

Home Energy Affordability in Indiana:

Current Needs and Future Potentials

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INTRODUCTION

This report presents a comprehensive energy needs assessment for the State of Indiana. This assessment consists of four primary parts:

- An assessment of low-income home energy affordability needs;
- An identification of resources currently available to meet those home energy needs;
- A review of utility credit and collection activities, including arrears and write-offs; and
- An exploration of potential additional resources through which to meet the identified home energy needs.

In their essence, these parts will present a tapestry consider the extent and geographic distribution of home energy affordability needs in Indiana. The assessment then identifies the existing and potential resources available to meet those affordability needs. In brief, the four sections of the needs assessment examines the following information.

HOME ENERGY AFFORDABILITY NEEDS

This part of the statewide needs assessment presents an assessment of home energy needs throughout the State of Indiana. The assessment reviews the Home Energy Affordability Gap for Indiana over time. It next examines various indicators of “poverty” throughout the State of Indiana and considers information on home energy use and expenditures. The penetration of various heating fuels is determined along with the prices of the major heating fuels over time (e.g., natural gas, electricity, propane). Relevant demographic data is reported by geographic area. Information regarding various housing characteristics is then presented.

In short, this first part seeks to present a picture of the needs and problems that the State of Indiana is facing. The discussion seeks to be comprehensive enough to present the complete texture of the picture while, at the same time, remaining true to the objective of presenting an energy needs assessment, and not a comprehensive report on poverty in Indiana.

HOME ENERGY AFFORDABILITY RESOURCES

The second section of the study examines the resources that are available to fill the Home Energy Affordability Gap. These resources may be public or private. Public resources are defined as government resources specified to be responsive to the home energy needs of low-income households. To the extent possible, the discussion below includes two components: (1) a quantification of the amount of resources available; and (2) a distribution of those resources geographically.

Clearly, the federal Low-Income Home Energy Assistance Program (LIHEAP) is one source of public resources. LIHEAP has many components, however. The basic appropriation serves as the starting point, out of which those dollars distributed as non-crisis heating and cooling grants will be examined. Emergency, as well as supplemental, appropriations made to LIHEAP are *separately* examined since such appropriations are generally responsive to particular factors (e.g., price and weather).

Just as clearly, the federal LIHEAP program is not the *exclusive* source of public resources. The U.S. Department of Housing and Urban Development (HUD), for example, provides a “utility allowance” to tenants of public and assisted housing. Utility allowances are also relevant to many private affordable housing programs.

In addition to direct home energy assistance, the state provides energy-related assistance as well. The Food Stamp program has been examined to determine, to the extent practicable, the extent to which Food Stamp recipients benefit from the excess shelter deduction as well as the extent to which Food Stamp recipients claimed the Standard Utility Allowance (SUA) for Food Stamp income calculations.

Finally, this examines other smaller pots of money are used for bill payment assistance. For example, FEMA dollars are often used to address utility shutoffs, often as a homelessness prevention device. In addition, Indiana commits a limited amount of TANF dollars to energy assistance.

Private sources involve the distribution of non-governmental funds. These resources involve two types of assistance. On the one hand, there are utility programs such as those operated by CGCU and Vectren. These programs provide assistance toward current bills. On the other hand, there are private funds that address shutoff and other arrearage situations. Fuel funds supported by utilities, religious institutions and other nonprofit institutions, are examples of such private funds, along with programs such as NIPSCO’s Winter Warmth.

Aside from cash assistance (public or private), one resource that is available to help fill the Home Energy affordability Gap involves the public and private energy efficiency investments made for low-income housing units. The inquiry below examines both the federal weatherization Assistance Program (WAP) and private utility low-income energy

efficiency programs. In addition, significant energy efficiency is delivered through Indiana's affordable housing programs.

In sum, the second section of this report examines the resources available to fill the Home Energy affordability Gap for Indiana. These resources may be public or private. These resources may involve cash assistance or usage/bill reduction. The cash resources may be applied against current bills or against arrearages. These resources may be direct cash assistance (e.g., LIHEAP) or may be indirect (e.g., Food Stamp excess shelter deduction).

UTILITY CREDIT AND COLLECTIONS

The third section of this report examines utility credit and collection activities that address bill nonpayment. The report documents the tariffed policies of Indiana's major utilities regarding nonpayment, including:

- Deposit policies for new and existing customers;
- Deferred payment arrangement policies, including, for example, maximum terms in months and the right to renegotiate an existing payment plan or enter into a second payment plan once a prior plan has been defaulted;
- The availability of budget billing; and
- Related policies determined to be relevant to bill payment and arrearage retirement.

FUTURE HOME ENERGY AFFORDABILITY RESOURCES

The final section of this report explores potential future sources of energy assistance in Indiana. This exploration presents the policy basis for the identified sources of assistance along with a quantification, to the extent practicable, of the potential available dollars.

For example, one source of energy assistance involves abandoned utility deposits and rate refunds that would otherwise escheat to the state. The policy basis for using these dollars for low-income home energy assistance is that low-income customers disproportionately contribute to abandoned deposits and refunds. Rather than escheating to the general fund, those dollars should be used for the benefit of the customers providing them.

The promotion of the receipt of the Earned Income Tax Credit (EITC) is a second source of "energy assistance" dollars. The average EITC in Indiana is nearly \$2,000. The Internal Revenue Service (IRS) estimates that between 15% and 25% of those taxpayers *eligible* for the EITC do not claim their EITC. It would be unusual, the IRS has said, for any particular jurisdiction not to be able to increase the penetration of EITC by 5%.

The adoption of fuel fund checkoffs statewide is a third example of a mechanism through which to generate bill payment assistance resources for Indiana consumers. A statewide

fuel fund initiative would generate voluntary contributions from customers of all utilities, including Indiana's municipal utilities and REMCs. The discussion below considers the potential amount of voluntary fuel fund contributions given standardized contribution rates (both in numbers of contributors and in dollars of contributions). A separate inquiry in this section examines whether the solicitation of REMC patronage capital credits could generate a substantive stream of resources to help meet low-income affordability needs.

These illustrations of potential future sources are not intended to be comprehensive or exhaustive. The inquiry in this section considers a broad range of potential resources.

SUMMARY

Based on the discussion below, the following conclusions are reached as to home energy needs in Indiana:

- Unaffordable energy is documented by high energy burdens.
- The problem of unaffordable home energy bills in Indiana is massive.
- The problem of unaffordable home energy is not a matter of household budgeting. The problem involves an absolute mismatch between home energy needs and household resources.
- The problem of unaffordable home energy bills is a statewide problem, not merely a northern problem nor merely an urban problem.
- The problem of unaffordable home energy is getting worse. Not only is unaffordability growing, but public and private resources designed to address unaffordability are not keeping up with that growth.
- The problem of unaffordable home energy can often be traced to physical housing units. Low-income households tend to lack both the resources and the authority to make the improvements necessary to help address the lack of energy efficiency.
- The problem of unaffordable home energy bills is not simply a *utility* problem. It has utility aspects as well as bulk fuel aspects. It has income aspects as well as efficiency aspects.
- The problem of unaffordable home energy bills is not simply a matter of utility shutoffs. In addition to impeding the ability to retain utility service, unaffordable home energy has public health impacts, education impacts, nutrition impacts, and impacts on the competitiveness of Indiana business and industry.

- LIHEAP is not the answer to the problem of unaffordable home energy. While providing significant funding to redress home energy unaffordability, LIHEAP may not even be the biggest source of funding. LIHEAP is becoming less adequate each year, both in its ability to reach the population in need and in its ability to provide adequate financial benefits to those households which it does reach.

- Energy efficiency is a necessary, but not a sufficient, response to the problem of unaffordable home energy. Low-income efficiency initiatives are inadequately funded to comprehensively address unaffordability. Efficiency can be improved through a more direct connection with affordable housing programs in Indiana.

Ultimately, the needs assessment presented below finds that a multitude of remedies is required to address home energy unaffordability in Indiana. Public and private responses are needed. Efficiency investments are required, along with cash assistance. Crisis assistance in addition to basic affordability assistance is needed. The response to home energy affordability requires significant efforts not only by Indiana's energy industry, but by the broader community as well.