



ELECTRICITY AFFORDABILITY TOOLKIT

Low-Income Discount Rates

COST DISTRIBUTION

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

● ● ● High

CONTEXT AND BACKGROUND

Low-income discount rates are a tool used by states to improve energy affordability for economically vulnerable households.

These programs provide energy at a discounted price, which can be structured as a flat discount (e.g., 30% off the utility’s per-kWh rate for all eligible income groups) or a tiered discount (i.e., the discount varies by income group, with the lowest-income customers receiving the largest discount).

Discount rate programs are often linked to federal policy guidelines or eligibility for other assistance programs. The implementation of low-income discount rates varies significantly across jurisdictions in terms of structure and benefit level. Some states mandate utilities provide these rates, while other programs have emerged voluntarily or through utility-initiated rate proposals.

Low-income discount rates can serve as an alternative to percentage of income payment plans (PIPPs) or a complement to other affordability programs that protect energy access, reduce energy demand, and address customer debt. Like PIPPs, low-income discount rates help lower total bills for participating households.

However, the support they provide is typically less tailored to individual household needs and can be less administratively complex. These policies can provide relief to energy-burdened customers, though tiered, rather than flat, discount rates may be necessary in order to significantly improve energy burden for the most severely burdened customers.

REAL-WORLD EXAMPLES

As of 2025, at least **12 states** have low-income discount rates in place.



Connecticut's Low-Income Discount Rate lowers customer bills via a five-tiered structure with discounts ranging from 5% to 50%. The program is funded through a systems benefits charge on monthly customer bills, and households less than 200% of the federal poverty level and meeting some additional criteria are eligible. Connecticut updated its program after data sharing with the Department of Social Services triggered automatic enrollment and resulted in a large increase in costs. Relevant statutes include 2020's [Take Back Our Grid legislation \(House Bill 7006\)](#), which, spurred by the grid impacts of Tropical Storm Isaias, drove a number of electricity system reforms.



New Hampshire's Electric Assistance Program provides discounted rates on a sliding scale between 5% and 86% depending on household income. A system benefits charge on customer bills funds the program. Households earning less than 60% of the state median income are eligible, and the program provides discounts for monthly electricity usage up to 750 kWh. The statewide program distributes cost recovery across customers of all utility service territories. New Hampshire's [Revised Statutes Annotated \(RSA\) Chapter 374-F](#), which deals with electric utility restructuring, [authorized the program](#).



IMPACT TIME HORIZON

Short-term (0–2 years)

Once approved and funded, low-income discount rate programs can generally launch within a year or two.



POTENTIAL COST SAVINGS

High

While cost savings will vary substantially with policy design and implementation, low-income discount rates can offer substantial savings for individual consumers. RMI's [Energy Poverty Policy Simulator](#) shows how even modest discount rates can reduce low-income customer bills by hundreds of dollars annually.



FURTHER READING

- [“We Can End Energy Poverty in the Electric Sector: Here’s How,”](#) RMI, 2025
- [“Utilities’ Low-Income Discount Programs Help Address Energy Insecurity, But Some US States Lag Behind,”](#) Columbia University Center on Global Energy Policy, 2024



LEGISLATIVE DESIGN AND IMPLEMENTATION CONSIDERATIONS

Legislation will vary state-by-state but can include the following parameters:

Policy structure

Targeted discounts may address energy burdens for the lowest income households more fairly and adequately than flat discounts. Depending on income, households may receive discounts of anywhere from 5% to over 80%.

Eligibility criteria

Determine whether eligibility is based on federal guidelines, participation in assistance programs, or other criteria to ensure benefits reach intended households.

Source of funding

Specify whether the program is funded by a system benefits charge, general rates, state appropriations, or a separate public purpose fund. If paid through rates, clarify how costs are recovered and from whom. For example, some states will have all ratepayers pay a system benefits charge, some only residential ratepayers, and some only residential ratepayers with the exception of

income-eligible customers.

Reporting requirements

Requiring utilities report regularly (e.g., annually) on the program's performance, including the number of customers enrolled, program costs, outcomes, discount levels, and geographic/demographic reach, supports accountability. Providing this information transparently (e.g., on a public-facing dashboard) enables public monitoring.

Voluntary or mandatory

Determine whether participation by utilities is mandatory or voluntary. Mandatory policies typically lead to broader coverage, more customers benefiting, and greater fairness across service territories.

Enrollment process

Specify whether program enrollment will happen automatically or via customer-initiated applications. Automatic enrollment is considered a best practice because it improves

The table below provides examples of how authority and responsibility for low-income discount rates may be distributed across key entities.

VENUE	POTENTIAL ROLES
Legislature	<ul style="list-style-type: none"> • Set the basic discount structure • Define key eligibility criteria • Establish reporting requirements • Clarify the funding source
Regulator	<ul style="list-style-type: none"> • Refine and implement the discount structure • Determine details of eligibility criteria • Develop enrollment process • Conduct customer outreach and support
Administration	<ul style="list-style-type: none"> • Propose budget support • Advertise program to key audiences
RTO/ISO	<ul style="list-style-type: none"> • No direct role

uptake and reduces administrative burden for low-income customers.

Design details

Consider establishing other elements, like usage caps or outreach elements, to optimize program impacts.