Equitable Rate Design in Rhode Island

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SUMMARY: Rhode Island is among the U.S. states with the highest energy costs, and many residents spend as much as 16% of their income on energy. A percentage of income payment plan (PIPP) is a proven tool that the state can implement to improve energy affordability. In another Northeastern state, successful implementation of a PIPP lowered the median total energy burden from 8.7% to 2.7%.

Energy Affordability in Rhode Island

Rhode Island has some of the highest electricity costs in the nation. Families making below 150% of the federal poverty level (FPL) spend an average of 16% on their energy bills—one of the highest energy burdens in the Northeast.[i] Electricity rates in the state have increased by 28% since 2020 and are projected to keep rising, further straining affordability.[ii] Limited-income households in Rhode Island face particularly high energy burdens and are disproportionately people of color.[iii]

The Rhode Island legislature can improve energy affordability for residents by directing the Public Utilities Commission to implement a percentage of income payment plan (PIPP) capping energy bills at 6% of total energy burden for households at or below 150% of the FPL or enrolled in LIHEAP or Medicaid.

Energy Assistance for Limited-Income Households in the Northeast

Energy assistance programs for limited-income households reduce bills for eligible households through discounts, reduced rates, or credits. They are available today in 26 states. Common rate structures include:

- **PIPP (Percentage of Income Payment Plan):** Caps bills at a set share of income.
    - *Example:* New Jersey's Universal Service Fund limits bills to 2–4% of income (up to $185/month).[iv]
- **Tiered Discounts:** Income tiers determine discount levels, with lower-income households getting a higher discount.
    - *Example:* New Hampshire's Electric Assistance Program gives 5–86% off based on income tiers.[v]
- **Lifeline Rate:** Discounts a baseline amount of essential energy use; additional use is billed at standard rates.
    - *Example:* Connecticut utilities discount the first 1,200 kWh/month by income/household size.[vi]
- **Flat Discounts:** All eligible households get the same dollar amount or percentage discount.
    - *Example:* In Rhode Island, customers can qualify for a flat 25% or 30% discount on energy bills.[vii, viii]

In the Northeast, all states except Rhode Island require investor-owned utilities to offer low-income energy rates, and three states provide a PIPP. The discounts currently provided to income-eligible Rhode

Island customers are not high enough to reduce energy burdens and alleviate energy insecurity, especially for the lowest-income tiers. For comparison, Massachusetts offers a 71% discount for households below 100% of FPL, more than twice the discount rate available to customers at similar income levels in Rhode Island.[1]

Table 1. Income-limited energy rates and energy burdens in Northeast states

State	Rate type	Implementation year	Average energy burden for low-income households (≤ 150% FPL)[ix]	% Households ≤150% FPL[x]
Connecticut	Tiered discount	2025	19%	15.5%
Maine	PIPP	2002	20%	16.8%
Massachusetts	Tiered discount	2025	17%	14.6%
New Hampshire	Tiered discount	2002	19%	11.2%
New Jersey	PIPP	2003	12%	14.7%
New York	Tiered discount	2016	15%	21.3%
Pennsylvania	PIPP	2003	16%	18.5%
Rhode Island	Tiered discount	2018	16%	18.3%
Vermont	Flat discount	2009	20%	15%

This combination of high energy costs and a substantial eligible population in Rhode Island highlights a clear policy gap: the most vulnerable households remain exposed to rising bills and potential disconnections. In comparison, similar households in other states benefit from low-income rates that more substantially reduce energy burdens and provide greater energy security.

Benefits of Low-Income Energy Rates

Low-income rates effectively reduce energy burdens and improve affordability. New Jersey's PIPP shows that income-based rate design can meaningfully reduce household energy burdens. The program successfully reduced energy burdens to target levels—2% of income for households without electric heating and 4% for those with electric heat—for 90% of participants. The remaining 10% did not reach these targets due to the program's $185 monthly discount cap. Overall, assistance provided by New Jersey's PIPP reduces the median total energy burden among program participants from 8.7% of income to 2.7%.[xi] In Illinois, the state PIPP has cut heating bills for elderly ratepayers by 90%.[xii] In contrast, other energy assistance programs like LIHEAP do not have sufficient funding to assist all eligible households: in 2023, only 28,000 of the 114,000 eligible Rhode Island households received assistance, leaving roughly 75% without support, highlighting the need for additional forms of assistance.[xiii]

[1] https://www.nationalgridus.com/MA-Home/Payment-Assistance-Programs/Discount-Rates

Table 2. Energy assistance for Rhode Island families of four (≤150% FPL): PIPP vs. LIHEAP

Bill assistance type	How benefit is calculated	Eligibility	Estimated monthly electricity cost before PIPP	Monthly electricity cost under PIPP	Annual energy cost/benefit
PIPP[xiv]	6% of household income (electric heating)	≤150% FPL or enrolled in LIHEAP/Medicaid	$194–$372 (based on average used for a family of 4)	$241 (capped at 6% of income for a family of 4 at 150% FPL)[2]	$2,893.50
LIHEAP (Max Grant)	One-time seasonal grant	≤60% state median income	-	-	Max grant of $1,285

For a Rhode Island family of four earning 150% of the FPL (about $48,225/year),[xv] monthly electricity consumption can range from approximately 833 to 1,333 kWh, based on average household usage for households of that size.[xvi] Using Rhode Island's average residential electricity rate of 27.92¢ per kWh,[xvii] this corresponds to a monthly bill of roughly $194–$372, or $2,332–$4,467 annually. At the high end, this represents about 9.3% of household income spent on electricity. Under Rhode Island's proposed PIPP, electricity bills would be capped at 6% of income, totaling $2,894 annually, which would lower annual energy costs by roughly $1,573, or 35%, for a family at this income level.

Aligning Equitable Rate Design and Existing Low-Income Programs

Rhode Island's long-standing energy efficiency programs have proven to be highly effective. Since 2009, they have generated $5.7 billion in benefits from $1.9 billion invested, a return of $3 for every $1 spent.[xviii] The state's proposed PIPP would strengthen affordability for low-income households while building on this success.

Pairing the PIPP with LIHEAP programs in Rhode Island with would provide households enhanced support: the PIPP would guarantee predictable, year-round affordability, while LIHEAP offers supplemental relief through its one-time or seasonal grants of $75–$1,285.[xix] By setting eligibility at 150% of FPL, the PIPP would specifically target the lowest-income households—those below the broader LIHEAP threshold of 60% of the state median income ($75,196/year for a family of four)—ensuring assistance reaches those most in need. In addition to capping energy costs at up to 6% of income, Rhode Island's PIPP legislation directs utilities to offer efficiency programs to participating households upon enrollment. Programs such as the U.S. Department of Energy's Weatherization Assistance Program, which saves roughly $372 annually per household,[xx] illustrate how energy efficiency investments can further lower long-term energy burdens. Together, these design elements demonstrate how Rhode Island's proposed PIPP could meaningfully reduce energy burden for the state's lowest-income

[2] The monthly energy cost under the PIPP ($241) is calculated based on the program cap of 6% of household income on energy bills. For a family of four earning 150% of the FPL ($48,225/year), this equals $48,225 × 0.06 ÷ 12 months ≈ $241/month.

households while complementing existing assistance programs to deliver more stable, long-term affordability.

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[i] https://www.energy.gov/scep/slsc/lead-tool
[ii] https://palmetto.com/local/rhode-island/pawtucket/
[iii] https://data.census.gov/table/ACSST1Y2024.S1701?q=federal+poverty+level&g=040XX00US23,44
[iv] https://liheapch.acf.gov/profiles/NJ.htm
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