OVERVIEW OF PERCENTAGE OF INCOME PAYMENT PLANS (PIPP) COMPILED BY THE LIHEAP CLEARINGHOUSE

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The following is a summary of how PIPPs or PIPP-type programs operate. These programs are funded by ratepayers through public benefits funds, which are also called universal service funds in some states. The Clearinghouse provides history and regular updates on these programs on its website.

Ohio:

Ohio has the country's largest Percentage of Income Payment Plan (PIPP). On November 1, 2010, Ohio began an updated Percentage of Income Payment Plan (PIPP) for low-income households. Called "PIPP Plus," it revamped the PIPP that had been in place in Ohio since 1983 (the oldest and largest PIPP in the nation).

The new program makes customers' monthly payments more affordable on a year-round basis. Participating households pay six percent of their monthly income or $10 per month to both electric and natural gas utilities, whichever is greater. Customers using only electric pay 10 percent of their income or $10 as their monthly payment, whichever is greater.

This compares to a maximum energy bill payment of 15 percent of income (generally 10 percent for gas and five percent for electric) for participants in the original PIPP.
A more detailed overview of the PIPP can be found here on the Clearinghouse website. More information is also available at Public Utilities Commission of Ohio's website.

Colorado:

Colorado has the nation's newest PIPP. In mid-2012, Colorado's regulated utilities began implementing programs to provide energy assistance to low-income natural gas and electric customers. After the passage of rules by the Colorado Public Utilities Commission (PUC), multiple companies decided to offer PIPPs. These include the state's largest energy provider, Xcel Energy, along with others including Black Hills Energy, Colorado Natural Gas, and SourceGas.

There are variations among the PIPPs: For example, Xcel Energy uses three percent of a household's income when determining a participant's monthly bill. Meanwhile, SourceGas uses a sliding percentage scale based on a household's relationship to federal poverty guidelines. Households at or below 75 percent of the poverty level are figured at two percent of the household's income. Those above 75 percent and below 125 percent are determined using 2.5 percent of income. Households over 125 percent and at or below 185 percent have their bills determined using 3 percent. Ratepayer surcharges, subject to PUC approval, fund these offerings.

More information is available at the Clearinghouse's website.

New Jersey:
In existence since October 2003, New Jersey's "Universal Service Fund" program is described as a "fixed credit percentage of income payment plan" under which participants are required to pay no more than six percent of their annual income toward electric and gas bills. That comes out to three percent for electric and three percent for gas, or six percent for all-electric heat customers. Credit to customers is capped at $1,800 annually.

New Jersey electric and gas customers whose household income is equal to or less than 175 percent of the federal poverty level are eligible for the program, and LIHEAP recipients are automatically enrolled. The program has received much praise from national experts since it got underway late in 2003. It was considered better than the Ohio PIPP because the total co-payment from participating households is no more than 6 percent of income, whereas in Ohio (at that time, before the 2010 reform) was up to 15 percent, which New Jersey advocates considered too high. New Jersey's program also has an arrearage forgiveness component, which, until recently, Ohio's did not.

More information, including frequently asked questions, is available at the websites for the Clearinghouse, the New Jersey Department of Community Affairs, and the New Jersey Board of Public Utilities.

Nevada:
The state program uses both LIHEAP and state funds from an assessment on gas and electric utility companies to provide a percentage of income based benefit. The energy assistance benefit, referred to as a "Fixed Annual Credit" (FAC), is calculated for each eligible household. The FAC is the amount sufficient to reduce the percentage of the applying household's income spent on energy to the state median percentage of household income spent on energy, which is calculated yearly.

Information on how the benefit is calculated can be found in the Nevada Fund for Energy Assistance and Conservation State Plan. More information can also be found on the Clearinghouse's website.

Illinois:
A PIPP for low-income natural gas and electricity consumers in Illinois went statewide in September 2011. Legislation to create a PIPP had long been in the making and was signed into law July 10, 2009. This is the second PIPP for the state, which had one in operation from 1985-1991. Participants pay no more than six percent of their incomes for gas and electric service, and the PIPP also includes an arrearage reduction program and client education. The maximum PIPP benefit is $1,800 per year. Program funding comes through LIHEAP and an existing meter charge that currently funds low-income energy assistance and energy efficiency

For more information, see the websites for the Clearinghouse and the Illinois Department of Commerce and Economic Opportunity.

Pennsylvania:
Utilities in Pennsylvania are required to provide low-income rate assistance, (part of the state's mandatory universal service programs) and each regulated utility (gas and electric and combination) is allowed to design its own program, unlike the statewide programs of Ohio, Illinois, New Jersey and Nevada. The most common form of utility rate assistance in Pennsylvania is the Customer Assistance Program (CAP). These programs must follow the universal service guidelines set forth in the relevant state statute.

CAPs usually provide a percentage-of-bill plan or a percentage-of-income payment plan, wherein low-income customers' utility payments are based upon their incomes and/or utility bills. Some programs include utility arrearage forgiveness; others provide flat rate discounts or bill credits.

For more information see Clearinghouse website.

New Hampshire:
The statewide Electric Assistance Program (EAP) is termed a "modified" percentage of income payment plan. It provides income-eligible customers with discounts on their electric bills. Eligibility and the level of discount depend on the customer's utility, level of income, and whether the home uses electric heat. The discounts are intended to bring the customer's annual electric bill to approximately 4.5 percent of annual income. The EAP is only for electric bills; LIHEAP funds are used for heating assistance.

For more information see Clearinghouse website.

Maine:
Separate from the state's LIHEAP program, one of the state's electric utilities has a percentage-of-income based plan, information about which is available from the Central Maine Power Company.