

# Retail rate trends in the US

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## Executive summary

This new analysis conducted by experts from Charles River Associates finds that some currently prevalent narratives about rising electric rates are incomplete and potentially misleading. A widely reported increase in average retail rates in the US has been interpreted as indicative of a broader, national trend. This is not the case. Rather, in a few states and regions, rates have increased rapidly, putting upward pressure on the national average. Retail electric rates have generally been stable in other regions.

Where rates have gone up, the increases were driven by specific, localized factors that increased utilities' operating costs, causing rates to rise. Those factors differed by location and are caused by changes in markets, policies, and other circumstances beyond utilities' control. In general, the utilities have managed controllable costs effectively.

The pace and magnitude of rate changes were uneven. Over the past ten years, the total change in electric rates was consistent with inflation; however, during that time, there were periods in which the rate of increase was much higher and much lower. There is no single trend that accurately describes how the rates have changed.

This analysis focuses primarily on residential electric rates, as these tend to be of greatest interest to policymakers. The authors' intent is to describe important trends in retail electric rates and affordability, identify the main drivers behind recent rate increases, and evaluate claims about the impact of data centers.

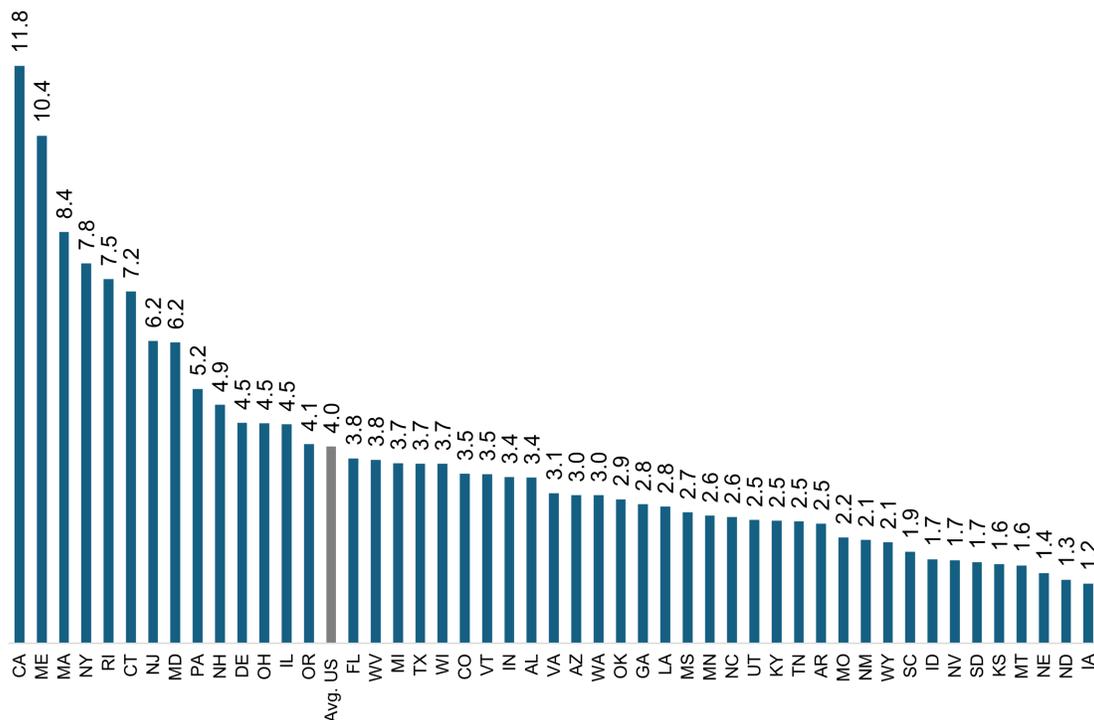
The study's primary findings are as follows:

- Prevailing narratives that there is a broad national trend of rapidly rising electricity rates are inaccurate or incomplete. Trends that use national averages can be misleading because those data obscure important differences among the different rates that comprise the average.
- Trends in the nationwide average are heavily influenced by large rate increases in specific areas.
  - In the Northeast (New England and New York), higher prices in wholesale electricity markets have caused rates to increase. Retail rates in the Northeast states are more susceptible to changes in wholesale electricity market prices because utilities there do not own generation.
  - In California, rates have increased within the last five years due to the cost of wildfires and wildfire mitigation. For some California customers, costs associated with the state's rooftop solar program may have raised bills significantly.
- Because the rate increases we observed in the Northeast and California were driven primarily by rising operating expenses that utilities recover at cost, the change in rates has not materially improved utility earnings.

- Data centers did not trigger increases in retail rates, with one exception. Where rate increases occurred, we have identified the primary drivers; moreover, the timing and location of the rate increases are not consistent with the timeline of data center development.
- Going forward, utilities and their state regulators have committed to protecting retail customers from rate increases caused by new data centers. The protections being embedded in new tariffs and ratemaking measures are designed to prevent subsidies from existing ratepayers, help maintain utilities' creditworthiness, and may put downward pressure on existing customers' retail rates.
- Recent capacity price increases in the PJM Interconnection, the thirteenstate regional power market that includes most of the midAtlantic US, are partly due to data centers and will put upward pressure on utility bills in some states. The specific circumstances that led to this outcome do not apply to other parts of the country.

All the data used in this study are publicly available. Retail rates are compiled and reported by the US Energy Information Administration (EIA). They include the average US rate, which is calculated by the EIA, and rates for individual states. The statespecific rates reported by the EIA were used to identify and quantify rate increases; Figure E1 indicates the fiveyear change in retail rates, expressed in cents per kilowatthour (c/kWh), by state for the period ending October 2025. Note that the largest changes in the rates over this time are in California and in the Northeast states.

Figure E1: Five-year change in retail rates by state (c/kWh)



The national average, which has been widely reported on, does not meaningfully describe how rates have changed in many places. For most, rates have changed less. Figure E1 shows that there are thirty-four states where rates changed less than the national average, and in some cases, by considerably less. There are also states where rates increased by much more.

The authors also utilized financial data reported by individual utilities to the Federal Energy Regulatory Commission. In the locations where there were large rate increases, we compiled annual Form 1 filings for each investor-owned utility. Because American investor-owned utilities are regulated on a cost of service basis, retail rates change when the utilities' costs of providing electric service change. Using the Form 1 data, we were able to confirm the correlation between the changes in costs for the utilities serving customers in California and the Northeast and the observed rate increases to then identify which categories of costs were drivers of the increase. In California, increases in operational spending related to wildfire mitigation and prevention accounted for a large portion of the utilities' cost increase. In the Northeast, the increasing cost of purchasing energy from the market was a key driver of utility cost increases.

These findings are relevant to a broad range of industry stakeholders including customers, investors, utility managers, and others. We expect that regulators and policymakers may find this report particularly useful. Understanding that rates and trends vary geographically highlights the need to seek interventions that will address the factors specific to a given region that may be causing rates to increase, while the identification of root causes will inform the selection and implementation of solutions in each locality.



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