

# Report in Brief

As electricity use in the U.S. grows for the first time in decades, many households are seeing higher energy bills. Data centers, in part due to their size and visibility, have become an easy focal point in discussions of rising costs but the evidence suggests a more complex picture. Demand is increasing due to electrification, industrial reshoring, and data center expansion. While this growth has coincided with rising retail electricity rates in some regions, the relationship between load growth and electricity retail rates is complex and must be interpreted carefully.

What the data tell us:

- + Retail rate outcomes are influenced by broader supply-demand dynamics, market design choices, fuel cost volatility, generation retirements, inflation, and other utility investments (such as grid modernization, wildfire mitigation, policy compliance) —not load growth alone.
- + Of the quantitative analyses conducted to date (See Appendix A.1), there is **no evidence that data centers have been historically subsidized by other customers** under existing rate structures. Regular updates to utility cost allocation across customer classes will be critical to continuing to prevent cost shifting amid rapid load growth.
- + Some analyses found that **data centers generate surplus utility revenues** from paying more than the cost to serve them, which can potentially **lower electric rates for other customers**.
- + State-level analyses show **no clear relationship between load growth and rising rates**. States such as Texas and Virginia with the *largest* increases in load (largely driven by data centers) had the smallest rate increases, while states like California and New York saw the largest price increases but a reduction in load. In the PJM market in the Mid-Atlantic region, data center-driven load growth is one of several factors putting upward pressure on capacity market prices, alongside market design changes and power plant retirements, and resulting customer impacts will depend on how utilities allocate costs between data centers and other customers, subject to regulatory approval.
- + **As the pace of data center growth has accelerated, so too has the evolution of regulatory and policy tools**, particularly rate design, to manage impacts. This trend is reflected in at least 38 new large load tariffs established between 2018

and 2026 to more clearly assign customer-specific costs and mitigate ratepayer risk. 30 were implemented in 2025-2026 alone, underscoring the accelerating pace and adaptation in response to load growth.<sup>1</sup>

Gaps in literature and areas for further investigation:

- + Only a **few quantitative** studies have been conducted, examining this relationship between data center growth and retail electricity rates, with most looking at historical data. Further, many **rely on correlation** rather than establishing *causal* relationships.
- + How well risk mitigation tools will perform over time.
- + How processes (such as infrastructure planning, regulatory lag, cost allocation, and market design) will change in response to rapid and sustained load growth.
- + While the quantitative studies to date **have not found evidence** of systematic cost shifting, research gaps remain and the risk is not absent.

In short, there is no quantitative evidence to date that data centers have historically been subsidized by other customers, and historical load growth has been found to be only one driver out of many others contributing to retail rate outcomes. As the pace of data center growth has accelerated, regulatory and/or policy tools have rapidly adapted as well to both accommodate higher levels of growth and manage that growth's potential impacts. Implementing these tools across the country will be vital to ensuring ratepayer protections amid this load growth and can even provide ratepayer benefits as well.

<sup>1</sup> E3 evaluation of large load tariff data from Halycon. Select measures quantified here include minimum monthly demand payments, contribution in aid of construction (CIAC), exit fees, minimum load factor >50%, and long-term contract years >10. Inclusion of other measures such as collateral requirements would increase these estimates. See Appendix A.2 for the referenced set of tariffs.