

May 28, 2024

Senate Committee on Finance  
Rhode Island State House  
82 Smith Street  
Providence, RI 02903

## Acadia Center Testimony in Support of Senate Bill 2366, creating a Percentage Income Payment Plan (PIPP)

Dear Chairperson DiPalma and Members of the Senate Finance Committee,

Acadia Center appreciates the opportunity to provide testimony in support of Senate Bill 2366, which authorizes the Public Utilities Commission (PUC) to create an income-sensitive tiered subsidy program to ensure that home energy utility costs are affordable for eligible low-income households. Acadia Center is a non-profit research and advocacy organization committed to advancing an equitable clean energy future.

### Why a PIPP?

High energy burdens are particularly severe for low-income households and communities of color, which exacerbates health, economic, and social instability.<sup>1</sup> The current system effectively works as a regressive tax, where low-income people pay significantly more for a basic need. The past victories of advocates and the George Wiley Center – including extensions of shut-off moratoriums, arrearage management plans, low-income discount rates, and protections for households with medically vulnerable customers and infants – are not systemic. For customers paying outside their means for utilities, debt continues to accumulate.

Acadia Center stands beside fellow advocates in asserting that utility service is a basic need and an essential element of adequate housing and public health; *affordable* utility service is a key component of that. Under a Percentage Income Payment Plan (PIPP), low-income households pay a fixed percentage of their income for utility bills. A PIPP is an example of a systemic policy solution that treats the cause and not only the symptoms of high energy burdens. Capping bills in this way ensures that people most vulnerable to utility terminations have more affordable utilities in the long-term.

### Addressing concerns re: usage and cost

Often, we have heard concerns from energy conservationists that low rates encourage more usage. I have been working to demystify and refute this perception among fellow environmentalists. A PIPP can be designed such that signals to reduce energy consumption and pursue energy efficiency are maintained. First, low-income customers are

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<sup>1</sup> Kontokosta, C., V. Reina, and B. Bonczak. 2019. “Energy Cost Burdens for Low-Income and Minority Households.” Journal of the American Planning Association, DOI: 10.1080/01944363.2019.1647446.

naturally incentivized to conserve, and in fact, low-income customers on the A-60 rate in Rhode Island use less energy than basic residential customers (A-16). Second, the PIPP does *not* enable unlimited usage by low-income customers. A PIPP program can offer a subsidy only for typical energy usage and/or set a maximum annual benefit amount (\$).<sup>2</sup> Above a typical annual usage or benefit amount, customers could again face a standard rate, which would maintain existing financial incentives for conservation and efficiency. PIPPs do not by themselves encourage unlimited energy usage. In addition, customers accessing or eligible for a PIPP would be an important population to require our energy efficiency program administrator to distribute programs to. Targeted investments in energy efficiency are a critical tool to reduce the energy required to make homes comfortable.

Another frequent concern revolves around the cost of subsidizing low-income rates to remaining customers. First, the proposed PIPP would only apply to a very small subset of customers, whose household income is at or below 150% of the federal poverty level and who are eligible for LIHEAP or Medicaid. Secondly, it is worth noting that the details of how the PIPP would be funded are still to be determined by the Public Utilities Commission (PUC) with input from stakeholders. Therefore, we may choose to shield low and middle-income households from unreasonable rate increases or create a structure that places the cost burden on high income or highest energy usage customers.

### Tool for a Just Energy Transition

The Act on Climate requires statewide emissions reductions of 45% below 1990 levels by 2030, 80% by 2040, and net-zero emissions by 2050. Buildings in Rhode Island, solely accounting for residential and commercial heating, are responsible for nearly 30% of our state's greenhouse gas emissions. Currently, the state is not on track to meet the mandated targets in the Act on Climate and lacks a plan to reduce emissions from buildings. To meet these mandates, we must tackle the transition of our building sector away from fossil fuels. This starts with meaningful investments in energy efficiency and continues with the electrification of our heating and other appliances.

Addressing inequitable energy burdens is critical to achieving a just energy transition and meeting Rhode Island's Act on Climate mandates. We must shift not just what types and how much energy we consume, but how we all collectively pay for that energy. Acadia Center aims to support the transformation of Rhode Island's building stock off of fossil fuels and to clean, efficient, all-electric heating and cooling systems and appliances. Progress on both affordability and decarbonization must be made simultaneously and with haste.

Despite the high efficiency of technologies like air source heat pumps, our current reality is that the cost of electricity is higher than gas, which disincentivizes gas to electric conversions. In Rhode Island, we see the continued exclusion of low-income gas customers from the transition due to concern and uncertainty of electric costs.<sup>3</sup> Federal funding and state and utility programs are being rolled out *now* to transition Rhode Island away from fossil fuels, and low-income communities are being left behind.<sup>4</sup>

Stabilizing the cost of electrification requires a variety of solutions to ensure that the transition meets dual climate and economic justice goals. A PIPP is one key solution and is being explored across the region. While a PIPP doesn't

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<sup>2</sup> In S2366, the PUC is directed to establish a maximum annual benefit and may also consider a targeted annual average expense.

<sup>3</sup> Even if a program covers installation costs, the assumption is that the cost of electricity with air source heat pumps is greater than the cost of gas heat.

<sup>4</sup> The state's \$25 million heat pump incentive program excludes the participation of income-eligible gas customers.

solve the economics of electrification, it does (a) support more equal participation in the transition and (b) prevent further harm of increasing energy burdens.

- At the start of 2024, the Massachusetts Department of Public Utilities opened an inquiry to examine energy burden with a focus on energy affordability for residential ratepayers. A PIPP is a key topic of interest and exploration.
- New York State recently launched an ‘Energy Affordability Guarantee’ pilot that pairs fully subsidized efficiency and heat pump retrofits with a 6% cap on ongoing electricity costs for participating customers.<sup>5</sup>
- In its March 14, 2024 Performance-Based Regulation Straw Proposal, Connecticut’s Public Utilities Regulatory Authority proposed an “Affordability and Energy Burden” scorecard to track customer energy burden and has specifically identified monthly energy bills that exceed 6% of household income as “unaffordable.”<sup>6</sup>

Thank you for your consideration of this important bill to tackle energy burden for low-income households and equitably promote electrification in Rhode Island.

Sincerely,

Emily Koo

Senior Policy Advocate and Rhode Island Program Director

[ekoo@acadiacenter.org](mailto:ekoo@acadiacenter.org)

401.276.0600 ext.402

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<sup>5</sup> NYSERDA. “Governor Hochul Announces Energy Affordability Guarantee.” 10 January 2023.

<https://www.nyserda.ny.gov/About/Newsroom/2023-Announcements/2023-1-10-Governor-Hochul-Announces-Transformative-Investments-in-Energy-Affordability#:~:text=Homes%20that%20qualify%20through%20the,of%20their%20incomes%20on%20electricity>

<sup>6</sup> State of Connecticut Public Utilities Regulatory Authority. “Docket Number: 21-05-15RE02, Investigation into Performance Mechanisms for a Performance-Based Regulation Framework, Notice of Straw Proposal.” 14 March 2024.

<https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/ecd6b3a99297a20685258ae00076c4fd?OpenDocument>