

Power Has to Come from Somewhere

Understanding how data centers consume — and pay for — the energy that keeps the digital world running

Data centers consume energy to run the applications and services that businesses and consumers depend on to operate. Hospitals managing patient records. Utility providers managing community power and water. Banks processing transactions. Schools managing parent and student communications. Retailers running e-commerce platforms. Streaming services delivering entertainment to millions. Social media platforms connecting billions of users worldwide. These aren't frivolous applications. They're how modern organizations serve their customers and communities.

Those organizations put their infrastructure in data centers because that's where the computational power, cooling, and security are built to operate at scale. Who uses those services? You do. Everyone does.

The business model varies by market. In regulated states, data centers pay standard commercial or industrial rates set by utilities. In deregulated markets, they negotiate rates competitively. Either way, they pay for what they use, and the relationship between large commercial loads and residential rates is more nuanced than most headlines suggest.

7. Xcel Energy, [Xcel Energy to Power New Google Data Center in Minnesota](#), February 24, 2026.



THE MINNESOTA MODEL: GROWTH THAT GIVES BACK

Google's data center investment in Minnesota is directly enabling new clean energy development, supporting the state's renewable goals, and ensuring customers bear none of the costs.⁷

THE TRUTH ABOUT DATA CENTERS

The Many Reasons Your Electricity Bill Has Gone Up

Rising electricity costs have many causes. Data centers are just one part of a much larger story.

Electricity rates are established by utilities based on infrastructure costs, generation expenses, and regulatory requirements, then approved by state regulators. Data centers purchase power at rates determined by the market or state regulators, just like any other large commercial customer. They don't set rates. They pay them.

What is driving electricity demand higher is the digitization and electrification of everyday life. Streaming, cloud storage, e-commerce, remote work, electric vehicles, and AI are pushing demand for digital services higher. That requires more infrastructure and more power. Data centers aren't the cause of rising energy costs. They're a reflection of how much the world depends on the services running inside them.

The drivers behind recent increases are well documented:

- Natural gas prices rose 56% in 2025. After Russia's invasion of Ukraine, Europe and Asia began competing for liquefied natural gas, driving U.S. exports up, tightening supply, and increasing prices⁸

- Utility infrastructure spending has risen sharply in recent years, driven by aging equipment replacement, wildfire and weather mitigation requirements, grid hardening, the cost of connecting new generation sources to population centers, and other factors.
- Growing overall electricity demand from consumers, EV adoption, home electrification, and industrial reshoring is straining the grid.
- Extreme weather events have added significant grid hardening costs across multiple regions.
- Local and state policy costs — including taxes, mandates, and clean energy program fees — are passed directly to ratepayers.
- Inflation across labor, materials, and construction has driven up the cost of nearly every grid investment.
- Data centers, as infrastructure for the digital economy, can be counted among these drivers

Rate increases are real, and the frustration behind them is understandable. Data centers are part of a much larger story — one that utilities, regulators, and policymakers have been navigating long before the current wave of data center development.

MORE DEMAND, LOWER RATES?

A Lawrence Berkeley National Laboratory analysis found that large-load growth from data centers likely contributed to lower electricity rates on average through 2025, though results varied significantly by region with markets like PJM seeing the opposite effect.⁹ PG&E projects that data center growth could reduce average household bills by up to **2%**.¹⁰

8. U.S. Energy Information Administration, [U.S. Wholesale Day-Ahead Electricity Prices Rose in 2025 with Higher Natural Gas Prices](#), February 2, 2026.

9. [Lawrence Berkeley National Laboratory](#).

10. PG&E, [Surging Data Center Growth to Help Lower Energy Costs for PG&E Customers](#), May 27, 2025.