Extracting Profits from the Public: How Utility Ratepayers are Paying for Big Tech's Power

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1 Data Center Power Demand

- Era of flat power demand is over
- By 2030, analysts and researchers are anticipating that data centers may consume as much as 12% of all U.S. electricity
- Individual utilities are even more bullish:
    - Georgia Power anticipates doubling sales by the early 2030s
    - Indiana Michigan Power expecting new data centers to increase peak demand on its system from 2.8 GW to 7 GW
    - Oncor has received 119 GW of new load requests from data centers

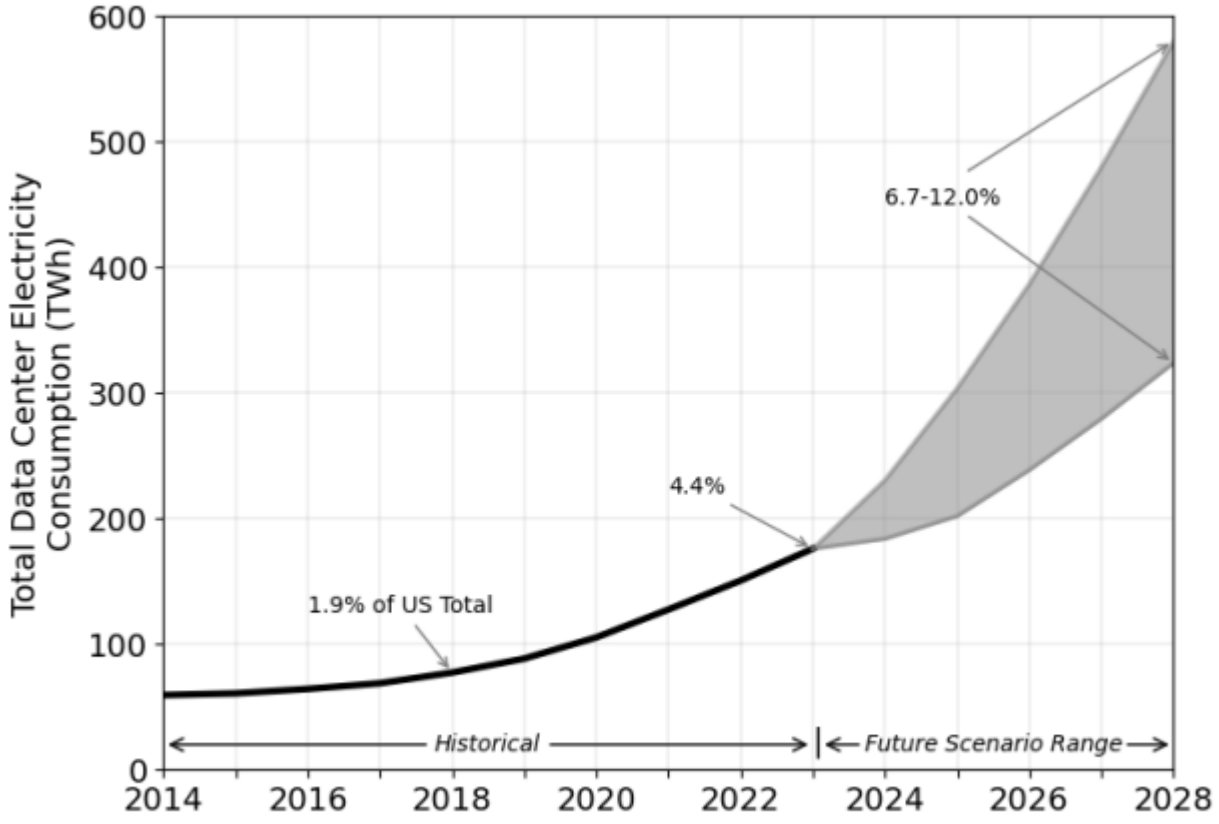

Figure ES-1. Total U.S. data center electricity use from 2014 through 2028.

Source: Arman Shehabi et al., 2024 Report on U.S. Data Center Energy Use (Lawrence Berkeley National Laboratory, Dec. 2024), https://eta-publications.lbl.gov/sites/default/files/2024-12/lbnl-2024-united-states-data-center-energy-usage-report.pdf

2 Electric Utility Regulation

- State Public Utility Commissions (PUCs) approve utility rates through a rate case
- Rates reimburse investor-owned utilities for their operational expenses and give utilities an opportunity to earn a fixed rate of return on capital investments
- Consumer electricity prices generally align with the costs the utility incurs to provide service to that customer group (residential, commercial, industrial)
- To generate rates, utility costs are imprecisely allocated to customer groups

Photo: Jesse Rieser

3 Utilities Shifting Data Center Costs

Rates Socialize Power System Costs

- The easiest way for utilities to shift data center energy costs is to use the existing rate process
- The conventional approach of socializing expansion will shift data centers' energy costs to the public

An Amazon Web Services data center in Columbus, Ohio. Photo by Doral Chenoweth (The Columbus Dispatch).

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Secret Contracts

- Utilities and data centers often negotiate special rates outside of a rate case
- When a special contract rate is lower than the utility's cost to serve a data center, a utility forces captive ratepayers to cover the shortfall
- PUCs generally must approve special contracts, and they're hesitant to reject deals

5 Utilities Shifting Data Center Costs

Example of Socializing Data Center Costs

- Entergy Louisiana proposes to include $3 billion of gas-powered generation and transmission—built for of a Meta data center—in its rate base
- Entergy says it doesn't need PSC approval of its secret deal with Meta that it claims covers some of the $3B

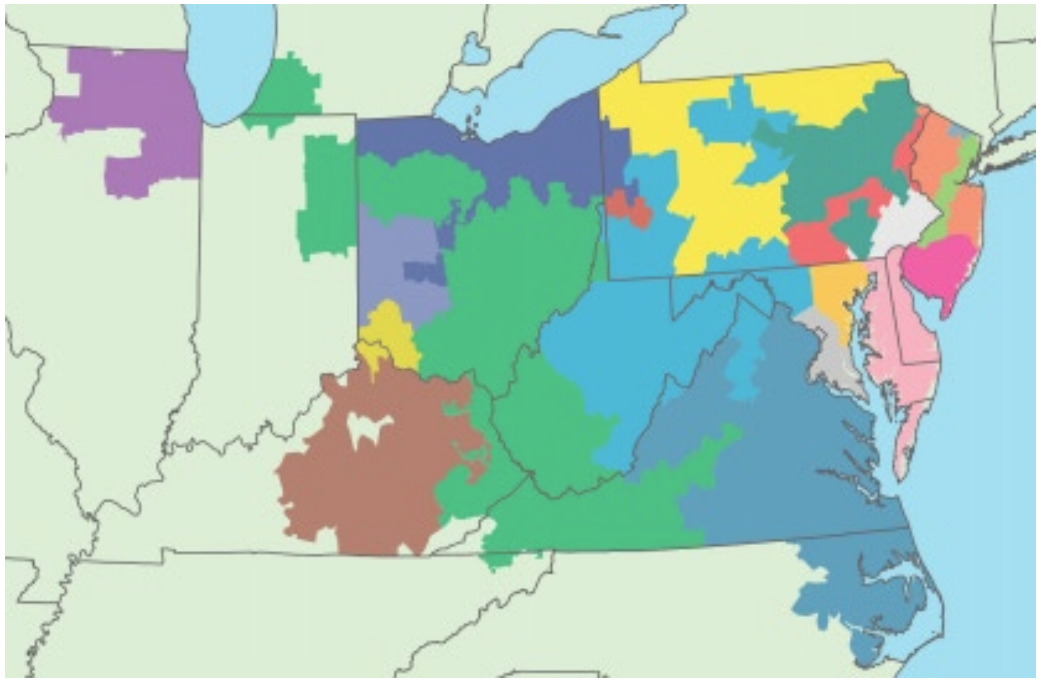
Meta's rendering of its proposed data center in Louisiana

6 Utilities Shifting Data Center Costs

Federal and State Regulatory Gap

- The Federal Energy Regulatory Commission (FERC) splits regional transmission costs among allied utilities
- State PUCs then divide those costs among the utility ratepayer classes
- Residential ratepayers end up paying a significant amount of interstate transmission costs that are tied to data centers

Utilities in PJM Interconnection



Source: PJM

In 2023, PJM approved a $5.1 Billion Transmission Plan

Dominion (VA) pays approx. $2.5 billion; Maryland utilities pay $551 million

Maryland Allocation

- Delmarva Residential Customers: 68%
- Pepco Residential Customers: 53%
- Baltimore Gas & Electric: 78%

Virginia Allocation

- Dominion Residential Customers: 50%

7 Shifting Data Center Costs

Co-Locating Data Centers & Existing Power Plants

- Data centers and power plants are trying to directly connect
- Co-location can raise energy prices because the power plant stops supplying interstate auction markets

Photo: Talen Energy

8 Consequences of Shifting Data Center Costs

- Electricity costs go up for consumers
- Big Tech companies amplify utility political power
- Utilities delay opportunities to initiate power sector reforms that would benefit all ratepayers

Photo: Jesse Rieser

9 Recommendations

- End special contract deals
- Require data centers to take service under utility tariffs and commit to flexible operations
- Amend state law to allow or require data centers to buy power from independent power producers
- Require utilities to disclose information about data center forecasts

An Amazon Web Services data center in Stone Ridge, Virginia. Photo by Nathan Howard (Getty Images).

10 Enacted State Legislation

Virginia – HB 2084 (2025)

- Directs State Corporation Commission to determine whether utilities are using rates that contain reasonable customer classifications, and determine whether new or seprate customer classes are reasonable
- Signed into law: Mar. 24, 2025

Maryland – HB 1035 (2025)

- Directs utilities to file large load tariffs (100+ MW) and requires the PSC to ensure that the tariff "protects residential retail customers from financial risks"
- Passed on Apr. 7, 2025

Utah – SB 132 (2025)

- Creates requirements for utilities providing service to large electrical loads (100 MW+)
- Provides special contract authority for utilities serving large load and sets out standard for PUC review of contracts
- Sets out conditions that would allow a utility to not provide service to large load
- Electric service provided for large-scale service exempted from otherwise applicable rate regulation, ratemaking provisions, and tariff requirements
- Signed into law: Mar. 25, 2025

11 Sample of Proposed State Legislation

State	Bill Number	Brief Explanation
Minnesota	HF 2928 (2025)	• Requires PUC to develop a clean energy tariff and conditions for energy supply agreement (ESA) for data centers • Tariff and ESA must be designed to insulate utility's other customers from the energy and infrastructure (full transmission and distribution costs) data center costs and that customers are fully protected from a data center that fails to meet projected demand.
Oregon	HB 3546 (2025)	• Requires PUC to create a new classification of service for large energy use facilities (20 MW+ engaged in data processing/cryptocurrency) and develop a tariff schedule
California	SB 57 (2025)	• Requires PUC to establish or modify utility tariffs for data center service to protect ratepayers and prevent cost shifting
Texas	SB 6 (2025)	• Directs PUC to establish standards for interconnecting large load that minimizes stranded infrastructure costs and establishes minimum transmission rates for loads served behind the meter who have on-site generation • Requires PUC to approve an existing generator's removal of MWs from the market

Thank You & Questions

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