Slowing the Downward Spiral for Low-income Customers: A Utility's Initiative

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Abstract

The cost of energy continues to sky-rocket, and the projections show the rates will not plateau soon. According to the Short Term Energy Outlook from July 2008 (EIA), the average U.S. residential energy prices are expected to increase by 5.2 percent in 2008 and 9.8 percent in 2009. Additionally, Midwest households are face natural gas increases each year. Couple these increased rates with decreased economic stability, and utilities are not just facing the issue of increasing inability to pay among residential households, but also an increased low-income population that will find it even more difficult to pay their bills.

The low-income sector has always been a difficult to serve sector for energy providers. First, it is difficult to promote and sustain positive payment behaviors among these customers. Additionally, energy providers are concerned about unsafe energy mitigation practices, such as self-reconnects and the costs associated with those behaviors. Last, considerable resources are spent in handling these customers.

As a result of these issues, along with the community-driven desire to assist these customers as energy prices continue to rise, We Energies developed an encompassing pilot program to provide energy to a subset of their customers at a reduced rate, along with energy education, financial management education, arrearage reduction, and case management.

This paper profiles the We Energies Low Income Pilot (LIP) program and provides a comparison to their traditional low-income payment plan, the Energy Identification Program (EIP), that provides a less forgiving payment plan and has seen a lower success rate. This paper also presents program progress after the second year of a three-year program evaluation.

Introduction

As the economy struggles, utilities are feeling the effect. Offering a necessary service – rather than a commodity – utilities are often required to provide service to customers regardless of their bill payment behaviors. This is particularly true for those cold climates, such as Wisconsin, where state law does not allow utilities to disconnect households during the heating moratorium, from November 1 to April 15, if they are connected at the start of the moratorium.

Couple the difficult economy with rising energy costs, and utilities such as We Energies are realizing a significant increase in residential arrears. The rate of We Energies' arrears increased 7.9% in 2007 and another 8.4% in 2008 and We Energies does not project that this will decrease. The Wisconsin Home Energy Assistance Program (WHEAP), which provides monetary energy assistance for low-income customers, nearly doubled their average payment from 2007 to 2008 in Wisconsin. Additionally, WHEAP expects the average payment in 2009 to increase an additional 30 percent, from an average payment of $437 to $569[1].

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[1] http://www.alliantenergy.com/docs/groups/public/documents/pub/p017013.hcsp

The Birth of the We Energies Pilot

In 2004, We Energies and other program partners[2] gathered to discuss the issues they were seeing surrounding the increase in residential arrears and uncollectibles that they were experiencing. Not only was the increase in residential uncollectibles an issue, but We Energies and program partners saw that rising heating fuel and electric costs, coupled by a weakened economy and variability in energy assistance funding, contributed to households' inability to pay their energy bills.[3]

In response to these issues, We Energies developed the Low Income Pilot (LIP). Customers participating in the LIP are protected from utility service disconnects, benefit from a reduction in their arrears (past amounts owed on utility bills), and theoretically will establish more consistent payment habits using payment plan options provided by We Energies. The program's reduced bill and arrearage forgiveness components are not necessarily unique in the arena of bill payment programs; however, the strong community agency involvement and support elements (e.g., education) are noted by program designers to be critical components to the pilot.

While it is the hope of the utility that the program creates more revenue for the company, it is not an explicit goal of the program. The program is more concerned about developing a payment program that will provide the ability for households to sustain payments, not increase their payments, into the utility. At the same time, the theory is that households begin to develop positive bill paying habits.

Program Description

The LIP serves households that receive energy services from We Energies, reside in Milwaukee County, are income-eligible (below 150% Federal Poverty Level (FPL)) and receive energy assistance funds through the Wisconsin Home Energy Assistance Program (WHEAP). These households must have also experienced a disconnection for nonpayment in the year prior to participation and have an arrears balance and a monthly energy budget[4] of $65 or more.

We Energies manages the LIP and its program administrators. Two community-based agencies administer the program: the Social Development Commission of Milwaukee (SDC) and Community Advocates.

The LIP enrolled over 3,000 customers in the first year (2005) and has maintained a customer base of 3,000 in each subsequent year. At the beginning of each program year, the participant pool is supplemented to account for attrition. Reasons that a household could fall out of a participant pool vary, but include not fulfilling program requirements (e.g., not making payments or not attending training), moving out of the Milwaukee County area, or becoming income-ineligible.

The program consists of five main components: a reduced budget bill payment amount, arrearage forgiveness, allowances for limited payment failure, case management, and education.

Establish a budget bill payment amount. The program establishes a monthly energy payment for participating households based on the households' monthly energy budget less energy assistance and utility co-payment amounts. The percentage the utility will contribute toward a co-payment depends on the

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[2] Program partners include: We Energies, Milwaukee County, Community Advocates, SDC, State of Wisconsin Department of Administration, Citizens Utility Board, a State Representative, and other low income advocates.

[3] Memorandum from We Energies to the Public Service Commission of Wisconsin, *Wisconsin Electric Power Company and Wisconsin Gas Company Low Income Pilot Program.* Docket No. 05-GF-144, dated November 29, 2004.

[4] The monthly energy budget is defined as the total cost of a household's energy bills over the past 12 months, divided by 12.

household's poverty level, with households in greater poverty receiving the highest amount of assistance[5].

Forgive household arrears based on bill payment performance. The program forgives a quarter of program arrears every three months if the household successfully paid all their bills at the reduced bill payment amount in that period of time. At the end of 12 months, if a household made 12 successful payments, 100 percent of household arrears will be written off.

Allowances for limited payment failure. It is understood that there will be times when households cannot make the set payment. The program builds in flexibility for these circumstances and provides an opportunity for households to catch up and still reap full benefits (rather than eliminating them from the program altogether). However, the amount a household owes to the utility due to payment failures (including relevant taxes and late fees) cannot exceed twice the amount of the established budget amount, or two late payments. If this does happen, then the household is removed from the program.

Case management. Not only is this program intended to decrease arrears and establish a more manageable payment plan, it also requires customers to receive case management services. We Energies defines case management as follow-up with participants who are behind in payments or not fulfilling other program requirements. However, administering agencies may go beyond this basic level and provide more extensive one-on-one counseling.

Education. Last, the program requires households to attend financial management and energy education training. Households attend four to six hours total of training, depending on the format and administering agency. This education not only provides basic information about budgeting and energy conservation, but also provides the program with an opportunity to emphasize program requirements.

The pilot began in April 2005 and was initially intended to run three years through April 2008. The program received extensions from the Public Service Commission of Wisconsin (PSCW) to continue operating and We Energies is currently attempting to move the pilot into a full program.

Program Requirements. With these programmatic components in mind, we outline the requirements for staying in the program. Participants can be removed from the program for the following reasons:

(1) Failure to make their bill payments in full, on a monthly basis, with limited allowances.

(2) Not attending the required workshops. Households that do not attend energy education and financial literacy workshops by the end of their first program year are allowed to stay in the program for that year and receive full program benefits. However, they are removed from the program at the end of that first year.

(3) Failure to apply for or inability to receive WHEAP. WHEAP payment is a component of the reduced bill amount; therefore, it is a requirement that households receive WHEAP. Unfortunately, there are instances when due to an increase in income or change in household status that the household simply is no longer eligible and consequently removed from the program. Households that do not receive WHEAP in June of the program year are removed from the program, regardless of their length of time in the program.

Households also move and sometimes do not establish a new plan immediately. These households are not necessarily removed, but are put on suspension until they contact the program to establish a new plan with a new bill value.

Participants that complete the first year are allowed to move into another program year and stay in the program. They maintain their reduced budget value and are retained in the program until they fail to

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[5] Customer payments are broken out by poverty level, where households below 75% FPL pay 30% of the co-payment, households 75–100% FPL pay 40% of the co-payment amount, and households above 100% FPL pay 50% of the co-payment amount.

make their payments.

Program Goals. We Energies, in collaboration with the PSCW and the Department of Administration (DOA), established 10 metrics upon which to measure program progress. These metrics include: 1) enroll 3,000 households the first year; 2) reduce arrears to $0 for 50 percent of households each year; 3) reduce arrears to $0 for 40 percent of households at end of third program year; 4) induce one energy behavioral change per household based on education; 5) enable fifty percent of households to feel they have better control of energy use based on education; 6) induce one financial management change per household based on workshop; 7) enable fifty percent of households to feel they have better control of finances based on education; 8) increase the average number of annual payments made to the utility; 9) decrease the number of disconnections for 70 percent of participants; and 10) decrease the number of service address changes in participant group.

We LIP Program Performance

The most current program evaluation reviewed the performance of the first and second year that participants were in the program. Evaluators reviewed program performance in terms of 1) progress against goals, 2) program participant status, 3) number of yearly payments while in the program compared with prior to program participation, 4) amount of funds coming into We Energies compared with prior to the program, and 5) reduction in arrears. The process evaluation also teased out issues such as the differences in case management offered by administering agencies and how the program shifted its education offerings. These latter findings are not presented in this paper.

Progress Against Goals. Evaluation efforts identified issues with the goals established by We Energies in conjunction with the PSCW and DOA. The evaluation results strongly indicated that it is not feasible or practical for the program to achieve all the current goals based on the population it is serving. Therefore, progress against goals are not detailed in this paper.

Evaluators recommended that the metrics be reviewed again in light of current pilot performance. Additionally, evaluators suggested to program managers that utility and stakeholders review other similar programs' performance and metrics. This exercise would provide a benchmark for We Energies progress and inform more realistic goals. Program managers and stakeholders upheld this recommendation, and evaluators are currently involved in this activity through a secondary literature review and will be conducting in-depth interviews with low-income program managers in other states.

Program Participant Status. Table 1 outlines the Year 1 program enrollees' performance at the end of the first program year and second program year. Just over a third of program participants fulfilled all requirements in the first year and moved into the second year. They made all payments required, attended trainings, and received WHEAP benefits. An additional 12 percent were removed for either not attending workshops or not receiving WHEAP funds in the first year. Although removed from the program, these households typically made their required payments. So, in effect, nearly half of program participants made regular payments to the utility in the first year of program participation. These were households that, a year previously, had been disconnected for non-payment.

Naturally, the second program year saw additional attrition. The percentage of households removed from the program increased from 47 percent in year one to 58 percent in year two, and only 19 percent of households moved into year three. The majority of customers removed during the second year were removed for missed payments.

Table 1. We Energies LIP Year 1 Participant Performance at End of First and Second Year[6]

	First Program Year	Second Program Year
Total Year 1 Enrollment	**3,235**	**3,235**
Active customers*	**34.6%**	**19.2%**
Customers removed from program*	**58.3%**	**72.2%**
Removed for missed payments*	46.5%	57.9%
Removed at year-end for non-attendance at workshop	6.4%	6.3%
Removed—did not receive WHEAP funds*	5.2%	7.7%
Removed for other reasons	0.2%	0.4%
Moved without new plan	**7.1%**	**8.6%**

While 19 percent of households still active in the program is a relatively low figure, this data must be reviewed in context of the population. These households made an average of six payments the year prior to the program. At the point of the end of the second program year, nearly a fifth of program participants made at least 24 months of consecutive payments and fulfilled all program requirements. However, as the bill payment analysis shows in the next section, the value of funds coming into We Energies is no greater as a result of their participation in the program.

The evaluation also reviewed the performance of households first enrolled in 2006, which was the second year the program was operating. The analysis shows that Year 2 improved upon Year 1 performance. Ten percent more Year 2 enrolled households were active on the program than in Year 1 (45 percent versus 35 percent, respectively). Additionally, the analysis shows that the percentage removed for nonpayment decreased 5 percentage points for second year enrollees. It is important to put the finding in the context of the population served, and second year enrollees appear to have a slightly higher income and slightly less impoverished than first year enrollees. Despite these demographic differences, it is likely that the improvement is also a result of a more established program.

Number of Payments. The following two tables review the number of payments and value of payments made by first year enrollees within the past year (September 2006 through September 2007). This information is compared with the average number of payments made the year prior to participating in LIP. Second year enrollees' data are not included this analysis as there was not enough post-program performance data to make the analysis meaningful.

In addition to showing the average number of payments, the table breaks out the average number of payments for those removed in the first year of program participation and those removed in the second year of participation (in other words, they completed the first year and moved into the second year, then were removed). This is done for several reasons.

[6] Source: We Energies LIP Participant Data (9/29/07).
* Difference is statistically significant at the 95% confidence level

First, the average number of payments blends the data for those removed in the first year and those removed in the second year. Breaking out the analysis by year removed shows how the payment values differ by years removed. As expected, those removed in the second year had better payments than those removed in the first year.

Second, it is interesting to review payment patterns of those households removed in the first year of the program to see if payment behaviors are improved from prior to program participation. One goal of the program is to improve bill payment habits, which the program hopes would carry through when participants are no longer receiving program benefits. Households removed in the first program year represent a full year of post-LIP payment data. A review of pre-LIP payments shows whether payment behaviors that may have been learned from the LIP carry through after program participation.

The average number of payments shows that while on the program, households make more payments than prior to program participation (Table 2). However, a review of the number of payments made by households removed in the first year show their payment behaviors did not improve substantially from their behaviors prior to program participation. Those removed for not receiving WHEAP or not attending workshops improved their payment behaviors marginally, whereas those removed for missed payments worsened.

Table 2. Payment Patterns of First Year Enrollees[7]

	Average # Payments While on Program	**Pre-LIP Average # Payments**	**Average # Payments – Removed Year 1**	**Average # Payments – Removed Year 2**
Total Year 1 Enrollees	**6.1**	**4.9**	**--**	**--**
Active customers	12.1	5.6	--	--
Customers removed from program				
Removed for missed payments	4.4	4.3	3.8	6.5
Removed—did not receive WHEAP funds within FY06 heating season	7.8	5.5	6.1	11.3
Removed after Year 1 for non-workshop	6.3	5.5	6.2	*
Removed for other reasons	9.0	5.0	6.6	10.7
Changed and final status without new plan	2.8	4.4	2.1	5.1

Total Payments to We Energies. The total values of payments coming into We Energies by program participants are no greater as a result of program participation, and in most cases are actually lower. This makes sense, as the payments required by We Energies are significantly reduced for these participants. The analysis shows that established budget billing amounts are, on average, reduced by half for program participants.

According to We Energies, this program is meant to promote better payment behaviors, not increase the total funds coming into the utility. Again, a comparison of pre-LIP performance with the performance of those reviewed in the first program year shows no improvement in payments values (Table 3).

[7] Source: Payments File sent by We Energies 11/30/2007

* Households should not have been removed in Year 2 for not attending education.

Table 3. Payment Values of First Year Enrollees

	Average Value of Payments While on Program[8]	Pre-LIP Average Value of Payments	Average Value of Payments – Removed Year 1	Average Value of Payments – Removed Year 2
Total Year 1 Enrollees	**$881**	**$1,036**	**--**	**--**
Active customers	$1,175	$1,168	--	--
Customers removed from program				
Removed for missed payments	$806	$913	$783	$897
Removed—did not receive WHEAP funds within FY06 heating season	$1,405	$1,221	$1,499	$1,207
Removed after Year 1 for non-workshop	$1,082	$1,207	$1,091	*
Removed for other reasons	$1,292	$1,010	$1,374	$1,233
Changed and final status without new plan	$412	$882	$365	$580

This analysis shows that in the absence of the program and the reduced bill amount households are not able to maintain their payments, regardless of their experience in the program. One could argue that it takes longer than a year to learn good payment habits and that We Energies and the household will see the greatest benefits from those in the program the full three years. However, it is not clear to evaluators that these households will ever be able to exhibit consistent bill payment behaviors with their full budget bill amount given their limited income.

Reduction in Arrears. The first year analysis showed that nearly three-quarters of Year 1 enrollees received at least one forgiveness payment, or 25 percent of their arrears forgiven. In total, an average of 57 percent of initial arrears was forgiven for Year 1 enrollees at the end of their first program year and 60 percent of all Year 1 enrollees, regardless of program status, had lower arrears than when they initially started.

Table 4 provides some early evidence that, unless participants are moved onto another reduced payment schedule, their arrears will increase again when out of the program regardless of the reason for removal. The table shows that although the program forgave approximately 57 percent of arrears for Year 1 enrollees, these arrears are slowly building up again, particularly for the participants removed for missed payments. For example, the average value of original arrears for those removed for missed payments was $2,175. The average amount forgiven was $981. If no arrears accumulated from the point of forgiveness to the updated data, then their average arrears for year 2 would be $1,194 ($2,175–$981). Instead, the average arrears is now $1,981, which represents an average of $787 accumulation in arrears, and only $200 shy of their pre-program arrears.

[8] Average payment excludes the one-time down payment, which averaged $235 per household per the We Energies Low Income Pilot Plan First Year Evaluation Report Draft, prepared by We Energies and provided to PA on November 3, 2006

The accumulation rate of additional arrears off the program correlates with the initial arrears. The original arrears were higher for those removed for missed payments; therefore, as one would expect, the arrears are accumulating fastest for this group. The second highest original arrears resided with those removed for no WHEAP. This group also saw the second highest post-program accumulation in arrears. This data supports agencies' assertion that, in the absence of the reduced payment plan under the program, households will have difficulty paying their bill.

Table 4. Average Arrears for First Year Enrollees in the Second Program Year

Status	Average Arrears - Original	Average Arrears - YR2	Average Amount Forgiven	Average Arrears Accumulation[9]
Active (617)	**$2,062**	**$40**	**$2,024**	**$2**
Removed for Missed Payments (1,663)	$2,175	$1,981	$981	$787
Removed for not attending workshops (240)	$1,728	$744	$1,682	$698
Removed for no WHEAP (211)	$1,927	$1,121	$1,581	$776
Removed for other reasons (7)	$1,317	$1,246	$811	$741
Moved without new plan (171)	$1,912	$1,319	$1,090	$497

Source: Arrears data file from We Energies 12/4/2007
Numbers do not equal total population due to missing arrears data for households that no longer have an account with We Energies.

In Contrast – the Energy Identification Program (EIP)

We Energies also offers a program similar to LIP—the Early Identification Program (EIP). We Energies has offered EIP since 1984. Although there are marked similarities between the two programs, We Energies presents LIP as having some key differentiating components that they believe will increase the program's success rate (Table 5).

EIP serves approximately 8,000 low-income households with incomes at or below 150% FPL—LIP serves the same population. EIP participants are referred to the program through We Energies representatives. Customers who are having difficulty making their payment contact We Energies to arrange payment plans. If eligible, customers are then referred to the EIP. LIP participants on the other hand are invited based on their WHEAP and disconnection experience (they must have received WHEAP and must have been disconnected in the previous year).

Both programs require customers to be on budget plans and receive assistance through the WHEAP. However, the monthly budgets vary as LIP has a reduced monthly budget amount. Both EIP and LIP forgive arrears on a quarterly schedule, although EIP is stricter in that it will only provide forgiveness if customers make three consecutive on-time monthly payments.

[9] Arrears accumulation = Average arrears from Year 2 – (Average original arrears-Average amount forgiven)

Table 5. EIP and LIP Comparison

	EIP	**LIP**
Number of customers served annually	~8,000	~3,000
Minimum monthly budget amount requirement	$200	$65
Selection into the program	Referral from We Energies during payment negotiations	By invitation, customers must have been disconnected in the past year.
Requirement for arrears forgiveness	Customers make three consecutive payments	Customers make three months' of payments by the end of the third month
Down payment amount requirement	The lesser value of $600, or 40%–60% of arrears	Two monthly budget payments maxed at $600
Offers follow-up case management	No	Yes
Requires workshop attendance	No	Yes
Limited allowance for failure to pay	No	Yes

Customers are required to provide a down payment to participate in both LIP and EIP; however, the amount of the down payment differs. EIP requires customers to submit a down payment of the lesser of two values: $600, or 40 percent to 60 percent of arrears depending on their disconnection status. LIP requires participants to submit a down payment of two monthly budget payments, which range from $130–$600.

We Energies differentiates LIP from EIP in four other important ways: 1) the flexibility built into LIP, 2) how the budget payment amount is calculated, 3) case management, and 4) education offerings.

Flexibility of the program. The criteria for participant disqualification are different for LIP and EIP. EIP customers are removed after one missed payment, whereas LIP customers are not removed until two missed payments OR partial payments are deficient up to two missed payments. However, EIP customers are allowed to participate and fail twice in a 15-month time frame, although they would have to go through the enrollment and down payment process each time they enter the program. A household that fails on LIP is out of the program permanently.

Budget payment calculation. EIP differs from LIP in how the budget payment is calculated. The required minimum payment for EIP participants is $200 and is based on the customer's actual budget, whereas LIP participants' payment takes into account a utility co-payment, thereby reducing the monthly payment amount.

Case management. Additionally, if households are falling behind on their payments, LIP agency representatives and We Energies contact the household to discuss their payment status and help identify ways to find the funds to continue payment. These options could be searching out funding sources from alternate assistance programs, or one-one-one counseling to determine if the household can shift finances to cover bills. EIP does not contact households when they are falling behind on their payments.

Education offerings. LIP not only offers, but requires, households attend financial literacy and energy conservation training. Administering agencies provide the education, and offer a variety of venues and workshop lengths to be flexible to participants' work and lifestyle needs. EIP does not provide this service.

Comparison of EIP and LIP Performance

When We Energies approached the PSCW and other parties about offering the LIP, they were questioned about the necessity of offering two different – yet seemingly similar – low-income programs. As detailed above, there are enough similarities between the two programs that some stakeholders wondered if the differences in the two programs would produce significantly different results.

As it turns out, the results are indeed significantly different. Table 6 provides a comparison of EIP and LIP performance. This analysis uses those enrolled in 2005 as a basis for comparison, as that was the only year available to evaluators where both programs provided data and it was important to include similar years for comparability. EIP customers included in this analysis are those that enrolled in the program from May 1 through August 16, 2005, a similar time frame as the first year LIP enrollment period.

As this table shows, only eleven percent of EIP participants made all required payments in the first year, compared with 42 percent of LIP participants. This does not mean that all LIP participants moved into the second program year, as they may have failed to fulfill other program requirements (e.g., education), but it is their bill payment patterns that this analysis focuses on.

Table 6. Comparison of LIP and EIP Performance

	% LIP (N=3,237)	**% EIP (N=2,544)**
Participants that made all required program payments[10]	**41.7%**	**10.8%**
Removed for missed payments	46.5%	79.5%
Removed—did not receive WHEAP funds within FY06 heating season	5.2%	NA
Removed for other reasons	0.2%	NA
Moved without new plan	**7.1%**	**9.7%**

Drivers Behind the Differences in Performance. There could be various reasons why LIP appears to perform better than EIP. EIP's program requirements are more stringent than LIP, and, unlike the LIP, the budget bill does not include a co-pay value from We Energies.

Also, demographic characteristics may influence performance. For example, EIP may service households that are in different poverty levels than LIP participants. Only a characterization analysis of these EIP participants would provide insight into the household characteristics of this EIP population, which was not conducted as part of this evaluation as demographic data was not available for the EIP program.

Last, there is the issue of selection requirements into the EIP program. EIP customers are referred to the program when they are having payment difficulties and are trying to negotiate payment agreements with We Energies representatives or when working with community agency case managers. They are required to have high budgets and outstanding balances. LIP has a lower threshold budget and no outstanding balance

[10] This category includes LIP households that were removed for no education. These households completed the program, but were not allowed to continue into Year 2.

requirement other than they have to have an outstanding balance and been disconnected the previous year. These selection differences into the programs may result in capturing different populations, and EIP customers may tend to be worse-off than LIP customers.

However, program managers and administrators argue that there is more to the higher success of LIP than just potential demographics, budget bill, and program requirements. They believe that the workshop offerings, case management, and program flexibility are the crux of the success of these participants.

Administering agencies that provide the workshops to participants tout energy efficiency and financial management. They are well-versed in energy conservation techniques and energy efficiency upgrades that could improve the energy use of the home. Additionally, all educators are trained to provide financial management instruction and use the federally supported *Money Smart* curriculum[11].

However, agencies say one of the greatest benefits of the workshops beyond the information provided is the opportunity to impress on participants the benefit the LIP provides to their household and the importance of paying their established energy bills, an opportunity that does not arise in the EIP program. They are up-front with participants about the impact of not paying the set bills, including an illustration of what the resultant full budget bill will be when off the program. Agencies believe this continuous reinforcement of the program requirements and benefits to their household are one of the key elements of the workshops not entirely captured in the description of the program offering – perhaps because it was initially an unintended consequence.

We Energies and administering agencies also believe the case management is a critical component of LIP's greater success when compared with EIP. The case management, as noted above, is at minimum offered as a preventative call or letter to let households know they are falling behind in their bill program. However, agencies also maintain a high case management culture and routinely provide more in-depth case management services to their clients. These services include referrals to other programs, assistance in finding employment, and/or discussions related to home energy use and the potential benefits of moving to reduce the energy use (or, conversely, the impact of a move to a less efficient home if that is being considered).

Additionally, the one-on-one case management also provides a deeper level of financial counseling than the workshops provide. Case managers spend up to several hours with program participants, reviewing their current budget and attempting to find a means to shuffle income and expenditures to support more positive bill payment behaviors. Given the incredibly limited income of this population, this task is oftentimes daunting. However, case managers claim that more often than not the initial budget is as reflective of participant 'wants' as much as 'needs,' and a discussion about shifting those resources is worthwhile.

Last, We Energies strongly believes the flexibility built into the LIP contributes to the more positive payment patterns when compared with EIP. They recognize that in a given month households face emergencies or valid expenses that are not planned or not typical. One example is households' needs to pay for school supplies for children in August and September. About 40 percent of participants have school-aged children and face the need to pay for school materials and clothes in these months. We Energies traditionally experiences a reduction in payments during this time, particularly related to low-income bill payment programs. The LIP provides allowances for these types of circumstances and offers participants the flexibility to deal with additional or unplanned expenses while being allowed to remain in the program.

Conclusions

[11] Federal Deposit Insurance Company (FDIC): http://www.fdic.gov/consumers/consumer/moneysmart/

Households participating in the LIP pilot program have issues beyond what can be addressed by a utility bill-payment program. At the end of the first year, 54 percent of households were removed from the program for not fulfilling their payment requirements, and by the end of the second year an additional ten percent of participants were removed for the same reason. These households' inability to pay, or even unwillingness to pay, their bills at these significantly reduced rates in and of itself shows that this is a population who may never be able to contribute regularly or consistently to their bills under their current financial situation. And while the analysis of second year enrollees' progress shows that the percentage of households removed for nonpayment was marginally better[12], the performance trends are similar to first year enrollees.

However, the comparison of the LIP to the EIP program indicates that incorporating elements such as flexibility, case management, and education may be a powerful means for improving payment behaviors. Eleven percent of customers participating in We Energies' EIP program made regular payments and graduated from the program in 2005. This rate is significantly lower than the LIP rate (42 percent that made required payments), but does not offer the more hands-on program elements LIP offers.

While evidence indicates that an approach like the LIP is more effective, the additional cost for running such a program cannot be ignored. Clearly providing case management and delivering training to all participants is an expensive proposition in addition to the funds dedicated to the co-payment and reducing the budget bill. Combined with the fact that the program is not a means for collecting additional revenue and it is not surprising that the cost-effectiveness test does not yield a positive result for the utility.

However, We Energies did not set out to start a program that would increase revenue. They, as well as community stakeholders, were driven by the idea that without a program such as the LIP these households will continue the spiral of non-payment and increasing arrearages. And those on the ground level – the administering agencies – also stand by the LIP as a program that they see daily helping households that would never have been able to get out from under the weight of their bills.

As a last note, there is currently little evidence that participants will be able to sustain payment patterns off the program. This review shows that the program is a benefit to those customers who can pay their reduced bill while on the program. Once off the program, customers will most likely still be in the same position as they were prior to participation. We Energies is using this information as they consider if, or when, households should be transitioned off the program and how that transition would take place.

Looking forward, We Energies is in discussions with the PSCW about moving the pilot into a full program. Additionally, they have expanded the pilot to another city in Wisconsin (Waukesha) and would like to continue to expand into two more cities shortly (Racine and Kenosha). They plan to continue to offer both the EIP and LIP programs concurrently.

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[12] Comparison shows 46 percent of first year enrollees were removed for non-payment that first year, compared with 41 percent of second year enrollees. The second year enrollees were slightly better off financially, which may be influential in their ability to pay.