

Arrearage Management Plans

CUSTOMER AGENCY

✓ SAFEGUARD



AT A GLANCE



TARGET COST DRIVERS

This policy addresses overall affordability, easing customer cost pressures that may arise from any of the drivers listed below

- **Aging grid infrastructure**
- **Fuel price volatility**
- **Extreme weather/wildfires**
- **Load growth**
- **Misaligned utility incentives**



IMPACT TIME HORIZON

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How long it typically takes before changes materialize in utility behavior or customer bills



Short-term (0–2 years)



POTENTIAL COST SAVINGS

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The level of cost savings that can reasonably be expected to result from this policy



Not applicable

CONTEXT AND BACKGROUND

Arrearage management plans (AMPs) support long-term energy affordability by helping low-income utility customers systematically reduce and ultimately eliminate utility debt.

AMPs generally forgive a portion of a customer’s outstanding debt for each on-time payment of a new bill. Often, this works by eliminating one-twelfth of the initial debt each month until the full debt is gone after one year. Such programs enable participants to chip away at arrears over time and stay current on their utility payments, often leading to improved payment

habits once the program ends. AMPs are especially important for households facing high energy burdens who may accumulate large arrears over time. They are often seen as a win-win-win for customers in arrears, the broader customer base, and the utility because lowering arrearages also lowers uncollectible costs that would otherwise fall on all customers.

REAL-WORLD EXAMPLES

At least ten states have arrearage management plans in place, not all of which have been established through legislation.



Maine requires utilities to create and implement their own AMPs via [An Act To Assist Electric Utility Ratepayers](#), enacted in 2014. Each time an AMP participant pays their current amount due on time, [one twelfth of their initial arrearage amount is forgiven](#), up to \$500 per month. Utilities recover costs through rates. Eligible customers include those who meet eligibility criteria for state assistance programs HEAP and LIAP (Home Energy Assistance Program and Low Income Assistance Program), and have arrearage of at least \$500 with a portion at least 90 days in arrears, and the program has some restrictions on participation for those who have previously participated in an AMP.



Massachusetts enacted [statutory requirements](#) in 2005 for utilities to develop and implement AMPs. A portion of the customer's past-due balance is forgiven each month, with the specifics varying by utility (e.g., up to \$1,000 per month for National Grid). Utilities recover costs through rates, subject to approval by the utility commission. Eligibility extends to customers with an arrearage of at least \$300 that is at least 60 days overdue and who are enrolled in the utility's low-income discount rate, which typically requires eligibility for federal assistance programs.



IMPACT TIME HORIZON

Short-term (0–2 years)

Once arrearage management plans come into place, customers can typically begin accessing them right away.



POTENTIAL COST SAVINGS

Not applicable

AMPs result in debt forgiveness rather than a reduction in bills. The level of cost savings depends on the customer's outstanding balance and AMP design, but arrearage management programs can save a customer hundreds to thousands of dollars in debt over the course of a year.



FURTHER READING

- [“Helping Low-Income Utility Customers Manage Overdue Bills through Arrearage Management Programs \(AMP\).”](#) National Consumer Law Center, 2013
- [“We Can End Energy Poverty in the Electric Sector: Here’s How.”](#) RMI, 2025



LEGISLATIVE DESIGN AND IMPLEMENTATION CONSIDERATIONS

Legislation can establish the following program parameters, which may differ state-to-state:

Program timeline

Specify how long it takes for the entire arrearage to be forgiven. Many programs forgive one twelfth of the arrearage each month when the customer makes an on-time payment of their current month's bill; under this system, the entire arrearage is forgiven after a year.

Eligibility criteria

Define which households will qualify for an AMP based on extent of arrears, income level, or participation in assistance programs to support the customers most at risk of disconnection.

Notice and communication standards

Establish standards for providing notice to eligible customers to support awareness and program participation.

Enrollment process

Provide the basic framework for AMP enrollment.

Administration

Clarify the role of utilities and regulators in program design and administration.

Source of funding

Specify cost recovery mechanisms to help ensure predictable program financing.

Reporting requirements

Require regular reporting of program impacts (e.g., households participating, defaults, amount of arrearage forgiven) to build transparency and enable evaluation of program effectiveness.

Establishment of related policies

Establish or coordinate AMPs with other initiatives to lead to stronger consumer protections and longer-term improvements in affordability. These initiatives can include disconnection protections to ensure customers making regular payments in AMPs cannot be disconnected, mechanisms to ensure bill affordability (discount rates or percentage-of-income payment

The table below provides examples of how authority and responsibility for arrearage management plans may be distributed across key entities.

VENUE	POTENTIAL ROLES
Legislature	<ul style="list-style-type: none"> Define roles for program administration Specify funding source Establish complementary policies and programs Set reporting requirements
Regulator	<ul style="list-style-type: none"> Refine and deploy eligibility criteria Develop enrollment processes Report on program progress Conduct customer outreach and support
Administration	<ul style="list-style-type: none"> Propose budget support Foster alignment between arrearage management and other programs that protect utility customers
RTO/ISO	<ul style="list-style-type: none"> No direct role

plans), or energy efficiency programs or requirements that AMP participants accept no-cost energy efficiency audits or tools.