

Indiana Billing and Collection Reporting:
Natural Gas and Electric Utilities
(2005)

Prepared For:

Coalition to Keep Indiana Warm
Indianapolis, Indiana

Prepared By:

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

October 2005

TABLE OF CONTENTS

<i>Table of Contents</i> _____	<i>i</i>
<i>Table of Tables</i> _____	<i>iii</i>
<i>Executive Summary</i> _____	<i>ES-1</i>
Chapter 1: Residential Customers _____	ES-2
Accounts and Bills _____	ES-2
Accounts in Arrears and Dollars in Arrears _____	ES-3
Arrears Subject to Payment Arrangements _____	ES-3
Levelized Budget Billing Plans _____	ES-3
Service Disconnections and Reconnections _____	ES-4
Uncollectible Accounts and Gross Charge-offs _____	ES-4
Summary and Conclusions _____	ES-5
Chapter 2: Low-Income Residential Customers _____	ES-5
Accounts and Bills _____	ES-5
Accounts in Arrears and Dollars in Arrears _____	ES-6
Arrears Subject to Payment Arrangements _____	ES-6
Levelized Budget Billing Plans _____	ES-7
Service Disconnections and Reconnections _____	ES-7
Uncollectible Accounts and Gross Charge-offs _____	ES-7
Public and Private Energy Assistance _____	ES-8
Summary and Conclusions _____	ES-9
Chapter 3: External Factors _____	ES-9
Energy Prices _____	ES-9
Weather _____	ES-9
Housing Costs _____	ES-10
Changes in Earning Capacity _____	ES-10
Summary and Conclusions _____	ES-11
<i>Introduction</i> _____	<i>1</i>
<i>Chapter 1: Residential Customers</i> _____	<i>3</i>
Accounts and Bills _____	3
Accounts in Arrears and Dollars in Arrears _____	3
Arrears Subject to Payment Arrangements _____	6
Levelized Budget Billing Plans _____	7
Service Disconnections and Reconnections _____	8
Uncollectible Accounts and Gross Charge-offs _____	9
Summary and Conclusions _____	10
<i>Chapter 2: Low-Income Accounts</i> _____	<i>11</i>
Accounts and Bills _____	11
Accounts in Arrears and Dollars in Arrears _____	12
Arrears Subject to Payment Arrangements _____	14
Levelized Budget Billing Plans _____	15

Service Disconnections and Reconnections _____	15
Uncollectible Accounts and Gross Charge-offs _____	17
Public and Private Energy Assistance _____	18
Summary and Conclusions _____	19
Chapter 3: External Factors _____	21
Energy Prices _____	21
Weather _____	22
Housing Costs _____	24
Changes in Earning Capacity _____	28
Summary and Conclusions _____	31

TABLE OF TABLES

Table 1: Residential Accounts, Total Revenue and Average Bill per Account.....	3
Table 2: Residential Accounts in Arrears and Average Arrears per Account in Arrears	5
Table 3: Proportion Residential Accounts and Revenue in Arrears	6
Table 4: Proportion Residential Accounts in Arrears on Agreement	6
Table 5: Proportion Residential Revenue in Arrears on Agreement	7
Table 6: Number and Percent of Residential Accounts on Levelized Budget Billing.....	7
Table 7: Residential Disconnect Notices and Disconnections for Nonpayment	8
Table 8: Residential Disconnections for Nonpayment and Service Reconnections	9
Table 9: Residential Uncollectible Accounts and Gross Charge-offs	10
Table 10: Low-Income Accounts, Total Low-Income Revenue and Average Bill per Account.....	12
Table 11: Low-Income Accounts in Arrears and Average Arrears per Low-Income Account in Arrears.....	13
Table 12: Proportion Low-Income Accounts and Revenue in Arrears.....	13
Table 13: Proportion Low-Income Accounts in Arrears on Agreement.....	14
Table 14: Proportion of Low-Income Revenue in Arrears on Agreement	15
Table 15: Number and Percent of Low-Income Accounts on Levelized Budget Billing.....	15
Table 16: Low-Income Disconnect Notices and Disconnections for Nonpayment.....	16
Table 17: Low-Income Disconnections for Nonpayment and Service Reconnections	17
Table 18: Low-Income Uncollectible Accounts and Gross Charge-offs.....	18
Table 19: Public and Private Energy Assistance	19
Table 20: Winter Heating Season Natural Gas Price Data per MCF – Indiana (1999/2000 – 2004/2005).....	21
Table 21: Average Residential Electricity Price Data (kWh) – Indiana (January 2000 – June 2005).....	22
Table 22: Winter Heating Season Heating Degree Days (HDD) – Indiana (December 2001 – April 2005).....	23
Table 23: Summer Cooling Season Cooling Degree Days (CDD) – Indiana (May 2001 – September 2005)	24
Table 24: Maximum Affordable Monthly Housing Costs by Percent of Annual Median Income (AMI) Indiana (2003 and 2004)	26
Table 25: Fair Market Rents (FMR) (2-bedroom units) Indiana (2003 and 2004).....	28
Table 26: Average Weekly Earnings, in Dollars (Non-Durable Goods) (Indiana—Statewide)	29
Table 27: Average Weekly Hours (Non-Durable Goods) (Indiana—Statewide).....	30
Table 28: Average Hourly Earnings, in Dollars (Non-Durable Goods) (Indiana—Statewide)	31

This page intentionally left blank.

EXECUTIVE SUMMARY

This report provides information on the collection circumstances facing Indiana's six largest utilities. This is the first report provided 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 the six Indiana utilities 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 six Indiana utilities so that information can be assessed from year-to-year given the different external factors that are affecting utility customers.

The current report, being the first effort at data compilation, and utilizing reporting protocols that are relatively new to most Indiana utilities, will have incomplete data in some instances. Rather than not presenting the available data, this publication provides what data is available with a notation that it is not complete. When data is less than complete, it will be explicitly noted. The expectation is that over time, utility systems will become more capable of providing the requested data and this periodic report will have fewer notations of incomplete reporting.

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 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. Second, data is provided for all "low-income" customers. 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.

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 six Indiana natural gas and electric utilities:

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

The report is presented in three parts:

- **Chapter 1** examines data for residential customers as a whole;
- **Chapter 2** examines data for low-income residential customers;
- **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 CUSTOMERS

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.

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 2005 received a combined natural gas/electric bill of \$143, while an average residential account received a combined natural gas/electric bill of \$73 in June 2005.

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 April 2005, more than 764,000 Indiana residential accounts were in arrears on their utility bills. By June 2005, the number of accounts in arrears had decreased by more than 80,000 accounts, to 684,000. April represented the month experiencing the peak number of arrears.

In contrast to the number of accounts in arrears, February and March represented the months in which the dollars of arrears reached their peak in the reporting period included in this analysis. Total residential arrears reached more than \$100 million for Indiana utility accounts in each month February 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 2005, at \$208. By June 2005, the average residential arrears had decreased to \$96, only 46% of its February level.

Arrears Subject to Payment Arrangements

A small portion of the total number of accounts in arrears were 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 seven percent (7%) 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, but began to decrease during the warm weather months of June and July.

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, April and May before leveling off.

Levelized Budget Billing Plans

Roughly one of every eight residential utility accounts in Indiana are billed through a levelized monthly budget billing arrangement. During the months in which the most complete data was obtained (with only one utility not reporting data), between 350,000 and 360,000 residential accounts received service through a levelized budget billing plan. No significant seasonal differences appeared for the months reported. 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 1.2 million notices of service terminations for nonpayment during the first seven months of 2005. In two of those seven months, however, more than one utility did not report data. In the remaining five months, one utility did not report data. March represented the month in which the highest number of disconnect notices were issued, with nearly 280,000 notices being reported for residential accounts. Of the months with the most complete data (February through June), June represented the month with the fewest number of residential disconnect notices (231,447). More than 260,000 disconnect notices were issued in each month February through May (with one utility not reporting data during this time period).

Indiana utilities disconnected service to nearly 95,000 accounts during the same seven month period (again, with two months missing data for two utilities and the other five months missing data for one utility). The number of service disconnections for nonpayment peaked in April and began to decline through May and June.

The number of service *re*connections tracks the number of service disconnections by month. Indiana utilities reconnect between 60 and 80 accounts for every 100 accounts they disconnect in any given month. The proportion of reconnected accounts to disconnected accounts peaked in April 2005 (with 678 accounts being reconnected for every 1,000 accounts being disconnected). The proportion of reconnected accounts to disconnected accounts was lowest in January. In each of the seven months reported, more than one utility failed to report data on the number of reconnected accounts.

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 \$5.2 million dollars in the first quarter of 2005 and nearly \$3.7 million in the second quarter. Nearly 28,000 accounts were written off as uncollectible during the first quarter of 2005, while roughly 20,000 accounts were written off as uncollectible during the second quarter. The average charge-off for each account written-off did not significantly vary between the first quarter (\$189) and second quarter (\$184). Gross charge-offs were roughly 0.8% of total revenue in the first six months of 2005.

For both the number of uncollectible accounts and dollars of gross charge-offs, more than one utility failed to report data.

Summary and Conclusions

This report presents a significant first step 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 limitations:

- It does not yet include a full year of data;
- Some data elements still have incomplete reporting from Indiana utilities;
- There is no prior year data against which to compare current data.

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.

Nonetheless, each journey begins with the first step, and Indiana policymakers are better-informed today than they would have been in the absence of the data reported above.

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) 2004, the most recent year for which data is available, Indiana provided LIHEAP benefits to 126,510 of the 326,508 eligible households (39%).

Accounts and Bills

Indiana utilities reported serving roughly 120,000 low-income accounts (with two or more utilities not reporting data each month). 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 in the months of February through May, while being noticeably lower in January and July.

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, more than 55,000 low-income accounts in Indiana were in arrears. By June, that number had decreased to 51,000 accounts in arrears. February represented the month experiencing both the peak number of low-income accounts in arrears and the peak number of low-income dollars in arrears.

Coming out of the winter season, the Indiana utilities reporting data experienced nearly \$10 million in April arrears for their low-income accounts. Indiana utilities reported a June arrears of \$6.711 million, a decrease of 32% in those two months.

In Indiana, the average arrears per low-income account in arrears peaked in February at \$148, The average arrears for accounts in arrears then decreased to \$103 in June. By June, the average arrears for accounts in arrears had decreased to \$94.

A substantial majority of Indiana's low-income accounts were reported as being in arrears coming out of the 2005 winter heating season. Nearly eight out of every ten low-income accounts were in arrears in March 2005. In May and July, more than half of the state's low-income accounts were reported as being in arrears.

With all of this data, and in all months, two or more utilities did not report data.

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 all seven of the months for which data is reported. In the three months of March through May, the rate at which low-income accounts in arrears are subject to agreement is nearly twice that of the rate at which total residential accounts are subject to agreement. The peak difference was reached in April, with 17% of all low-income accounts in arrears subject to agreement compared to 7% of total residential accounts in arrears.

As with total residential accounts, the proportion of low-income accounts in arrears subject to agreement increased throughout the late 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 the late winter (February) and early spring months (March and April), the dollars of low-income arrears subject to agreement varied from 25% to 31%. In May, the percentage of low-income dollars of arrears

subject to agreement dropped by two-thirds and continued to decrease into the warm weather months.

Levelized Budget Billing Plans

Few low-income utility accounts in Indiana are on levelized budget billing plans. Fewer than one of every ten 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 seven months of reported data, low-income accounts evidence a similar slight, but noticeable, seasonal variation, with fewer accounts being billed through levelized budget billing in the warm weather months.

Service Disconnections and Reconnections

Indiana utilities disconnected nearly 10,000 low-income accounts in the three months of April through June, the only months in which all utilities reported data. During that same three month period, Indiana utilities issued more than 100,000 disconnect notices to low-income accounts. Over the seven month period for which data was collected, Indiana utilities issued nearly 180,000 disconnect notices to low-income accounts, and disconnected 13,438 low-income accounts. In two of those seven months (January and February), two utilities did not report data. In two more of those seven months (March and July), one utility did not report data on shutoff notices and actual service terminations for nonpayment. The number of service disconnections for nonpayment peaked in April and began to decrease in May and June.

The ratio that reconnected accounts represent of disconnected accounts is noticeably lower for low-income accounts than it is for the total residential population. While there were 58 reconnected low-income accounts in April for each 100 disconnected low-income accounts, there were 68 reconnected residential accounts for each 100 disconnected accounts. There were 54 reconnected low-income accounts in May for each 100 disconnected accounts, compared to 68 reconnected residential accounts in that same month.

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 one-half million dollars in revenue from low-income accounts in the first quarter of 2005, and nearly \$460,000 in the second quarter of 2005. Nearly 1,400 low-income accounts were written-off as uncollectible in

the first quarter, while more than 1,800 were written-off as uncollectible during the second quarter.

The average dollars of gross charge-off were significantly higher for low-income accounts than for residential accounts generally. The first quarter low-income charge-off (per written-off account) was \$392 (compared to a first quarter charge-off of \$189 for residential accounts generally), while the second quarter low-income charge-off was \$253 per written-off accounts (compared to a second quarter charge-off of \$184 for total residential accounts). Gross low-income charge-offs were roughly 2.1% of total low-income revenue in the first six months of 2005.

Public and Private Energy Assistance

Public assistance provided through the federal Low-Income Home Energy Assistance Program (LIHEAP) is the largest source of low-income energy assistance in Indiana. According to the data from the six reporting Indiana utilities, \$24.2 million in LIHEAP assistance was posted to more than 133,000 low-income accounts during the period January through June 2005.¹ Low-income accounts having LIHEAP benefits posted in the January through June 2005 time period received an average LIHEAP benefit of \$181 in Indiana.

Indiana utilities generated roughly \$100,000 in crisis assistance through customer contributions to individual fuel funds in the January through July time period.² Two caveats must be placed on this observation. One utility reported combined data for both its crisis fuel fund and a broader low-income energy assistance program. To report that combined number would seem to misrepresent the total fuel fund resources available. A second utility reported that it did not know its customer contributions to local fuel funds because the fuel fund contributions were not collected and administered by the utility. The lack of data does not indicate a lack of customer-contributed funds, merely that the utility cannot quantify the customer-contributed funds.

As a general rule, Indiana utilities made few investor contributions to local fuel funds. As with customer contributions, the data reporting combined dollars for a fuel fund and a broader energy assistance program were excluded from this report.

¹ Two utilities provided year-to-date data beginning at the start of the LIHEAP program year in October 2004. 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.

² One company reported its customer and investor contributions in a single combined number. This figure has been allocated completely to "customer" contributions.

Summary and Conclusions

The low-income data presented in this Chapter is subject to the same limitations identified for the total residential data in Chapter 1. Moreover, not surprisingly, since Indiana utilities have not historically reported data on low-income customers, several companies struggled to generate the new information that serves as the foundation for this report. Given additional time and experience, next year's report will be more complete, and better documented, than this year's report. The Year 3 report will see even further improvement.

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 affect 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 continued to show substantial price increases during the 2004/2005 winter heating season. Clearly, in 2004/2005, low-income natural gas consumers are worse off than they were even during the preceding winter. Natural gas *prices* are substantially higher than in prior years.

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

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)³ and Cooling Degree Days (CDDs).⁴

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

³ 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.

⁴ 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.

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.

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 only 2002, for example, were cooling needs substantially greater than the norm. In 2002, total CDDs exceeded the normal CDDs by nearly 30%. July and August 2002 saw hotter-than-normal weather, while July and August of both 2001 and 2003 were about normal. In addition, July and August of 2005 were substantially hotter than normal (20%), but 2005 annual data is not yet available.

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 2003 and 2004 (2005 data is not yet available). While 30% of median income statewide would have supported an affordable monthly housing price (in terms of rents) of \$431 in 2003, the same income in 2004 would support a monthly rent of \$439, an increase of only \$8 per month.

Given these slight increases 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 2003 and 2004. For households with income at 30% of area median income, statewide, the capacity to rent affordable housing increased by \$8/month. In contrast, housing prices increased \$40 per month during the same time period. While low-income households statewide in Indiana experienced an increased capacity to rent affordable housing of \$96 per year, in other words, they faced an increase in housing prices of \$480 per year and thus lost ground overall.

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-- have seen little, if any, increase in their average weekly wages in the past five years.

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.

This page intentionally left blank.

INTRODUCTION

This report provides information to the Coalition to Keep Indiana Warm (Coalition) on the collection circumstances facing Indiana's six largest utilities. This is the first report provided 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 the six Indiana utilities so that information can be compiled and evaluated on a statewide basis.
- To institutionalize reporting data on an *annual basis* among the six Indiana utilities so that information can be assessed from year-to-year given the different external factors that are affecting utility customers.

The current report, being the first effort at data compilation, and utilizing reporting protocols that are relatively new to most Indiana utilities, will have incomplete data in some instances. Rather than not presenting the available data, this publication provides what data is available with a notation that it is not complete. For example, data in this report is for the period January through July 2005. Not all utilities could provide data for each month of the entire reporting period. When data is less than complete, it will be explicitly noted.

The expectation is that over time, utility systems will become more capable of providing the requested data and this periodic report will have fewer notations of incomplete reporting.

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 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. 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 six Indiana natural gas and electric utilities:

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

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

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

CHAPTER 1: RESIDENTIAL CUSTOMERS

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.

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 2005 received a combined natural gas/electric bill of \$143, while an average residential account received a combined natural gas/electric bill of \$73 in June 2005.

<i>Table 1: Residential Accounts, Total Revenue and Average Bill per Account</i>							
	Jan-05*	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05*
Total accounts	2,757,666	3,106,975	3,129,835	3,136,121	3,126,009	3,051,194	2,702,148
Total revenue (000s)	\$459,879	\$444,587	\$416,308	\$309,844	\$244,771	\$221,707	\$217,094
Average monthly bill /a/	\$167	\$143	\$133	\$99	\$78	\$73	\$80
*Not all utilities reporting.							
NOTES:							
/a/ Average monthly bill is calculated by dividing total revenue by total number of accounts.							

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 April 2005, more than 764,000 Indiana residential accounts were in arrears on their utility bills. By June 2005, the number of accounts in arrears had decreased by more than 80,000 accounts, to 684,000. April represented the month experiencing the peak number of arrears.

In contrast to the number of accounts in arrears, February and March represented the months in which the dollars of arrears reached their peak in the reporting period included in this analysis. Total residential arrears reached more than \$100 million for Indiana utility accounts in each month February through April.⁵

In Indiana, the average arrears per account in arrears peaked in February 2005, at \$208. By June 2005, the average residential arrears had decreased to \$96, only 46% of its February level.

Indiana residents appear to make their winter bill payments on a regular basis. While arrears increased in absolute dollar terms during the winter months, Indiana accounts carried a “bills behind” of between 0.96 (March) and 1.06 (April). 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, while a “bills behind” of more than 1.0 means that a customer is more than one month behind.

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.⁶ BCS explains that its “bills behind” statistic “permits comparisons to be drawn between 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.”

⁵ In addition, January had a reported total residential arrears of \$96.5 million, but was missing data for one utility.

⁶ Joseph Farrell (1983). *Utility Payment Problems: The Measurement and Evaluation of Responses to Customer Nonpayment*, at 19, Pennsylvania Public Utility Commission: Harrisburg, PA

Table 2: Residential Accounts in Arrears and Average Arrears per Account in Arrears							
	Jan-05*	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05*
No of accounts in arrears	760,268	550,649	734,058	764,141	709,636	683,525	657,384
Revenue in arrears (000s)	\$96,541	\$114,272	\$104,066	\$100,555	\$77,536	\$65,548	\$58,419
Average arrears /a/	\$127	\$208	\$142	\$132	\$109	\$96	\$89
Average "bills behind" /b/	n/a /c/	n/a /c/	0.96	1.06	1.05	1.15	1.16
*Not all utilities reporting.							
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.							
/c/ A "bills behind" statistic cannot be calculated for these months since data for preceding months is not available.							

More than 760,000 Indiana residential utility accounts were in arrears at the end of the winter heating season in 2005. The number of accounts in arrears began to decline in the early warm months, from a high of 764,141 in April 2005 to 683,525 in June 2005.

Indiana utilities carried roughly \$100 million in arrears as of April 2005. 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. While the number of June accounts in arrears was 11% lower than the number of March accounts in arrears (683,525 vs. 734,058), the June dollars in arrears was 37% lower (\$104 million vs. \$66 million).

Indiana utilities experienced roughly one-fifth to one-quarter of their residential accounts in arrears at any given time during the reporting period, with the percentage of accounts in arrears ranging from a minimum of 18% to a maximum of 26% during the months in which all companies reported data. The percentage of accounts in arrears remained reasonably consistent for the months of March through June.

Accounts in arrears appear to have somewhat higher bills than on average. While in February, 18% of all residential accounts were in arrears, 26% of all residential revenue was in arrears. After seeing the difference dip somewhat in March, 2005, the spread between the percentage of accounts in arrears compared to the percentage of revenue in arrears became greater again in April (24% vs. 32%), May (23% vs. 32%) and June (22% vs. 30%).

Table 3: Proportion Residential Accounts and Revenue in Arrears							
	Jan-05*	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05*
Percent accounts in arrears	28%	18%	23%	24%	23%	22%	24%
Ratio: dollars in arrears:monthly bills	21%	26%	25%	32%	32%	30%	27%
*Not all utilities reporting.							

ARREARS SUBJECT TO PAYMENT ARRANGEMENTS

A small portion of the total number of accounts in arrears were subject to deferred payment agreements for their arrears. While not all utilities provided the number of accounts in arrears on agreement, those that did (five of the six utilities reported this data) reported that between four percent (4%) and seven percent (7%) 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, but began to decrease during the warm weather months of June and July.

Table 4: Proportion Residential Accounts in Arrears on Agreement							
	Jan-05*	Feb-05*	Mar-05*	Apr-05*	May-05*	Jun-05*	Jul-05*
No. accounts in arrears on agreement	31,453	31,560	44,985	46,069	45,782	37,379	28,929
Pct accounts in arrears on agreement /a/	4%	7%	7%	7%	7%	6%	4%
*Not all utilities reporting.							
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 is 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 6% in February to 13% in May) before leveling off (at 13% for both May and June).

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.

Table 5: Proportion Residential Revenue in Arrears on Agreement							
	Jan-05**	Feb-05*	Mar-05*	Apr-05*	May-05*	Jun-05*	Jul-05**
Revenue in arrears on agreement (000s)	\$4,611	\$6,158	\$9,638	\$11,316	\$10,384	\$8,244	\$6,122
Pct revenue in arrears on agreement /a/	5%	6%	9%	11%	13%	13%	10%
*Not all utilities reporting. **More than one utility not reporting data. 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 eight residential utility accounts in Indiana are billed through a levelized monthly budget billing arrangement. During the months in which the most complete data was obtained (with only one utility not reporting data), between 350,000 and 360,000 residential accounts received service through a levelized budget billing plan. Small but noticeable seasonal differences appeared for the months reported. 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 (363,530 accounts on budget billing plans) of March and the non-peak month of June (346,747) for those months in which only one company did not report data was only roughly 17,000 accounts.

Table 6: Number and Percent of Residential Accounts on Levelized Budget Billing							
	Jan-05**	Feb-05*	Mar-05*	Apr-05*	May-05*	Jun-05*	Jul-05**
No. accounts on levelized budget billing	278,779	361,173	363,530	361,859	358,561	346,747	272,248
Pct of accounts on levelized budget billing	10%	12%	12%	12%	11%	11%	10%
*Not all utilities reporting. **More than one utility not reporting data. NOTES: /a/ The percent of accounts on budget billing for those companies reporting the number of accounts on budget billing.							

SERVICE DISCONNECTIONS AND RECONNECTIONS

The Indiana utilities reporting data issued a total of nearly 1.2 million notices of service terminations for nonpayment during the first seven months of 2005. In two of those seven months, however, more than one utility did not report data. In the remaining five months, one utility did not report data. March represented the month in which the highest number of disconnect notices were issued, with nearly 280,000 notices being reported for residential accounts. Of the months with the most complete data (February through June), June represented the month with the fewest number of residential disconnect notices (231,447). More than 220,000 disconnect notices were issued by Indiana utilities for each month January through June (with more than one utility not reporting data in January). More than 260,000 disconnect notices were issued in each month February through May (with one utility not reporting data during this time period).

Indiana utilities disconnected service to nearly 95,000 accounts during the same seven month period (again, with two months missing data for two utilities and the other five months missing data for one utility). The number of service disconnections for nonpayment peaked in April (21,160 disconnected accounts) (with one utility not reporting data) and began to decline through May (decrease to 19,790 disconnected accounts) and June (16,764 disconnected accounts).

The “notice ratio” for Indiana utilities was quite high during the winter months, with more than 42 notices being issued for each service disconnection completed in January and more than 30 notices issued for each service disconnection completed in February. The figures would appear to support the conclusion that Indiana utilities continue to issue disconnect notices during the winter months even though such nonpayment service terminations do not, in fact, occur. In general, the ratio of disconnect notices to actual nonpayment service terminations averages roughly 13-to-1.

<i>Table 7: Residential Disconnect Notices and Disconnections for Nonpayment</i>							
	Jan-05**	Feb-05*	Mar-05*	Apr-05*	May-05*	Jun-05*	Jul-05**
Number of disconnect notices	221,093	269,716	279,585	268,596	261,596	231,447	159,091
No. of accounts disconnected for nonpymnt	5,218	8,987	13,774	21,160	19,790	16,764	8,991
Ratio: Disconnect notices to disconnections	42.37	30.01	20.30	12.71	13.22	13.81	17.69
*Not all utilities reporting. **More than one utility not reporting data.							

The number of service reconnections tracks the number of service disconnections by month. Indiana utilities reconnect between 60 and 80 accounts for every 100 accounts

they disconnect in any given month.⁷ The proportion of reconnected accounts to disconnected accounts peaked in April 2005 (with 678 accounts being reconnected for every 1,000 accounts being disconnected). The proportion of reconnected accounts to disconnected accounts was lowest in January. In each of the seven months reported, more than one utility failed to report data on the number of reconnected accounts.

Table 8: Residential Disconnections for Nonpayment and Service Reconnections							
	Jan-05**	Feb-05**	Mar-05**	Apr-05**	May-05**	Jun-05**	Jul-05**
No. of accounts reconnected after disconnect	4,093	6,485	7,907	12,315	11,352	9,722	7,331
Ratio: reconnections to disconnections /a/	0.78	0.79	0.62	0.68	0.68	0.70	0.63
*Not all utilities reporting. **More than one utility not reporting data. NOTES: /a/ Ratio of reconnections to disconnections for companies reporting <u>both</u> disconnection and reconnection data.							

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, 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 \$5.2 million dollars in the first quarter of 2005 and nearly \$3.7 million in the second quarter. Nearly 28,000 accounts were written off as uncollectible during the first quarter of 2005, while roughly 20,000 accounts were written off as uncollectible during the second quarter. The average charge-off for each account written-off did not significantly vary between the first quarter (\$189) and second quarter (\$184). Gross residential charge-offs were roughly 0.8% of total residential revenue in the first six months of 2005.

⁷ 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 are subsequently reconnected. It is merely possible to report, for example, that while Indiana utilities disconnected 21,160 accounts in April 2005, they reconnected 12,315 accounts in April 2005. The 12,315 may or may not be drawn entirely from the 21,160 disconnected in that same month.

For both the number of uncollectible accounts and dollars of gross charge-offs, more than one utility failed to report data.

Table 9: Residential Uncollectible Accounts and Gross Charge-offs								
	First Quarter**				Second Quarter**			
	Jan-05**	Feb-05**	Mar-05**	Total	Apr-05**	May-05**	Jun-05**	Total
Number of accounts uncollectible	7,903	4,801	15,027	27,731	6,135	5,704	8,277	20,116
Dollars of gross charge-off (000s)	\$1,411	\$763	\$3,062	\$5,236	\$1,062	\$981	\$1,653	\$3,696
Avg charge-off per uncollectible acc't	\$179	\$159	\$204	\$189	\$173	\$172	\$200	\$184
*Not all utilities reporting. **More than one utility not reporting data. 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.								

SUMMARY AND CONCLUSIONS

This report presents a significant first step 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 limitations:

- It does not yet include a full year of data;
- Some data elements still have incomplete reporting from Indiana utilities;
- There is no prior year data against which to compare current data.

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.

Nonetheless, each journey begins with the first step, and Indiana policymakers are better-informed today than they would have been in the absence of the data reported above.

CHAPTER 2: LOW-INCOME ACCOUNTS

This chapter provides data on the low-income 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.

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” 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) 2004, the most recent year for which data is available, Indiana provided LIHEAP benefits to 126,510 of the 326,508 eligible households (39%).

ACCOUNTS AND BILLS

Indiana utilities reported serving roughly 120,000 low-income accounts (with two or more utilities not reporting data each month). 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 January (\$147) and February (\$146) compare to bills of \$69 (June) and \$68 (July).

Low-income bills are virtually identical to total residential bills in the months of February through May (+/- \$4 maximum), while being noticeably lower in January (\$147 low-income bill vs. \$167 total residential bill) and July (\$68 low-income bill vs. \$80 total residential bill).

Table 10: Low-Income Accounts, Total Low-Income Revenue and Average Bill per Account							
	Jan-05*	Feb-05*	Mar-05*	Apr-05*	May-05*	Jun-05*	Jul-05*
No. low-income accounts**	69,017	116,477	97,028	124,117	123,880	124,398	115,950
Low-income revenue (000s)	\$6,575	\$12,996	\$8,734	\$8,843	\$6,682	\$6,218	\$6,025
Average monthly bill /a/	\$147	\$146	\$136	\$98	\$77	\$69	\$68
*In each month, more than one utility did not report data on low-income revenue. **Two utilities did not report data on the number of low-income accounts for January, with one utility not reporting data in March and July respectively.							
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, more than 55,000 low-income accounts in Indiana were in arrears. By June, that number had decreased seven percent (7%), to only 51,000 accounts in arrears. Excluding the one company reporting only April and June data does not change the results (7% drop in number of accounts in arrears). February represented the month experiencing both the peak number of low-income accounts in arrears and the peak number of low-income dollars in arrears.

Coming out of the winter season, the Indiana utilities reporting data experienced nearly \$10 million in April arrears for their low-income accounts. Unlike the 7% drop in the number of accounts in arrears from April to June, the drop in the amount of revenue arrears was much greater. Compared to the \$9.782 million in April arrears, Indiana utilities reported a June arrears of \$6.711 million, a decrease of 32% in those two months.

In Indiana, the average arrears per low-income account in arrears peaked in February at \$148 (and again in April at \$145), The average arrears for accounts in arrears then decreased to \$103 in June, 70% of its February peak. By June, the average arrears for accounts in arrears had decreased to \$94, 64% of its February peak.

Indiana’s low-income residents appear to make regular payments on their winter utility bills. In March, low-income accounts were only 0.89 “bills behind.” In April, the low-income “bills behind” had increased to 1.13, and increased further to 1.32 in July. 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

	Jan-05**	Feb-05**	Mar-05**	Apr-05***	May-05**	Jun-05***	Jul-05**
No of accounts in arrears	27,923	37,320	24,877	35,995 (55,074)	35,123	33,429 (51,050)	29,761
Revenue in arrears (000s)	\$3,918	\$5,537	\$3,162	\$5,153 (\$9,872)	\$4,467	\$3,456 (\$6,711)	\$2,795
Average arrears /a/	\$140	\$148	\$127	\$143	\$127	\$103	\$94
Average "bills behind" /b/	n/a /c/	n/a /c/	0.89	1.13	1.23	1.27	1.32

*Not all utilities reporting.

**More than one utility not reporting data.

***One utility reported data only for April and June. The aggregate numbers with that data are presented in parentheses. The averages have not been recalculated using the data only for those two months.

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.

/c/ A "bills behind" statistic cannot be calculated for these months since data for preceding months not available.

A substantial majority of Indiana's low-income accounts were reported as being in arrears coming out of the 2005 winter heating season. Nearly eight out of every ten low-income accounts (78%) were in arrears in March 2005. In May and July, more than half of the state's low-income accounts (53% and 56% respectively) were reported as being in arrears.

The dollar level of low-income arrears exceeded the dollar level of low-income bills in the three months of April through June. The ratio of dollars of arrears to the dollars of monthly billing peaked in May, with \$1.15 of arrears matching to every \$1.00 of monthly billing in that month. While in July, the ratio of dollars in arrears to dollars of monthly billing dropped below 1.00, that ratio had not yet decreased to the ratio experienced in the early winter months.

With all of this data, and in all months, two or more utilities did not report data.

Table 12: Proportion Low-Income Accounts and Revenue in Arrears

	Jan-05**	Feb-05**	Mar-05**	Apr-05***	May-05**	Jun-05***	Jul-05**
Percent accounts in arrears	62%	72%	78%	65%	53%	62%	56%
Ratio: arrears:monthly billing	0.60	0.76	0.94	1.03	1.15	1.08	0.96

*Not all utilities reporting.

**More than one utility not reporting data.

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 all seven of the months for which data is reported. In the three months of March through May, the rate at which low-income accounts in arrears are subject to agreement is nearly twice that of the rate at which total residential accounts are subject to agreement. The peak difference was reached in April, with 17% of all low-income accounts in arrears subject to agreement compared to 7% of total residential accounts in arrears.

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

Table 13: Proportion Low-Income Accounts in Arrears on Agreement							
	Jan-05**	Feb-05**	Mar-05**	Apr-05**	May-05**	Jun-05**	Jul-05**
No. accounts in arrears on agreement	3,073	4,508	5,355	8,139	6,099	4,548	3,522
Pct accounts in arrears on agreement /a/	9%	10%	16%	17%	12%	9%	7%
*Not all utilities reporting.							
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 the late winter (February) and early spring months (March and April), the dollars of low-income arrears subject to agreement varied from 25% to 31%. In May, the percentage of low-income dollars of arrears subject to agreement dropped by two-thirds (from 31% to 10%) and continued to decrease into the warm weather months (dropping to 7% in July).

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

	Jan-05**	Feb-05**	Mar-05**	Apr-05**	May-05**	Jun-05**	Jul-05**
Revenue in arrears on agreement (000s)	\$372	\$780	\$1,134	\$1,189	\$623	\$488	\$385
Pct revenue in arrears on agreement	15%	25%	25%	31%	10%	9%	7%

*Not all utilities reporting.
 **More than one utility not reporting data.

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 on levelized budget billing plans. Fewer than one of every ten 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 seven months of reported data, low-income accounts evidence a similar slight, but noticeable, seasonal variation. In contrast to the roughly 5,900 low-income accounts on levelized budget billing plans in February through April, the number of low-income accounts on budget billing was 5,617 in June 2005. That figure decreased to 5,482 in July 2005.

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

	Jan-05**	Feb-05**	Mar-05**	Apr-05**	May-05**	Jun-05**	Jul-05**
No. accounts on levelized budget billing	4,852	5,927	5,922	5,874	5,686	5,617	5,482
Pct of accounts on levelized budget billing	9%	9%	9%	9%	8%	8%	8%

*Not all utilities reporting.
 **More than one utility not reporting data.

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 10,000 low-income accounts in the three months of April through June, the only months in which all utilities reported data. During that same three month period, Indiana utilities issued more than 100,000 disconnect notices to low-income accounts. Over the seven month period for which data was collected, Indiana utilities issued nearly 180,000 disconnect notices to low-income accounts, and disconnected 13,438 low-income accounts. In two of those seven months (January and February), two utilities did not report data. In two more of those seven months (March

and July), one utility did not report data on shutoff notices and actual service terminations for nonpayment. The number of service disconnections for nonpayment peaked in April, when nearly 3,600 low-income accounts were disconnected. The numbers began to decrease in May (down to 3,413) and June (2,705). While there were only 1,739 reported service terminations in July, that month is missing data from one non-reporting utility.

The “notice ratio” for Indiana utilities is quite high for low-income accounts during the winter months, with more than 225 shutoff notices being issued to low-income accounts in January for every one account actually being disconnected, and more than 50 notices being issued in February for every one account actually being disconnected. During the months of April through June, when all utilities reported data, Indiana utilities issued only 10 shutoff notices for each disconnected account. 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 other words, is more likely to move on to the actual disconnection of service for nonpayment than is a residential account in general.

Table 16: Low-Income Disconnect Notices and Disconnections for Nonpayment							
	Jan-05**	Feb-05**	Mar-05*	Apr-05	May-05	Jun-05	Jul-05*
Number of disconnect notices	6,978	9,912	31,963	37,347	35,544	31,179	24,696
No. of acc'ts disconnected for nonpayment	31	198	1,796	3,556	3,413	2,705	1,739
Ratio: Disconnect notices to disconnections	225.1	50.1	17.8	10.5	10.4	11.5	14.2
*Not all utilities reporting. **More than one utility not reporting data.							

The ratio that reconnected accounts represent of disconnected accounts is noticeably lower for low-income accounts than it is for the total residential population. While there were 58 reconnected low-income accounts in April for each 100 disconnected low-income account, there were 68 reconnected residential accounts for each 100 disconnected accounts. There were 54 reconnected low-income accounts in May for each 100 disconnected accounts, compared to 68 reconnected residential accounts in that same month. The months of January through March included two or more utilities with missing data.

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

	Jan-05**	Feb-05**	Mar-05**	Apr-05	May-05	Jun-05	Jul-05*
No. of accounts reconnected after disconnect	510	302	470	2,073	1,852	1,546	1,137
Ratio: reconnections to disconnections /a/	1.64	1.58	0.26	0.58	0.54	0.57	0.65

*Not all utilities reporting.

**More than one utility not reporting data.

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, while monthly reported figures are presented below, the monthly figures have also been aggregated into quarterly totals. Indiana utilities charged off more than one-half million dollars in revenue from low-income accounts in the first quarter of 2005, and nearly \$460,000 in the second quarter of 2005. Nearly 1,400 low-income accounts were written-off as uncollectible in the first quarter, while more than 1,800 were written-off as uncollectible during the second quarter.

The average dollars of gross charge-off were significantly higher for low-income accounts than for residential accounts generally. The first quarter low-income charge-off (per written-off account) was \$392 (compared to a first quarter charge-off of \$189 for residential accounts generally), while the second quarter low-income charge-off was \$253 per written-off accounts (compared to a second quarter charge-off of \$184 for total residential accounts). Gross low-income charge-offs were roughly 2.1% of total low-income revenue in the first six months of 2005.

As can be seen, the second quarter charge-off per low-income account written-off was 35% lower than the first quarter charge-off. While the total number of written-off low-income accounts increased from 1,400 to 1,800 accounts from the first quarter to the second quarter, the reduction in charge-offs per written-off account contributed to an overall reduced level of gross charge-offs from low-income accounts in the second quarter.

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

	First Quarter 2005**				Second Quarter 2005**			
	Jan-05**	Feb-05**	Mar-05*	Total	Apr-05**	May-05**	Jun-05**	Total
Number of accounts uncollectible	10	38	1,336	1,384	213	393	1,203	1,809
Dollars of gross charge-off (000s)	\$2	\$4	\$536	\$542	\$34	\$79	\$346	\$459
Avg charge-off per uncollectible acc't	\$199	\$101	\$402	\$392	\$158	\$202	\$287	\$253

*Not all utilities reporting.

**More than one utility not reporting data.

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 the largest source of low-income energy assistance in Indiana. According to the data from the six reporting Indiana utilities, \$24.2 million in LIHEAP assistance was posted to more than 133,000 low-income accounts during the period January through June 2005.⁸ Low-income accounts having LIHEAP benefits posted in the January through June 2005 time period received an average LIHEAP benefit of \$181 in Indiana.

Indiana utilities generated roughly \$100,000 in crisis assistance through customer contributions to individual fuel funds in the January through July time period. Two caveats must be placed on this observation. One utility reported combined data for both its crisis fuel fund and a broader low-income energy assistance program. To report that combined number would seem to misrepresent the total fuel fund resources available. A second utility reported that it did not know its customer contributions to local fuel funds because the fuel fund contributions were not collected and administered by the utility.

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

⁸ Two utilities provided year-to-date data beginning at the start of the LIHEAP program year in October 2004. 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.

Table 19: Public and Private Energy Assistance

	Year-to-Date Total (January through June 2005)
No. of accounts receiving LIHEAP /a/	133,348
Dollars of LIHEAP received	\$24,168,547
Average LIHEAP payment per accounts receiving LIHEAP	\$181
Customer contribution to fuel fund /b/ /c/	\$103,304
Investor contribution to fuel fund /d/ /e/	\$125,000

NOTES:

/a/ One utility provided year-to-date figures in April and June, while a second utility provided cumulative figures for each month. In each case, the June figure for that utility was combined with the sum of the month-to-month figures for other utilities to derive this total figure. The "year-to-date" figures were not for January through June, but rather for the LIHEAP program year beginning in October 2004.

/b/ One utility combined customer contributions to its fuel fund with customer contributions toward its broader low-income rate affordability program. Those figures have been excluded from this dollar amount.

/c/ 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 through an external agency.

/d/ One utility combined its investor contributions to its fuel fund with investor contributions toward its broader low-income rate affordability program. Those figures have been excluded from this dollar amount.

/e/ One utility reported a combined figure for its customer contribution/investor contribution. This entire figure is included in the "customer contribution" figure in this table.

SUMMARY AND CONCLUSIONS

The low-income data presented in this Chapter is subject to the same limitations identified for the total residential data in Chapter 1:

- The report does not yet include a full year of data;
- Some data elements still have incomplete reporting from Indiana utilities;
- There is no prior year data against which to compare current data.

Moreover, not surprisingly, since Indiana utilities have not historically reported data on low-income customers, several companies struggled to generate the new information that serves as the foundation for this report. Given additional time and experience, next year's report will be more complete, and better documented, than this year's report. The Year 3 report will see even further improvement.

As with Chapter 1, however, each journey begins with the first step. All stakeholders to this data collection effort, public and private, are to be commended for taking this first step.

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 affect 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 continued to show substantial price increases during the 2004/2005 winter heating season. The table below shows natural gas bills per 1000 cubic feet (MCF) of gas for the period December 1999 through April 2005. While the January 2005 natural gas price of \$9.92/MCF was sixteen percent (16%) higher than the January 2004 natural gas price of \$8.54/MCF, it was nearly 43% higher than the January 2002 price of \$6.94/MCF and 100% higher than the January 2000 price of \$4.96/MCF. The February 2005 price of \$10.48/MCF was 10% higher than the February 2004 price of \$9.55/MCF, nearly 60% higher than the February 2002 price of \$6.62/MCF and nearly 85% higher than the February 2000 price of \$5.67/MCF.

**Table 20: Winter Heating Season Natural Gas Price Data per MCF – Indiana
(1999/2000 – 2004/2005)**

	Dec	Jan	Feb	Mar	Apr
1999/2000	\$5.40	\$4.96	\$5.67	\$5.88	\$6.09
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	\$8.54	\$9.55	\$10.41	\$12.03
2004/2005	\$9.81	\$9.92	\$10.48	\$10.59	\$13.08

NOTE:

SOURCE: U.S. Department of Energy, Energy Information Administration, Natural Gas Monthly (through July 2005).

Clearly, in 2004/2005, low-income natural gas consumers are worse off than they were even during the preceding winter. Natural gas *prices* are substantially higher than in prior years.

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. Electric prices during February 2005 (\$0.0717/kWh) are 14% higher than electricity prices in February 2000 (\$0.0648/kWh). Using August as a surrogate for prices during the cooling season, electricity prices in August 2004 (\$0.0757/kWh) are only nine percent (9%) higher than in August 2000 (\$0.0697/kWh). Electric price data for August 2005 is not yet available.

Table 21: Average Residential Electricity Price Data (kWh) – Indiana
(January 2000 – June 2005)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	\$0.0628	\$0.0648	\$0.0707	\$0.0738	\$0.0738	\$0.0717	\$0.0686	\$0.0697	\$0.0694	\$0.0741	\$0.0716	\$0.0611
2001	\$0.0610	\$0.0670	\$0.0678	\$0.0714	\$0.0736	\$0.0728	\$0.0693	\$0.0677	\$0.0773	\$0.0750	\$0.0737	\$0.0682
2002	\$0.0647	\$0.0682	\$0.0692	\$0.0719	\$0.0755	\$0.0708	\$0.0676	\$0.0686	\$0.0703	\$0.0742	\$0.0679	\$0.0654
2003	\$0.0647	\$0.0655	\$0.0682	\$0.0759	\$0.0754	\$0.0740	\$0.0691	\$0.0704	\$0.0720	\$0.0765	\$0.0753	\$0.0669
2004	\$0.0653	\$0.0664	\$0.0723	\$0.0763	\$0.0765	\$0.0746	\$0.0739	\$0.0757	\$0.0756	\$0.0800	\$0.0789	\$0.0703
2005	\$0.0680	\$0.0717	\$0.0718	\$0.0791	\$0.0813	\$0.0771	n/a					

SOURCE: U.S. Department of Energy, Energy Information Administration, Electric Power Monthly (through August 2005)

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)⁹ and Cooling Degree Days (CDDs).¹⁰ 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.

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.

⁹ 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.

¹⁰ 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.

**Table 22: Winter Heating Season Heating Degree Days (HDD) – Indiana
(December 2001 – April 2005)**

	Annual /a/	Dec	Jan	Feb	Mar	Apr
Normal	5,925	1,066	1,227	1,013	771	435
2001/2002 /b/	5,137	883	957	857	834	389
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

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 have been split. The data for 2001/2002, for example, represents December 2001 and January through April 2002.

SOURCE:

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

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. In only 2002, for example, were cooling needs substantially greater than the norm. In 2002, total CDDs exceeded the normal CDDs by nearly 30%. July and August 2002 saw hotter-than-normal weather, while July and August of both 2001 and 2003 were about normal. July and August of 2005 were substantially hotter than normal (20%), but 2005 annual data is not yet available.

**Table 23: Summer Cooling Season Cooling Degree Days (CDD) – Indiana
(May 2001 – September 2005)**

	May	June	July	August	September	Annual /a/
Normal	75	189	285	233	92	894
2001	54	151	280	267	63	840
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	n/a

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

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.¹¹ 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.

The ability of Indiana residents to afford housing in Indiana stayed relatively constant between 2003 and 2004. While 30% of median income statewide would have supported an affordable monthly housing price (in terms of rents) of \$431 in 2003, 30% of median income in 2004 would support a monthly rent of \$439. In non-metropolitan areas, also, the ability to afford rents stayed virtually constant, increasing from \$391 in 2003 to \$395 in 2004 for a household with income at or below 30% of AMI. In one of Indiana’s 14 metropolitan areas (Louisville), the affordability of rent increased by double digits (\$15/month) between 2003 and 2004. Moreover:

¹¹ 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.

- In six of Indiana's metropolitan areas, the affordable rents stayed exactly even (with a change of \$0 from 2003 to 2004).
- In three of Indiana's metropolitan areas, the affordable rents increased by less than five dollars (\$5) per month from 2003 to 2004.
- In the remaining Indiana metropolitan areas, the affordable rents increased by more than \$5/month but less than \$10 per month from 2003 to 2004.

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.

**Table 24: Maximum Affordable Monthly Housing Costs by
Percent of Annual Median Income (AMI)
Indiana (2003 and 2004)**

Geographic Area	2004 Annual Median Income (AMI)			2003 Annual Median Income (AMI)		
	30 percent	50 percent	80 percent	30 percent	50 percent	80 percent
State of Indiana total	\$439	\$731	\$1,170	\$431	\$718	\$1,148
Bloomington, IN MSA	\$443	\$739	\$1,182	\$441	\$735	\$1,176
Cincinnati, OH--KY--IN PMSA	\$480	\$800	\$1,280	\$480	\$800	\$1,280
Elkhart--Goshen, IN MSA	\$425	\$708	\$1,132	\$425	\$708	\$1,132
Evansville--Henderson, IN--KY MSA	\$423	\$705	\$1,128	\$416	\$693	\$1,108
Fort Wayne, IN MSA	\$440	\$733	\$1,172	\$439	\$731	\$1,170
Gary, IN PMSA	\$452	\$754	\$1,206	\$452	\$754	\$1,206
Indianapolis, IN MSA	\$479	\$798	\$1,276	\$472	\$786	\$1,258
Kokomo, IN MSA	\$450	\$750	\$1,200	\$450	\$750	\$1,200
Lafayette, IN MSA	\$445	\$741	\$1,186	\$439	\$731	\$1,170
Louisville, KY--IN MSA	\$437	\$728	\$1,164	\$422	\$703	\$1,124
Muncie, IN MSA	\$392	\$653	\$1,044	\$392	\$653	\$1,044
Ohio County MSA	\$443	\$739	\$1,182	\$443	\$739	\$1,182
South Bend, IN MSA	\$431	\$718	\$1,148	\$422	\$704	\$1,126
Terre Haute, IN MSA	\$358	\$596	\$954	\$356	\$594	\$950
Non-metro areas—Indiana	\$395	\$658	\$1,053	\$391	\$651	\$1,042

NOTES:

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.

SOURCE: National Low-Income Housing Coalition (NLIHC). *Out of Reach (Indiana)*. <http://www.nlihc.org> (for years 2003 and 2004).

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 between 2003 and 2004. For households with income at 30% of area median income, statewide, the capacity to rent affordable housing increased by \$8/month (from \$431 in 2003 to \$439 in 2004). In contrast, housing prices, as measured by the Fair Market Rent (FMR) for a two-bedroom unit,¹² increased \$40 per month (from \$572 per month in 2003 to \$612 per month in 2004).

¹² The overall affordability of housing is generally tied to two-bedroom units.

Unlike these statewide results, the situation of low-income residents in non-metropolitan areas improved. While the capacity to rent affordable housing increased four dollars (\$4) per month from 2003 to 2004, from \$391 to \$395, the Fair Market Rent for a two-bedroom unit in non-metropolitan areas decreased \$45 per month (from \$579 in 2003 to \$534 in 2004). In addition:

- Fair Market Rents decreased from 2003 to 2004 in six Indiana metropolitan areas.
- Fair Market Rents increased by \$184 per month in Indianapolis and \$241 per month in Elkhart-Goshen.

The changes in Fair Market Rents for the various geographic areas in Indiana are presented in the table immediately below.

**Table 25: Fair Market Rents (FMR) (2-bedroom units)
Indiana (2003 and 2004)**

Geographic Area	2003	2004	FMR Increase/(Decrease)
State of Indiana total	\$572	\$612	\$40
Bloomington, IN MSA	\$603	\$655	\$52
Cincinnati, OH--KY--IN PMSA	\$571	\$634	\$63
Elkhart--Goshen, IN MSA	\$465	\$706	\$241
Evansville--Henderson, IN--KY MSA	\$684	\$627	(\$57)
Fort Wayne, IN MSA	\$579	\$538	(\$41)
Gary, IN PMSA	\$672	\$567	(\$105)
Indianapolis, IN MSA	\$532	\$716	\$184
Kokomo, IN MSA	\$546	\$589	\$43
Lafayette, IN MSA	\$732	\$661	(\$71)
Louisville, KY--IN MSA	\$592	\$597	\$5
Muncie, IN MSA	\$634	\$585	(\$49)
Ohio County MSA	\$583	\$575	(\$8)
South Bend, IN MSA	\$570	\$621	\$51
Terre Haute, IN MSA	\$468	\$522	\$54
Non-metro areas—Indiana	\$579	\$534	(\$45)

NOTES:

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.

SOURCE: National Low-Income Housing Coalition (NLIHC). *Out of Reach (Indiana)*. <http://www.nlihc.org> (for years 2003 and 2004). 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 an increased capacity to rent affordable housing of \$96 per year (\$8/month x 12 months), they faced an increase in housing prices of \$480 per year (\$40/month x 12 months) and thus lost ground overall in the year 2004 as compared to 2003. The loss of housing purchasing power was, however, not uniform statewide. In some metropolitan regions, the affordability of housing improved.

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, the average weekly earnings for workers in the non-durable goods industry appear to have seen a decrease in earnings in the most recent time period reported, with 2005 earnings being less than the 2004 earnings in January and April and virtually identical for July. Annual data (as well as October data) is not yet available for 2005.

**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	---	---
2005 as percent of 2001	109.9%	108.9%	112.5%	---	---
2005 as percent of 2004	96.1%	97.7%	100.5%	---	---
Average annual increase /a/	2.0%	1.8%	2.5%	---	---

NOTES:

/a/ Average annual increase calculated for five years 2001 through 2005.

SOURCE:

U.S. Department of Labor, Bureau of Labor Statistics, State and Area Employment, Hours and Earnings, Series ID SMU18000032000004 (not seasonally adjusted), extracted October 3, 2005. 2004 weekly earnings as percent of 2001 weekly earnings separately calculated.

One critical factor affecting the average weekly earnings of workers is the number of hours worked each week. While annual figures are not yet available for 2005, there appears to have been a slight dip in the number of hours worked in 2005 for workers in the non-durable goods industry. The number of average weekly hours in 2005 (compared to 2004) worked declined in January, April and July (with October 2005 data not yet available).

**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	---	---

SOURCE:

U.S. Department of Labor, Bureau of Labor Statistics, State and Area Employment, Hours and Earnings, Series ID SMU18000032000005 (not seasonally adjusted), extracted October 3, 2005.

Average hourly earnings constitute the final input into total earnings in Indiana examined here. After three years of modest but steady growth in weekly earnings for workers in the non-durable goods industry during 2001 through 2003, 2004 and 2005 brought a decline in hourly wages for these workers. Beginning in February 2004 (and reflected in the April 2004 data reported below), and continuing through March 2005, average hourly earnings increasingly declined. The January 2005 average hourly earnings were \$0.38 less than the earnings in January 2004. A slight recovery in wages had begun in April 2005, with April 2005 being \$0.11 higher than April 2004, but not quite rising to the April 2003 levels. Hourly wages in July 2005 had recovered to the July 2003 levels.

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

	Non-Durable Goods				
	Jan	Apr	Jul	Oct	Annual
2001	\$14.48	\$14.72	\$14.36	\$14.61	\$14.50
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	---	---
2005:2004 Increase/(Decrease)	(\$0.38)	\$0.11	\$0.46	---	---

SOURCE:

U.S. Department of Labor, Bureau of Labor Statistics, State and Area Employment, Hours and Earnings, Series ID SMU18000032000006 (not seasonally adjusted), extracted October 3, 2005.

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 programs, as well as in evaluating the impacts of programs, the multiple factors external to the energy industry should be considered as well as energy factors subject to direct control.