

## SB 1918 -- Percentage of Income Payment Plan (PIPP)

**The Benefits:** The Percentage of Income Payment Plan (PIPP) helps low-income, seniors and other fixed income households by modernization of the Low Income Home Energy Assistance Program (LIHEAP) in ways that will help customers manage their utility bills and break the cycle of disconnections and reconnections. The PIPP will:

- **Bring gas and electric bills into the range of affordability:** On average, Illinois households pay between 4 percent and 6 percent of their income for home energy. By comparison, LIHEAP households pay between 21 percent to more than 30 percent of their income for home energy. The PIPP will provide responsible opportunities for these households to participate in a 6 percent levelized payment plan that will help them maintain affordable year-round utility service.
- **Provide incentives for participants to make timely payments:** When home energy is unaffordable, customers fall into a pattern of non-payment which leads to the costly cycle of disconnections and reconnection. By creating an affordable payment plan and arrearage reduction in exchange for on-time payments, the PIPP will disrupt this costly cycle; increase customer revenue flow; and benefit all customers as a result.
- **Encourage participants to reduce usage and participate in conservation and energy efficiency measures:** The PIPP will take advantage of American Recovery and Reinvestment Act (ARRA) funding by educating customers on conservation of energy use and by making energy efficient repairs to their homes. Customers with the highest bills and lowest incomes will be targeted to receive weatherization services that are funded by the federal government.

**The Funding:** This modernization of the LIHEAP program will be paid for by using several funding streams:

- **Federal and State LIHEAP Funding:** The federal government provided \$265 million in funding for the current program year and the State of Illinois provided approximately \$75 million in funding. Some of these resources will be redirected to create a levelized and more affordable payment plan.
- **Utility Funding:** The utilities participating in the PIPP will make a one time contribution of \$22 million and will redirect \$9 million of their Rate Relief Settlement Funds to the PIPP.
- **Illinois Supplemental Low-Income Energy Assistance Fund:** There will be a slight increase of 8 cents to residential customers (along with a corresponding adjustment for commercial and industrial customers) for the Supplemental Fund to provide funding for the PIPP. The slight increase will provide approximately \$16 million per year to fund the PIPP.

**Conclusion:** The PIPP will provide a better way for low- and fixed- income customers to manage their home energy costs. It will help thousands of households break the cycle of disconnection and reconnection and it will put them on a path to becoming responsible bill payers and reducing their bad debt burden. It will also improve health and safety concerns that are caused by disconnections.