Third, thoughtful rate design can also unlock the potential benefits of load growth. When incremental revenues exceed incremental costs, and include a contribution to embedded system costs, these fixed system costs can be spread over a larger sales base to reduce average rates for existing customers. High-load-factor customers in particular can contribute steady revenue streams that improve cost recovery and system utilization. Properly structured tariffs and allocation methodologies ensure that these benefits are realized while maintaining cost discipline and financial stability. In contrast, upward rate pressure can occur when incremental infrastructure investments increase the utility's revenue requirement faster than sales grow, or when new load does not contribute sufficiently to marginal and allocated embedded costs. In such cases, fixed costs are spread across a broader base without corresponding revenue support, raising the average cost per unit of electricity for other customers. Updates to how costs are allocated can address these rate impacts across customer classes, although in the short-term there may be regulatory lag. These dynamics underscore the importance of aligning revenues with cost causation and implementing appropriate risk mitigation tools.

More broadly, frequent updates to cost allocation practices should be a cross-cutting priority given a fundamental pacing mismatch: technology and load growth evolve faster than regulatory institutions, outstripping traditional planning and rate case cycles.[7] Processes such as IRP proceedings are not built for speed, creating tension with the speed-to-market needs of large load customers and potentially delaying necessary adjustments, which can increase risk.[8] Identifying ways for regulatory frameworks to keep pace and adapt will be essential to addressing rate impacts.[9] For example, periodic review of allocation factors, demand determinants, and infrastructure cost recovery helps ensure that rate structures remain aligned with evolving system conditions.[10]

Regulatory flexibility is also essential. Tariffs are increasingly designed to allow for adjustments if pricing, riders, or minimum bill structures do not perform as expected, and their success will depend on how well they adapt in practice.[11] Given uncertainty around long-term impacts, embedding flexibility, protections, and opportunities for renegotiation can improve risk and cost allocation over time.[12] More broadly, the scale and pace of recent large load growth may warrant revisiting traditional cost accounting frameworks and reexamining core principles to ensure they remain fit for today's conditions and are adaptable to future changes.[13]

In short, cost shifting is not determined by the size of a load alone, but by whether revenues meet incremental costs and whether appropriate risk mitigation and allocation tools are in place. When structured properly, new large loads can be neutral or beneficial to other customers while maintaining cost discipline and financial stability.

Key Risk Mitigation Measures in Large Load Tariff Design

To manage uncertainty and protect existing ratepayers, utilities have developed a broad toolkit of risk mitigation mechanisms. These tools are not theoretical; they are widely and increasingly embedded in large load tariffs and contracts across jurisdictions to protect other customers. The appropriate combination of mechanisms depends on factors such as load size relative to the utility system, market structure, creditworthiness, and policy priorities. Importantly, stronger risk mitigation reduces the likelihood of stranded costs but may also limit the opportunity for shared benefits, such as downward rate pressure, by reducing the role of socialized approaches that enable system gains (e.g., improved asset utilization, fixed cost recovery) to translate into broader benefits. Effective rate design therefore balances risk protection with economic development and system efficiency objectives.

[7] Interview with Lynne Kiesling, Northwestern University, April 2026
[8] Interview with Kevin Gunn, Evergy, April 2026
[9] Interview with Lynne Kiesling, Northwestern University, April 2026
[10] Interview with Kevin Gunn, Evergy, April 2026
[11] Interview with Kevin Gunn, Evergy, April 2026
[12] Interview with Kevin Gunn, Evergy, April 2026
[13] Interview with Lynne Kiesling, Northwestern University, April 2026