



Nathan Howard/Getty Images/TNS

In an aerial view, an Amazon Web Services data center is shown situated near single-family homes on July 17, 2024 in Stone Ridge, Virginia.

# With electricity bills rising, some states are considering new data center laws

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As Americans grow increasingly frustrated over their electricity bills, states are trying to keep the nation's growing number of data centers from causing higher energy costs for consumers.

For years, many states competed aggressively to land data centers, sprawling campuses full of the computer servers that store and transmit the data behind apps and websites. But many officials are now scrutinizing how those power-hungry projects might affect the electric bills of households, small businesses and other industries.

Oregon last year became one of the first states to enact a law requiring utilities to charge data centers different electric prices than other industries because of how they drive up the cost of energy production and transmission.

"We are now making data centers pay a higher rate commensurate with the amount of energy they're sucking out of the system," said Oregon state Rep. Tom Andersen, a Democrat.

Republican and Democratic leaders in at least a dozen states have targeted data centers with separate, higher electric rates to protect other customers. States also are requiring long-term commitments and financial guarantees through collateral before green-lighting infrastructure investments for new data center projects. But lawmakers acknowledge that numerous factors affect energy prices, so targeting data center-specific costs can be complicated.

An increasingly digital world and the rise of energy-intensive artificial intelligence has led to major expansion of data centers: Consultant McKinsey & Company expects companies to spend nearly \$7 trillion worldwide on data centers by 2030.

But the industry is facing growing scrutiny, from neighbors who don't want to live near the massive server farms and from residents worried about how data centers will affect their own swelling utility bills.

Delaware legislation that would charge data centers higher rates advanced out of committee last week. On Tuesday, a Florida state Senate committee approved a bill that would create new rate structures for data centers.

In Oklahoma, a Republican state senator has proposed a moratorium on new data centers until late 2029, allowing the state to study how data centers affect utility rates, the environment and property values.

Separate legislation from state Rep. Brad Boles will seek to protect other ratepayers from the costs of data centers. Boles, the Republican chair of the state Energy and Natural Resources Oversight Committee, said his in-the-works measure would ensure data centers pay their fair share.

Boles told Stateline that his constituents are increasingly worried about data centers, with a dozen potential major ones proposed across the state.

"We're trying to ensure that those data centers pay for their own infrastructure and we don't shift that cost or burden to everyday Oklahomans," he said.

In Oregon, Andersen's legislation created a new rate structure for data centers with long-term contracts and required regulators to separate the costs of those facilities from other ratepayers.

But consumer advocates have already accused the state's largest utility of trying to skirt the new law by making residential customers pay part of the long-term cost of supplying large data centers in a pending rate case.

Andersen, a member of the state House Committee on Climate, Energy and Environment, said the new rate structure is unlikely to immediately lower consumer bills. Rather, it aims to curb future increases as data centers require more power generation and transmission.

"We're not going to change the rates that are being currently paid by the ratepayers and the users of the electricity," he said. "It's just going to stop future raises."

## The data center boom

Rising utility bills continue to outpace inflation, sparking anger from consumers and more scrutiny from state regulators, governors and lawmakers.

The boom of data centers is frequently cited as a prime reason for rising electricity prices, as their operation requires more power generation, transmission and distribution upgrades. A Bloomberg News analysis in September found wholesale electricity costs as much as 267% more for a single month than it did five years ago in areas with significant data center activity.

Data center companies say they aren't the only reason prices are rising. "It's inaccurate to draw a clear line between large load customers like data centers coming online and increases in prices. It's just not that simple," said Lucas Fykes, senior director of energy policy and regulatory counsel at the Data Center Coalition, a trade group representing data center owners and users, including Amazon, Meta and Visa.

He said many factors have contributed to higher electricity prices, including extreme weather events and the nation's aging electric grid.

Fykes said his organization opposes rate structures that treat data centers differently from other large electric users such as industrial sites. The organization is working with regulators as states increasingly implement practices to ensure residents and small businesses aren't on the hook for big energy investments if major projects including data centers don't come to fruition.

Fykes said the country is likely just in the "beginning innings" of a longer ramp-up in technology and power needs.

"We are also in a global race to build out data centers, to support AI, to support cloud infrastructure," he said. "It's important to make sure that we maintain those assets here in the United States."

That can pose competing interests for political leaders, including mayors, who have pushed hard to land investments

from tech companies.

"We want to be leaders in AI, but we don't want the infrastructure needed to support it," said Rusty Paul, the mayor of Sandy Springs, Georgia, in the Atlanta metro area.

He was among several mayors addressing the issue of data centers at last month's winter meeting of the United States Conference of Mayors in Washington, D.C. On a data center panel, Paul acknowledged the effect of Georgia's tax incentives for data centers: "They're just popping up everywhere," he said.

But utilities and regulators are also making long overdue grid upgrades that aren't tied to data centers, he said.

"The cost of electricity is going up for everybody — and it's not all related to data centers," he said.

## A bipartisan push

The Georgia Public Service Commission last year created new rules that officials said would protect ratepayers from data center costs. In addition to covering costs of power consumed at their facilities, data centers would have to fund the costs incurred by upstream generation, transmission and distribution, the regulator said.

But lawmakers aren't convinced those steps went far enough.

State Sen. Chuck Hufstetler, a Republican, is again pushing legislation that would solidify the regulator's rules into law. His bill would prohibit utilities from passing along the fuel, generation or transmission costs of data centers to other customers.

He told Stateline that the regulator's rules need to be codified into law so they can't be weakened later.

Hufstetler said rising utility bills are among the biggest issues facing his constituents. High prices played a key role in November's election, when Democrats flipped two seats on the state's Public Service Commission board — the first time Democratic won statewide constitutional office in nearly two decades.

"I saw people with MAGA hats going into the election polling places that were saying, 'I'm not voting for those guys that

raised my rates,'" Hufstetler said, referring to the Republican incumbents who lost.

Hufstetler said the bill, which passed out of committee last year, has already gained major bipartisan support in the Senate, where it is sponsored by multiple Republicans and Democrats.

"This is very bipartisan," he said. "We have all heard from our people around the state of Georgia."

The Georgia Public Service Commission agrees in principle with the legislation, said agency spokesperson Tom Krause. But he said the regulator worries about losing flexibility if its rules are written into law.

"Not just this bill, but whenever the legislature codifies a rule that we put in place, we get a little nervous because it can tie our hands in special circumstances," he said.

## A complex challenge

As part of implementing a law enacted last year, Maryland's utility regulator is weighing a new rate structure for data centers and other large load users.

Proposed regulations would require certain preapproval analysis for heavy power users, a separate rate tariff for data centers and collateral to ensure other ratepayers don't end up paying for major investments if projects do not come to fruition.

Maryland's Office of People's Counsel, an independent agency representing residential utility users, said the proposed changes meet statutory requirements but could do more to protect consumers.

In a news release last month, Maryland People's Counsel David S. Lapp said residents are already facing higher costs from data centers from outside the state.

"While we push for better federal rules to address those costs, Maryland has the power—and customers a clear need—to make sure data centers within Maryland take on every cost that they impose on residential customers," Lapp said.

Democratic Gov. Wes Moore recently joined 12 other governors and the

Trump administration in urging the regional grid operator, PJM Interconnection, to shield residents and businesses from the infrastructure costs from data centers.

Maryland state Del. Lorig Charkoudian, a Democrat, said the grid operator has for years failed residents in the 13 states plus the District of Columbia that it serves. By delaying renewable energy projects, she said, PJM has kept older, more expensive power plants online, driving up prices as data centers increase demand.

PJM's board last month rolled out a new data center plan that it said would improve demand forecasting, accelerate the addition of new generation projects and give states a larger role.

Charkoudian said states and utilities struggle to determine just how much power is needed. Data center users shop around for sites, which can cause wildly inaccurate forecasts of just how much power a utility will need.

"It actually has a very concrete financial impact on ratepayers," she told Stateline. "And so that's why one of the things that really could make a difference for ratepayers is if we actually had an accurate count of how much we're getting online."

While some of those challenges lie outside the realm of state control, Charkoudian said there are things the state can do, including the new rate structure for larger users. She's crafting a bill encouraging data centers to curtail their power usage during peak periods, such as hot days, when the electrical system is taxed by heavy usage of air conditioners, Maryland Matters reported.

Charkoudian said adding solar generation and storage are low-cost ways to respond quickly to demand. And states can avoid the need for more generation by doubling down on energy efficiency programs that lower demand and also consumer costs.

"The best time to fix this was five years ago," she said. "The next best time is right this minute, because it's only going to get worse."