistance agency. The purpose of the discussion below is to identify some of the primary *external* factors that affect home energy affordability for low-income households in Indiana.

ENERGY PRICES

One of the primary factors affecting home energy affordability in Indiana is the price of fuel. Natural gas prices moderated somewhat during the 2006/2007 winter heating season. The table below shows natural gas bills per 1000 cubic feet (MCF) of gas for the period December 2000 through April 2007. While the January 2007 natural gas price of \$10.29/MCF was 33% lower than the January 2006 natural gas price of \$15.42/MCF, it was 48% higher than the January 2002 price of \$6.94/MCF and more than 30% higher than the January 2003 price of \$8.14/MCF. The February 2007 price of \$9.87/MCF was 23% lower than the February 2006 price of \$12.81/MCF and roughly 7% lower than the February 2003 price of \$10.59/MCF. The February 2007 price was nonetheless nearly 50% higher than the February 2002 price of \$6.62/MCF.

**Table 20: Winter Heating Season Natural Gas Price Data per MCF – Indiana
(2000/2001 – 2006/2007)**

	Dec	Jan	Feb	Mar	Apr
2000/2001	\$6.94	\$9.11	\$9.57	\$10.40	\$11.87
2001/2002	\$6.45	\$6.94	\$6.62	\$6.41	\$7.72
2002/2003	\$7.87	\$8.14	\$8.65	\$10.96	\$11.49
2003/2004	\$8.55	\$8.50	\$9.51	\$10.36	\$11.98
2004/2005	\$9.77	\$9.92	\$10.59	\$10.59	\$13.80
2005-2006	\$13.41	\$15.42	\$12.81	\$13.45	\$14.78
2006-2007	\$11.09	\$10.29	\$9.87	\$12.87	\$11.95

NOTE:

SOURCE: U.S. Department of Energy, Energy Information Administration, Natural Gas Monthly (through July 2007).

In the 2006/2007 winter heating season, low-income natural gas consumers were better off than they were during the preceding winter. While natural gas *prices* were substantially higher than

prior years (2002/2003 and earlier), they were less expensive than the immediately preceding year.¹⁵

Electricity prices in Indiana have not exhibited the same price increases as have natural gas. As the table below shows, electric prices in Indiana have climbed only moderately in the past six years, with a somewhat steeper price increase in 2006. Electric prices during February 2006 (\$0.0778/kWh) are 20% higher than electricity prices in February 2001 (\$0.0649/kWh). Using July as a surrogate for prices during the cooling season, electricity prices in July 2006 (\$0.0813/kWh) are eleven percent (11%) higher than in July 2001 (\$0.0729/kWh).

In contrast, however, electric prices in 2007 were nearly identical to 2006 electric prices. During the summer months of June through August, 2007 prices varied by no more than two-tenths of a cent per kWh from prices for the preceding year. The December 2007 price of \$0.0775 was, for all practical purposes, identical to the December 2006 price of \$0.0774.

Table 21: Average Residential Electricity Price Data (kWh) – Indiana
(January 2001 –December 2007)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2001	\$0.0625	\$0.0649	\$0.0669	\$0.0683	\$0.0714	\$0.0731	\$0.0729	\$0.0726	\$0.0720	\$0.0716	\$0.0685	\$0.0670
2002	\$0.0661	\$0.0669	\$0.0667	\$0.0685	\$0.0706	\$0.0712	\$0.0720	\$0.0715	\$0.0707	\$0.0696	\$0.0681	\$0.0662
2003	\$0.0645	\$0.0647	\$0.0672	\$0.0713	\$0.0727	\$0.0744	\$0.0740	\$0.0743	\$0.0720	\$0.0720	\$0.0707	\$0.0674
2004	\$0.0672	\$0.0680	\$0.0704	\$0.0729	\$0.0740	\$0.0755	\$0.0762	\$0.0773	\$0.0766	\$0.0742	\$0.0732	\$0.0702
2005	\$0.0677	\$0.0714	\$0.0715	\$0.0788	\$0.0810	\$0.0768	\$0.0729	\$0.0737	\$0.0762	\$0.0822	\$0.0819	\$0.0724
2006	\$0.0746	\$0.0778	\$0.0802	\$0.0904	\$0.0919	\$0.0844	\$0.0813	\$0.0826	\$0.0840	\$0.0873	\$0.0814	\$0.0774
2007	\$0.0739	\$0.0725	\$0.0785	\$0.0866	\$0.0874	\$0.0825	\$0.0826	\$0.0829	\$0.0849	\$0.0877	\$0.0868	\$0.0775

SOURCE: U.S. Department of Energy, Energy Information Administration, Electric Power Monthly, Table 5.6.A.

WEATHER

In addition to the impacts that prices have on the affordability of home energy for low-income households, weather has an impact on bills as well. For purposes of this analysis, “weather” will be measured by Heating Degree Days (HDDs)¹⁶ and Cooling Degree Days (CDDs).¹⁷ A common methodology used to “weather normalize” home energy bills is to multiply bills by a ratio involving the actual and normal HDDs or CDDs during the period in question.

¹⁵ These prices are statewide average natural gas prices. They do not reflect low-income universal service discounts provided by Citizens Gas or Vectren.

¹⁶ Heating degree days measure the extent to which average daily temperatures are below 65° Fahrenheit. A day with an average temperature of 55° (F), therefore, would generate ten (10) heating degree days.

¹⁷ Cooling degree days measure the extent to which average daily temperatures are above 65° (F). A day with an average temperature of 80° (F), therefore, would generate 15 cooling degree days.

Heating needs can be unpredictable in Indiana. January and February 2003 were both substantially (12%) colder than “normal.” When combined with the substantially higher natural gas prices, low-income customers in Indiana could expect to face a substantial increase in risks resulting from higher prices compounded by colder-than-normal weather in those months.

Colder-than-normal weather in individual months, however, may or may not result in colder-than-normal weather for the year. Despite the extreme weather in January and February 2003, for example, the overall temperature during 2003 as measured by HDDs was only three percent (3%) colder than the norm.

Continuing high natural gas prices in the 2006/2007 heating season were moderated by warmer-than-normal weather. While normal heating degree-days (HDDs) in January reach 1,227 in Indiana, January 2007 experienced only 1,023 HDDs, 80% of the norm. While normal HDDs in December reach 1,066 in Indiana, December 2006 experienced only 848 HDDs, 80% of the norm. March was somewhat warmer than normal with April 2007 being moderately cooler.

**Table 22: Winter Heating Season Heating Degree Days (HDD) – Indiana
(December 2002 – April 2007)**

	Annual /a/	Dec	Jan	Feb	Mar	Apr
Normal	5,925	1,066	1,227	1,013	771	435
2002/2003 /b/	6,141	1,036	1,366	1,142	753	390
2003/2004 /b/	5,468	980	1,274	1,012	676	370
2004/2005 /b/	5,454	1,063	1,109	857	884	361
2005/2006 /b/	5,276	1,196	822	954	775	309
2006/2007 /b/	5,569	848	1,023	1,279	605	486

NOTES:

/a/ Annual Heating Degree Days (HDDs) are reported by the National Weather Service (NWS) on a July 1 through June 30 basis. Thus, for example, the annual “2002” Heating Degree Days of 5,137 HDDs represents the cumulative HDDs from July 1, 2001 through June 30, 2002.

/b/ In an effort to keep complete heating seasons together, calendar years in this table have been split. The data for 2001/2002, for example, represents December 2001 (883 HDDs) and January (957 HDDs) through April 2002 (389 HDDs).

SOURCE:

National Weather Service, Climate Prediction Center,
http://www.cpc.ncep.noaa.gov/products/analysis_monitoring/cdus/degree_days/index.shtml

The flipside of heating weather involves cooling weather. Cooling needs are measured by Cooling Degree Days (CDDs). The cooling-related weather in Indiana for the past six years has been somewhat more stable. In 2006, the cumulative cooling degree-days reached 830, compared with the norm of 894 for the year. In 2007, total CDDs exceeded the normal CDDs by more than 30%. June, August and September saw hotter-than-normal weather in 2007, ranging

from 20% greater CDDs (June) up to 58% (August) to 78% (September) greater CDDs. The somewhat cooler July did not offset the hotter than normal months for the rest of the summer season.

**Table 23: Summer Cooling Season Cooling Degree Days (CDD) – Indiana
(May 2001 – December 2007)**

	May	June	July	August	September	Annual /a/
Normal	75	189	285	233	92	894
2002	25	225	370	307	162	1,145
2003	14	109	248	260	53	689
2004	98	142	243	137	97	729
2005	14	255	322	297	140	1,058
2006	65	137	324	260	29	830
2007	102	228	247	368	164	1,182

NOTES:

/a/ Annual Cooling Degree Days (CDDs) are calculated on a January 1 through December 31 basis. Thus, for example, the annual “2004” Cooling Degree-Days of 729 CDDs represents the cumulative CDDs from January 1, 2004 through December 31, 2004.

SOURCE:

National Weather Service, Climate Prediction Center,
http://www.cpc.ncep.noaa.gov/products/analysis_monitoring/cdus/degree_days/archives

LIHEAP BENEFITS

Benefits provided through the federal Low-Income Home Energy Assistance Program (LIHEAP) fell further behind in 2007. According to the annual Home Energy Affordability Gap analysis published in April 2008,¹⁸ actual low-income energy bills exceeded affordable energy bills in Indiana by \$637 million at 2006/2007 winter heating fuel prices. In contrast, Indiana received a gross allotment of federal energy assistance funds of \$51.3 million for Fiscal Year 2007.

Indiana’s LIHEAP allocation has lost ground relative to its Home Energy Affordability Gap. From 2002 to 2007, the total Home Energy Affordability Gap increased by \$412 million. In comparison, the federal LIHEAP allocation to Indiana increased \$7.4 million. While LIHEAP covered 8.0% of Indiana’s Home Energy Affordability Gap in 2007, it had covered 31.1% of the Affordability Gap in 2002, the first year the Affordability Gap was calculated.

¹⁸ The annual Home Energy Affordability Gap analysis published by Fisher, Sheehan & Colton (FSC) examines the dollar “gap” between actual home energy bills and affordable home energy bills. Each year’s Affordability Gap is based on prices from the previous year. The Affordability Gap published in April 2006, in other words, is based on 2005 fuel prices.

HOUSING COSTS

Closely related to energy costs, but still having a substantive impact on the affordability of energy, is the overall affordability of housing facing low-income households. In general, the affordability of energy is spoken of in terms that do not take into account a household's competing financial needs. In relative terms, however, energy may be made more or less affordable by the fact that other household expenses are going up or down.

The National Low-Income Housing Coalition tracks the affordability of housing on an annual basis. In the housing industry, low-income status is tied to annual median income.¹⁹ For low-income households, housing is "affordable" if total shelter costs do not exceed 30% of the household's gross annual income. Total shelter costs include not only rent/mortgage, but also utilities (including energy and water/sewer, but not telephone, cable television or internet access), insurance, and taxes. Housing costs are reported one-year after-the-fact. Thus, 2007 housing affordability data was reported in 2008.

The ability of the lowest income Indiana residents to afford housing in Indiana stayed virtually unchanged between 2006 and 2007. While 30% of median income statewide would have supported an affordable monthly housing price (in terms of rents) of \$441 in 2006, 30% of median income in 2007 would support a monthly rent of \$440. In non-metropolitan areas, also, the ability to afford rents stayed virtually constant, decreasing from \$400 in 2006 to \$396 in 2007 for a household with income at or below 30% of AMI.

In five of Indiana's 13 metropolitan areas (Elkhart/Goshen, Fort Wayne, Kokomo, Lafayette, and Muncie), the affordability of rent decreased by double digits between 2006 and 2007, with the decreases ranging from \$16 (Elkhart/Goshen) to \$36 (Kokomo) per month. Moreover:

- In five of Indiana's metropolitan areas, the affordable rents stayed virtually even (with a change either up or down of less than \$5 from 2006 to 2007).
- In five of Indiana's metropolitan areas, the affordable rents changed by between ten dollars (\$10) and twenty dollars (\$20) per month from 2006 to 2007.

The affordable rents for households at 30% of annual median income (AMI), 50% AMI and 80% AMI for the state as a whole, for Indiana's metropolitan areas, and for the non-metropolitan areas of Indiana are set forth in the table below.

¹⁹ In the energy industry, low-income status is generally tied to Federal Poverty Level. As a general "rule of thumb," 50% of median income is roughly equivalent to 200% of the Federal Poverty Level.

**Table 24: Maximum Affordable Monthly Housing Costs by
Percent of Annual Median Income (AMI)
Indiana (2006 and 2007)**

Geographic Area	2006 Annual Median Income (AMI) /a/			2007/2008 Annual Median Income (AMI) /b/		
	30 percent	50 percent	80 percent	30 percent	50 percent	80 percent
State of Indiana total	\$441	\$736	\$1,177	\$440	\$734	\$1,174
Bloomington, IN MSA	\$413	\$688	\$1,100	\$458	\$764	\$1,222
Cincinnati, OH--KY--IN PMSA	\$485	\$808	\$1,292	\$497	\$828	\$1,324
Elkhart--Goshen, IN MSA	\$443	\$739	\$1,182	\$427	\$711	\$1,138
Evansville--Henderson, IN--KY MSA	\$427	\$711	\$1,138	\$449	\$748	\$1,196
Fort Wayne, IN MSA	\$460	\$766	\$1,226	\$443	\$739	\$1,182
Gary, IN PMSA	\$461	\$768	\$1,228	\$461	\$768	\$1,228
Indianapolis, IN MSA	\$488	\$814	\$1,302	\$488	\$814	\$1,302
Kokomo, IN MSA	\$467	\$778	\$1,244	\$431	\$718	\$1,148
Lafayette, IN MSA	\$449	\$749	\$1,198	\$432	\$720	\$1,152
Louisville, KY--IN MSA	\$442	\$736	\$1,178	\$446	\$743	\$1,188
Muncie, IN MSA	\$399	\$665	\$1,064	\$379	\$631	\$1,010
South Bend, IN MSA	\$433	\$721	\$1,154	\$446	\$744	\$1,190
Terre Haute, IN MSA	\$370	\$616	\$986	\$362	\$604	\$966
Non-metro areas—Indiana	\$400	\$667	\$1,067	\$396	\$660	\$1,056

NOTES:

/a/ Annual Median Income (AMI) are 2004 AMIs published by the U.S. Department of Housing and Urban Development (HUD). “Affordable” rents represent the generally accepted standard of spending not more than 30% of income on housing costs.

/b/ Beginning in 2007, NLIHC changed its reporting period. As a result, NLIHC published its 2007/2008 data as combined data.

SOURCE: National Low-Income Housing Coalition (NLIHC). *Out of Reach (Indiana)*. <http://www.nlihc.org> (for years 2006 and 2007/2008).

Given these changes in the ability of low-income households to afford rents, many low-income Indiana residents fell even further behind in their ability to afford housing in 2007. For households with income at 30% of area median income, statewide, the capacity to rent affordable housing stayed constant (decreasing \$1/month, from \$441 in 2006 to \$440 in 2007). In contrast, housing prices, as measured by the Fair Market Rent (FMR) for a two-bedroom unit,²⁰ increased \$31 per month (from \$643 per month in 2006 to \$674 per month in 2007).

²⁰ Assessments of the overall affordability of housing are generally tied to two-bedroom units.

Similarly, the situation of low-income residents in non-metropolitan areas deteriorated in 2007. While the capacity to rent affordable housing decreased four dollars (\$4) per month from 2006 to 2007, from \$400 to \$396, the Fair Market Rent for a two-bedroom unit in non-metropolitan areas increased \$47 per month (from \$549 in 2006 to \$596 in 2007). In addition:

- Fair Market Rents decreased from 2006 to 2007 in two Indiana metropolitan areas.
- Fair Market Rents increased by \$40 or more per month in eight Indiana metropolitan areas.

The changes in Fair Market Rents for the various geographic areas in Indiana are presented in the table immediately below. In only Bloomington (increase of \$45 in maximum affordable rent vs. \$25 decrease in Fair Market Rent) did low-income consumers (30% AMI) gain ground in 2007 with respect to the affordability of overall housing costs.

**Table 25: Fair Market Rents (FMR) (2-bedroom units)
Indiana (2006 and 2007)**

Geographic Area	2006	2007/2008 /a/	FMR Increase/(Decrease)	Change in Capacity to Afford Rent (30% AMI)
State of Indiana total	\$643	\$674	\$31	(\$1)
Bloomington, IN MSA	\$668	\$643	(\$25)	\$45
Cincinnati, OH--KY--IN PMSA	\$668	\$726	\$58	\$12
Elkhart--Goshen, IN MSA	\$660	\$704	\$44	(\$16)
Evansville--Henderson, IN--KY MSA	\$560	\$602	\$42	\$22
Fort Wayne, IN MSA	\$610	\$636	\$26	(\$17)
Gary, IN PMSA	\$755	\$745	(\$10)	\$0
Indianapolis, IN MSA	\$693	\$726	\$33	\$0
Kokomo, IN MSA	\$620	\$662	\$42	(\$36)
Lafayette, IN MSA	\$696	\$742	\$46	(\$17)
Louisville, KY--IN MSA	\$584	\$663	\$79	\$4
Muncie, IN MSA	\$616	\$653	\$37	(\$20)
South Bend, IN MSA	\$640	\$683	\$43	\$13
Terre Haute, IN MSA	\$543	\$580	\$37	(\$8)
Non-metro areas—Indiana	\$549	\$596	\$47	(\$4)

NOTES:

/a/ Beginning in 2007, NLIHC changed its reporting period. As a result, NLIHC published its 2007/2008 data as combined data.

SOURCE: National Low-Income Housing Coalition (NLIHC). Out of Reach (Indiana). <http://www.nlihc.org> (for years 2006 and 2007/2008). Fair Market Rents are published by the U.S. Department of Housing and Urban Development (HUD) and are updated annually.

In sum, while low-income households statewide in Indiana experienced a decreased capacity to rent affordable housing of \$12 per year (\$1/month x 12 months), they faced an increase in housing prices of \$372 per year (\$31/month x 12 months) and thus lost ground overall in 2007 as compared to 2006. The loss of housing purchasing power was ubiquitous, though not uniform statewide. In only one metropolitan area, however, did the affordability of housing improve.

CHANGES IN EARNING CAPACITY

The incomes of wage-earners in Indiana are affected by two primary factors. The first is the wage paid to the worker. The second is the amount of work that is available. Average weekly earnings for workers in non-durable goods industries –these industries are used since they are more likely to have the low-wage workers served by LIHEAP-- have seen little, if any, increase in their average weekly wages in the past five years. Indeed, average weekly earnings in 2007 declined in each of the reporting months. Average weekly earnings are down between 2% and 5% for the four reporting months of January, April, July and August. On an aggregate annual basis, average weekly earnings in 2007 were down 2.5% as compared to 2006.

**Table 26: Average Weekly Earnings, in Dollars (Non-Durable Goods)
(Indiana—Statewide)**

	Non-Durable Goods				
	Jan	Apr	Jul	Oct	Annual
2001	\$576	\$573	\$570	\$586	\$580
2002	\$609	\$597	\$603	\$580	\$604
2003	\$641	\$665	\$643	\$669	\$665
2004	\$659	\$639	\$638	\$642	\$645
2005	\$633	\$624	\$641	\$679	\$649
2006	\$705	\$690	\$697	\$671	\$686
2007	\$678	\$656	\$667	\$657	\$669
2007 as percent of 2001	117.7%	114.5%	118.0%	112.1%	115.3%
2007 as percent of 2006	96.2%	95.1%	95.7%	97.9%	97.5%
5-year average annual increase	2.3%	2.0%	2.1%	2.7%	2.2%

NOTES:

/a/ Average annual increase calculated for five years 2002 through 2007.

SOURCE:

U.S. Department of Labor, Bureau of Labor Statistics, State and Area Employment, Hours and Earnings (not seasonally adjusted), extracted May 29, 2008. 2007 weekly earnings as percent of 2001 and as a percent of 2006 weekly earnings separately calculated.

One critical factor affecting the average weekly earnings of workers is the number of hours worked each week. The number of hours worked in 2007 for workers in the non-durable goods industry has remained constant. The number of average weekly hours in 2007 (compared to 2006) decreased by a fraction of an hour in January, April and July, but had increased by a fraction of an hour (from 40.3 hours to 41.0 hours) for the year as a whole.

**Table 27: Average Weekly Hours (Non-Durable Goods)
(Indiana—Statewide)**

	Non-Durable Goods				
	Jan	Apr	Jul	Oct	Annual
2001	39.8	38.9	39.7	40.1	40.0
2002	40.6	40.1	40.8	41.3	41.1
2003	41.3	41.5	40.5	40.8	41.2
2004	41.1	41.3	41.1	41.4	41.2
2005	40.4	40.1	40.1	41.4	40.7
2006	40.9	39.8	41.1	39.9	40.3
2007	39.9	39.4	40.2	41.0	41.0

SOURCE:

U.S. Department of Labor, Bureau of Labor Statistics, State and Area Employment, Hours and Earnings (not seasonally adjusted), extracted May 31, 2008.

Average hourly earnings constitute the final input into total earnings in Indiana examined here. After a year of moderate growth in weekly earnings for workers in the non-durable goods industry during 2006, 2007 has seen a slight decline in hourly wages. In each reporting month (January, April, July and October) for 2007, average hourly earnings were \$0.25 to nearly \$0.80 per hour, Hourly earnings for the year as a whole had decreased to slightly above the 200 levels (\$15.95 in 2005 vs. \$16.32 in 2007). On an annual basis, average hourly earnings were above 2004 and 2005, and about the same as 2003.

**Table 28: Average Hourly Earnings, in Dollars (Non-Durable Goods)
(Indiana—Statewide)**

	Non-Durable Goods				
	Jan	Apr	Jul	Oct	Annual
2002	\$15.00	\$14.88	\$14.79	\$14.05	\$14.70
2003	\$15.51	\$16.03	\$15.88	\$16.40	\$16.13
2004	\$16.04	\$15.46	\$15.52	\$15.51	\$15.65
2005	\$15.66	\$15.57	\$15.98	\$16.40	\$15.95
2006	\$17.24	\$17.33	\$16.95	\$16.81	\$17.01
2007	\$16.98	\$16.65	\$16.58	\$16.03	\$16.32
2007:2006 Increase/(Decrease)	(\$0.26)	(\$0.68)	(\$0.37)	(\$0.78)	(\$0.69)

SOURCE:

U.S. Department of Labor, Bureau of Labor Statistics, State and Area Employment, Hours and Earnings (not seasonally adjusted), extracted May 29, 2008.

SUMMARY AND CONCLUSIONS

Various factors directly affect the affordability of home energy to low-income Indiana residents. As is demonstrated above, the affordability of home energy is an outcome that energy assistance programs can often only influence. Home energy affordability is not subject to comprehensive control. While energy assistance may help address some of these issues, many of the broad macro external factors can *not* be controlled. In designing responses to credit problems, as well as in evaluating the effectiveness and/or efficiency of such initiatives, the multiple factors external to the energy industry should be considered as well as energy factors subject to direct control.