

ASIC chip efficiency gains, and better cooling technologies. Operational advances could involve leveraging back-up generators or on-site battery storage. On the commercial side, tariffs or market participation contracts that create mutually incentivized results to benefit the grid and local communities may become more common.

Data center demand growth: The opportunities and the risks

As utilities grapple with managing current demand from data center customers and/or attracting additional data center demand, they should seek to leverage the scale and capabilities of the technology sector and large C&I customers and consider evaluating these five capabilities:

1. Integrated resource planning

2. Capital project delivery

3. Customer partnership and tariff design

4. External stakeholder engagement

5. Clean energy transition

Thank you to Tara Woram and Arsen Akopian for their contributions to this article.

Sources/Footnotes

Additional chart sources

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MEMORANDUM

Re: Data Center Energy Ratepayer Protections, Demand, and Applicable Indiana Law

Date: May 28, 2026

To: Metropolitan Development Commission

From: Mindy Westrick Brown

As the former Vice President at the Indiana Energy Association and someone with an active interest in Indiana energy policy, I've been both following and researching the multiple legal and regulatory protections and assurances for AES ratepayers in addition to DC BLOX's commitments regarding energy. Those protections and commitments are outlined below:

HEA 1007 (2025) / IC 8-1-7.9-22 – Large Load Customer Protections

House Enrolled Act 1007 requires that before a utility may petition to serve a large load customer, the customer must:

- Provide significant and meaningful financial assurances that must:
 - "Reimburse at least 80% of project costs reasonably allocable to that customer; and
 - afford protections for the energy utility's existing and future customers from project costs reasonably allocable to the large load customer regardless of whether the large load customer ultimately takes service in the anticipated amount and within the anticipated time frame."

This statute places infrastructure and demand risk on the large load customer rather than general ratepayers.

IEDC Energy Neutrality Requirement (IC 6-2.5-15)

To qualify for the data center sales and use tax exemption, a developer must accept three conditions from the Indiana Economic Development Corporation:

- Energy Neutrality
- Hoosier Workers
- Local Approval

Under the Energy Neutrality commitment, the developer must reimburse the utility for all reasonable incremental costs incurred as a result of the project, including preparation costs for service. The commitment must also include a reimbursement mechanism if service ends earlier than anticipated.

This contract or tariff is reviewed by the Office of Energy Development for compliance.

Project-Specific Commitments

Written commitments filed with the variance petition provide:

“Through collaboration with the local electric provider, the data center developer will pay all related costs associated with the new substation for the data center and the additional generation, transmission, and distribution infrastructure needed to service the data center.”

If approved, these commitments will be recorded in the county recorder's office and run with the land.

The Indiana Utility Regulatory Commission (IURC)

The IURC will review any tariff or large load contract for consistency with HEA 1007 and applicable affordability protections. Governor Braun recently appointed three new commissioners, with a specific emphasis on affordability. The IURC called for all investor-owned utilities to present to the IURC on March 24 on affordability. I&M announced in early March that they will be filing for a rate decrease due to large load growth. See: [I&M Announces Base Rate Reduction for Hoosiers Through Customer Benefits Plan](#). AES Indiana also put out a recent press release in April 2026 announcing a partnership with another large load customer in the service territory which will deliver over \$770 Million in customer savings while powering central Indiana growth. See: AES Indiana press release in the petition file.

Governor's Strategic Energy Growth Task Force

Additionally, The Governor's Strategic Energy Growth Task Force is still meeting and has a plan to submit in coming months. The Gov. Braun has said, “AI is going to be key to the jobs and wages of the future, but data centers can't stick Hoosiers with the power bill. Companies that want big power in Indiana should pay their own way.” More recently on March 9, 2026, the Governor held a press conference on utility affordability addressing his demands that data centers pay for their energy. [Gov. Braun says energy affordability plan is working. Here's what's changed.](#)

Regional Grid Context

Indiana operates within the regional transmission system with most of the State administered by Midcontinent Independent System Operator, which spans 15 states and portions of Canada. Utilities within this footprint participate in a shared wholesale energy market in which generation is dispatched regionally.

While utilities such as AES Indiana maintain territorial service obligations and conduct integrated resource planning, energy demand for data processing facilities has a regional component as well.

As James Briggs, IndyStar reported stated: “The electric grid that powers Indianapolis doesn't stop at the Marion County border. If Indianapolis rejects [a] data center, the company will build it somewhere else — most likely drawing from the same grid as if it had been built in [Marion County] ... However you feel about data centers' electricity and water consumption, it's going to happen with or without Indianapolis' consent. The difference is that, if the City-County Council says no, Indianapolis will miss out on tax revenue.”

- Why Indianapolis can't afford to reject Google's \$1 billion data center 9/10/2025.

A MISO transmission map has been included in the Exhibit Book, to illustrate this regional connectivity.

Reliability and Load Characteristics

Modern data centers are not like traditional industrial facilities. In colder climates, their cooling systems can leverage free cooling, meaning ambient temperatures assist closed-loop cooling systems and reduce mechanical cooling energy demand during the winter months precisely when residential heating demand rises. Data centers operate continuously but experience these seasonal cooling efficiencies, making them more energy-efficient in winter which has become an important peak for utilities.

Combined with statutory cost protections, this makes them stable, predictable utility partners rather than speculative grid risks. Moreover, large load growth can help spread fixed infrastructure costs across a broader customer base.

AES Integrated Resource Plan (IRP)

AES published their most recent IRP in late 2025, which included the following chart that shows benefits for AES customers from data center load growth:

Data Center Case	Portfolio	AFFORDABILITY				RELIABILITY, RESILIENCY, AND STABILITY				
		10-Year Levelized Supply Cost	25-Year Supply Cost	10-Year PVRR	25-Year PVRR	Market Purchases + Sales	25-yr energy purchases, % of load	25-yr energy sales, % of load	Dispatchable Capacity, Percent of Peak (2035)	Dispatchable FIRM Capacity, Percent of Peak (2035)
	Units →	\$2026/MWh	\$2026/MWh	2026\$MM	2026\$MM	%	%	%	%	%
No Data Center Load	Reference Case	\$149	\$161	\$5,126	\$10,092	26%	16%	10%	111%	90%
	Gas Infrastructure Challenges	\$149	\$162	\$5,154	\$10,161	21%	13%	8%	111%	90%
	High Regulatory, Environmental	\$156	\$188	\$5,906	\$15,455	25%	11%	14%	111%	91%
	Stable Markets Scenario	\$149	\$161	\$5,126	\$10,070	27%	18%	9%	111%	90%
Low Data Center	Reference Case	\$144	\$151	\$5,985	\$12,654	23%	15%	8%	121%	99%
	Gas Infrastructure Challenges	\$148	\$153	\$6,400	\$13,047	21%	11%	10%	118%	98%
	High Regulatory, Environmental	\$153	\$180	\$7,099	\$19,827	26%	12%	14%	117%	98%
	Stable Markets Scenario	\$145	\$151	\$6,020	\$12,699	23%	15%	8%	119%	97%
Mid Data Center	Reference Case	\$138	\$139	\$7,971	\$18,187	17%	12%	5%	122%	102%
	Gas Infrastructure Challenges	\$139	\$140	\$8,220	\$18,499	17%	10%	7%	117%	99%
	High Regulatory, Environmental	\$151	\$174	\$10,236	\$30,040	21%	10%	11%	118%	99%
	Stable Markets Scenario	\$138	\$139	\$7,967	\$18,266	17%	12%	4%	121%	100%
High Data Center	Reference Case	\$134	\$132	\$9,975	\$23,754	15%	10%	5%	118%	102%
	Gas Infrastructure Challenges	\$135	\$133	\$10,132	\$24,032	14%	8%	7%	125%	109%
	High Regulatory, Environmental	\$145	\$164	\$12,246	\$37,071	18%	10%	8%	120%	99%
	Stable Markets Scenario	\$134	\$133	\$9,959	\$23,990	14%	10%	4%	133%	112%

Conclusion

Electricity demand and ratepayer impacts are governed by a comprehensive federal and state regulatory framework, including HEA 1007, the IEDC energy neutrality requirement, regional transmission organizations, and oversight by the Indiana Utility Regulatory Commission. These laws require large load customers such as data centers to bear the costs associated with infrastructure and demand growth. The developer has committed through a recorded commitment to pay project-specific infrastructure costs in addition to generation, transmission, and distribution.

The evidence in the record demonstrates that the project's energy demand will be subject to these statutory protections and paid for by the petitioner. Therefore, it does not undermine the Commission's ability to make findings for approval.

https://www.journalgazette.net/local/indiana-michigan-power-announces-lower-rates-on-electric-bills/article_f37faafe-e288-4148-8cbb-a64507988291.html

Indiana Michigan Power announces lower rates on electric bills

THE JOURNAL GAZETTE
May 26, 2026

Indiana Michigan Power customers will soon see lower electric bills, the Fort Wayne-based utility said Tuesday.

The average residential customer that uses 1,000 kilowatt hours per month should see a 3.6% – roughly \$6 – drop in the cost starting with the June billing cycle, a news release said.

I&M said the decrease is partly because of additional revenue the utility is expected to receive from selling extra power. The reduction is listed on the bill as “Off System Sales Margin Sharing/PJM Cost Ride (OSS/PJM Cost Rider).”

I&M asked the Indiana Utility Regulatory Commission for permission to lower customers’ monthly charge, and the state board has approved that. That step is required because I&M is a regulated utility.

“This is part of I&M’s broader effort to keep energy affordable including the announcement in February that the company will file its Customer Benefits Plan later this summer to reduce base rates – the largest portion of most bills – as well as a multi-year freeze of non-fuel rates for Indiana customers,” the news release said. “This is made possible by the load growth and increased revenue the company is experiencing from large customers including data centers.”

Construction of data centers has sparked outrage from some residents. That includes the Google data center that is operational on Fort Wayne’s far-east side with development continuing on the \$2 billion investment. Critics question what effects the data center will have on the environment and their utility bills.

The Customer Benefits Plan is expected to protect customers, along with creating a benefits bank that would allow customers to stabilize rates by providing a buffer against future cost increases and improving reliable access to power with strategic investments in modern infrastructure and technology, I&M said earlier this year.

Katie Runkle, vice president of external affairs and customer experience, said I&M will continue to look for opportunities to lower costs on bills.

“Our customers expect us to look for every opportunity to make energy costs more reasonable while still delivering reliable power and that’s what this reduced rate reflects,” she said in a Tuesday statement.

Indiana Michigan Power serves more than 600,000 customers. I&M’s two largest sources of energy are generated by nuclear – 2,278 megawatts – and coal – 1,497 megawatts, according to the release.

The company also has access to 450 megawatts of wind-generated energy, more than 22 megawatts of hydro-generated power and about 35 megawatts of large-scale solar-generated electricity.

MORE INFORMATION



Indiana Michigan Power announced it will ask for state permission to reduce base rates



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AES Indiana and Google Partner to Deliver Over \$770 Million in Customer Savings While Powering Central Indiana Growth

HEA 1007 filing ensures that Google pays for 100 percent of its energy use and delivers customer savings over 15 years

INDIANAPOLIS, Ind., April 23, 2026 – AES Indiana, a subsidiary of The AES Corporation (NYSE: AES), filed today under HEA 1007 outlining how its proposal protects residential and small business customers as large-load growth accelerates across Central Indiana. In line with Indiana Governor Mike Braun’s commitment to utility ratepayer affordability, the agreement to serve Google’s proposed data center in Monrovia includes Google paying 100 percent of its own energy use and any new infrastructure required to serve them, ensuring no costs are borne by AES Indiana’s existing residential and small business customers. Based on current modeling, serving the proposed Google data center through a customer-specific contract is expected to benefit existing customers by delivering over \$770 million in customer savings over the next 15 years.

In March, AES Indiana appeared before the Indiana Utility Regulatory Commission (IURC) during the public meeting on energy affordability. AES Indiana shared how responsible growth—when structured with strong customer protections—can put downward pressure on customer bills over time.

“At a time when customers are feeling pressure from rising costs, our responsibility is to ensure that growth works for them not against them,” said Brandi Davis-Handy, President of AES Indiana. “Affordability is one of Indiana’s five core energy pillars, and it is central to our planning and decision making. The framework provided by the legislature allows us to meet new demand responsibly by protecting customers while continuing to deliver reliable, affordable energy for Central Indiana.”

“At Google, we believe that being part of a community means contributing to its stability and growth,” said Will Conkling, Region Head of Google Data Center Energy. “This filing represents a landmark model for how data centers and utilities can partner to drive economic development while strictly protecting ratepayers. We are proud to support a plan that brings new jobs and infrastructure to Indiana while ensuring that the cost of

progress is borne entirely by us, not the families and small businesses of Central Indiana.”

In addition to protecting customers, the proposal supports long-term economic development across Indiana. Meeting this new demand will require approximately \$1.3 billion in new energy infrastructure investment in the state by supporting long-term construction jobs, supply chain activity, and local tax base growth while ensuring those costs are fully borne by Google and not existing AES Indiana customers.

Customer protections included in the HEA 1007 filing

HEA 1007, passed by the Indiana General Assembly in 2025, requires utilities to demonstrate that large-load customers fully fund the infrastructure and generation needed to serve them. Within AES Indiana’s filing:

- Google will pay for 100 percent of the energy its data centers will use, and any new infrastructure costs driven by their growth, preventing shifting costs to existing customers.
- The Customer Specific Contract (CSC) with Google includes financial assurances, minimum demand commitments, and exit provisions, ensuring customers are not left with stranded costs if circumstances change.

Strengthening the grid for all customers

In addition to strong cost protections, AES Indiana’s filing supports long-term reliability for existing customers by enabling proactive, phased infrastructure planning as demand grows. By allowing infrastructure to be planned and built in coordination with long-term system needs, rather than through reactive upgrades, the filing improves system flexibility and resilience while maintaining reliability across Central Indiana.

Key reliability benefits include:

- Phased system investments aligned with long-term grid needs.
- Improved system resilience and flexibility to support reliability during peak demand and extreme weather.
- Modernized infrastructure planning that strengthens the overall grid while maintaining reliability across Central Indiana.

All proposed investments remain subject to IURC review and approval. AES Indiana anticipates receiving an order from the IURC this September. This agreement aligns with the [White House Ratepayer Protection Pledge](#) that was announced earlier this year with the goal of protecting ratepayers, creating long-term jobs, and keeping the grid reliable as businesses grow.



For more information about AES Indiana's plans to power Central Indiana's growth responsibly, visit aesindiana.com/datacenters.

About AES Indiana

AES Indiana, an AES Company, provides retail electric service to more than 530,000 residential, commercial and industrial customers in Indianapolis, as well as portions of other Central Indiana communities surrounding Marion County. During its long history, AES Indiana has supplied its customers with some of the lowest-cost, most reliable power in the country. For more information about the company, please connect with AES Indiana on [X](#), [Facebook](#) and [LinkedIn](#). For more information about how AES Indiana is accelerating the future of energy, visit aesindiana.com.



An Energy System in Transition



New Report Identifies the 5 Key Drivers of U.S. Electricity Prices

For the first time in decades, electricity use in the U.S. is growing, driven by a confluence of factors including broad electrification, industrial reshoring, and the expansion of the digital economy. This has placed a spotlight on our nation's energy infrastructure and the costs associated

with it. While the growth of data centers is a visible part of this story, a comprehensive new independent study from consulting firm [Energy + Environmental Economics \(E3\)](#) finds that rising electricity rates are the result of multiple, complex factors—not load growth alone.

Key Takeaways

- **UNCLEAR RELATIONSHIP BETWEEN GROWTH & RATE HIKES:**

State-level analysis shows no direct correlation between load growth and rising electricity rates.

- **DATA CENTERS CAN LOWER CUSTOMER RATES:**

A study cited in the report found that the data centers evaluated paid their full infrastructure costs plus a surplus, which generated net positive revenue for those utilities.

- **INDUSTRY IS PAYING ITS OWN WAY:**

The review found no evidence of a historic cost shift from data centers to other customers. New mechanisms are increasingly being used to ensure data centers pay for their share of grid investments.

- **PRIMARY DRIVERS OF RISING RATES:**

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 and policy compliance — not load growth alone.

- **PJM MARKET ANALYSIS:**

In a new analysis of the PJM market (13 states and DC*), E3 found data center driven load growth accounted for ~50% of the capacity cost increase while five other factors drove the other 50%.

*Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia.



Each data center site evaluated generated an average
\$3.4M IN NET SURPLUS PER SITE REVENUE,
which could help offset costs for other customers.

Riu, I., Patel, K., Mettetal, L., Santoni-Colvin, M., Platter, H., Greszczuk, S., Cardona, J., Bertrand, L., Spencer, S., & Ramirez, S. (2025). *Tailored for scale: Designing electric rates and tariffs for large loads: A guidebook of industry best practices and examples from real-world Amazon data center case studies* (White paper). Energy and Environmental Economics, Inc. (E3). <https://www.ethree.com/wp-content/uploads/2025/12/RatepayerStudy.pdf>

Five Primary Contributors to Rising Retail Electricity Rates



INFLATION



NATURAL
GAS



GRID
MODERNIZATION



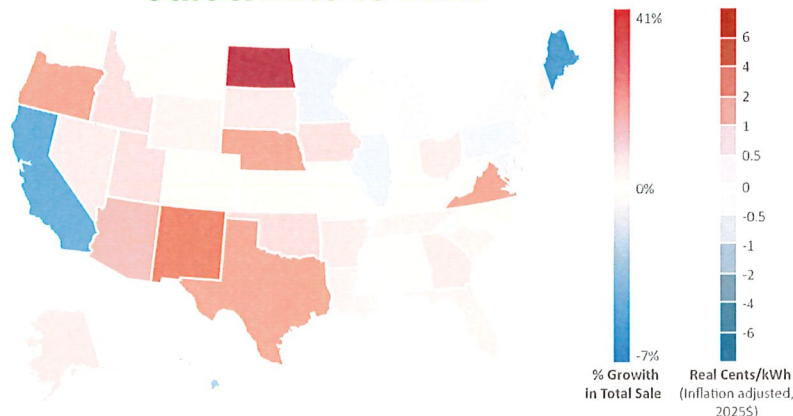
EXTREME
WEATHER



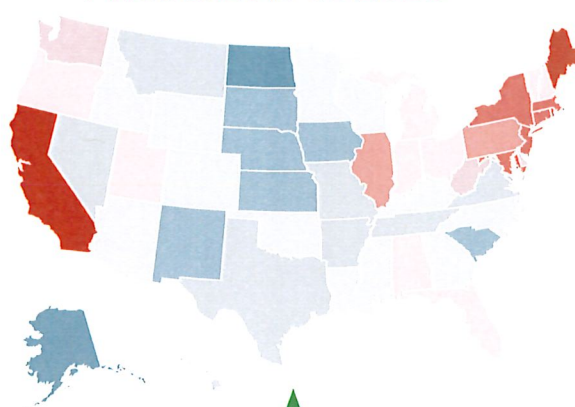
MARKET
DESIGN

National prices compared to sales

Growth in State Retail Electricity Sales: 2019 to 2025



Change in Average Retail Electricity Prices: 2019 to 2025



Bills are rising

29%

While data centers are visible, they aren't the primary driver.

What to Look at Next:

- Only a few **quantitative studies** have been conducted as of May 2026, 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.

The Path Forward

E3's analysis of more than 10 different studies shows that rising electricity bills are not solely the result of a rise in data center development. The financial pressures on our energy system are complex, rooted in broad economic trends and factors, and the transition to a more modern and resilient grid is a work in progress.

E3 recommends the **following approach to create a framework** for responsible load growth. With thoughtful, market-specific approaches, policymakers can support economic growth while protecting customers and ensuring fair cost allocation.



- Strengthen planning and forecasting.**
- Leverage tailored large load tariffs and align cost allocation with the pace of load growth.**
- Enable innovative supply and load integration models.**
- Close analytical gaps with both targeted and more quantitative analysis.**

Read E3's study, *Understanding the Drivers of Rising Electricity Rates and the Role of Data Centers*, here.
ethree.com/electricity-rate-drivers-data-center-role-2026

How Energy Markets Across the US Address Load Growth and the Surge in Power Demand



- **PJM Market:** Recent capacity price spikes have reflected tightening supply conditions. PJM responded by advancing proposals to reform its market and processes. The 13 PJM-state governors and federal officials issued a [Statement of Principles](#) calling for more immediate and structural reforms.*
- **Texas:** Has experienced significant load growth in recent years and lawmakers developed specific policies without disproportionate retail rate increases for households and businesses to date.
- **Georgia:** Regulators have responded to the state's rapid data center growth by strengthening long-term contract requirements and minimum billing protections to reduce stranded cost risk.
- **Arizona:** Regulators and utilities are refining rate design and contractual protections to better reflect cost causation and risks, driven by the rapid and large-scale load growth from data centers.
- **Missouri:** Due to emerging data center growth, Missouri is one of several emerging markets that has proactively established large load tariffs and long-term contractual requirements to preempt cost shifts and mitigate stranded cost risk.



*Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia.

Understanding the Drivers of Rising Electricity Rates and the Role of Data Centers

May 2026

Prepared by:



Energy+Environmental Economics

Authors & Acknowledgments

Project Team

Energy and Environmental Economics, Inc. (E3) is a leading economic consultancy focused on the power sector in North America. For over 30 years, E3's data driven analysis and unbiased recommendations have been utilized across the power industry by the utilities, regulators, government agencies, project developers, investors, and non-profit entities. E3 has offices in San Francisco, Boston, New York, Denver, and Calgary.

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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.¹

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.

¹ 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.

Executive Summary

The relationship between load growth and electricity retail rates is more complex than often conveyed in public discourse. Retail rates reflect a combination of generation, transmission, distribution, policy, and market dynamics – not simply changes in demand- and while load growth can influence system costs, it is only one of many factors. Understanding the role of large loads requires a more nuanced, evidence-based assessment that accounts for these multiple interacting drivers, and is especially important context when identifying ways to manage costs and maintain customer affordability.



E3's review of the few quantitative analyses on this topic did not yield evidence that other utility customers are subsidizing data centers.

- + Notably, E3's study for the Joint Legislative Audit and Review Commission (JLARC) in Virginia – the world's largest data center market – found no evidence of a historical or present-day cost shift from data centers to residential or small commercial customers.
- + Moreover, some studies found data centers can potentially *lower* electric rates for other customers, by paying not only the incremental cost to serve them but also paying embedded fixed costs, which can be used to create downward pressure on rates. An E3 study examining Amazon data centers across four diverse utility territories found, on average, each site generated \$3.4 million in net surplus (i.e., revenues exceeding costs) that could help offset costs for other customers.
- + More broadly, E3 found no clear relationship between load growth and rising electric rates. In the economic consulting firm Bates White's recent study, 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 rate increases but a reduction in load. Lawrence Berkeley National Lab's (LBNL) recent study found similar results, except in the PJM region.

- + A recent working paper from Georgia Tech identified a small increase in electricity retail rates on average across a subset of US counties after initial data center entry, but further investigation into rate dynamics and other regional differences is required to more definitively estimate the impact of today's large load clusters.
- + E3 conducted an analysis of the change in capacity prices between PJM's 2024/2025 and 2025/2026 auctions and found that load growth (primarily data centers) accounted for ~50% of the increase while other changes, such as market design updates and power plant retirements, drove the other ~50%.

In its review, E3 found a number of factors, beyond load growth alone, have been major contributors to rising electric rates:

- 1 **Inflation:** Recent inflation has significantly increased the cost of labor, materials, and financing, directly increasing the amount of revenue utilities need to collect to recover their investments.
- 2 **Natural Gas Price Volatility:** Natural gas prices have become more volatile and regions reliant on gas-fired generation are particularly exposed to this price volatility.
- 3 **Wildfire Mitigation and Resilience Investments:** Wildfire-related mitigation spending and grid hardening more broadly now represent a significant and growing share of utility spending to respond to and protect against extreme weather events.
- 4 **Grid Modernization:** Utilities have increased investment to replace aging infrastructure, comply with policies, and modernize the grid.
- 5 **Market Design and Supply Dynamics:** In wholesale markets such as PJM, capacity price volatility has also been driven by market design and supply-side factors, including power plant retirements, reduced accreditation of fossil resources, higher reliability targets, planning/forecasting gaps, regulatory lag, permitting barriers, and interconnection backlogs.