Indiana Billing and Collection Reporting: 
Natural Gas and Electric Utilities 
(2006)

Prepared For:
Coalition to Keep Indiana Warm 
Indianapolis, Indiana

Prepared By:
Roger D. Colton 
Fisher, Sheehan & Colton 
Public Finance and General Economics 
November 2006
# Table of Contents

Table of Contents ................................................................. i

Table of Tables ....................................................................... iii

**Executive Summary** .......................................................... ES-1

Chapter 1: Residential Population as a Whole ................................
Accounts and Bills .......................................................... ES-2
Accounts and Dollars in Arrears ............................................. ES-2
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 ..........................
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 ....................................................
Energy Prices .................................................................. ES-9
Weather ............................................................................ ES-9
LIHEAP Benefits ............................................................. ES-10
Housing Costs ................................................................. ES-10
Recent Changes in Earning Capacity ..................................... ES-11
Summary and Conclusions .................................................... ES-11

**Introduction** ...................................................................... 1

**Chapter 1: Residential Population as a Whole** .................
Accounts and Bills .......................................................... 5
Accounts in Arrears and Dollars in Arrears .............................. 5
Arrears Subject to Payment Arrangements .............................. 8
Levelized Budget Billing Plans ............................................. 9
Service Disconnections and Reconnections .......................... 10
Uncollectible Accounts and Gross Charge-offs ..................... 12
Summary and Conclusions .................................................... 12

**Chapter 2: Low-Income Accounts** ....................................
Accounts and Bills .......................................................... 15
Accounts in Arrears and Dollars in Arrears .............................. 16
Arrears Subject to Payment Arrangements .............................. 18
TABLE OF TABLES

Table 1: Residential Accounts, Total Revenue and Average Bill per Account ............... 5
Table 2: Residential Accounts in Arrears and Average Arrears per Account in Arrears ... 7
Table 3: Proportion Residential Accounts and Revenue in Arrears ............................... 7
Table 4: Proportion Residential Accounts in Arrears on Agreement ............................. 8
Table 5: Proportion Residential Revenue in Arrears on Agreement ............................... 9
Table 6: Number and Percent of Residential Accounts on Levelized Budget Billing ...... 9
Table 7: Residential Disconnect Notices and Disconnections for Nonpayment ............. 11
Table 8: Residential Disconnections for Nonpayment and Service Reconnections ...... 11
Table 9: Residential Uncollectible Accounts and Gross Charge-offs ........................... 12
Table 10: Low-Income Accounts, Total Low-Income Revenue and Average Bill per Account ..................................................................................................................... 16
Table 11: Low-Income Accounts in Arrears and Average Arrears per Low-Income Account in Arrears ............................................................ 17
Table 12: Proportion Low-Income Accounts and Revenue in Arrears* ......................... 18
Table 13: Proportion Low-Income Accounts in Arrears on Agreement ........................ 18
Table 14: Proportion of Low-Income Revenue in Arrears on Agreement .................... 19
Table 15: Number and Percent of Low-Income Accounts on Levelized Budget Billing 20
Table 16: Low-Income Disconnect Notices and Disconnections for Nonpayment ......... 21
Table 17: Low-Income Disconnections for Nonpayment and Service Reconnections ... 21
Table 18: Low-Income Uncollectible Accounts and Gross Charge-offs ...................... 22
Table 19: Public and Private Energy Assistance ......................................................... 24
Table 21: Average Residential Electricity Price Data (kWh) – Indiana (January 2001 – July 2006) ................................................................................................................. 28
Table 22: Winter Heating Season Heating Degree Days (HDD) – Indiana (December 2001 – April 2006) .......................................................................................... 29
Table 23: Summer Cooling Season Cooling Degree Days (CDD) – Indiana (May 2001 – September 2006) .............................................................. 30
Table 24: Maximum Affordable Monthly Housing Costs by Percent of Annual Median Income (AMI) Indiana (2004 and 2005) ................................................................. 32
Table 25: Fair Market Rents (FMR) (2-bedroom units) Indiana (2004 and 2005)........... 34
Table 26: Average Weekly Earnings, in Dollars (Non-Durable Goods) (Indiana—Statewide) ................................................................................................................. 35
Table 27: Average Weekly Hours (Non-Durable Goods) (Indiana—Statewide) ............ 36
Table 28: Average Hourly Earnings, in Dollars (Non-Durable Goods) (Indiana—Statewide) ................................................................................................................. 37
EXECUTIVE SUMMARY

This report provides information on the collection circumstances facing Indiana’s six largest utilities. This is the second report provided based on information that utilities began collecting in January 2005. The 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. Information is presented for a July (2005) through June (2006) reporting period.

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

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

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

- American Electric Power Company (AEP)
- Duke Power (Cinergy/Public Service Company of Indiana)
- 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 the residential population as a whole;
- **Chapter 2** examines data for low-income residential accounts;
- **Chapter 3** examines external factors that are likely to affect the nature and extent of utility customer payment-troubles.

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

**CHAPTER 1: RESIDENTIAL POPULATION AS A WHOLE**

This chapter provides data on the total residential customer base of the 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 January 2006 received a combined natural gas/electric bill of $186, while an
average residential account received a combined natural gas/electric bill of $85 in May 2006.

Accounts and Dollars in Arrears

Indiana residential utility accounts evidence a seasonal variation both in the number of accounts in arrears and the dollars in arrears. In March 2006, more than 700,000 Indiana residential accounts were in arrears on their utility bills. By June 2006, the number of accounts in arrears had decreased by more than 80,000 accounts, to 612,000. April represented the month experiencing the peak number of accounts in 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 $130 million or more for Indiana utility accounts in each month January through April.

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

In Indiana, the average arrears per account in arrears peaked in February 2006, at $215. By June 2006, the average residential arrears had decreased to $92, only 43% of its February level.

Arrears Subject to Payment Arrangements

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

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

Levelized Budget Billing Plans

Roughly one of every five residential utility accounts in Indiana is billed through a levelized monthly budget billing arrangement. Somewhat over 600,000 residential accounts receive service through a levelized budget billing plan. Small but noticeable seasonal differences appeared for the reporting year. A slightly higher number (and proportion) of residential accounts used a levelized billing plan during the winter months than during the non-winter months.
Service Disconnections and Reconnections

The Indiana utilities reporting data issued a total of nearly 3.5 million notices of service terminations for nonpayment during the reporting period (July 2005 through June 2006). May represented the month in which the highest number of disconnect notices were issued, with nearly 365,000 notices being reported for residential accounts. June represented the month with the fewest number of residential disconnect notices (233,877). More than 320,000 disconnect notices were issued in each month January through March even though Indiana has a moratorium on service disconnections during those months.

Indiana utilities disconnected service to nearly 220,000 accounts during the reporting period. The number of service disconnections for nonpayment peaked in April, May and June. Indiana utilities reported disconnecting service to significant numbers of accounts in both January 2006 (18,773) and February 2006 (15,138).

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. The proportion of reconnected accounts to disconnected accounts peaked in the pre-winter months of October (with 757 accounts being reconnected for every 1,000 accounts being disconnected) and November (with 892 accounts being reconnected for each 1,000 disconnected). The proportion of reconnected accounts to disconnected accounts is substantially lower in April through June 2006 (averaging 0.550 per month for those three months). For the entire 12 month reporting period, the reconnect rate was 0.62, with 220,505 accounts being disconnected and 136,452 being reconnected.

Uncollectible Accounts and Gross Charge-offs

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

Given these observations, this discussion focuses on quarterly totals for uncollectible accounts and gross charge-offs. Indiana utilities charged-off more than $9.3 million dollars in the third quarter of 2005 and over $9.5 million in the first quarter of 2006. More than $39.0 million was charged off during the reporting period of July 2005 through June 2006. More than 163,000 accounts were written off as uncollectible during the reporting period. The average charge-off for each account written-off did not significantly vary between quarters, ranging from a high of $251 per account (July-
September 2005) to a low of $230 per account (January through March 2006). Gross charge-offs were roughly 0.9% of total revenue in the reporting period.

Summary and Conclusions

This report presents a significant 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 advantages:

- By the end of the July 2005 through June 2006 reporting period, nearly every utility was reporting nearly every data element in a uniform manner.
- A full year of data is available. Using a reporting period of July through June, the data allows for a comparison not only between the current year and the prior year, but also between the pre-winter and post-winter season;

Despite these advantages, in most ways, this report represents the “base case” for future analysis. This report presents a far superior quantity and quality of data than did the first year. Ensuing year reports will provide important insights into Indiana billing and collections for residential customers.

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.

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 126,500 eligible households.

Accounts and Bills

Indiana utilities reported serving roughly 160,000 low-income accounts. Low-income utility bills experience the same seasonal variation as do total residential utility bills, with the May/June bills being roughly 50% as high as the January/February/March bills. Low-income bills are slightly smaller than total residential bills on an average monthly basis. Low-income bills are virtually the same as total residential bills in the months of
February through June, while being noticeably lower in December, as well as in the warm weather months of July and August 2005.

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, nearly 64,000 low-income accounts in Indiana were in arrears. While there was a further increase through June (to nearly 67,000 accounts in arrears), that number decreased to only 44,000 accounts in arrears in July 2006. 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 $18.4 million in March arrears for their low-income accounts. Indiana utilities reported a June arrears of $10.6 million, a decrease of 42% in the three months following March.

In Indiana, the average arrears per low-income account in arrears peaked in February at $308. The average arrears for accounts in arrears then decreased to $159 in June, 52% of its February peak.

A substantial minority of Indiana’s low-income accounts was reported as being in arrears coming out of the 2006 winter heating season. Roughly four out of every ten low-income accounts were in arrears in March 2006. In May and July, somewhat less than half (37% and 43% respectively) of the state’s low-income accounts were reported as being in arrears.

Arrears Subject to Payment Arrangements

The proportion of low-income accounts in arrears that are subject to deferred payment arrangements is somewhat higher than the proportion of total residential accounts in arrears subject to payment agreements, though the percentage is still small. The proportion of low-income accounts in arrears subject to payment agreements exceeded the total residential figure in every month of the reporting period but one (October). 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 March, with 19% 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 spring months (April and May), the dollars of low-income arrears subject to agreement varied from 31% to 32%. In June 2006, however, the percentage of low-income dollars of arrears subject to agreement dropped by half (from 32% to 16%). Nonetheless, the year-ending percentage of dollars in arrears subject to agreement (16% in June) was much higher than the year-beginning figure (7% in July 2005).

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 reporting period, low-income accounts evidence a similar slight, but noticeable, seasonal variation, with fewer accounts being billed through levelized budget billing in the cold weather months.

Service Disconnections and Reconnections

Indiana utilities disconnected nearly 13,000 low-income accounts in the three months of April through June (2006), the only months in which all utilities reported data. During that same three month period, Indiana utilities issued more than 135,000 disconnect notices to low-income accounts. Over the entire 12-month reporting period, Indiana utilities issued more than 320,000 disconnect notices to low-income accounts, and disconnected 21,154 low-income accounts. The number of service disconnections for nonpayment peaked in April and May and began to decrease in June.

The ratio that reconnected accounts represent of disconnected accounts is noticeably higher for low-income accounts that it is for the total residential population. While there were 77 reconnected low-income accounts in March for each 100 disconnected low-income accounts, there were 63 reconnected residential accounts for each 100 disconnected accounts. There were 69 reconnected low-income accounts in May for each 100 disconnected accounts, compared to 57 reconnected residential accounts in that same month. For the entire 12-month reporting period, the reconnect ratio was 0.77, with 21,254 low-income accounts being disconnected and 16,243 being reconnected.

Uncollectible Accounts and Gross Charge-offs

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

To seek to address this problem, the monthly figures have been aggregated into quarterly totals. Indiana utilities charged off more than $1.5 million dollars in revenue from low-
income accounts in the first quarter of the reporting period (July - September 2005) and more than $1.4 million in the second quarter (October - December). Nearly $3.9 million was charged-off during the 12-month reporting period.

Nearly 12,000 low-income accounts were written-off as uncollectible during the 12-month reporting period (July 2005 through June 2006), with more than 70% of those accounts charged off during the period July through December 2005.

The average dollars of gross charge-off were significantly higher for low-income accounts than for residential accounts generally. The July-September low-income charge-off (per written-off account) was $316 (compared to a charge-off of $245 for residential accounts generally), while the October-December low-income charge-off was $365 per written-off accounts (compared to a charge-off of $228 for total residential accounts). Gross low-income charge-offs were roughly 2.44% of total low-income revenue in the 12-month reporting period of July 2005 through June 2006.

Public and Private Energy Assistance

Public assistance provided through the federal Low-Income Home Energy Assistance Program (LIHEAP) is a significant source of low-income energy assistance in Indiana. According to the data from the six reporting Indiana utilities, $35.8 million in LIHEAP assistance was posted to more than 224,000 low-income accounts during the period July 2005 through June 2006.1 Low-income accounts having LIHEAP benefits posted in the January through June 2005 time period received an average LIHEAP benefit of $160 in Indiana.

Indiana utilities generated roughly $200,000 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 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, but rather by a third party. 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 2005. Given the timing of federal funding allocations, along with the timing of program operations, it is unlikely that this reporting difference represents a substantial difference.

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 is subject to the same limitations identified for the total residential data. Moreover, not surprisingly, since Indiana utilities have not historically reported data on low-income customers, several companies have struggled to report data on low-income customers in particular. This Year 2 report, however, has substantively more complete information than did the Year 1 report. Given additional time and experience, next year’s report will be even more complete and better documented.

CHAPTER 3: EXTERNAL FACTORS

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

Energy Prices

One of the primary factors affecting home energy affordability in Indiana is the price of fuel. Natural gas prices continued to show substantial price increases during the 2005/2006 winter heating season. Clearly, in 2005/2006, 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, although electric prices have seen steeper increases in 2006 than in prior 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) and Cooling Degree Days (CDDs). 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°F 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. Higher prices in the 2005/2006 heating season were moderated by warmer-than-normal weather.

The flipside of heating weather involves cooling weather. Cooling needs are measured by Cooling Degree Days (CDDs). The cooling-related weather in Indiana for the past four years has been somewhat more stable than heating-related weather. In 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. While July 2006 was somewhat hotter than normal, 2006 has not presented extreme hot weather for the season as a whole.

LIHEAP Benefits

Benefits provided through the federal Low-Income Home Energy Assistance Program (LIHEAP) fell further behind in 2006. According to the annual Home Energy Affordability Gap analysis published in April 2006, actual low-income energy bills exceeded affordable energy bills in Indiana by $359 million at 2004/2005 winter heating fuel prices. In contrast, Indiana received a gross allotment of federal energy assistance funds of $48.8 million for Fiscal Year 2005.

Indiana’s LIHEAP allocation has lost ground relative to its Home Energy Affordability Gap. From 2002 to 2005, the total Home Energy Affordability Gap increased by $133.8 million. In comparison, the federal LIHEAP allocation to Indiana increased $4.9 million. While LIHEAP covered 23.3% of Indiana’s Home Energy Affordability Gap in 2005, it had covered 31.1% of the Affordability Gap in 2002, the first year the Affordability Gap was calculated.

Housing Costs

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

The ability of Indiana residents to afford housing in Indiana stayed relatively constant between 2004 and 2005 (2006 data is not yet available). While 30% of median income statewide would have supported an affordable monthly housing price (in terms of rents)
of $439 in 2004, the same income in 2005 would support a monthly rent of $435, a
decrease of $4 per month.

Given these slight decreases in the ability of low-income households to pay rents, many
low-income Indiana residents fell even further behind in their ability to afford housing
between 2004 and 2005. For households with income at 30% of area median income,
statewide, the capacity to rent affordable housing decreased by $4/month. In contrast,
housing prices increased $10 per month during the same time period. While low-income
households statewide in Indiana experienced a decreased capacity to rent affordable
housing of $48 per year, in other words, they faced an increase in housing prices of $120
per year.

Recent Changes in Earning Capacity

The incomes of wage-earners in Indiana are affected by two primary factors. The first is
the wage paid to the worker. The second is the amount of work that is available.
Average weekly earnings for workers in non-durable goods industries –these industries
are used since they are more likely to have the low-wage workers served by LIHEAP--
experienced a moderate increase in 2006. Weekly wages in January, April and July
(2006) were all roughly 10% higher than weekly wages in the corresponding month in
2005. Hourly earnings in 2006 increased, reaching the highest level reported during the
six years for which data is presented.

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 second 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 continues to use reporting protocols that are relatively new to most Indiana utilities. As a result, while there is improvement in reporting relative to Year 1, this report still has some components with incomplete data in some instances. Rather than not presenting the available data, this publication provides what data is available with a notation where data is incomplete. There is considerably less incomplete data in this 2006 report than was contained in the 2005 report.

Data used in this report is for the period July 2005 through June 2006. A July through June reporting period allows the report to capture two critical comparisons:

- It allows comparisons to be made from year-to-year. The beginning of the reporting period (July 2005) can be meaningfully compared to the end of the reporting period (June 2006) to reach some conclusions about changes from year-to-year.

- It allows comparisons to be made from pre-winter heating season to post-winter heating season. A comparison of October data to April data, for example, will allow for conclusions to be reached about the impact of the winter heating bills.

Just as this 2006 report represents a substantive improvement in reporting over the 2005 report, the expectation is that over time, utility systems will continue to become even more capable of providing the requested data and this periodic report will have fewer notations of incomplete reporting.⁵

---

⁵ This 2006 report is not exactly comparable to the 2005 report. Some data reporting elements from the 2005 report have been further refined. Other data reports from the first year have been corrected. There may be minor differences in 2005 data between this report and the 2005 report.
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)
- Duke Power Company (Cinergy/Public Service Company of Indiana (PSI))
- Citizens Gas & Coke Utility (CGCU)
- Indiana Power and Light (IPL)

6 It is important to note that the data is not for low-income customers and non-low-income customers. It is for low-income customers and for total customers.
Northern Indiana Public Service Company (NIPSCO)

Vectren Energy Delivery

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

- **Chapter 1** examines data for the residential population as a whole;
- **Chapter 2** examines data for low-income residential accounts;
- **Chapter 3** examines external factors that are likely to affect the nature and extent of utility customer payment-troubles.
This page intentionally left blank
CHAPTER 1: RESIDENTIAL POPULATION AS A WHOLE

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

ACCOUNTS AND BILLS

There is a seasonal variance in the bills experienced by Indiana residential customers. Bills rendered in the winter heating months of January through March can be up to twice as high as bills rendered in the non-heating months of May through July. An average Indiana residential account in January 2006 received a combined natural gas/electric bill of $186, while an average residential account received a combined natural gas/electric bill of $85 in May 2006. In 2006, heating bills began to appear in November, when the average residential bill climbed from $74 in October to $97 in November. Heating related bills were mitigated by May, when the average bill had declined back to $85. The average monthly bill over the 12-month reporting period was $114 ($1,364 annual bill).

| Table 1: Residential Accounts, Total Revenue and Average Bill per Account |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                             | July-05 | Sept-05 | Nov-05 | Jan-06 | Mar-06 | May-06 | **Average Annual** |
| Total accounts              | 3,099,113 | 3,051,846 | 3,033,034 | 3,136,878 | 3,130,006 | 3,050,441 |
| Total revenue (000s)        | $247,747 | $241,235 | $294,250 | $584,779 | $487,301 | $258,113 |
| Average monthly bill /a/    | $80     | $79     | $97     | $186    | $156    | $85     | $114           |

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 March 2006, nearly 700,000 Indiana

---

7 One company reports data for budget billing customers, disconnections, disconnection notices and reconnections, as a combined figure for residential and commercial. A split is not available.
residential accounts were in arrears on their utility bills. The number of March accounts in arrears exceeded the number of November accounts in arrears by more than 100,000. The number of accounts in arrears had declined by 20,000 in May. It declined by 62,000 more accounts by June 2006 (to 612,289 residential accounts in arrears).

The total aggregate dollars of residential arrears substantially increased during the winter months in 2006. The dollars of residential arrears increased from $61.097 million in November 2005 to $138.042 million in March 2006. Total residential arrears reached more than $145 million for Indiana utility accounts in February 2006 and had declined to $129.8 million in April 2006.

The average monthly arrears of accounts in arrears for the 2005/2006 reporting period was $144. In any given month, there was an average of roughly 660,000 accounts in arrears, owing an average of roughly $94 million.

In Indiana, the average arrears per account in arrears peaked in February 2006, at $215. By June 2006, the average residential arrears had decreased to $92, only 43% of its February level.

Despite the increase in the absolute dollar level of arrears, 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 1.20 (March 2006) and 1.26 (May 2006) compared to 1.25 (September 2005) and 1.27 (November 2005). While there are greater dollars of arrears during the winter months, it appears that these arrears do not reflect that customers miss more months of payments. Rather, the payments that are missed reflect higher dollar amounts.

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

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

---

Table 2: Residential Accounts in Arrears and Average Arrears per Account in Arrears

<table>
<thead>
<tr>
<th></th>
<th>July-05</th>
<th>Sept-05</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06</th>
<th>Average Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of accounts in arrears</td>
<td>656,470</td>
<td>674,443</td>
<td>578,484</td>
<td>650,826</td>
<td>693,588</td>
<td>674,387</td>
<td>657,172</td>
</tr>
<tr>
<td>Revenue in arrears (000s)</td>
<td>$65,158</td>
<td>$68,213</td>
<td>$61,097</td>
<td>$131,167</td>
<td>$138,042</td>
<td>$99,322</td>
<td>$94,416</td>
</tr>
<tr>
<td>Average arrears /a/</td>
<td>$99</td>
<td>$101</td>
<td>$106</td>
<td>$202</td>
<td>$199</td>
<td>$147</td>
<td>$144</td>
</tr>
<tr>
<td>Average &quot;bills behind&quot; /b/</td>
<td>1.29</td>
<td>1.25</td>
<td>1.27</td>
<td>1.33</td>
<td>1.20</td>
<td>1.26</td>
<td>xxx</td>
</tr>
</tbody>
</table>

NOTES:

/a/ Average arrears is calculated for those accounts in arrears. Accounts with $0 arrears are excluded.
/b/ "Bills behind" calculated by dividing average arrears by rolling three-month average bill.

Nearly 720,000 Indiana residential utility accounts were in arrears at the end of the winter heating season in 2006. The number of accounts in arrears began to decline in the early warm months, from a high of 718,199 in April 2006 to 612,289 in June 2006.

Indiana utilities carried roughly $138 million in arrears as of March 2006. 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 12% lower than the number of March accounts in arrears (693,588 vs. 612,289), the June dollars in arrears was 46% lower ($138 million vs. $74 million).

Indiana utilities experienced roughly one-fifth to one-quarter of their residential accounts in arrears at any given time during the reporting period. The percentage of accounts in arrears ranging from a minimum of 19% (November 2005) to a maximum of 23% (April 2006). The percentage of accounts in arrears remained reasonably consistent for the months of February through June, not falling below 20% nor exceeding 23% in any given month. The average monthly percentage of accounts in arrears in any given month for the 2005/2006 reporting period was 22%.

Table 3: Proportion Residential Accounts and Revenue in Arrears

<table>
<thead>
<tr>
<th></th>
<th>July-05</th>
<th>Sept-05</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06</th>
<th>Average Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent accounts in arrears</td>
<td>21%</td>
<td>22%</td>
<td>19%</td>
<td>21%</td>
<td>22%</td>
<td>22%</td>
<td>21%</td>
</tr>
<tr>
<td>Ratio: dollars in arrears-to-monthly bills</td>
<td>0.26</td>
<td>0.28</td>
<td>0.21</td>
<td>0.22</td>
<td>0.28</td>
<td>0.38</td>
<td>0.28</td>
</tr>
</tbody>
</table>
Accounts in arrears appear to have somewhat higher bills than on average in 2006. While 22% of all residential accounts were in arrears in February, 30% of all residential revenue was in arrears. After seeing the difference dip somewhat in March, 2006 (22% vs. 28%), the spread between the percentage of accounts in arrears compared to the percentage of revenue in arrears became greater again in April (23% vs. 38%), May (22% vs. 38%) and June (20% vs. 29%). The difference between the percentage of accounts in arrears and the percentage of revenue in arrears narrowed during the warm weather months. The proportions became nearly identical in November (19% accounts vs. 21% revenue). Accounts with higher bills appear to fall into arrears during the winter months. The average monthly proportion of residential dollars in arrears in any given month was 28% in the 2005/2006 reporting period.

ARREARS SUBJECT TO PAYMENT ARRANGEMENTS

A small portion of the total number of accounts in arrears was subject to deferred payment agreements for their arrears. While not all utilities could provide the number of accounts in arrears on agreement, those that did (five of the six utilities reported this data) reported that between four percent (4%) and eight percent (8%) of the accounts in arrears were subject to agreement. The proportion of accounts in arrears on agreement increased somewhat in the months of February through May, but was lower during the warm weather months of June and July. On average, 5% of all residential accounts in arrears had arrears that were subject to deferred payment arrangements.

<table>
<thead>
<tr>
<th>Table 4: Proportion Residential Accounts in Arrears on Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-05</td>
</tr>
<tr>
<td>No. accounts in arrears on agreement*</td>
</tr>
<tr>
<td>Pct accounts in arrears on agreement /a/</td>
</tr>
</tbody>
</table>

*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 was subject to agreement. The proportion of revenue in arrears that was subject to agreement increased during the spring months of March, April and May (from 9% in February to 23% in April) before decreasing somewhat in June (19%).

Not all accounts in arrears (and not all dollars in arrears) would necessarily benefit from being subject to deferred payment agreements. Short-term, small dollar, arrears would not be placed on an agreement. The “bills behind” statistic documenting that, on average, accounts in arrears were roughly only one bill behind would seem to indicate that a high proportion of Indiana residential accounts in arrears do not represent the type of long-
term, high dollar value, arrears that a utility would place on a deferred payment arrangement. The fact that the proportion of dollars of arrears subject to agreement is substantively higher than the proportion of accounts in arrears subject to agreement indicates that accounts subject to agreement are those accounts that carry a somewhat higher than average dollar value in arrears. On average over the 2005/2006 reporting period, roughly $9.4 million of arrears were subject to payment plans, 13% of the total dollars in arrears.

Table 5: Proportion Residential Revenue in Arrears on Agreement

<table>
<thead>
<tr>
<th>Monthly</th>
<th>July-05</th>
<th>Sept-05</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06</th>
<th>Average Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue in arrears on agreement (000s)*</td>
<td>$6,362</td>
<td>$4,945</td>
<td>$4,768</td>
<td>$6,894</td>
<td>$13,098</td>
<td>$19,086</td>
<td>$9,385</td>
</tr>
<tr>
<td>Pct revenue in arrears on agreement /a/</td>
<td>12%</td>
<td>8%</td>
<td>9%</td>
<td>8%</td>
<td>13%</td>
<td>24%</td>
<td>13%</td>
</tr>
</tbody>
</table>

*Not all utilities reporting.

NOTES:
/a/ The percent of revenue in arrears on agreement for companies reporting the revenue in arrears on agreement.

LEVELIZED BUDGET BILLING PLANS

Roughly one of every five residential utility accounts in Indiana are billed through a levelized budget billing arrangement each month.9 Somewhat over 580,000 accounts received service through a levelized budget billing plan on an average monthly basis. Small but noticeable seasonal differences appeared. A slightly higher number (and proportion) of residential accounts used a levelized budget billing plan during the winter months than during the non-winter months. The difference between the peak month (633,809 accounts on budget billing plans) of February and the non-peak month of September (567,067) is substantial in absolute terms, even if not in relative terms. The total number of accounts on budget billing in June 2006 (593,921) was only moderately different from the total number on budget billing the previous September.

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

<table>
<thead>
<tr>
<th>Monthly</th>
<th>July-05</th>
<th>Sept-05 /a/</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06</th>
<th>Average Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. accounts on levelized budget billing</td>
<td>443,154</td>
<td>567,067</td>
<td>609,256</td>
<td>630,854</td>
<td>630,423</td>
<td>603,895</td>
<td>582,783</td>
</tr>
<tr>
<td>Pct of accounts on levelized budget billing</td>
<td>19%</td>
<td>19%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

NOTES:
/a/ One additional utility began to report budget billing data as of September 2005.

9 This proportion is somewhat overstated. One utility reports budget billing data only for a combined residential/commercial population. It is not possible to isolate the residential budget billing accounts for this company, and, accordingly, the total thus has some commercial accounts included.
Indiana utilities report issuing nearly 3.5 million notices of service terminations for nonpayment from July 2005 through June 2006, roughly 290,000 each month on average. May represented the month in which the highest number of disconnect notices were issued, with nearly 365,000 notices being reported for residential accounts. June 2006 was the month with the fewest number of residential disconnect notices (233,877). More than 320,000 disconnect notices were issued by Indiana utilities for each month January (324,234), February (331,997) and March (345,881) even though Indiana has a moratorium on service disconnections during those months.

Indiana utilities disconnected service to more than 220,000 accounts during the period of July 2005 through June 2006, roughly 18,400 each month on average. The number of service disconnections for nonpayment peaked in April (25,622 disconnected accounts), May (28,344 disconnections), and June (26,853 disconnections). The monthly number of disconnects ranged from roughly 15,000 (September) to somewhat over 19,000 (October). Indiana utilities reported disconnecting service to significant numbers of accounts in both January 2006 (18,773 disconnections) and February 2006 (15,138).

Indiana utilities issue an average of nearly 16 shutoff notices for each disconnection of service they actually perform each month. The “notice ratio” for Indiana utilities modestly increases during the winter months, with more than 17 notices being issued for each service disconnection completed in January and nearly 22 notices issued for each service disconnection completed in February. The figures would support the conclusion that Indiana utilities continue to issue disconnect notices during the winter months even though such notices do not as frequently directly lead to the disconnection of service. Over the 12-month period July 2005 through June 2006, the ratio of disconnect notices to actual nonpayment service terminations averaged less than 16-to-1. During the warm weather months (July 2005 - October 2005), the notice-to-disconnect ratio averaged 15-to-1, while during the winter months (January 2006 to March 2006), the notice-to-disconnect ratio averaged 18-to-1.

---

10 Again, one company combines its residential and commercial accounts for purposes of reporting certain data, including the number of disconnect notices.
Table 7: Residential Disconnect Notices and Disconnections for Nonpayment

<table>
<thead>
<tr>
<th>Monthly</th>
<th>July-05</th>
<th>Sept-05</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06</th>
<th>Avg Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of disconnect notices</td>
<td>240,069</td>
<td>264,947</td>
<td>240,279</td>
<td>324,234</td>
<td>345,881</td>
<td>364,708</td>
<td>289,501</td>
</tr>
<tr>
<td>No. of accounts disconnected for nonpayment</td>
<td>14,735</td>
<td>16,805</td>
<td>12,653</td>
<td>18,773</td>
<td>21,590</td>
<td>28,344</td>
<td>18,375</td>
</tr>
<tr>
<td>Ratio: Disconnect notices to disconnections</td>
<td>16.3</td>
<td>15.8</td>
<td>19.0</td>
<td>17.3</td>
<td>16.0</td>
<td>12.9</td>
<td>15.8</td>
</tr>
</tbody>
</table>

*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. The proportion of reconnected accounts to disconnected accounts peaks in the pre-winter months of October (with 757 accounts being reconnected for every 1,000 accounts being disconnected), November (with 892 accounts being reconnected for each 1,000 accounts disconnected), and December (with 1,155 accounts being reconnected for each 1,000 disconnected). The proportion of reconnected accounts to disconnected accounts is substantially lower in April through June 2006 (averaging 0.550 per month for those three months). The proportion of reconnections was not higher during the warm weather months of July through September 2005 (averaging 0.585 per month for those three months).

For the entire 12-month reporting period (July 2005 through June 2006), the reconnect ratio was 0.62, with 220,505 accounts being disconnected and 136,452 being reconnected.

Table 8: Residential Disconnections for Nonpayment and Service Reconnections

<table>
<thead>
<tr>
<th></th>
<th>July-05</th>
<th>Sept-05</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06</th>
<th>Avg Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of accounts reconnected after disconnect*</td>
<td>8,855</td>
<td>9,966</td>
<td>11,285</td>
<td>11,182</td>
<td>13,527</td>
<td>16,197</td>
<td>11,371</td>
</tr>
<tr>
<td>Ratio: reconnections to disconnections /a/</td>
<td>0.60</td>
<td>0.59</td>
<td>0.89</td>
<td>0.60</td>
<td>0.63</td>
<td>0.57</td>
<td>0.62</td>
</tr>
</tbody>
</table>

*Not all utilities reporting.

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

---

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

12 Significantly fewer accounts were either disconnected (3,458) or reconnected (3,996) in December 2005.
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 $9.3 million dollars in the third quarter of 2005 and over $9.5 million in the first quarter of 2006. More than $39.0 million was charged off during the reporting period of July 2005 through June 2006. More than 163,000 accounts were written off as uncollectible during the reporting period (July 2005 through June 2006). The average charge-off for each account written-off did not significantly vary between quarters, ranging from a high of $251 per account (July-September 2005) to a low of $230 (January through March 2006). The quarter with the lowest write-off per account (January through March 2006) had the largest number of written-off accounts (45,453) as well as the largest amount of total gross charge-offs ($10.444 million). Gross residential charge-offs were roughly 0.9% of total residential revenue in the reporting period of July 2005 through June 2006 ($39.023 million in charge-offs on $4.443 billion in revenues).

<table>
<thead>
<tr>
<th>Table 9: Residential Uncollectible Accounts and Gross Charge-offs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Jul-Sept (05)</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Number of accounts uncollectible*</td>
</tr>
<tr>
<td>Dollars of gross charge-off (000s)*</td>
</tr>
<tr>
<td>Avg charge-off per uncollectible account</td>
</tr>
</tbody>
</table>

*All utilities reporting as of January 2006.

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 advantages:
By the end of the July 2005 through June 2006 reporting period, nearly every utility was reporting nearly every data element in a uniform manner.

A full year of data is available. Using a reporting period of July through June, the data allows not only a comparison between the current year and prior year, but also a comparison between the pre-winter and post-winter season.

Despite these advantages, in most ways, this report represents the “base case” for future analysis. This report presents a far superior quantity and quality of data than did the first year. Ensuing year reports will provide important insights into Indiana billing and collections for residential customers.

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.
This page intentionally left blank.
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” account is defined as an account to which the company has posted a benefit payment from the federal Low-Income Home Energy Assistance Program (LIHEAP). In Fiscal Year (FY) 2005, the most recent year for which data is available, Indiana provided LIHEAP heating benefits to 126,500 eligible households. According to the most recent federal LIHEAP notebook, there were 678,580 households eligible for LIHEAP at the maximum federal eligibility standard of 60% of median statewide income.

ACCOUNTS AND BILLS

Indiana utilities reported serving more than 160,000 low-income accounts. The tracking of LIHEAP accounts begins with the federal program year each October. The growth in the number of accounts for which a LIHEAP payment has been posted can be seen through the following June.13 There is substantial growth in the number of accounts on which a LIHEAP payment is posted in January, February and March. There is some decline, albeit not substantial, from April through the end of the reporting period.

Low-income utility bills experience the same seasonal variation as do total residential utility bills, with the May/June/July bills being roughly 50% as high as the January/February/March bills. The higher winter bills of January ($175) and February ($153) compare to bills of $90 (May) and $88 (June). Low-income Indiana accounts experienced an average monthly bill of $110, with an average annual bill of $1,321.

Low-income bills are slightly smaller than total residential bills on an average monthly basis. During the reporting period of July 2005 through June 2006, the average monthly low-income bill of $106 was slightly less than the average monthly bill of $113 for the total residential population. The low-income bills are virtually the same as total residential bills in the months of February through June (+/- $7), while being noticeably lower in December ($170 total residential vs. $139 low-income), as well as in the warm weather months of July 2005 ($80 total residential vs. $64 low-income) and August 2005 ($84 total residential vs. $68 low-income).

13 This report provides data on a July through June reporting period each year.
**Table 10: Low-Income Accounts, Total Low-Income Revenue and Average Bill per Account**

<table>
<thead>
<tr>
<th></th>
<th>Jul-05</th>
<th>Sept-05</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06</th>
<th>Average Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. low-income accounts**</td>
<td>94,664</td>
<td>111,655</td>
<td>78,873</td>
<td>126,836</td>
<td>164,229</td>
<td>162,653</td>
<td>120,187</td>
</tr>
<tr>
<td>Low-income revenue (000s)</td>
<td>$6,025</td>
<td>$7,934</td>
<td>$10,974</td>
<td>$22,198</td>
<td>$24,425</td>
<td>$14,661</td>
<td>$13,232</td>
</tr>
<tr>
<td>Average monthly bill /a/</td>
<td>$64</td>
<td>$71</td>
<td>$139</td>
<td>$175</td>
<td>$149</td>
<td>$90</td>
<td>$110</td>
</tr>
</tbody>
</table>

*a*In each month, one utility did not report data on low-income revenue.

**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 2006, nearly 64,000 low-income accounts in Indiana were in arrears. While there was a further increase through June (to nearly 67,000 accounts in arrears), that number decreased to only 44,000 accounts in arrears in July 2006. February represented the month experiencing both the peak number of low-income accounts in arrears (68,739) and the peak number of low-income dollars in arrears ($21.2 million).

Coming out of the 2005/2006 winter season, Indiana utilities experienced nearly $18.4 million in March arrears for their low-income accounts. Unlike the 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 $18.4 million in March 2006 arrears, Indiana utilities reported a June arrears of $10.6 million, a decrease of 42% in the three months following March (and a decrease of nearly 50% from the February peak in arrears).

In Indiana, the average arrears per low-income account in arrears peaked in February ($308). The average arrears in March ($285) and April ($262) were only somewhat lower. The average arrears for accounts in arrears then decreased to $159 in June, 52% of its February peak.

Roughly 41,000 low-income accounts were in arrears in an average month, with an average monthly arrears of $8.0 million. The average monthly arrears of accounts in arrears was $186.

In addition to the increased dollar amount of arrears experienced in the 2006 winter months, Indiana’s low-income residents appear to have experienced a substantive change in their ability to make regular payments on their winter utility bills. In September and October 2005, low-income customers experienced a “bills behind” of 1.50. That bills
behind statistic decreased to 1.30 in November and December 2005. However, in February 2006, Indiana’s low-income customers fell to nearly 2.0 bills behind. While the bills behind statistic decreased through June (reaching a low of 1.49 in May), it remained at 1.67 in June 2006. 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

<table>
<thead>
<tr>
<th></th>
<th>July-05</th>
<th>Sept-05</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06</th>
<th>Average Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of accounts in arrears</td>
<td>24,285</td>
<td>22,513</td>
<td>21,938</td>
<td>36,099</td>
<td>64,612</td>
<td>60,842</td>
<td>40,920</td>
</tr>
<tr>
<td>Revenue in arrears (000s)*</td>
<td>$2,796</td>
<td>$2,280</td>
<td>$2,900</td>
<td>$6,973</td>
<td>$18,400</td>
<td>$10,467</td>
<td>8,017</td>
</tr>
<tr>
<td>Average arrears /a/</td>
<td>$115</td>
<td>$101</td>
<td>$132</td>
<td>$193</td>
<td>$285</td>
<td>$172</td>
<td>$196</td>
</tr>
<tr>
<td>Average “bills behind” /b/</td>
<td>1.82</td>
<td>1.50</td>
<td>1.30</td>
<td>1.41</td>
<td>1.79</td>
<td>1.49</td>
<td>xxx</td>
</tr>
</tbody>
</table>

*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.

A substantial minority of Indiana’s low-income accounts was reported as being in arrears coming out of the 2006 winter heating season. Roughly four out of every ten low-income accounts (39%) were in arrears in March 2006 (a decrease from the February peak of 46%). In May and June, roughly 40% of the state’s low-income accounts (37% and 43% respectively) were reported as being in arrears. In an average month, 31% of Indiana’s low-income accounts were 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 April, with $0.96 of arrears matching to every $1.00 of monthly billing in that month. While this ratio of dollars in arrears to dollars of billing dropped in May and June (to 0.71 and 0.77 respectively), it did not reach its pre-winter levels (September: 0.29; October: 0.34; November: 0.18). The average ratio of low-income dollars in arrears to low-income billed dollars in any given month was 0.54.
Table 12: Proportion Low-Income Accounts and Revenue in Arrears*

<table>
<thead>
<tr>
<th></th>
<th>July-05</th>
<th>Sept-05</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06</th>
<th>Average Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent accounts in arrears</td>
<td>26%</td>
<td>20%</td>
<td>28%</td>
<td>28%</td>
<td>39%</td>
<td>37%</td>
<td>31%</td>
</tr>
<tr>
<td>Ratio: arrears-to-monthly billing</td>
<td>0.46</td>
<td>0.29</td>
<td>0.26</td>
<td>0.31</td>
<td>0.75</td>
<td>0.71</td>
<td>0.54</td>
</tr>
</tbody>
</table>

*Not all utilities reporting in all months. One utility began reporting data in October 2005. A second utility began reporting data in February 2006. As of February 2006, all utilities were reporting this 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 every month of the reporting year but one (October). In the three months of March through May, the rate at which low-income accounts in arrears are subject to agreement is more than twice that of the rate at which total residential accounts are subject to agreement. The peak difference was reached in March, with 19% 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. The percentage of accounts in arrears subject to agreement was below 10% in July 2005 (8%) and August 2005 (6%). The percentage had decreased from a peak of 19% in March 2006 down to 11% in June 2006.

Table 13: Proportion Low-Income Accounts in Arrears on Agreement

<table>
<thead>
<tr>
<th></th>
<th>July-05</th>
<th>Sept-05</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06</th>
<th>Average Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. accounts in arrears on agreement*</td>
<td>1,997</td>
<td>2,611</td>
<td>2,336</td>
<td>2,462</td>
<td>7,901</td>
<td>6,911</td>
<td>3,647</td>
</tr>
<tr>
<td>Pct accounts in arrears on agreement /a/</td>
<td>8%</td>
<td>12%</td>
<td>11%</td>
<td>7%</td>
<td>19%</td>
<td>17%</td>
<td>12%</td>
</tr>
</tbody>
</table>

*a/ The percent of accounts in agreement for companies reporting the number of accounts in arrears on agreement.

NOTES:

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 spring months (April and May), the dollars of low-income arrears subject to agreement varied from 31% to 32%. In June 2006, however, the percentage of low-income dollars of arrears subject to agreement dropped by half (from 32% to 16%). Nonetheless, the year-ending percentage of dollars in arrears subject to agreement (16% in June) was much higher than the year-beginning figure (7% in July 2005). The average annual proportion of accounts in arrears that were subject to agreement was 12% for Indiana utilities in any given month between July 2005 and June 2006. The average monthly proportion of dollars in arrears to total dollars billed was 17% for the July 2005 through June 2006 reporting period.

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

<table>
<thead>
<tr>
<th></th>
<th>July-05</th>
<th>Sept-05</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06**</th>
<th>Average Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue in arrears on agreement (000s)*</td>
<td>$142</td>
<td>$84</td>
<td>$90</td>
<td>$112</td>
<td>$752</td>
<td>$2,054</td>
<td>$621</td>
</tr>
<tr>
<td>Pct revenue in arrears on agreement</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
<td>3%</td>
<td>16%</td>
<td>32%</td>
<td>17%</td>
</tr>
</tbody>
</table>

*More than one utility not reporting data for any month.
**One additional utility began reporting data beginning April 2006.

**NOTES:**

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

**LEVELIZED BUDGET BILLING PLANS**

Few low-income utility accounts in Indiana are billed through a levelized budget billing plan. 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 reporting period, low-income accounts evidenced a similar slight, but noticeable, seasonal variation. While the percentage of accounts on levelized billing peaked in the warm weather months of July (15%) and August (14%), the proportion declined in the cold weather months. The year-ending figure of 10% (June 2006) was below the year-beginning proportion of 15% (July 2005). On average, 11% of low-income accounts were being billed each month through a levelized monthly budget billing plan.
### Table 15: Number and Percent of Low-Income Accounts on Levelized Budget Billing

<table>
<thead>
<tr>
<th></th>
<th>July-05</th>
<th>Sept-05</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06**</th>
<th>Average Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No. accounts on levelized budget billing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,484</td>
<td>5,169</td>
<td>5,765</td>
<td>6,263</td>
<td>8,520</td>
<td>12,412</td>
<td>7,344</td>
</tr>
<tr>
<td><strong>Pct of accounts on levelized budget billing</strong></td>
<td>15%</td>
<td>9%</td>
<td>12%</td>
<td>10%</td>
<td>9%</td>
<td>11%</td>
<td>11%</td>
</tr>
</tbody>
</table>

*One utility not reporting data for any month in this reporting year.
**One additional utility began reporting data beginning April 2006.

**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 13,000 low-income accounts in the three months of April through June. During that same three month period, Indiana utilities issued nearly 135,000 disconnect notices to low-income accounts. Over the entire reporting period, Indiana utilities issued more than 320,000 disconnect notices to low-income accounts, and disconnected 21,154 low-income accounts. The number of service disconnections for nonpayment peaked in April and May, when 4,667 and 4,528 low-income accounts were disconnected respectively. The numbers began to decrease in June (down to 3,580). In an average month in the 2005/2006 reporting period, Indiana utilities issued nearly 27,000 shutoff notices to low-income accounts, and actually disconnected 1,763 low-income accounts.

The “notice ratio” for Indiana utilities was quite high for low-income accounts during the late winter months, with 37 shutoff notices being issued to low-income accounts in February for every one account actually being disconnected, and 44 notices being issued in March for every one account actually being disconnected. During the months of April through June 2006, Indiana utilities issued only 10 shutoff notices for each disconnected low-income account. In the months coming out of the winter heating season, the “notice ratio” is noticeably lower for low-income accounts in Indiana than it is for total residential accounts. A low-income account in Indiana that receives a shutoff notice in the post-winter heating season months, in other words, was more likely to move on to the actual disconnection of service for nonpayment than was a residential account in general. This was not the case in the warm weather months of July through October 2005.
Table 16: Low-Income Disconnect Notices and Disconnections for Nonpayment

<table>
<thead>
<tr>
<th></th>
<th>July-05</th>
<th>Sept-05</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06</th>
<th>Avg Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of disconnect notices</td>
<td>24,697</td>
<td>24,435</td>
<td>10,032</td>
<td>11,415</td>
<td>50,487</td>
<td>47,120</td>
<td>26,743</td>
</tr>
<tr>
<td>No. of accounts disconnected for nonpayment</td>
<td>1,374</td>
<td>1,413</td>
<td>151</td>
<td>848</td>
<td>1,155</td>
<td>4,528</td>
<td>1,763</td>
</tr>
<tr>
<td>Ratio: Disconnect notices to disconnections</td>
<td>18.0</td>
<td>17.3</td>
<td>66.4</td>
<td>13.5</td>
<td>43.7</td>
<td>10.4</td>
<td>15.2</td>
</tr>
</tbody>
</table>

The ratio that reconnected accounts represents of disconnected accounts is noticeably higher for low-income accounts that it is for the total residential population. While there were 77 reconnected low-income accounts in March for each 100 disconnected low-income accounts, there were 63 reconnected residential accounts for each 100 disconnected accounts. There were 69 reconnected low-income accounts in May for each 100 disconnected accounts, compared to 57 reconnected residential accounts in that same month. A significant number of low-income accounts are reconnected immediately preceding the winter heating season, with the ratio of reconnections-to-disconnections being 2.89 in November 2005 and 4.09 in December 2005. These ratios indicate that for every 100 low-income accounts disconnected in December, there were 409 low-income accounts reconnected in that month. For the entire 12-month reporting period (July 2005 through June 2006), the reconnect ratio was 0.77, with 21,154 low-income accounts being disconnected and 16,243 being reconnected.

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

<table>
<thead>
<tr>
<th></th>
<th>July-05</th>
<th>Sept-05</th>
<th>Nov-05</th>
<th>Jan-06</th>
<th>Mar-06</th>
<th>May-06</th>
<th>Avg Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of accounts reconnected after disconnect</td>
<td>1,137</td>
<td>1,006</td>
<td>617</td>
<td>831</td>
<td>890</td>
<td>3,113</td>
<td>16,243</td>
</tr>
<tr>
<td>Ratio: reconnections to disconnections /a/</td>
<td>0.83</td>
<td>0.71</td>
<td>4.09</td>
<td>0.98</td>
<td>0.77</td>
<td>0.69</td>
<td>0.77</td>
</tr>
</tbody>
</table>

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

Uncollectible Accounts and Gross Charge-offs

Evaluating the number of uncollectible low-income accounts, along with the gross charge-offs from low-income accounts, suffers from the same difficulties facing the evaluation of uncollectible accounts and gross charge-offs for the total residential customer base. For example, one utility determines its uncollectible accounts and charge-offs only on a quarterly basis. To attribute the entire amount to a single month would be inaccurate.
To seek to address this problem, monthly figures have been aggregated into quarterly totals. Indiana utilities charged off more than $1.5 million in revenue from low-income accounts in the first quarter of the reporting period (July - September 2005), and more than $1.4 million in the second quarter of the reporting period (October - December 2005). Nearly $3.9 million was charged-off over the 12-month reporting period.

Nearly 12,000 low-income accounts were written-off as uncollectible during the 12-month reporting period (July 2005 - June 2006), with more than 70% of those accounts charged off during the period July through December 2005.

The average dollars of gross charge-off per individual written off account were significantly higher for low-income accounts than for residential accounts generally. The July-September low-income charge-off (per written-off account) was $316 (compared to an average charge-off of $245 for residential accounts generally), while the October-December low-income charge-off was $365 per written-off account (compared to the equivalent charge-off of $228 for total residential accounts). The average annual charge-off per written-off account was $324 for low-income accounts, compared to the average annual charge-off of $235 for total residential accounts. Gross low-income charge-offs were roughly 2.44% of total low-income revenue in the reporting period of July 2005 through June 2006.

<table>
<thead>
<tr>
<th>Table 18: Low-Income Uncollectible Accounts and Gross Charge-offs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qtr-1*</td>
</tr>
<tr>
<td>Jul-Sept (05)</td>
</tr>
<tr>
<td>Number of accounts uncollectible</td>
</tr>
<tr>
<td>Dollars of gross charge-off (000s)</td>
</tr>
<tr>
<td>Avg charge-off per uncollectible account</td>
</tr>
</tbody>
</table>

*Not all utilities reporting.
**All utilities were reporting low-income charge-off data as of April 2006.

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

PUBLIC AND PRIVATE ENERGY ASSISTANCE

Public assistance provided through the federal Low-Income Home Energy Assistance Program (LIHEAP) is a significant source of low-income energy assistance in Indiana. According to the data from the six reporting Indiana utilities, $35.8 million in LIHEAP assistance was posted to nearly 224,000 low-income accounts during the reporting period.
July 2005 trough June 2006.\textsuperscript{14} Low-income accounts having LIHEAP benefits posted in the January through June 2005 time period received an average LIHEAP benefit of $160 in Indiana.\textsuperscript{15}

Indiana LIHEAP benefits provide an important, yet inadequate, source of winter utility bill assistance to low-income households. Low-income utility bills for the four months of December through March reached $616 in Indiana, or roughly $5.10 per day. The average LIHEAP benefit of $160 thus paid for only 31 days of winter utility service in the 2005/2006 winter heating season.

Indiana utilities generated roughly $200,000 in crisis assistance through customer contributions to individual fuel funds in the reporting year. Two caveats must be placed on this observation. One utility reported combined data for both its crisis fuel fund and a broader low-income energy assistance program. To report that combined number would 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 are not collected and administered by the utility.

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

\textsuperscript{14} Two utilities provided year-to-date data beginning at the start of the LIHEAP program year in October 2005. Given the timing of federal funding allocations, along with the timing of program operations, it is unlikely that this reporting difference represents a substantial difference.

\textsuperscript{15} In contrast to the dollars of LIHEAP per low-income account, the Indiana Department of Housing and Community Development Authority reports that for the heating season ending May 31, 2006, the average benefit was $275 per household for all fuel types. These benefits would, in other words, include users of bulk fuels such as propane, LPG and fuel oil. As discussed in detail above, households taking natural gas and electric service from different companies will have two accounts, one for each company.
Table 19: Public and Private Energy Assistance

<table>
<thead>
<tr>
<th>No. of accounts receiving LIHEAP /a/</th>
<th>223,683</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollars of LIHEAP received /b/</td>
<td>$35,789,979</td>
</tr>
<tr>
<td>Average LIHEAP payment per accounts receiving LIHEAP</td>
<td>$160</td>
</tr>
<tr>
<td>Customer contribution to fuel fund /c/</td>
<td>$200,514</td>
</tr>
<tr>
<td>Investor contribution to fuel fund /d/</td>
<td>$675,731</td>
</tr>
</tbody>
</table>

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, six month totals were derived (July - December 2005, January - June 2006) and added to monthly totals for other utilities.

/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 rather 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.

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 identified their low-income customers, several companies have struggled to report data on low-income customers in particular. This Year 2 report, however, has substantively more complete information than did the Year 1 report. Given additional time and experience, next year’s report will be even more complete, and better documented.

The Year 3 report will see even further improvement. Given the reasonable comprehensiveness of the data reporting achieved by year-end in the July 2005 through
June 2006 reporting period, one additional element to the Year 3 report will be a comparison between reporting years.\textsuperscript{16}

As with Chapter 1, each journey begins with the first step. All stakeholders to this data collection effort, public and private, are to be commended for making continuing progress toward the regular reporting of uniform inter-utility data on low-income billing and collections.

\textsuperscript{16} Due to the incompleteness of Year 1 data, a year-to-year comparison was deemed not to generate meaningful information for this year’s report.
This page intentionally left blank.
CHAPTER 3: EXTERNAL FACTORS

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

ENERGY PRICES

One of the primary factors affecting home energy affordability in Indiana is the price of fuel. Natural gas prices continued to show substantial price increases during the 2005/2006 winter heating season. The table below shows natural gas bills per 1000 cubic feet (MCF) of gas for the period December 2000 through April 2006. While the January 2006 natural gas price of $15.42/MCF was 55% higher than the January 2005 natural gas price of $9.92/MCF, it was 73% higher than the January 2003 price of $8.14/MCF and 85% higher than the January 2002 price of $6.94/MCF. The February 2006 price of $12.81/MCF was 21% higher than the February 2005 price of $10.59/MCF, nearly 40% higher than the February 2003 price of $8.65/MCF and nearly 60% higher than the February 2002 price of $6.62/MCF.


<table>
<thead>
<tr>
<th></th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002/2003</td>
<td>$7.87</td>
<td>$8.14</td>
<td>$8.65</td>
<td>$10.96</td>
<td>$11.49</td>
</tr>
</tbody>
</table>

NOTE:
Clearly, in 2005/2006, 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.\(^{17}\)

Electricity prices in Indiana have not exhibited the same price increases as have natural gas. As the table below shows, electric prices in Indiana have climbed only moderately in the past six years, with a somewhat steeper price increase in 2006. Electric prices during February 2006 ($0.0777/kWh) are 20% higher than electricity prices in February 2001 ($0.0649/kWh). Using July as a surrogate for prices during the cooling season, electricity prices in July 2006 ($0.0811/kWh) are eleven percent (11%) higher than in July 2001 ($0.0729/kWh). Prices in April and May 2006 were somewhat higher.

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$0.0625</td>
<td>$0.0649</td>
<td>$0.0669</td>
<td>$0.0683</td>
<td>$0.0714</td>
<td>$0.0731</td>
<td>$0.0729</td>
<td>$0.0726</td>
<td>$0.0720</td>
<td>$0.0716</td>
<td>$0.0685</td>
</tr>
<tr>
<td>2002</td>
<td>$0.0661</td>
<td>$0.0669</td>
<td>$0.0667</td>
<td>$0.0685</td>
<td>$0.0706</td>
<td>$0.0712</td>
<td>$0.0720</td>
<td>$0.0715</td>
<td>$0.0707</td>
<td>$0.0696</td>
<td>$0.0681</td>
</tr>
<tr>
<td>2003</td>
<td>$0.0645</td>
<td>$0.0647</td>
<td>$0.0672</td>
<td>$0.0713</td>
<td>$0.0727</td>
<td>$0.0744</td>
<td>$0.0740</td>
<td>$0.0743</td>
<td>$0.0720</td>
<td>$0.0720</td>
<td>$0.0707</td>
</tr>
<tr>
<td>2004</td>
<td>$0.0672</td>
<td>$0.0680</td>
<td>$0.0704</td>
<td>$0.0729</td>
<td>$0.0740</td>
<td>$0.0755</td>
<td>$0.0762</td>
<td>$0.0773</td>
<td>$0.0766</td>
<td>$0.0742</td>
<td>$0.0732</td>
</tr>
<tr>
<td>2005</td>
<td>$0.0677</td>
<td>$0.0714</td>
<td>$0.0715</td>
<td>$0.0788</td>
<td>$0.0810</td>
<td>$0.0768</td>
<td>$0.0729</td>
<td>$0.0737</td>
<td>$0.0762</td>
<td>$0.0822</td>
<td>$0.0819</td>
</tr>
<tr>
<td>2006</td>
<td>$0.0745</td>
<td>$0.0777</td>
<td>$0.0801</td>
<td>$0.0903</td>
<td>$0.0917</td>
<td>$0.0843</td>
<td>$0.0811</td>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SOURCE:** U.S. Department of Energy, Energy Information Administration, Electric Sales and Revenue (through July 2006)

**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)\(^{18}\) and Cooling Degree Days (CDDs).\(^{19}\) 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

---

\(^{17}\) These prices are statewide average natural gas prices. They do not reflect low-income universal service discounts provided by Citizens Gas or Vectren.  
\(^{18}\) 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.  
\(^{19}\) 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.

Higher prices in the 2005/2006 heating season were moderated by warmer-than-normal weather. While normal heating degree days (HDDs) in January reach 1,227 in Indiana, January 2006 experienced only 822 HDDs, two-thirds of the norm. While normal HDDs in February reach 1,013 in Indiana, February 2006 experienced only 954 HDDs, 95% of the norm. While March was reasonably normal, April was warmer than normal as well. Only December presented colder-than-normal weather.

| Table 22: Winter Heating Season Heating Degree Days (HDD) – Indiana (December 2001 – April 2006) |
|----------------------------------|---|---|---|---|---|
| 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 |
| 2005/2006 /b/                  | 5,276 | 1,196 | 822 | 954 | 775 | 309 |

NOTES:

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

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

SOURCE:


The flipside of heating weather involves cooling weather. Cooling needs are measured by Cooling Degree Days (CDDs). The cooling-related weather in Indiana for the past six years has been somewhat more stable. In only 2002 and 2005, 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%), with total 2005 CDDs exceeding the norm by roughly 20% as well. While July 2006 was somewhat hotter than normal (324 CDDs vs. normal 285 CDDs), 2006 has not presented extreme hot weather.

| Table 23: Summer Cooling Season Cooling Degree Days (CDD) – Indiana (May 2001 – September 2006) |
|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Normal                                          | May     | July     | August     | September | Annual /a/ |
|        |         |         |           |           |            |
| Normal | 75      | 285     | 233       | 92        | 894        |
| 2001   | 54      | 280     | 267       | 63        | 840        |
| 2002   | 25      | 370     | 307       | 162       | 1,145      |
| 2003   | 14      | 248     | 260       | 53        | 689        |
| 2004   | 98      | 243     | 137       | 97        | 729        |
| 2005   | 14      | 322     | 297       | 140       | 1,058      |
| 2006   | 65      | 324     | 260       | 29        | 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, 2005 through December 31, 2005.

SOURCE:

LIHEAP BENEFITS

Benefits provided through the federal Low-Income Home Energy Assistance Program (LIHEAP) fell further behind in 2006. According to the annual Home Energy Affordability Gap analysis published in April 2006, actual low-income energy bills exceeded affordable energy bills in Indiana by $359 million at 2004/2005 winter heating fuel prices. In contrast, Indiana received a gross allotment of federal energy assistance funds of $48.8 million for Fiscal Year 2005.

Indiana’s LIHEAP allocation has lost ground relative to its Home Energy Affordability Gap. From 2002 to 2005, the total Home Energy Affordability Gap increased by $133.8 million. In comparison, the federal LIHEAP allocation to Indiana increased $4.9 million. While LIHEAP covered 23.3% of Indiana’s Home Energy Affordability Gap in 2005, it had covered 31.1% of the Affordability Gap in 2002, the first year the Affordability Gap was calculated.

---

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

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

The National Low-Income Housing Coalition tracks the affordability of housing on an annual basis. In the housing industry, low-income status is tied to annual median income. For low-income households, housing is “affordable” if total shelter costs do not exceed 30% of the household’s gross annual income. Total shelter costs include not only rent/mortgage, but also utilities (including energy and water/sewer, but not telephone, cable television or internet access), insurance, and taxes. Housing costs are reported one-year after-the-fact. Thus, 2005 housing affordability data was reported in 2006.

The ability of the lowest income Indiana residents to afford housing in Indiana stayed relatively constant between 2004 and 2005. While 30% of median income statewide would have supported an affordable monthly housing price (in terms of rents) of $439 in 2004, 30% of median income in 2005 would support a monthly rent of $435. In non-metropolitan areas, also, the ability to afford rents stayed virtually constant, decreasing from $395 in 2004 to $393 in 2005 for a household with income at or below 30% of AMI. In one of Indiana’s 13 metropolitan areas (Bloomington), the affordability of rent decreased by double digits ($37/month) between 2004 and 2005, from $443 per month to $406 per month. Moreover:

- In six of Indiana’s metropolitan areas, the affordable rents stayed virtually even (with a change either up or down of less than $5 from 2004 to 2005).
- In five of Indiana’s metropolitan areas, the affordable rents changed by between five dollars ($5) and ten dollars ($10) per month from 2004 to 2005.

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.

---

21 In the energy industry, low-income status is generally tied to Federal Poverty Level. As a general “rule of thumb,” 50% of median income is roughly equivalent to 200% of the Federal Poverty Level.
Table 24: Maximum Affordable Monthly Housing Costs by Percent of Annual Median Income (AMI)  
Indiana (2004 and 2005)

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>2004 Annual Median Income (AMI)</th>
<th>2005 Annual Median Income (AMI)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 percent</td>
<td>50 percent</td>
</tr>
<tr>
<td>State of Indiana total</td>
<td>$439</td>
<td>$731</td>
</tr>
<tr>
<td>Bloomington, IN MSA</td>
<td>$443</td>
<td>$739</td>
</tr>
<tr>
<td>Cincinnati, OH--KY--IN PMSA</td>
<td>$480</td>
<td>$800</td>
</tr>
<tr>
<td>Elkhart--Goshen, IN MSA</td>
<td>$425</td>
<td>$708</td>
</tr>
<tr>
<td>Evansville--Henderson, IN--KY MSA</td>
<td>$423</td>
<td>$705</td>
</tr>
<tr>
<td>Fort Wayne, IN MSA</td>
<td>$440</td>
<td>$733</td>
</tr>
<tr>
<td>Gary, IN PMSA</td>
<td>$452</td>
<td>$754</td>
</tr>
<tr>
<td>Indianapolis, IN MSA</td>
<td>$479</td>
<td>$798</td>
</tr>
<tr>
<td>Kokomo, IN MSA</td>
<td>$450</td>
<td>$750</td>
</tr>
<tr>
<td>Lafayette, IN MSA</td>
<td>$445</td>
<td>$741</td>
</tr>
<tr>
<td>Louisville, KY--IN MSA</td>
<td>$437</td>
<td>$728</td>
</tr>
<tr>
<td>Muncie, IN MSA</td>
<td>$392</td>
<td>$653</td>
</tr>
<tr>
<td>South Bend, IN MSA</td>
<td>$431</td>
<td>$718</td>
</tr>
<tr>
<td>Terre Haute, IN MSA</td>
<td>$358</td>
<td>$596</td>
</tr>
<tr>
<td>Non-metro areas—Indiana</td>
<td>$395</td>
<td>$658</td>
</tr>
</tbody>
</table>

**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.


Given these changes in the ability of low-income households to afford rents, many low-income Indiana residents fell even further behind in their ability to afford housing in 2005. For households with income at 30% of area median income, statewide, the capacity to rent affordable housing decreased by $4/month (from $439 in 2004 to $435 in 2005). In contrast, housing prices, as measured by the Fair Market Rent (FMR) for a two-bedroom unit, increased $10 per month (from $612 per month in 2004 to $622 per month in 2005).

Similarly, the situation of low-income residents in non-metropolitan areas deteriorated in 2005. While the capacity to rent affordable housing decreased two dollars ($2) per month

---

22 Assessments of the overall affordability of housing are generally tied to two-bedroom units.
from 2004 to 2005, from $395 to $393, the Fair Market Rent for a two-bedroom unit in non-metropolitan areas increased $9 per month (from $534 in 2004 to $543 in 2005). In addition:

- Fair Market Rents decreased from 2004 to 2005 in five Indiana metropolitan areas.

- Fair Market Rents increased by $160 per month in Gary and $54 per month in Fort Wayne, even while the capacity to afford rents increased by only $1 per month in Gary and decreased by $12 per month in Fort Wayne.

The changes in Fair Market Rents for the various geographic areas in Indiana are presented in the table immediately below. In only Bloomington (increase of $37 in maximum affordable rent vs. $34 decrease in Fair Market Rent), Elkhart (decrease of $10 in maximum affordable rent vs. $65 decrease in FMR), Evansville (increase of $6 in maximum affordable rent vs. $84 decrease in FMR), and Indianapolis (decrease of $1 in maximum affordable rent vs. $43 decrease in FMR) did low-income consumers (30% AMI) gain ground in 2005 with respect to the affordability of overall housing costs.
### Table 25: Fair Market Rents (FMR) (2-bedroom units)
**Indiana (2004 and 2005)**

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>2004</th>
<th>2005</th>
<th>FMR Increase/(Decrease)</th>
<th>Change in Maximum Affordable Rent (30% AMI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State of Indiana total</td>
<td>$612</td>
<td>$622</td>
<td>$10</td>
<td>$4</td>
</tr>
<tr>
<td>Bloomington, IN MSA</td>
<td>$655</td>
<td>$621</td>
<td>($34)</td>
<td>$37</td>
</tr>
<tr>
<td>Cincinnati, OH--KY--IN PMSA</td>
<td>$634</td>
<td>$655</td>
<td>$21</td>
<td>$2</td>
</tr>
<tr>
<td>Elkhart--Goshen, IN MSA</td>
<td>$706</td>
<td>$641</td>
<td>($65)</td>
<td>($10)</td>
</tr>
<tr>
<td>Evansville--Henderson, IN--KY MSA</td>
<td>$627</td>
<td>$543</td>
<td>($84)</td>
<td>$6</td>
</tr>
<tr>
<td>Fort Wayne, IN MSA</td>
<td>$538</td>
<td>$592</td>
<td>$54</td>
<td>($12)</td>
</tr>
<tr>
<td>Gary, IN PMSA</td>
<td>$567</td>
<td>$727</td>
<td>$160</td>
<td>$1</td>
</tr>
<tr>
<td>Indianapolis, IN MSA</td>
<td>$716</td>
<td>$673</td>
<td>($43)</td>
<td>($1)</td>
</tr>
<tr>
<td>Kokomo, IN MSA</td>
<td>$589</td>
<td>$602</td>
<td>$13</td>
<td>($8)</td>
</tr>
<tr>
<td>Lafayette, IN MSA</td>
<td>$661</td>
<td>$676</td>
<td>$15</td>
<td>$4</td>
</tr>
<tr>
<td>Louisville, KY--IN MSA</td>
<td>$597</td>
<td>$563</td>
<td>($34)</td>
<td>$7</td>
</tr>
<tr>
<td>Muncie, IN MSA</td>
<td>$585</td>
<td>$598</td>
<td>$13</td>
<td>$1</td>
</tr>
<tr>
<td>South Bend, IN MSA</td>
<td>$621</td>
<td>$621</td>
<td>$0</td>
<td>$6</td>
</tr>
<tr>
<td>Terre Haute, IN MSA</td>
<td>$522</td>
<td>$527</td>
<td>$5</td>
<td>($5)</td>
</tr>
<tr>
<td>Non-metro areas—Indiana</td>
<td>$534</td>
<td>$543</td>
<td>$9</td>
<td>$2</td>
</tr>
</tbody>
</table>

**NOTES:**

Annual Median Income (AMI) are 2005 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](http://www.nlihc.org) (for years 2004 and 2005). Fair Market Rents are published by the U.S. Department of Housing and Urban Development (HUD) and are updated annually.

In sum, while low-income households statewide in Indiana experienced a decreased capacity to rent affordable housing of $48 per year ($4/month x 12 months), they faced an increase in housing prices of $120 per year ($10/month x 12 months) and thus lost ground overall in 2005 as compared to 2004. The loss of housing purchasing power was, however, not uniform statewide. In a small set of 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. However, after several years of stagnation, average weekly earnings in 2006 have grown in each of the reporting months. Average weekly earnings are up between 9% and nearly...
12% for the three reporting months of January, April and July. Annual data (as well as October data) is not yet available for 2006.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Apr</th>
<th>Jul</th>
<th>Oct</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$576</td>
<td>$573</td>
<td>$570</td>
<td>$586</td>
<td>$580</td>
</tr>
<tr>
<td>2002</td>
<td>$609</td>
<td>$597</td>
<td>$603</td>
<td>$580</td>
<td>$604</td>
</tr>
<tr>
<td>2003</td>
<td>$641</td>
<td>$665</td>
<td>$643</td>
<td>$669</td>
<td>$665</td>
</tr>
<tr>
<td>2004</td>
<td>$659</td>
<td>$639</td>
<td>$638</td>
<td>$642</td>
<td>$645</td>
</tr>
<tr>
<td>2005</td>
<td>$633</td>
<td>$624</td>
<td>$641</td>
<td>$679</td>
<td>$649</td>
</tr>
<tr>
<td>2006</td>
<td>$705</td>
<td>$690</td>
<td>$697</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

2006 as percent of 2001: 122.4% 120.5% 122.2% --- ---

2006 as percent of 2005: 111.5% 110.5% 108.7% --- ---

Average annual increase /a/: 3.7% 3.4% 3.7% --- ---

NOTES:

/a/ Average annual increase calculated for five years 2001 through 2006.

SOURCE:


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 2006, the number of hours worked in 2006 for workers in the non-durable goods industry has remained constant. The number of average weekly hours in 2006 (compared to 2005) declined by a fraction of an hour in April but was at or nearly 41 hours a week in January and July (with October 2006 data not yet available).
Table 27: Average Weekly Hours (Non-Durable Goods)  
(Indiana—Statewide)

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Apr</th>
<th>Jul</th>
<th>Oct</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>39.8</td>
<td>38.9</td>
<td>39.7</td>
<td>40.1</td>
<td>40.0</td>
</tr>
<tr>
<td>2002</td>
<td>40.6</td>
<td>40.1</td>
<td>40.8</td>
<td>41.3</td>
<td>41.1</td>
</tr>
<tr>
<td>2003</td>
<td>41.3</td>
<td>41.5</td>
<td>40.5</td>
<td>40.8</td>
<td>41.2</td>
</tr>
<tr>
<td>2004</td>
<td>41.1</td>
<td>41.3</td>
<td>41.1</td>
<td>41.4</td>
<td>41.2</td>
</tr>
<tr>
<td>2005</td>
<td>40.4</td>
<td>40.1</td>
<td>40.1</td>
<td>41.4</td>
<td>40.7</td>
</tr>
<tr>
<td>2006</td>
<td>40.9</td>
<td>39.8</td>
<td>41.1</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

**SOURCE:**

Average hourly earnings constitute the final input into total earnings in Indiana examined here. After a year of no growth in weekly earnings for workers in the non-durable goods industry during 2005, 2006 has seen moderate growth in hourly wages. The January and April 2006 average hourly earnings were $1.76 more than the earnings in January and April 2005, not only recouping but exceeding the loss in wages experienced from 2004 to 2005. A lesser, but still significant, wage increase was experienced in July 2006. Hourly wages in each month (January, April, July) were the highest reported in the six reporting years (2001 - 2006).
Table 28: Average Hourly Earnings, in Dollars (Non-Durable Goods)
(Indiana—Statewide)

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Apr</th>
<th>Jul</th>
<th>Oct</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$15.00</td>
<td>$14.88</td>
<td>$14.79</td>
<td>$14.05</td>
<td>$14.70</td>
</tr>
<tr>
<td>2003</td>
<td>$15.51</td>
<td>$16.03</td>
<td>$15.88</td>
<td>$16.40</td>
<td>$16.13</td>
</tr>
<tr>
<td>2004</td>
<td>$16.04</td>
<td>$15.46</td>
<td>$15.52</td>
<td>$15.51</td>
<td>$15.65</td>
</tr>
<tr>
<td>2005</td>
<td>$15.66</td>
<td>$15.57</td>
<td>$15.98</td>
<td>$16.40</td>
<td>$15.95</td>
</tr>
<tr>
<td>2006</td>
<td>$17.42</td>
<td>$17.33</td>
<td>$16.95</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

2006:2005 Increase/(Decrease) $1.76 $1.76 $0.97 --- ---

SOURCE:

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.