



Retail rate trends in the US

Fall 2026 Update

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1. Introduction

In February 2026, experts from Charles River Associates published *Retail rate trends in the US* for the Edison Electric Institute.¹ The study was motivated by increasing concerns about customer affordability and perceptions that retail rates had been rising rapidly. It sought to identify the most important trends in retail rates across the US, find instances where rates were changing rapidly, and to analyze the drivers of those rate changes.

Retail rate trends included these primary conclusions:

- **First**, retail rates have been stable in most places in recent years, and changes in average US rates were largely attributable to the very large increases observed in California and in the Northeast.
- **Second**, rate increases were caused by identifiable drivers. In California, rates increased because of 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. In the Northeast, rates went up because rising wholesale gas and power prices increased the cost of electricity purchased by utilities on behalf of their customers.
- **Third**, data centers have not caused electric rates to increase in most places. In parts of PJM, the discussion is more complicated as unexpected outcomes from the capacity market have created significant impacts on some customers' bills. In *Retail rate trends*, we discussed initiatives that were then ongoing to mitigate those impacts.
- **Fourth**, leading practices for the regulation of data centers have emerged from proceedings before policymakers and regulators across the country that include standards for the protection of existing customers. *Retail rate trends* explains that these standards have proven effective and illustrates how adding large load customers to the grid will likely reduce rates for existing customers.

This updated report examines recent developments relevant to the third and fourth conclusions of *Retail rate trends*. Specifically, we report on three key trends:

1. **Customer protection:** We find additional evidence that utilities and state regulators have acted quickly to adopt many of the best practices identified in *Retail rate trends* to protect customers from negative impacts when data centers are added to the electric grid.
2. **Ratepayer benefits:** Regulators have consistently approved applications seeking new large-load tariffs and special contracts. In the proceedings we reviewed, regulators found that data centers lower rates for other customers.
3. **Wholesale market reforms:** PJM is advancing reforms intended to mitigate the impact of large load customer growth on capacity market costs.

¹ Available [here](#).

2. Customer protections and ratepayer benefits

Utilities have an obligation to provide safe and reliable electricity at fair rates. As growth in computational loads has necessitated large investments to expand their systems, the need to protect existing customers from paying the costs of serving data centers has been an area of focus. Broader concerns about rising utility bills and customer affordability add additional urgency.

In *Retail rate trends*, the authors described research which shows that, to date, utilities have largely been successful in avoiding cost increases attributable to the growth in data center demands. The approaches they have taken are generally consistent. The mechanisms by which protections are implemented vary widely from place to place, but a coherent perspective on the risks that retail customers could face from data center load growth has clearly emerged across the industry along with a set of best practices that utilities and regulators adhere to consistently when considering changes to rates and tariffs.

Customer protections in large-load tariffs and agreements

First, any utility serving data center customers must consider the potential for rate impacts and cost subsidies. Effectively mitigating these risks is paramount because the consensus that cost subsidies must be avoided is essentially universal. Regulators, utilities, policymakers, and data center customers themselves all acknowledge that large load customers should pay for all the costs to serve them. Ensuring that they do is an exercise in utility rate design.

Setting retail rates requires, among other things, that a utility identifies all the costs it incurs to provide electric service and determine how much of those costs to recover from each customer. The process, known as cost allocation, is based on the concept of cost causation, a core principle of utility regulation which holds that fair rates generate revenues from customers that are proportional to the costs that they cause to have been incurred. In the present context, this means that the rates paid by a data center customer should be sufficient to fund all of the investments made on its behalf by the utility, also cover the operating costs that the utility incurs to provide it with service, and that none of the costs of serving data centers should be allocated to other types of customers.

Cost subsidies occur when this objective is not met. In the (hypothetical) situation in which a subsidy existed, service to data centers would increase costs for other types of customers.

As we discussed in *Retail rate trends*, avoidance of subsidies, now and in the future, is invariably a top priority for utilities, regulators, and policy-makers. Utilities seeking to add new large load customers are typically required to demonstrate that the provisions of the proposed large load tariff or agreement will prevent cost subsidies from other customer classes. Regulators have frequently imposed ongoing monitoring or ex post analysis to confirm that no subsidies have been created, both of which are unusual measures whose deployment is another indication of the aversion held across the industry to the idea that data centers' participation in the electric grid will be funded in any part by other customers.

The second risk that must be mitigated is stranded cost risk. When a utility invests in infrastructure to serve a new large-load customer, it recovers the cost of doing so through rates over time. Costs could become stranded if unforeseen circumstances prevent the utility from recovering them after the investment has been made. For example, if a data center closes, leaves the utility's service territory, or uses substantially less electricity than expected. Although stranded cost risk applies to any utility investment, data centers present unusual challenges because they often require substantial infrastructure

that serves only one or a few customers and cannot readily be repurposed if those customers reduce their demand or leave the system before the utility fully recovers its costs.

Our research indicates that in much the same way that there are widely used practices to mitigate the risk of rate impacts, approaches to addressing stranded costs are consistent across the industry. We found that utilities impose provisions in the terms and conditions under which they render service to large load customers which create strong incentives to meet agreed-upon financial commitments. Provisions can be defined in a large load tariff, a bilateral agreement, or both. They include minimum billing requirements, lengthy, financial security requirements and early termination charges that would require a counterparty to make a “make-whole” payment that offset costs incurred on its behalf, among others.

Utilities use the measures described below in different combinations based on their specific circumstances and needs. Utilities may not apply all measures in every instance. Rather, utilities seeking to serve data centers must invariably demonstrate that they have selected a suite of customer protections against cost subsidies and stranded costs.

Table 1: Elements of the customer protection standard for large-load tariffs and agreements

Rate impact risk	
A fundamental concept in utility ratemaking is that customers should pay rates that are based on the cost to serve them. Because of the size of the investments needed to serve computational loads, avoiding subsidies among customer groups is consistently a top priority in instances where utilities seek to add data center customers. Approaches to mitigate the risk of rate impacts are focused on cost allocation and ratemaking processes.	
▪ Direct cost assignment In many cases, data center customers are served by specific assets. Recovering the Cost of Service (COS) of specific infrastructure from the customers served by that infrastructure obviates any risk of cost subsidization. Where this approach is used, data center customers pay rates that are sufficient to cover directly assigned costs as well as allocated costs.	▪ Cost allocation analyses Where costs and revenues are co-mingled, utilities can confirm the absence of rate subsidies using well-recognized, industry-standard ratemaking analyses, particularly Allocated Cost of Service (ACOS) studies. ▪ Ex post analyses In many jurisdictions, utilities are required to demonstrate that customers have been held harmless on an after-the-fact basis. If they cannot do so, regulators can adjust rates to reverse any subsidies between classes.
Stranded cost risk	
Utilities have put in place protections to ensure that customers are not responsible for investments being made on behalf of a data center which subsequently fails to take service at expected levels. Approaches to mitigating stranded risk focus on contracting to ensure that customers meet expectations or make the utility whole when they do not.	
▪ Long-duration contracts Requiring large load customers to execute binding, long-term contracts mean that customers will remain on system, contributing to the cost of new infrastructure. ▪ Billing minimums Large load customers are typically required to commit to a significant portion of their contracted capacity and energy on a “take or pay” basis, which is to say that changes to their operations will result in minimal changes to the amount of revenue collected by the utility to serve the customer. ▪ Exit fees Service contracts for large load customers often include significant exit fees. Exit fees create an incentive for large load customers to remain on-system and provide an alternative source of revenue to offset lost collections from customers who do leave.	▪ Direct funding requirements As a condition of service, new large load customers may be required to directly fund the capital costs of the new infrastructure required to serve them. ▪ Default protections Utilities typically apply stringent credit standards to mitigate the risk of default and ensure that data center customers can fulfill their commercial obligations. Posting of financial assurance (collateral) is frequently required. Establishing creditworthiness on an unsecured basis (if doing so is allowed at all) necessarily requires a guarantee from a creditworthy corporate parent.

Customer benefits

Utilities and their regulators consistently view service to large load customers as an opportunity to benefit existing customers. Research reported in *Retail rate trends* showed that when appropriate customer protections are in place, adding data centers to a utility's system can lower rates for existing customers. The additional findings that comprise this update show the same.

The mechanism by which rate savings are achieved is the contribution that large load customers make to shared system costs. Best practices for customer protection against adverse outcomes require that the rates paid by data center customers be sufficient to cover any costs that were incurred to add them to the grid as well and pay their fair share of system costs. As a result, other customers' responsibility for system costs is reduced, lowering the amount that must be collected from them in rates.

This outcome is consistent with established utility ratemaking principles and historical precedent. Utilities have long offered special rates and contracts to large industrial customers where additional revenues are expected to exceed the incremental costs of service, allowing the resulting contribution to fixed costs to benefit other customers. The extent of these benefits depends on the customer's demand characteristics, the costs of serving the new load, and the terms of the applicable tariff or contract.

Updated findings regarding customer protections and benefits

In *Retail rate trends*, we reported on observable evidence that serving large load customers lowers retail rates for other customers. One important source of that evidence was from the record of ratemaking proceedings in which utilities had requested authorization to initiate service to data center customers, the presiding state regulator conducted public hearings, and, on the basis of the evidence and analyses presented, the regulator concluded that the addition of the new load would reduce costs for existing customers. We noted the many instances in which this conclusion had been reached, independently, by different regulators from different jurisdictions, and that none relied on evidence from other proceedings to reach their own conclusions. At the time, we found that the consistency with which regulators reached those conclusions, along with the absence of findings to the contrary, supported the finding that as long as standard customer protections were implemented, adding data centers to utility systems would necessarily reduce costs for existing customers and that such savings could be achieved in any jurisdiction.

Since that report was published, a number of additional proceedings have been undertaken. Outcomes are consistent with those reported in *Retail rate trends*. Which is to say that when utility regulators investigate the impacts of utility service to data centers, they continue to conclude that adding large load customers reduces rates for other classes.

In an effort to capture a representative sampling of dockets, we utilized the database of utility tariffs applicable to large-load customers compiled by the Smart Electric Power Alliance (SEPA) to define the list of proceedings for review. Reporting in this area tends to be inconsistent and/or incomplete; however, we view the SEPA database as one of the most comprehensive sources of information on proceedings related to large loads.

The SEPA database can be filtered, sorted, and parsed. Using this functionality, it was possible to identify a set of dockets from 2025 and 2026 in which utility regulators were asked to authorize service to large

load customers. Because the focus was on proceedings regarding service to hyperscale data centers by Investor-Owned Utilities (IOUs), public-power dockets were excluded, as were ratemaking matters for smaller customer classes. Limited proceedings to update some specific element of previously approved rates were excluded from analysis.

The authors acknowledge the likelihood that some relevant proceedings were inadvertently excluded. That fact notwithstanding, we believe that the set of ratemaking matters selected is generally representative.

The dockets reviewed are shown below. An area of primary interest was in understanding regulators' conclusions about data centers' potential to reduce rates and create savings for existing customers based on the evidence they reviewed in these proceedings. In particular, we looked for indications of whether presentations of evidence and analyses to show future savings were sufficiently compelling and why they motivated approvals of new tariffs and contracts.

In short, we found that they did. Utilities seeking approval to serve data centers frequently claimed that doing so would lower rates because data centers share system costs. Those claims were supported by a wide variety of evidence and were evaluated by regulators and their staff in a different way. Despite the many differences that exist among the proceedings, such reviews consistently resulted in approvals implementing new rates, tariffs, or service to data centers in every case where specific savings were analyzed. The potential to lower rates for existing customers was an important and frequently cited reason why those authorizations were granted.

The dockets reviewed are shown below. Where possible, we include potential savings to customers from authoring large load service. For example, Duke Energy presented evidence to the North Carolina Public Utilities Commission which showed that serving data centers would create savings totaling \$3.6 billion for other customer classes.² In other proceedings, utilities were seeking approval of a new tariff or new ratemaking only; specific savings were not analyzed. When the Missouri Public Service Commission (MO-PSC) approved Evergy's request for a large load tariff, it cited the potential to reduce bills by spreading shared costs among more customers. However, because they had not been presented with a specific contract to approve, there was no basis to estimate the magnitude of the benefit.

² WRAL News, "As Another Week of Heat Settles In, Duke Energy Rate Hike Heads Back Before Regulators," August 10, 2026, accessed October 4, 2026.

Table 2: Ratemaking proceedings

	Appalachian Power Expected rate savings: N/A (tariff only) West Virginia	24-0611-E-T-PW	March 2025
Changes to existing tariffs allow for service to data centers via special contracts while requiring that all such contracts include customer protections consistent with the ones discussed in previous sections. Approval was on the basis of a stipulation agreed to among the parties. In its order, the only provision that the West Virginia Public Service Commission changed was the addition of specific language to ensure that data center contracts would be subject to Commission review and special contract rules; customer benefits from specific agreements will be determined in those proceedings. In other settings, Appalachian Power (APPCO) has explained that existing customers' rates reduced from serving data centers because "the costs of running the system are shared among more customers" and that utility investments "become more affordable for residents and small businesses when more users help cover those costs."^{3,4}			
	El Paso Electric Expected rate savings: N/A (tariff only) Texas	556903	July 2025
El Paso Electric's (EPE) Schedule 33A is an Economic Development Rider that facilitates service to large load customers under special contracts. Section 36.007 of the Texas statute requires the regulator find that rates charged under such special contracts do not result in new costs being allocated to existing customers. Although no new special contracts were approved in the proceeding, EPE conducted analyses that were included in its application which showed that adding the large load customer with whom it was currently negotiating would reduce costs for existing customers.⁵ Findings were indicative, actual rates will be set in future proceedings.			
	Consumers Energy Expected rate savings: N/A (tariff only) Michigan	U-21859-0221	November 2025
When the Michigan Public Service Commission (MPSC) approved the proposed changes to Consumers Energy's terms and conditions to facilitate service to large load customers, MPSC cited the potential for savings to existing customers from "...spreading out the fixed cost of the electricity grid over a larger amount of grid usage."⁶ The utility was ordered to develop and present rate design studies to quantify benefits in its next filing.			
	Eversource Expected rate savings: N/A (tariff only) Missouri	EO-2025-0154	November 2025
The MO-PSC found that data centers lower costs for other types of customers by contributing to shared costs. In their order approving Eversource's new tariff, they explained that the evidence presented supported the finding that "...the advantage associated with data centers is that their consistent energy usage helps distribute fixed costs across a larger energy volume, which contributes to a lower average cost per kilowatt-hour for all customers."			
	Ameren Expected rate savings: \$11 million per year Missouri	EO-2025-0184	November 2025

³ APPCO. Large Energy Users Like Data Centers Support Long-Term Affordability. Accessed October 12, 2026

⁴ The Intelligencer, Wheeling News-Register. Brian Abraham: Data Centers are an Economic Opportunity for West Virginia. October 10, 2026. Accessed October 12, 2026.

⁵ EPE's Application included direct testimony from Michael Carrasco, who had conducted ACOS studies to capture the effect of adding a data center customer on existing customers. In each, the costs allocated to the data center exceeded the cost of serving it, reducing costs for customers in other classes. Mr. Carrasco's estimates were indicative and will actual rates under the agreement will be set in future proceedings. Note that Mr. Carrasco's analysis applies only to EPE's Texas-jurisdictional customers.

⁶ MPSC, MPSC approves terms of service between Consumers Energy and data centers, other very large customers; adds protections for existing customers. November 6, 2025. Accessed October 12, 2026.

Ameren's application for a new tariff was undertaken at the same time as Evergy's. Because the Evergy docket was initiated first, many of the issues pertinent to large load customers in Missouri were decided there and referenced in the Ameren case. In particular, the Commission's Report and Order from EO2025-1054 was introduced into evidence; that document includes the Commission's finding of fact that data centers reduce rates by lower shared costs for existing customers.

Ameren has since executed agreements with data centers that are expected to reduce customers' costs by \$11 million per year by "spreading fixed electric system expenses over a broader customer base."⁷ When it announced the customer savings, Ameren cited *Retail rate trends* when explaining the mechanism by which service to data centers benefits existing customers.



Virginia Electric and Power Company

Expected rate savings: N/A (tariff only)

Virginia

PUR-2025-00058

November 2025

VEPCO's application for authorization to implement Rate Schedule GS-5, which would facilitate service to large load customers, included evidence developed to show that "incremental revenue from data center load helps cover a utility's fixed costs, including investments in generation, transmission, distribution, fixed O&M, and property taxes." The State Corporation Commission (SCC) approved significant capital spending on infrastructure to serve data centers at the same time the new schedule was published.

The SCC continues to review elements that define the terms of service to large load customers. In July 2026, it issued an order approving changes to a cost recovery rider that would allow VEPCO to allocate the costs of transmission investments incurred to serve data center customers to those customers as part of an effort to ensure the realization of "rate benefits associated with an increased number of billing determinants over which to spread system costs."⁸



Tucson Electric Power

Expected rate savings: TBD

Arizona

E-01933A-25-0187

December 2025

TEP claims that large load customers "can help support affordability by paying their full share of energy and infrastructure costs, increasing energy sales and helping spread fixed system costs across more customer."⁹ In a press release following the Arizona Corporation Commission's (ACC) approval for a special contract to serve a data center, the Vice Chairman of the ACC concurred, explaining that the evidence presented to the ACC during its review led him to conclude that adding the data center would lower "costs for all customers."¹⁰



Duke Energy

Expected rate savings: \$3.6B over 15 years

North Carolina

2025-172-E

December 2025

The regulator authorized service to large load customers via special contracts as part of Duke Energy's most recent GRC. During that proceeding, the utility produced evidence to demonstrate that customers' costs would be reduced by \$3.6 billion based on data system customers sharing some system costs.



Florida Power & Light

Expected rate savings: N/A (tariff only)

Florida

2025000011-EI

January 2026

In the proceeding in which FPL's Large Load Contract Service (LLCS) tariffs were approved there appears to be general agreement among the parties on the potential rate benefits of adding data center customers. In one indicative example, expert testimony offered on behalf of an intervenor explains that "[b]ecause the majority of utility system costs are fixed....spreading these costs over a greater number of kilowatt-hours (kWh) reduces the per-unit cost of electricity."¹¹ The FPL executive sponsoring the LLCS tariffs concurred on the topic, testifying "I agree that the presence of large load customers with high load factors can provide system benefits and share in fixed costs placing downward pressure on rates for all customers."¹²

⁷ Ameren. Data centers deliver savings for other customers. August 4, 2026. Accessed October 12, 2026.

⁸ SCC Final Order in PUR-2026-00056, July 31, 2026, p. 14.

⁹ TEP. Large Energy Users Support Affordable Energy for Everyone. Accessed October 12, 2026.

¹⁰ TEP. Vice Chair Myers Confirms TEP Customers Protected from Data Center Cost-Shift. December 8, 2025. Accessed October 12, 2026.

¹¹ Direct Testimony of Mohamed Ahmed, p. 12

¹² Rebuttal Testimony of Tiffany Cohen, p. 43

The LLCs tariffs are currently under review by the state regulator to determine whether their customer protection provisions meet the requirements established by Senate Bill 484, which was recently passed by the Florida legislature. The review is currently pending.



Kentucky Utilities and Louisville Gas and Electric Co.

Expected rate savings: N/A (tariff only)

Kentucky

2025-00113/2025-00114

February 2026

KU/LGE's Extremely High Load Factor Tariff was approved as part of a recent GRC. In Kentucky, customer benefits are a matter of state policy. The order approving the new tariff observes that with the passage of recent legislation (KRS 154.20-220(17)), the "Kentucky General Assembly has signalled clearly the Commonwealth's desire to attract data center investment." Authorization of the new tariff was based on a finding that benefits were consistent with statute and policy directives.



Xcel Energy (Northern States)

Expected rate reductions: N/A (tariff only); announced agreements expected to create \$1.5B in savings

Minnesota

E-002/M-25-289

June 2026

Xcel's new data center tariff requires a demonstration of benefits via an Incremental Cost Test (ICT) that shows that rates collected from a data center will exceed the cost of serving it. As described in the order approving the tariff, the new regulation requires data centers to pay rates that are based "...not only incremental costs attributable to the customer, but also an appropriate share of embedded system costs." As discussed above, contributions towards shared system costs reduce rates for existing customers. The regulator was not asked to consider service agreements with any particular customer. However, Xcel had previously announced that it had negotiated terms to serve a Google data center at rates that would generate \$1.5 billion in rate savings for residential and small business customers over the 15-year contract term.¹³



Northern Indiana Public Service

Expected rate reductions: \$1.1 billion over 15 years

Indiana

Cause No. 46322

June 2026

Records of the proceeding approving new service to data centers indicate expected savings \$1.1 billion for NIPSCO's existing customers, along with the utility's commitment to an additional \$15 million Customer Fund.



PPL

Expected rate reductions: \$40 per year

Pennsylvania

R-2025-3057164

June 2026

In its recent order approving a new tariff for large load customers, the PA regulator found that resulting savings to residential customers from the sharing of system costs would average \$40 per year.



We Energies

Expected rate reductions: N/A (tariff only); announced agreements expected to create \$300M in savings

Wisconsin

6630-TE-113

May 2026

We's Very Large Customer (VLC) Rate Schedule and Bespoke Resources Tariff includes multiple mechanisms cited by the regulator that are expected to reduce costs for existing customers. Of note, the approving order explicitly requires that VLC customers pay more than the (net) cost of serving them, which the regulator observes is consistent with a "record [which] demonstrated [VLCs] commitment to providing benefits to other customers." The proceeding authorized the new ratemaking but did not consider specific customers or agreements. In October, We Energies announced an agreement to provide energy to an Oracle data center that it contends to save existing customers \$300 million.¹⁴



Portland General Electric

Expected rate reductions: 1.3% decrease in residential rates, 2.1% decrease in commercial rates

Oregon

Order No. 26-154

July 2026

In July 2026, the Oregon Public Utility Commission approved ratemaking for large load customers and approved an update to the utility's costs allocations to reflect the entrance of new large load customers. The contributions made by those entrants to shared costs reduced rates for PGE's other customers.

¹³ Yahoo Finance, Google Data Center Deal Will Save Xcel Energy Customers Up To \$1.5 Billion Over 15 Years, June 6, 2026, accessed October 4, 2026.

¹⁴ We Energies, We Energies Agreement with Oracle Expected to Save Customers Approximately \$300 Million, October 2, 2026, accessed October 4, 2026.

**Georgia Power****Expected rate reductions: Annual savings of \$180 per customer**

Georgia

44280^{15, 16}

August 2026

On multiple occasions, the Georgia Public Service Commission has authorized Georgia Power to add large load customers based, in part, on the reductions in rates to other customers that would result. The GPSC's December 2025 authorization to add new customers was predicated on the utility's guaranteed rate savings of more than \$100 per year in customer savings. When additional data center loads were authorized in August 2026, Georgia Power's commitment increased to \$180 per customer in annual savings.

**Oklahoma Gas & Electric****Expected rate reductions: Annual savings greater than \$80 per customer**

Oklahoma

PUD-2026-000031

September 2026

OG&E recently reached terms for a settlement with the parties to a proceeding in which it had requested authorization to add a data center customer. The judge overseeing the docket has endorsed the terms of the settlement, in part because of a demonstration that customer savings could be as high as \$7/month.¹⁷ The parties also agreed that the regulator would conduct regular and ongoing *ex post* analysis to ensure that savings had been realized.

**DTE Energy****Expected rate reductions: \$1.7 billion over 20 years**

Michigan

U-22058

October 2026

The MPSC approved special contracts to serve Google data centers on the basis, in part, of analyses which showed that the new customer's contributions to fixed system costs would reduce costs to other customers by \$1.7 billion over a 20-year period. In an order authorizing a previous special contract, the MPSC explained part of its rationale for approving the utility's request was that data centers "...ensure an affordability benefit for the Company's other customers by spreading the Company's fixed costs of generation and distribution over a larger customer base."¹⁸

**AES Indiana****Expected rate reductions. \$300 million (minimum)**

Indiana

Cause 46394

October 2026

When it approved AES Indiana's special contract to serve a Google data center, the Indiana Utility Regulatory Commission cited an expectation that the contract would reduce the costs that will be recovered from existing customers by \$300 million (minimum) if the new data center consumed only its contract minimums and that the benefit could be as large as \$770 million at full contract demand.

Sentiments reflected in legislation and policy statements continue to align with regulatory trends

In much the same way that utility regulators have devoted considerable efforts to ratepayer protections and customer benefits in recent months, policymakers have also been active in the same areas.

While the details about specific proposals and their implementation vary widely, policymakers have consistently organized around the same set of principles that have guided decision-making in the recent rate dockets we describe above. The inclusion in new legislation, policy statements, and Executive Orders (EOs) of requirements for data centers to pay for all the costs required to serve them and consistently

¹⁵ Georgia Power, Georgia PSC Approves Plan to Deliver Savings for Electric Customers, Meet Energy Demands of a Growing State, December 19, 2025, accessed October 4, 2026.

¹⁶ Georgia Power, Georgia Power's Contract with OpenAI Approved; Latest Approval Part of Portfolio of Large-Load Contracts Delivering Approximately \$950 Million in Annual Savings Beginning in 2029, August 26, 2026, accessed October 4, 2026.

¹⁷ The Oklahoman, Google Data Centers Could Lower OG&E Bills, but OCC Must Approve Deal, September 9, 2026, accessed October 4, 2026.

requires that new data centers pay for all the costs incurred to serve them and that customers be protected from rate increases by a robust set of enforceable requirements is effectively universal. Below, we cite recent examples.

CALIFORNIA

Passage of several new laws in September 2026 designed to ensure that data centers pay their own way, that customers are protected, and that oversight is robust. The level of activity is notable given the limited scope of hyperscale data center development in the state.



NEVADA

EO 2026-005 establishes the "Nevada Standard for Responsible Data Center Development." Notable provisions include specific commitments to school funding in addition to requiring new customers to bear the cost of all new infrastructure.



FLORIDA

Senate Bill 484 includes multiple provisions to protect existing customers from rate impacts and cost subsidies. Requires submission by utilities of their plans for compliance to the FPSC by October 1. FPL is required to indicate how the LLCs tariffs comply. Utilities with applications pending must demonstrate their proposals' compliance.



PENNSYLVANIA

"Protecting Pennsylvania Consumers from Data Center Impacts" EO (2025-065) establishes multiple requirements to ensure transparency, cost accountability, and control. Identifies data centers as the primary cause of capacity price impacts in PJM and assigns specific cost responsibilities to data centers for PJM market costs incurred going forward.



INDIANA

Public Law 217 requires significant financial assurance by data center developers including specific cost contributions, and a requirement for utilities to ensure strong customer protections provisions. Also includes non-data center provisions, that include support for nuclear and coal generation.



TEXAS

Senate Bill 6 mandates customer protections that include developers posting significant financial assurance, responsibility for interconnection costs, and reporting. Includes "kill switch" provisions that allow the grid operator to curtail data center loads during grid emergencies.



KENTUCKY

EO2026-494 creates new standards that include customer protections from cost subsidies, including a requirement for review by the KPSC; environmental protections and developers' commitment to paying their full share of property taxes, which may preclude PILOT-type agreements with localities.



VIRGINIA

Companion bills (HB 1393/SB 253) require data centers to fund the cost of investments made on their behalf and authorized the SCC to ensure customers were protected. Draft versions of the bills included provisions for direct funding of PJM-related costs, which were eliminated prior to passage.



These actions indicate close alignment between utility regulators and policymakers regarding data center impacts and protections.

3. Broader value creation

In addition to reducing rates, data centers may provide broader system benefits under certain circumstances. Most opportunities center around the ability for grid-connected data centers to adjust their operations in response to system conditions. To date, data centers have generally indicated that their operations do not permit a high degree of flexibility. As such, they require firm (non-interruptible) energy supplies. However, emerging technologies could enable data centers to reduce their net demand on the grid, potentially delivering significant system benefits.

Recent research from the Electric Power Research Institute (EPRI) indicates that if data centers are sited strategically in areas where electric demand is high, they may be able to provide ancillary services that

support reliability, like spinning reserves or load curtailment.¹⁹ For data centers with Behind the Meter (BTM) resources, providing the grid some access to output from the BTM assets in some way could reduce prices, support grid stability, or both.

Other EPRI research shows that during frequency excursions, a data center that remains connected to the grid could use on-site storage to absorb or inject power and help suppress frequency deviations. This capability could be particularly valuable in systems with limited inertia, including those with substantial deployment of inverter-based resources.²⁰

Future environmental benefits could be possible as well. For example, recent analysis from the MIT Center for Energy and Environmental Policy shows that if data centers can operate flexibly, they may be able to both lower costs and reduce emissions.²¹

The authors are aware of other findings and assertions in this same vein. We find that, at this juncture, most grid benefits remain unverified and unquantified. But as the proliferation of data centers results in their being ever-more important elements of the energy grid, the potential for gains is large if operating flexibilities can be achieved.

4. Recent PJM developments

Retail rate trends explained that data centers generally did not cause retail rates to increase because other factors drove prior rate increases and that most of the proposed data centers had not been built. PJM stood out as a potential exception because forecast load growth from data centers caused prices in PJM's capacity market to clear at much higher rates than had been previously observed.

When capacity prices rose, the response from policymakers was swift. In January 2026, the governors of the states in PJM and the US Secretaries of Energy and the Interior sought to address the cost impact of data centers in PJM by urging PJM to extend capacity price caps, support the development of new generation capacity for data centers, and ensure that data centers pay for that capacity.²² In response, PJM submitted two market reforms to its regulator, the Federal Energy Regulatory Commission (FERC). The first is the Reliability Backstop (RBP) proposal filed in July 2026²³ and the second is the Interim Resource Adequacy Service (IRAS) proposal, filed in August 2026.²⁴ Together, these proposals seek to address cost allocation and reliability concerns associated with expected data center load growth by

¹⁹ Electric Power Research Institute, Integrating Data Centers into the Grid: Benefits of Flexibility and Strategic Siting, November 2025, accessed October 4, 2026.

²⁰ Electric Power Research Institute, EPRI's DCFlex Initiative: Transforming Data Centers into Grid Assets, accessed October 4, 2026.

²¹ MIT Climate Portal, Flexible Data Centers and the Grid: Lower Costs, Higher Emissions?, November 3, 2025, accessed October 4, 2026.

²² Department of Energy, Trump Administration Calls for Emergency Power Auction to Build Big Power Plants Again, January 16, 2026.

²³ PJM Interconnection, Transmittal Letter, Docket No. ER26-3380, filed July 31, 2026.

²⁴ PJM Interconnection, Transmittal Letter, Docket No. ER26-3515, filed on August 13, 2026.

encouraging the development of new capacity resources and allocating the costs of that capacity to data centers.

In September 2026, FERC accepted parts of the RBP proposal and found that certain components must be revised before the proposal can go into effect. The RBP, which will be delayed to allow time for the required revisions, will be a one-time long-term (up to 15 years) procurement of new capacity to serve new data centers.²⁵ The IRAS proposal would have, among other things, permitted PJM to curtail new large loads that do not bring their own new capacity before other customers. The next steps for the IRAS proposal are unclear given FERC rejected most of the IRAS proposal in October 2026.²⁶

5. Conclusions

Since *Retail rate trends* was published in February 2026, the regulatory landscape has continued to evolve quickly. Utilities and regulators have continued to identify potential risks associated with large-load growth and adopt mechanisms intended to address them. New tariffs, special contracts and related protections increasingly reflect the core principles identified in the earlier report: large load customers should pay the costs they impose on the system, and existing customers should be protected from adverse outcomes.

The regulatory record also continues to support the potential for large-load growth to benefit existing customers. In the dockets reviewed, regulators recognized that revenues from new data center customers can spread fixed system costs across a broader customer base and, where appropriate protections are in place, reduce rates or otherwise provide benefits to other customer classes.

PJM has advanced a series of reforms intended to address the capacity and interconnection implications of rapid large load growth, including proposals that would more directly assign incremental capacity costs to the new loads driving those requirements. These developments are important because protecting existing customers ultimately requires both appropriate retail safeguards and wholesale market rules that reflect the costs created by new demand.

²⁵ PJM Interconnection, L.L.C., 196 FERC ¶ 61,245 (September 29, 2026).

²⁶ PJM Interconnection, L.L.C., 197 FERC ¶ 61,019 (October 9, 2026).

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