CoBANK

Unleashing Intelligence

Structural Rise in Electricity Costs

Navigating Rate Increases with Members and Regulators

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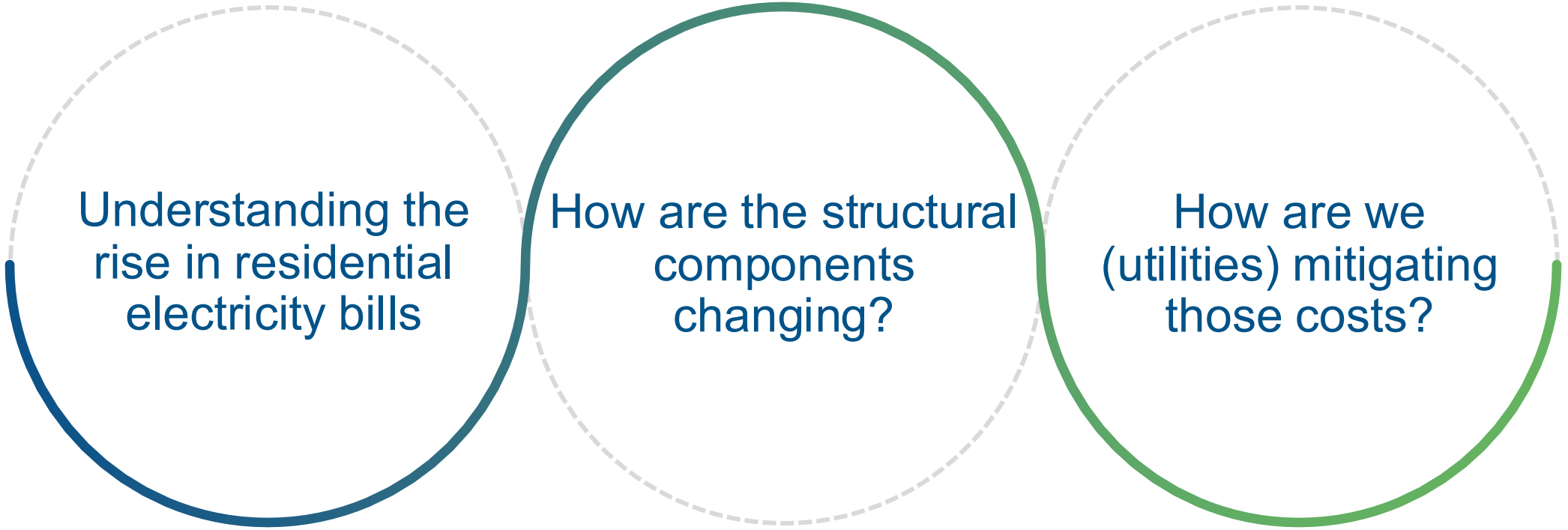
The New York Times

‘The New Price of Eggs.’ The Political Shocks of Data Centers and Electric Bills

Democrats zeroed in on utilities and affordability to win Republican support in upset elections in Georgia and Virginia. Can the same playbook work in 2026?

Are we prepared to have "the talk" about rising bills?



Discussion topics

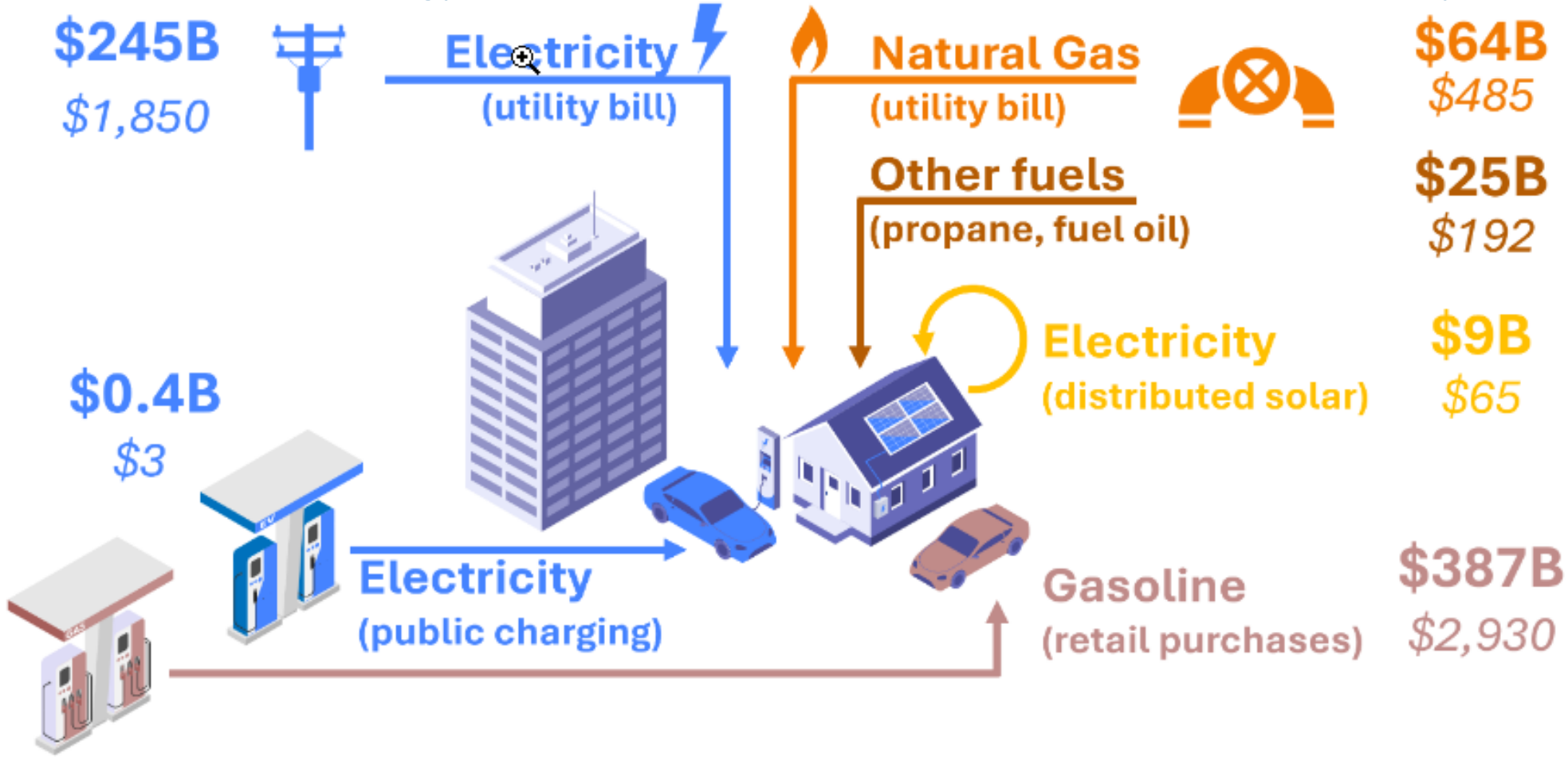
Understanding the rise in residential electricity bills

How are the structural components changing?

How are we (utilities) mitigating those costs?

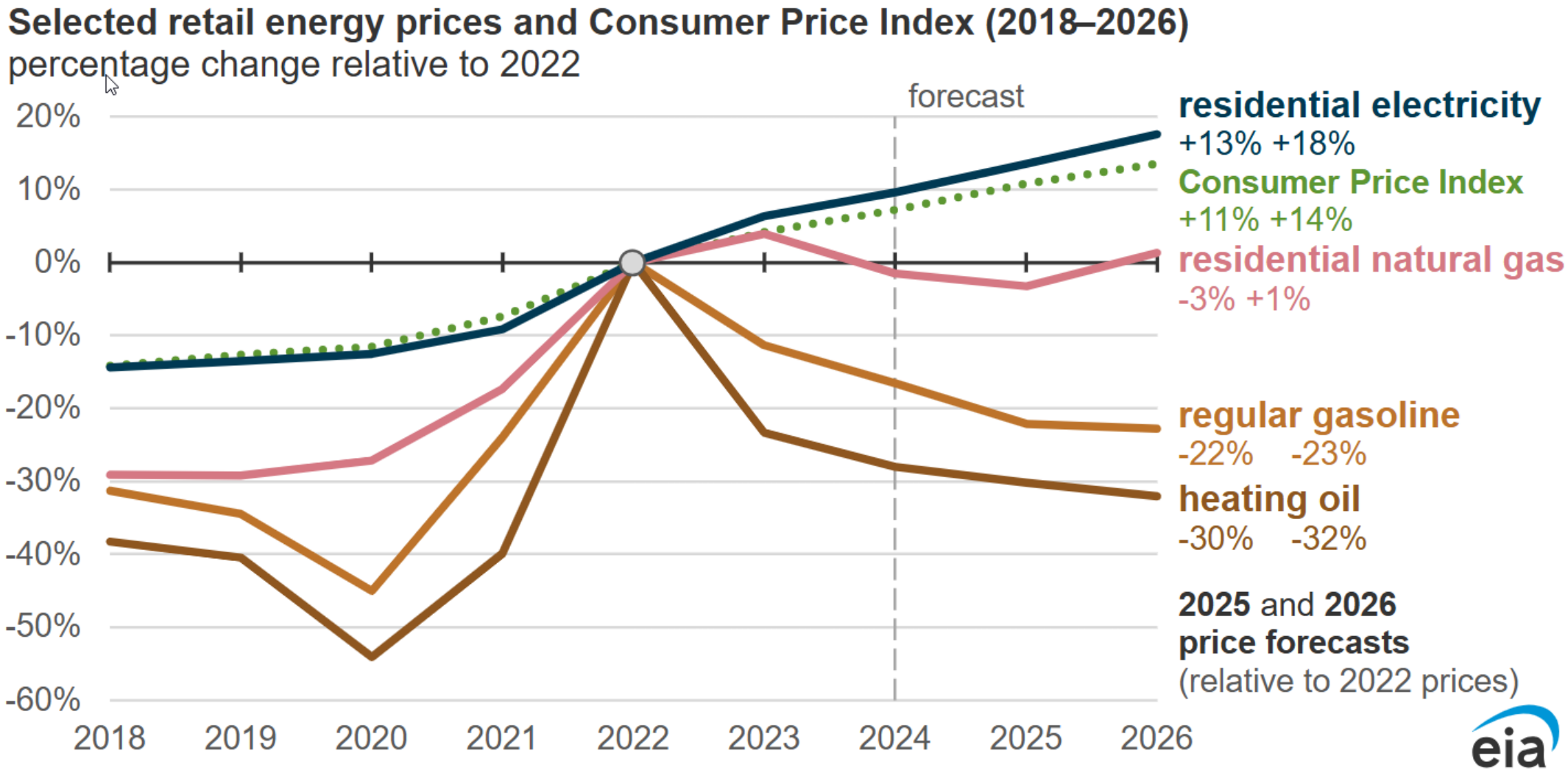
Current U.S. household energy wallet

2024 US household energy expenses amounted to $731B, $245B was electricity



Source: US EIA and EPRI

Electricity prices will continue to outpace inflation



Source: EIA

Household concerns about affordability are rising

Improved since 2019

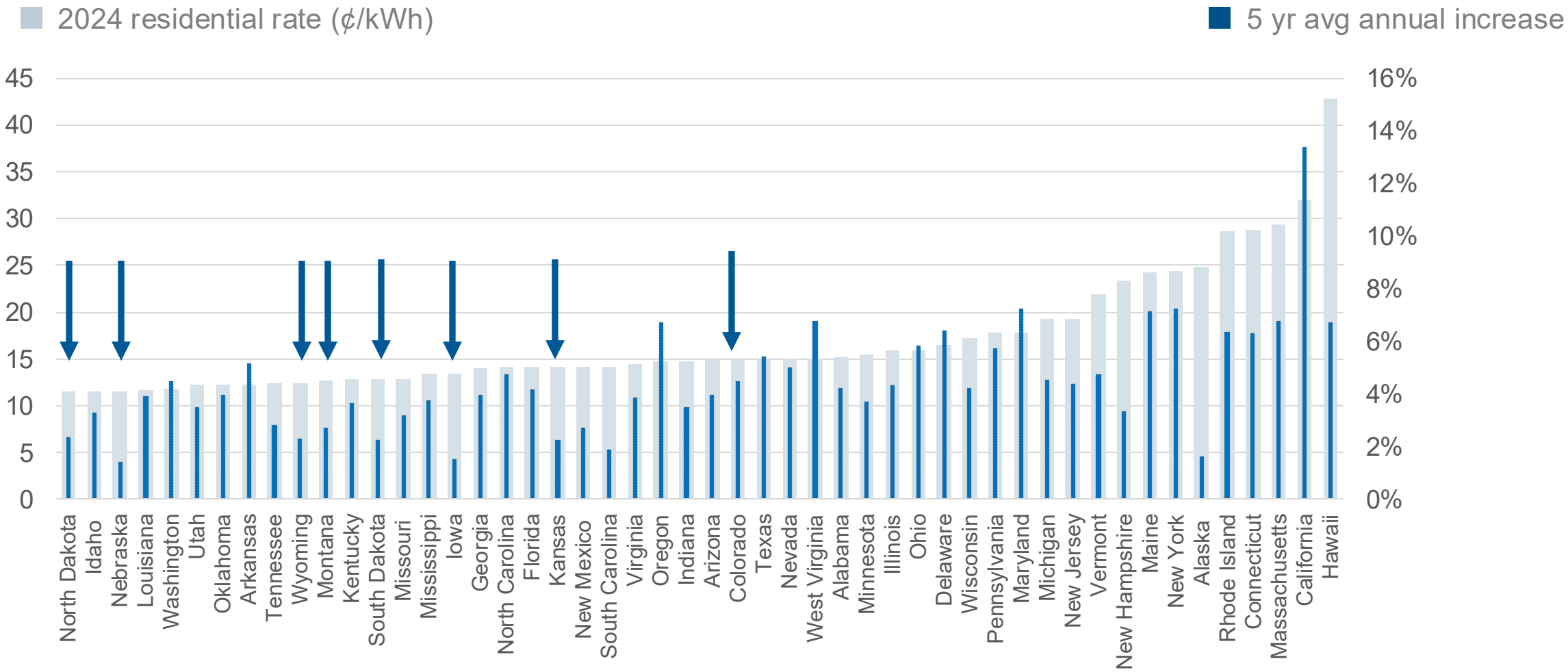
- ✓ 17.4M households were behind on their bills in 2024, down from 20M in 2019.

Worse since 2021

- ✓ 34% of households reduced or for went necessities to pay an energy bill in 2024, up from 29% in 2021.
- ✓ 22% of households kept their home at an unsafe temperatures in 2024, up from 20% in 2021.
- ✓ 24% of householder were unable to pay their energy bill in full in 2024, up from 20% in 2021

Source: Lawrence Berkeley Labs and The Brattle Group

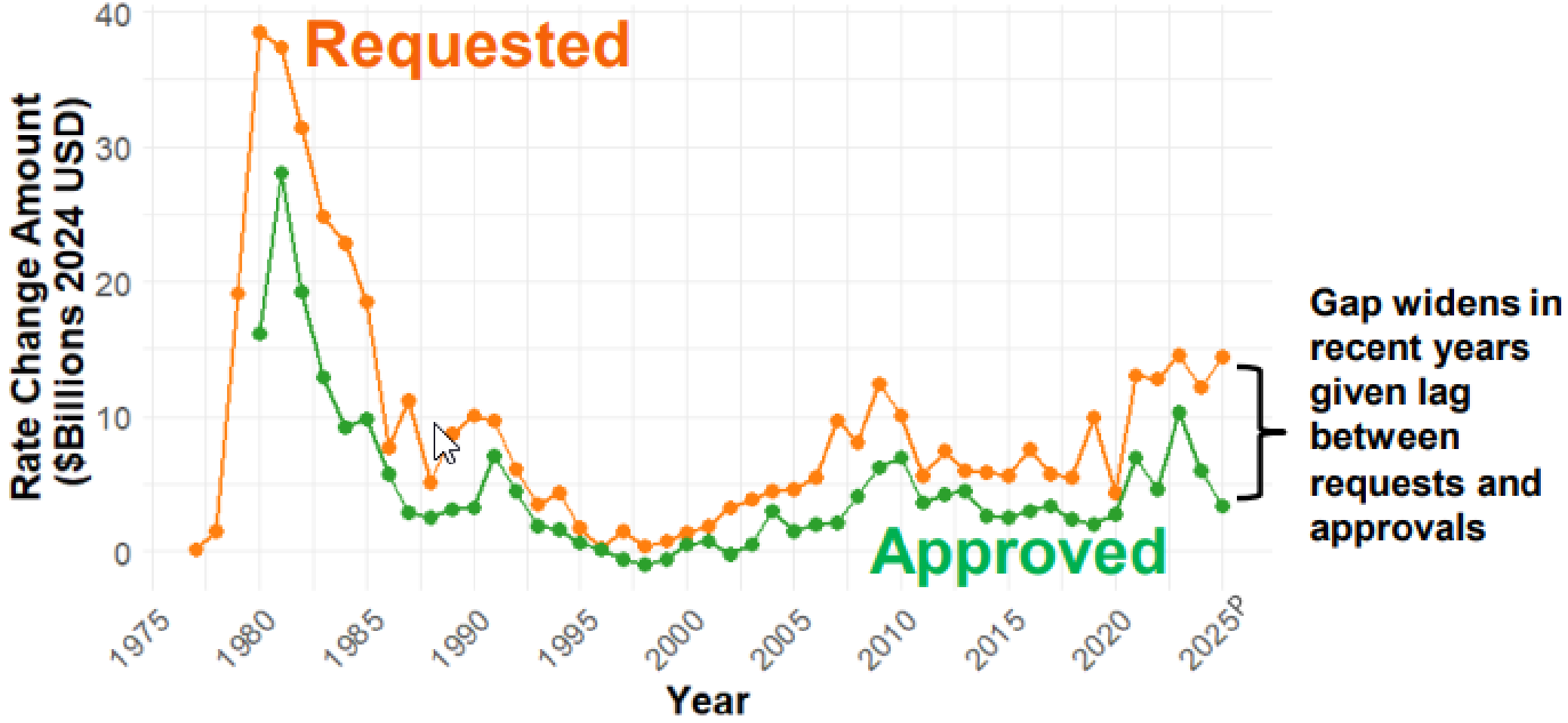
Where does utility bill "unhappiness" come from?



Source: EIA

Rate requests higher than at any point since the mid 1980s

Utility rate change requests back to the late 1970s



Source: S&P Global

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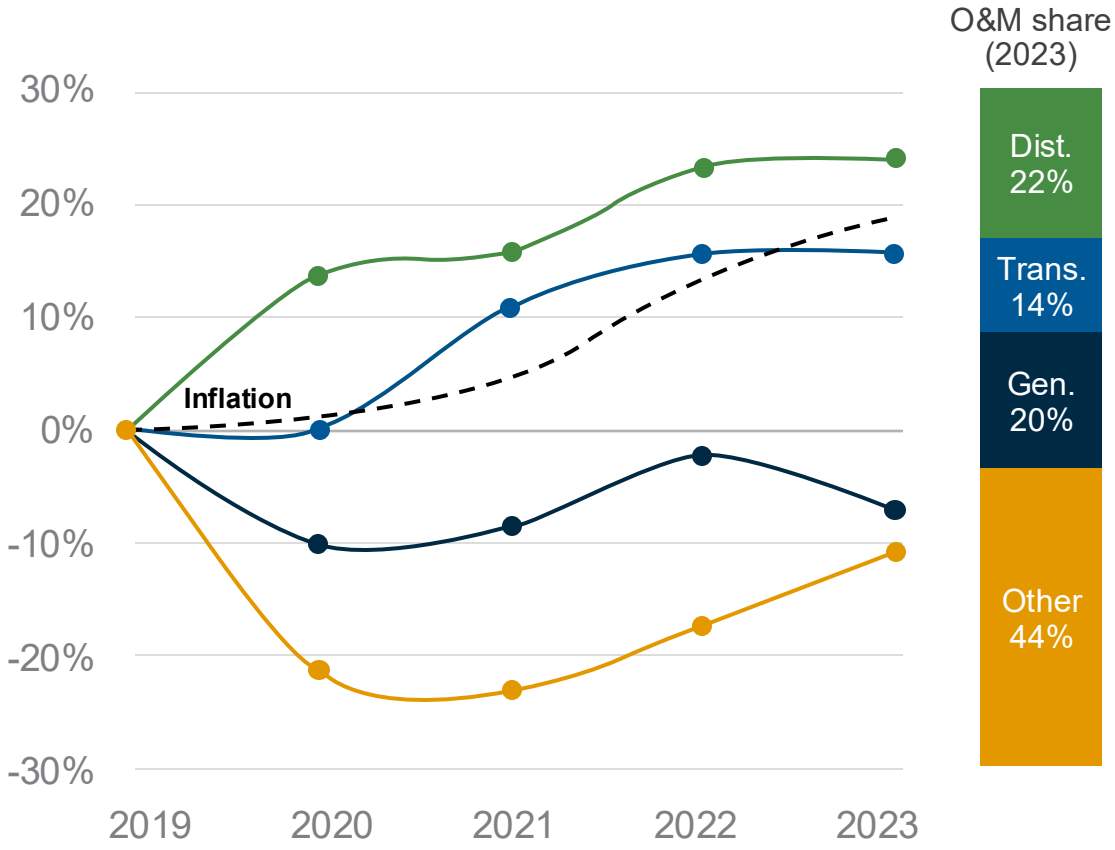
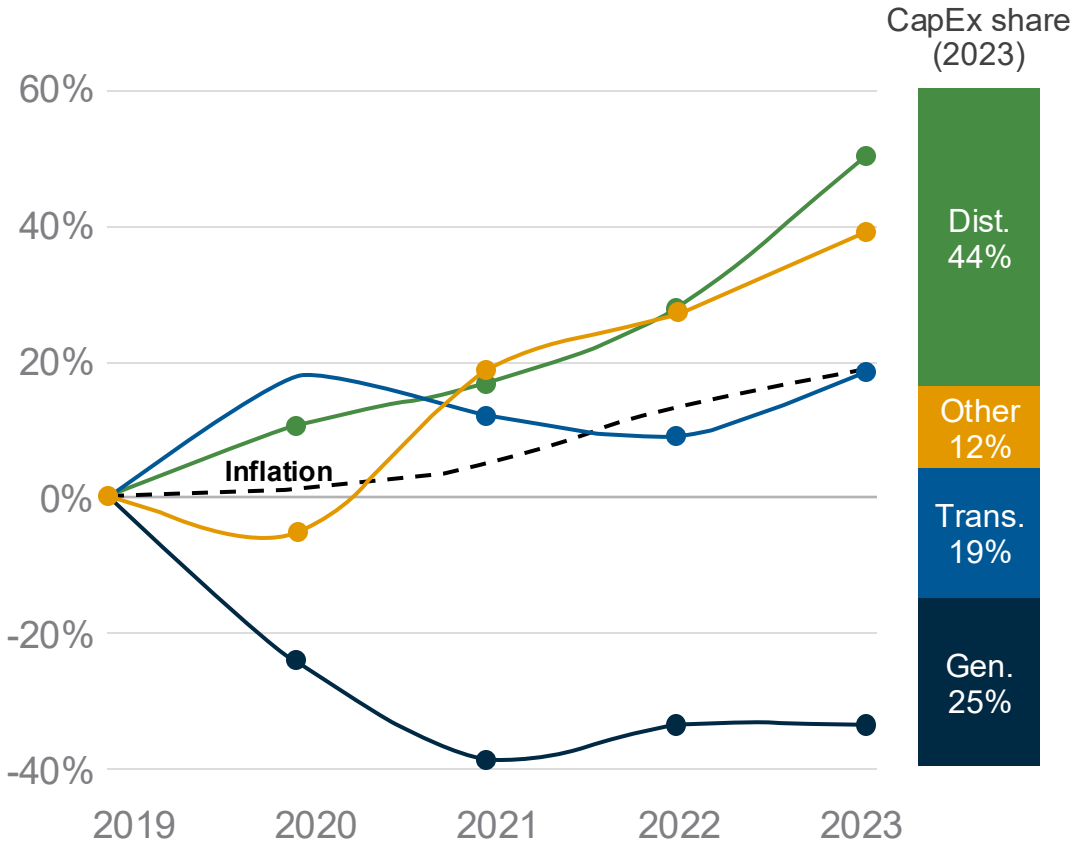
Rising delivery costs will disproportionately impact co-ops

Changes in operations and maintenance expenses from 2019



Change in annual CapEx from 2019



Source: FERC Form 1 and Lawrence Berkeley Labs

10 key findings from study of recent electricity price trends

1. National-average retail electricity prices have tracked inflation (until recently)
2. State-level retail electricity price trends vary widely
3. Residential customers + investor-owned utilities experienced greater increases
4. Behind-the-meter solar was associated with higher prices
5. Load growth has tended to depress retail electricity prices in recent years
6. Utility-scale wind and solar are not generally related to recent price increases
7. State renewables portfolio standards are associated with recent price increases
8. Exposure to natural gas price risk increases electricity prices when prices rise
9. Hurricanes, storms, and wildfires have increased retail prices
10. Several other variables appear to have limited statistical explanatory power

Source: Lawrence Berkeley Labs and The Brattle Group

About those data centers…DOE New Grid Interconnection Rules

Direct Grid Connection Initiative

New rules are proposed to connect large electrical loads directly to the grid, improving access for major consumers and reducing cost for all consumers.

Addressing Integration Challenges

The initiative aims to overcome integration difficulties for data centers and industrial consumers, ensuring efficient electricity supply.

Bypassing Distribution Systems

Though FERC rules could expedite grid access for major customers, these reforms may compromise local utility investment and state regulatory authority, emphasizing the importance of coordinated planning.

Key provisions of the Fixing Emergency Management for Americans (FEMA) Act of 2025

- **Public Assistance Program Overhaul:** Moves from a reimbursement model to an upfront, engineer-certified cost estimate grant system, accelerating funding and reducing uncertainty for local governments.
- **Block Grants for Small Disasters:** Creates a new block grant program for events causing $1–10M million in damage, with expedited funding and a minimum 75% federal cost share.
- **Expedited Emergency Work Funding:** FEMA must provide up to 25% of the federal share for emergency work within 10 days of a disaster declaration.
- **Simplified Closeouts:** Smaller projects may close automatically once funds are disbursed; larger projects have defined review timelines.

- ***Opportunities***
- Predictable cash flow and early cost-share and maintains current federal cost share of 75%.
- ***Challenges***
- Estimate accuracy is critical; **cost overruns are non-reimbursable** absent the one-time adjustment for cost inflation. Jurisdictions must invest in qualified cost estimators and robust change management.
- **New accountability clocks** – 90-day FEMA obligation, 120-day reimbursement – will compel local data readiness; failure may trigger withholding.

Source: Baker Donelson and NRECA

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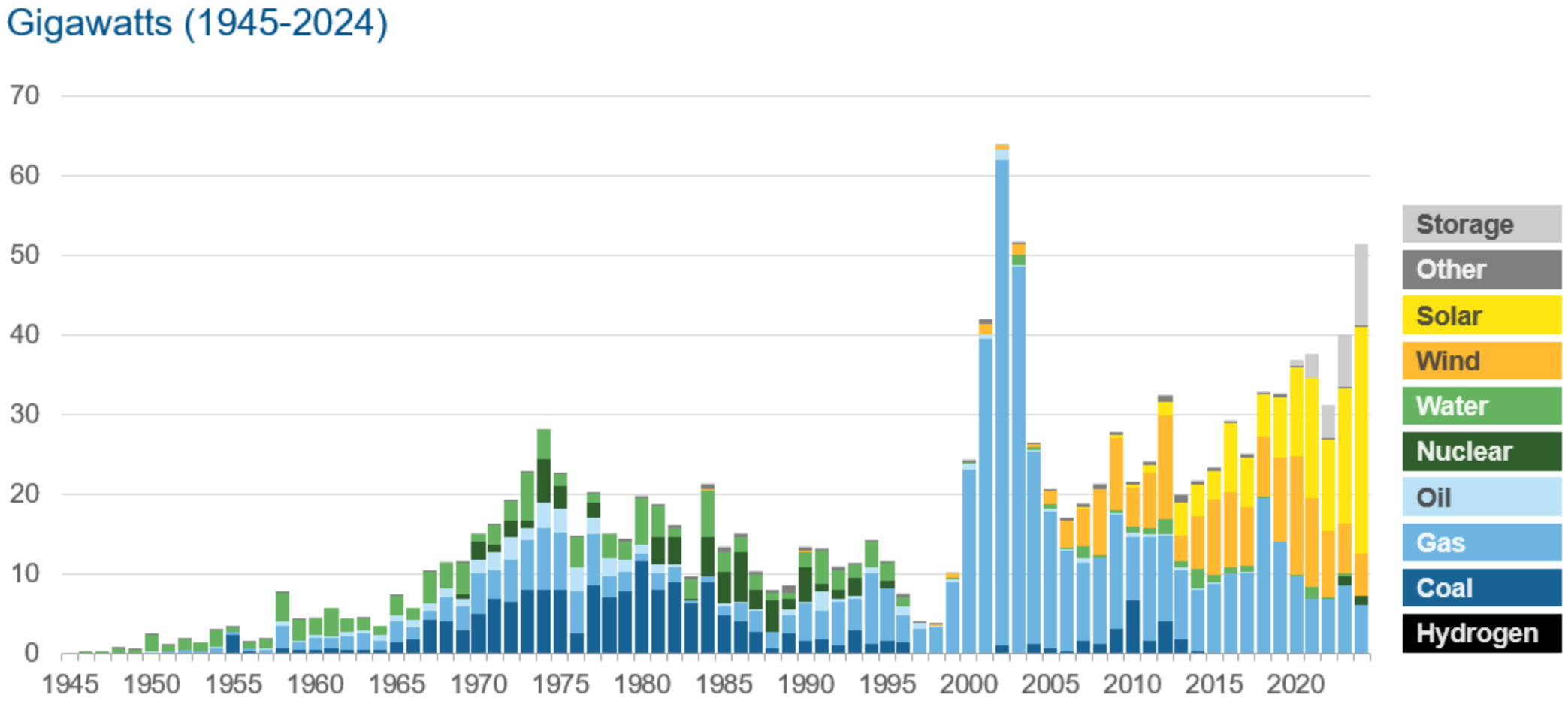
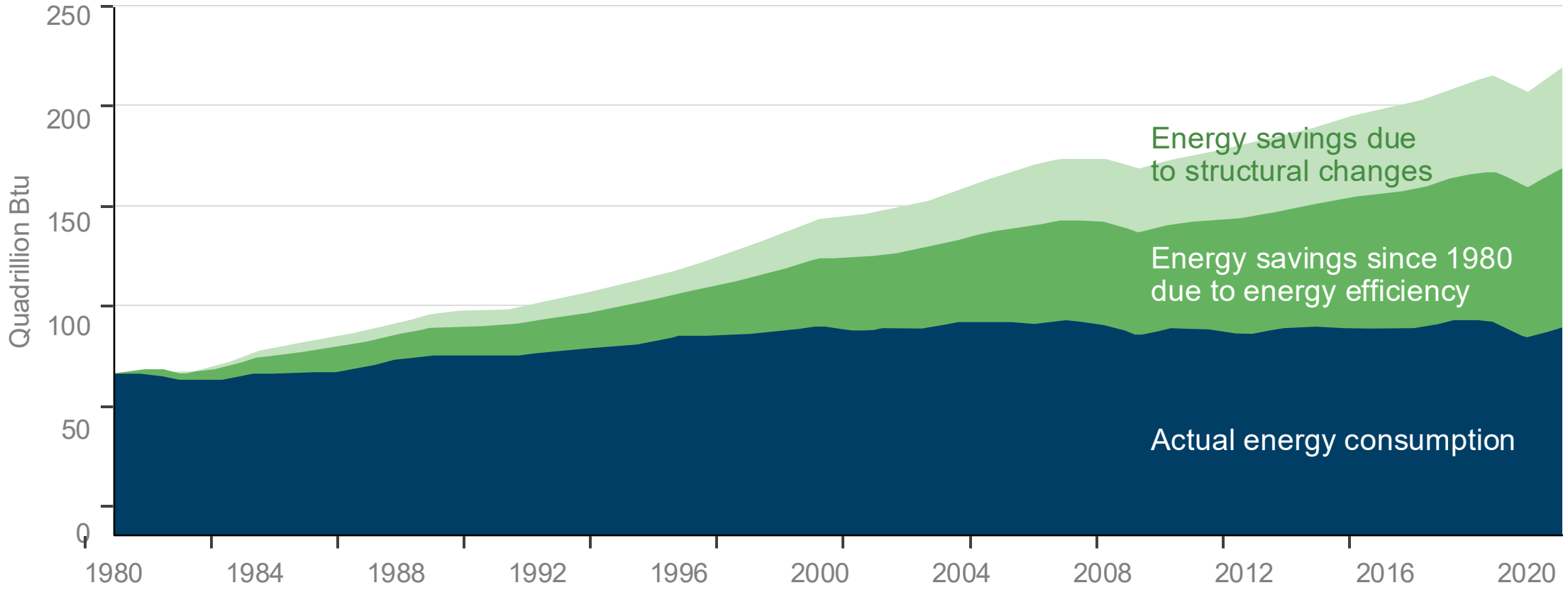
U.S. generation capacity additions per year



Energy demand ~80% higher without prior efficiency efforts

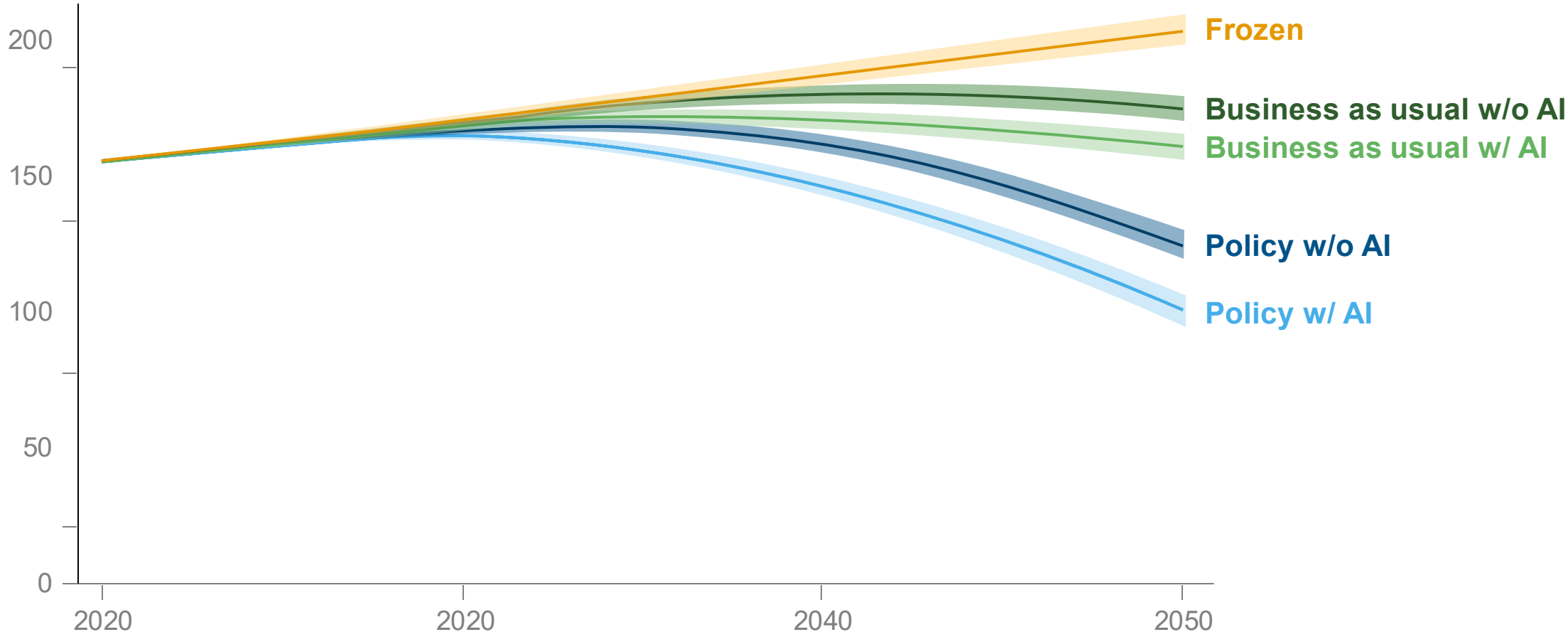
Project energy consumption based on 1980 energy productivity levels



Source: Energy Efficiency Impact Report

Aggressively evaluate new options for energy savings

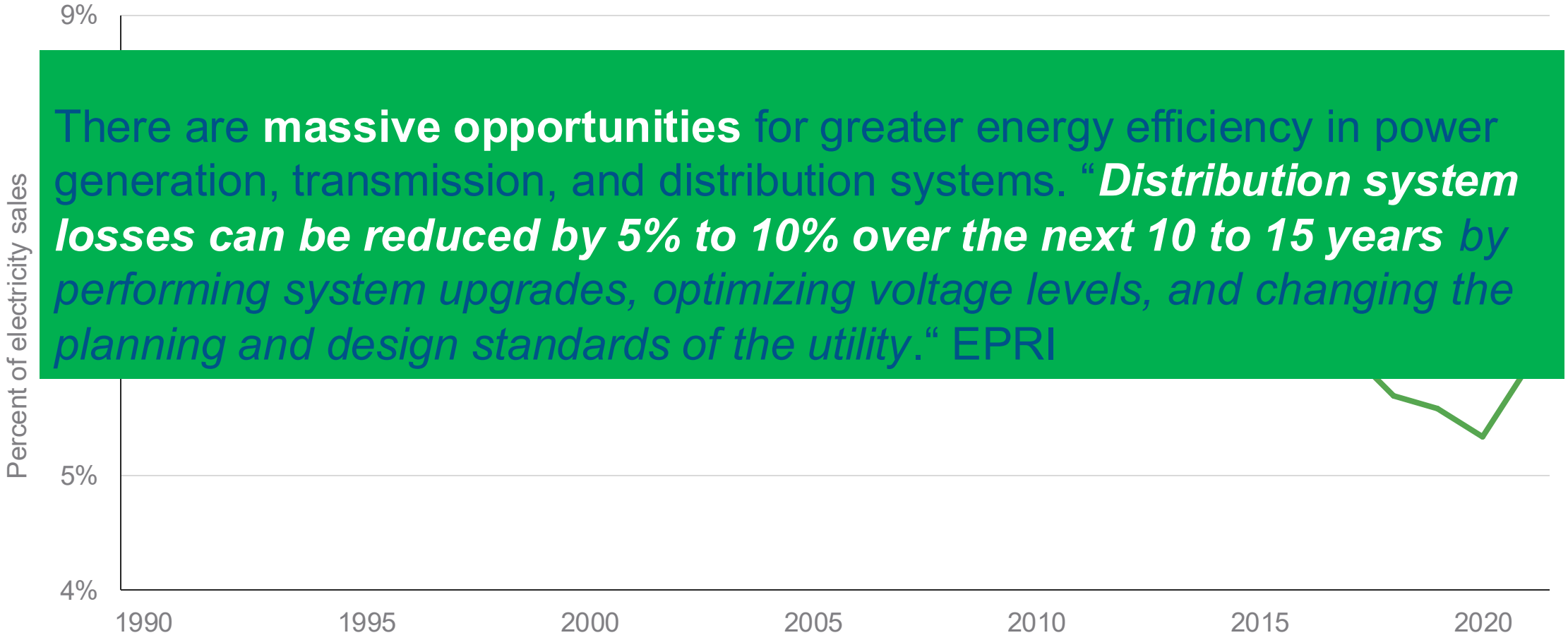
Energy use (million MMBTU)



Source: Nature Communications

What are smart strategies for reducing technical losses?

Transmission and distribution losses



There are **massive opportunities** for greater energy efficiency in power generation, transmission, and distribution systems. "***Distribution system losses can be reduced by 5% to 10% over the next 10 to 15 years*** *by performing system upgrades, optimizing voltage levels, and changing the planning and design standards of the utility*." EPRI

Source: Energy Efficiency Impact Report

Managing "the message" around rising costs

Why are consumer electricity bills rising?

- Deferred investment combined with rising demand and supply chain issues is leading to rising electricity costs

How are the structural components changing?

- Significantly higher spend on electricity delivery
- Because supply is not being built fast enough, costs will rise

How are we (utilities) mitigating those costs?

- "All of the above" strategy for new investment
- Energy efficiency 2.0 unfolding with AI machine learning

POWER PLAYS

PODCAST

Bracing for Grid Strain and Customer Impacts from Virginia's Data Center Boom

The Energy Balancing Act — Co-ops, Data Centers and the New Grid Equation

How to Build a Power Plant (Quickly)

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