

United States Senate

WASHINGTON, DC 20510

March 6, 2026

Ann Rendahl
President
National Association of Regulatory Utility Commissioners
1101 Vermont Avenue NW, Suite 401
Washington, DC 20005

Dear Ms. Rendahl:

The rapid growth of artificial intelligence (AI) has fueled a nationwide boom in data-center construction and a surge in electricity demand. Utilities are now proposing significant grid upgrades—often at ratepayer expense—to meet this speculative, industry-driven load growth. These costs are already being shifted onto households and small businesses, prompting bipartisan concern about rising bills and unfair cross-subsidization. State utility regulators have important tools to address this problem. As the representative body for state public utility commissions (PUCs), we urge NARUC to encourage its members to reject any utility proposals that increase residential and small business rates to serve data-center load, proactively establish incumbent ratepayer protections, and coordinate with utilities, regional grid operators, and the Federal Energy Regulatory Commission (FERC) to ensure costs at every level are just, reasonable and transparent. We remain committed to working with you and your members to ensure you have the transparency, data, federal policy structures, and resources necessary to protect households and small businesses from unwarranted charges.

Data centers are consuming more electricity than ever. While typical facilities once required less than 10 megawatts (MW), many under development today are expected to demand 100 to 400 MW of capacity, and some projects as much as 1,000 MW.¹ These 1000-megawatt hyperscale projects can use as much electricity over the course of a year as 800,000 American households.² Over the next three years, AI and cryptomining facilities could add more than 14,000 MW of incremental demand to the U.S. grid each year.³ To serve this unprecedented load

¹ Mike Jacobs, *Connection Costs: Loophole Costs Customers Over \$4 Billion to Connect Data Centers to Power Grid*, Union of Concerned Scientists (Sept. 2025), <https://www.ucs.org/sites/default/files/2025-09/PJM%20Data%20Center%20Issue%20Brief%20-%20Sep%202025.pdf>; *Frequently Asked Questions (FAQs)*, Energy Information Administration, <https://www.eia.gov/tools/faqs/faq.php?id=97&t=3> (last updated Jan. 8, 2024).

² Martin C. Offutt, Ling Zhu, and Ashley J. Lawson, *Data Centers and Their Energy Consumption: Frequently Asked Questions*, Congressional Research Service (Jan. 23, 2026), <https://www.congress.gov/crs-product/R48646>.

³ Vivian Lee et al., *Breaking Barriers to Data Center Growth*, BCG (Jan. 20, 2025), <https://www.bcg.com/publications/2025/breaking-barriers-data-center-growth>.

growth, utilities nationwide are planning billions of dollars in new distribution lines, transmission infrastructure, and generating resources. Because existing incentive structures are biased towards capital expenditures, utilities often opt for these investments rather than more cost-effective solutions like efficiency, grid-enhancing technologies, distributed energy resources, and operational flexibility that would minimize costs to ratepayers.

Households and small businesses are already subsidizing data-center development through socialized transmission and distribution upgrades that are folded into monthly bills across entire regions, in addition to the direct and indirect impacts on generation. From January through November 2025, average residential electricity prices increased by 11.5 percent and commercial electric bills have increased by 9 percent.⁴ At least 210 utilities either raised or proposed raising electric bills in 2025, which could increase costs for ratepayers by \$67 billion by 2028.⁵ This trend is likely to intensify as states compete to attract new data centers. Many utilities offer negotiated rate concessions to large developers, and at least 36 states provide tax incentives to promote data-center construction.⁶ Public sentiment is shifting rapidly, with lawmakers from both parties and even large technology companies such as Microsoft all signaling the need to address inequitable cost shifts borne by households.⁷

We hope to work with you to discuss and support the ways that state PUCs can shield households and small businesses from these impacts. First, PUCs should scrutinize rate filings—

⁴ U.S. Energy Info. Admin., *Elec. Power Monthly*, Table 5.3: *Average Retail Price of Electricity to Ultimate Customers*, https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=table_5_03 (last visited Jan. 26, 2026).

⁵ *Electric and Natural Gas Utility Rate Hikes Tracker*, Center for American Progress (December 8, 2025), <https://www.americanprogress.org/article/electric-and-natural-gas-utility-rate-hikes-tracker/>.

⁶ Eliza Martin and Ari Peskoe, *Extracting Profits from the Public: How Utility Ratepayers Are Paying for Big Tech's Power*, Harvard Law School, Environmental & Energy Law Program (Mar. 5, 2025), <https://eelp.law.harvard.edu/extracting-profits-from-the-public-how-utility-ratepayers-are-paying-for-big-techs-power/>; Kasia Tarczyska, *Cloudy Data, Costly Deals: How Poorly States Disclose Data Center Subsidies*, Good Jobs First (Nov. 2025), <https://goodjobsfirst.org/wp-content/uploads/2025/11/Cloudy-Data-Costly-Deals-How-Poorly-States-Disclose-Data-Center-Subsidies.pdf>.

⁷ Press Release, Senator Edward J. Markey, Senator Markey Leads Colleagues in Urging Federal Energy Regulator to Prevent Data Centers from Dramatically Hiking Energy Costs for American Families (Nov. 13, 2025), <https://www.markey.senate.gov/news/press-releases/senator-markey-leads-colleagues-in-urging-federal-energy-regulator-to-prevent-data-centers-from-dramatically-hiking-energy-costs-for-american-families>; Press Release, Senator Josh Hawley, Hawley Doubles Down on Data Center Concerns in Response to State Legislator (Oct. 17, 2025) <https://www.hawley.senate.gov/hawley-doubles-down-on-surg-ing-data-center-concerns-in-response-to-state-legislator/>; Press Release, Senator Elizabeth Warren, Senator Warren, Lawmakers Open Investigation into Big Tech Data Centers' Role in Driving Up Families' Utility Costs (Dec. 16, 2025), <https://www.warren.senate.gov/newsroom/press-releases/senator-warren-lawmakers-open-investigation-into-big-tech-data-centers-role-in-driving-up-families-utility-costs>; Microsoft, Building Community-First AI Infrastructure (Jan. 13, 2026), <https://blogs.microsoft.com/on-the-issues/2026/01/13/community-first-ai-infrastructure/>; Donald J. Trump (@realDonaldTrump), Truth Social post (Jan. 12, 2026), <https://truthsocial.com/@realDonaldTrump/posts/115884759090137876?source=email..>; <https://blogs.microsoft.com/on-the-issues/2026/01/13/community-first-ai-infrastructure/>; Press Release, Van Hollen Leads New Bill To Ensure Americans Aren't Footing The Bill For Data Centers (Jan. 15, 2026), <https://www.vanhollen.senate.gov/news/press-releases/van-hollen-leads-new-bill-to-ensure-americans-arent-footing-the-bill-for-big-data-centers>.

including special contracts with data center developers—and reject those that shift the cost of upgrades serving data centers onto individual households and small businesses.⁸ While reviewing these filings, PUCs must ensure that contracts are accessible to the public—limiting what content is redacted—and that deals involving behind-the-meter generation have safeguards to prevent cost shifting to other consumers.

Further, they should prohibit the use of non-disclosure agreements by private actors. PUCs should also require where possible the creation of specialized tariffs—legally binding electric rates and service rules—that ensure large load customers pay for the costs that their projects impose on the grid and protect ratepayers from the risk that the load does not materialize. Separate large load rate classes can be established to deliver on this objective—such as in Ohio, where a recently approved tariff requires large-load data-center customers to pay at least 85 percent of projected usage and an exit fee if they withdraw from the project. Separate rate classes can also help PUCs better understand the costs and revenues attributable to large customers and shift their cost allocation mechanisms accordingly. This is being explored in Virginia, where a recently approved rate class requires the utility to study the cost of service for large load customers, and ultimately transition how it allocates costs to better protect residential ratepayers.

Finally, PUCs should require where possible, or otherwise encourage, transparency from utilities. Utilities should make data regarding their grid capacity, as well as the quantity and power usage of their large load customers, more publicly accessible. For example, utilities in California are required to publish detailed public hosting capacity maps which show where the grid can handle new generation or load. Utilities in Michigan now have to report every year on how many large load customers they have, how much power they use, and any changes in contracts.

We also urge coordination with utilities, regional transmission organizations, and the Federal Energy Regulatory Commission to improve forecasting and other reforms to ensure costs are just, reasonable and transparent. Together, these strategies will help ensure that households and small businesses are not cross-subsidizing data centers. PUCs have a statutory duty to ensure just and reasonable rates, and NARUC plays an essential role in helping regulators meet that responsibility. As Members of Congress who are hearing from constituents concerned about extremely high electricity costs, we seek more information on how you are working to protect residential and small business ratepayers from this accelerating affordability challenge. To do so, we request a response to these questions by March 15, 2026:

- Has NARUC provided any guidance or recommendations to member PUCs on how to protect residential and small business ratepayers from the cost impacts of data centers?

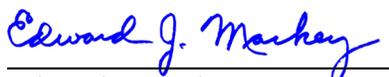
⁸ Scott Babwah Brennan and Lama Mohammad, *The Hidden Regulators: Public Utility Commissions and AI Governance*, NYU Center on Tech Policy [CTP_Hidden-Regulators_final.pdf](#).

When was this guidance last updated? If possible, please share the guidance or recommendations.

- Building on the positive examples mentioned in this letter, does NARUC have more information on innovative steps taken by PUCs nationwide that protect residential and small business ratepayers from large load cross-subsidization? If so, please share the list of examples. If no, why are you not collecting this?
- Drawing on NARUC's education expertise, does NARUC have further plans beyond the recent Winter Summit to convene educational opportunities that address potential ratemaking and tariff options that mitigate the aforementioned concerns regarding the rapid addition of large loads to the grid?
- How can federal regulators and regional transmission organizations better coordinate with state regulators to improve load forecasting and prevent inequitable cost shifting onto ratepayers?
- How does NARUC plan to collaborate with Members of Congress to address this growing affordability challenge?

We look forward to collaborating with NARUC and its members to advance solutions like those mentioned above to bring down energy costs across the country. Thank you for your work and consideration on this important issue.

Sincerely,



Edward J. Markey
United States Senator



Richard Blumenthal
United States Senator



Chris Van Hollen
United States Senator



Cory A. Booker
United States Senator

CC: Tony Clark
Executive Director