

Percentage of Income Payment Plans

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



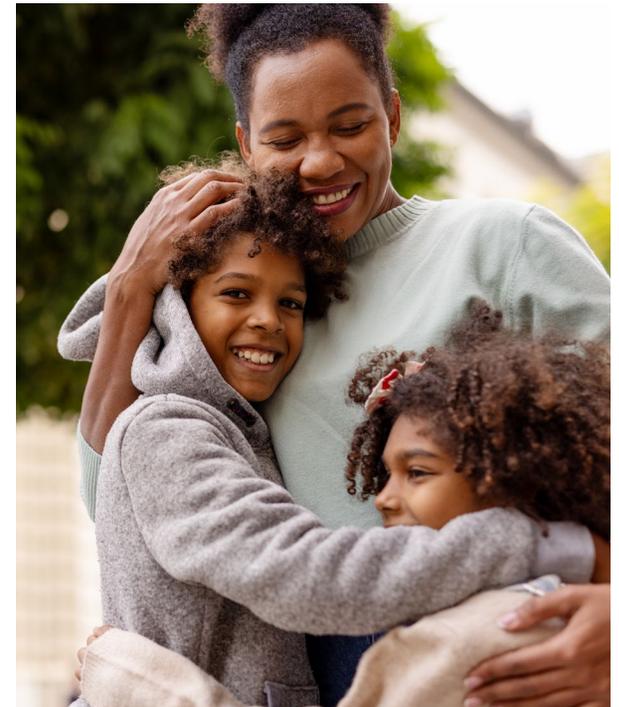
High

CONTEXT AND BACKGROUND

Percentage of income payment plans (PIPPs) are utility affordability programs that reduce energy burden, the share of income spent on energy bills, by capping bills as a fixed percentage of household income.

PIPP design varies, but they generally cap energy bills at 3%–10% of household income, with costs typically funded by other ratepayers. PIPPs protect against rising bills and provide predictability by ensuring bills remain even month to month.

PIPPs are increasingly seen as a cornerstone of energy affordability policy. While legislation may establish the overall framework, the specific design of the PIPP — including eligibility considerations, enrollment process, or payment formulas — is typically managed by utilities or regulators.



REAL-WORLD EXAMPLES

PIPPs exist in at least ten states, including New Jersey, Illinois, Colorado, Maine, North Dakota, and Nevada.



California's utility commission [developed a Percentage of Income Payment Plan Pilot](#) following the passage of [Senate Bill 598](#), which directed the commission to [address utility disconnections](#). The program caps energy bills at 4% of household income. In order to qualify, customers must (1) be part of the state's California Alternate Rates for Energy (CARE) program, a low-income utility bill discount program, and (2) be located either in one of the zip codes with the highest rates of disconnections or have experienced at least two disconnections during the year prior to the moratorium. A bill surcharge applied to all customers pays for the program.



New York's Public Service Commission approved the [Energy Affordability Guarantee Pilot](#), which functions like a PIPP, in 2024. The concept was first outlined by the governor in 2023, and the pilot builds on a number of existing state and utility affordability policies and programs. The pilot program caps monthly energy bills at 6% of household income for low-income households that fully electrify their space and water heating through the EmPower+ program, which provides subsidized and no-cost home energy retrofits. Funding for the pilot comes from a \$50 million state budget appropriation.



Ohio's PIPP [began in 1983 as a result of a Public Utilities Commission of Ohio \(PUCO\) order](#) and is [the oldest and largest PIPP in the United States](#). Multiple policy and regulatory changes have revised elements of the program in the years since, including a major update in 2010 that also resulted in the program's renaming to "PIPP Plus." [Eligible households](#) that heat with gas pay 5% of their gross household income on their gas bill and 5% on their electric bill. Households that heat with electricity pay 10% of their gross monthly income. For customers in arrears, each monthly on-time payment results in a credit of 1/24 of their historic balance. Ohioans that receive electric or gas service from a utility regulated by the PUCO and have a household income less than 175% of the federal poverty level are eligible for the program.



IMPACT TIME HORIZON

Short-term (0–2 years)

Once approved and funded, PIPPs can generally launch within a year or two.



POTENTIAL COST SAVINGS

High

PIPPs can deliver significant cost savings, but impacts will depend on policy design. Using RMI's [Energy Poverty Policy Simulator](#), a Virginia-style PIPP applied to North Carolina is projected to reduce energy burdens by over 50% for customers at or below 100% of the federal poverty level.



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

Legislative approaches will differ state-to-state but can consider the following actions and parameters in establishing PIPPs:

Eligible criteria

Setting an income threshold for program eligibility (e.g., household income $\leq 150\%$ or $\leq 200\%$ of the federal poverty line) or defining specific target populations (e.g., low-income households, elderly, or medically vulnerable) leads to programs that reach the most in need. Legislation can also require that program administrators establish eligibility criteria that maximize affordability benefits overall or give specific consideration to these target populations. Legislators can consider including moderate-income customers to reach more households in need.

Affordability standards

Set the target energy burden (e.g., energy bills are not to exceed 6%–10% of household income). Specifying different tiers of benefits based on income level or household size matches assistance to household needs.

Source of funding

Establish whether the program is

funded via utility bill surcharges, state budgets, federal grants, cap-and-invest programs, or utility revenues; programs are nearly always ratepayer-funded. These stipulations may include cost caps or cost allocation provisions for utilities. Paying for program costs via cuts to other beneficial programs may undermine progress toward affordability goals.

Reporting requirements

Requiring program implementers to periodically report on program participation and cost-effectiveness leads to greater transparency and accountability. This may involve third-party evaluations or audits to provide more robust oversight.

Establishment of related policies

Undertaking a portfolio approach that pairs PIPPs with other complementary policies can lead to a more comprehensive strategy that addresses multiple facets of electricity affordability at once.

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

VENUE	POTENTIAL ROLES
Legislature	<ul style="list-style-type: none"> • Define eligibility criteria • Set affordability standards • Determine the source of funding • Require reporting
Regulator	<ul style="list-style-type: none"> • Refine eligibility criteria details • Coordinate with other programs • Implement enrollment process • Provide customer outreach and support
Administration	<ul style="list-style-type: none"> • Propose budget support • Drive cross-agency coordination
RTO/ISO	<ul style="list-style-type: none"> • No major role



CASE STUDY: VIRGINIA

OVERVIEW

[Virginia's Percentage of Income Payment Program](#) provides long-term utility bill assistance to low-income customers of two of the state's major utilities (Appalachian Power Company and Dominion Energy). The program was [established as part of the Virginia Clean Economy Act](#), which directed the Department of Social Services and State Corporation Commission to develop and implement a PIPP.

THE DETAILS

Eligibility criteria

Enrollment is open to households that are at or below 150% of the Federal Poverty Level and are customers of Dominion Energy or Appalachian Power.

Affordability standards

The PIPP caps energy bills at 6% of household income for those with non-electric heating and 10% of household income for those with electric heating.

Source of funding

A universal service fee on non-participating customers' bills (~79¢ monthly surcharge) funds the program.

Establishment of related policies

Virginia's PIPP also involves arrearage forgiveness and energy efficiency support. If a customer has an outstanding balance with the utility, full and on-time monthly payments [result in monthly arrearage forgiveness](#), up to one-twelfth of their outstanding utility debt each month. After 12 months of consecutive on-time payments, the prior balance is eliminated. To help customers reduce electricity use, those who qualify for a PIPP can also receive a free home energy audit, followed by additional energy efficiency services.

KEY TAKEAWAYS

The establishment of Virginia's PIPP marked a significant shift toward improving long-term energy affordability for customers in two of the state's major utilities, setting a model for potential expansion. By being paired with arrearage forgiveness and free energy audits, the program takes a more holistic approach that addresses multiple facets of the energy affordability challenge.