

Navigating Large Load Rates

Growth Has to Pay for Growth

By NASUCA Executive Director David Springe

At the various regulatory gatherings I attend, I often hear speakers talk about protecting residential and small commercial customers from the cost of meeting the new capital and operational requirements imposed by large load customers, like data centers. Serious concern is expressed about the affordability of utility rates, often followed by the optimistic view that revenue from new large load customers can put downward pressure on utility rates.

My new catchphrase when I speak at these gatherings, which I encourage others to adopt, is “growth has to pay for growth.” Or more specifically, the revenue from serving the large load customer must be equal to or greater than a hundred percent of the direct and indirect cost of serving that customer – otherwise costs are being pushed to other customers. It also goes without saying that service should not be negatively impacted for other customers.

I’ve been pleased to see the progression of state actions that attempt to reduce the risk that rates go up for residential and small commercial customers as utilities spend capital to meet the requirements of large load customers.

As I write this, the Ohio Public Utilities Commission just adopted a new data center tariff framework that pushes more of the risk of cost recovery directly to the cost causer, data centers. Oregon likewise recently passed the Protecting Oregonians with Energy Responsibility (POWER) Act (HB3546) to address increasing utility rates.

Michigan passed legislation, Public Act 207 that “ensures no costs to serve the facility are passed onto other customers of the electric utility” if the large load customer wants access to prescribed tax breaks. (Note: The Michigan bill has some interesting provisions about water use too – a subject that deserves more attention.)

Several other states have recently adopted large load tariffs with some variation of a broad set of customer protections. NASUCA members have been actively involved in those state-level proceedings. We can debate whether the legislation and PUC



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orders go far enough considering utilities are making forty- to sixty-year investments, but the actions certainly move us in the right direction.

The size and speed of data center developments are unprecedented. Morningstar now projects that data center load will roughly triple to eighty gigawatts by 2030. META plans to spend hundreds of billions of dollars bundling data centers, including a five-gigawatt data center in Louisiana.

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Google, Blackstone, and FirstEnergy just announced ninety-two billion dollars in energy and AI investments in Pennsylvania. Microsoft is spending over three billion dollars in Wisconsin alone. Maybe some of the projections are hype – but some large projects will certainly be built. Every large load customer I talk with is clear; they want to pay their fair share of the cost of the requirements they are asking the utilities to meet. We need to change this language to “pay all of the costs.”

Legacy Regulatory Mechanisms

I’ve participated in a fairly large number of rate cases, and I don’t ever recall agreeing with the large industrial customers (who, as an aside, are now closer to a small commercial customer than the new large customers on the system) about what was a fair allocation of cost. Growth pays for growth means all costs. As part of this ongoing dialogue, we need to talk about some of the legacy regulatory mechanisms we’ve relied on for many years. For example:

Are the cost allocation models we use at the state level up to the task of isolating and protecting existing customers from cost increases as we build to meet new load?

Are the RTO/ISO transmission cost allocation procedures any better? Especially when everyone agrees the current load forecasts that are driving transmission costs are dubious at best.

In states that have it – should Construction Work in Progress (CWIP) be allowed for plant needed to meet these new loads – won’t this alone raise customer rates long before any plant is online and the large load revenue is being received to offset those costs?

Stranded costs risk – where utilities must seek state approval before building new plant, can any approval order be drafted in a way that delineates that the plant is prudent for only the

large customer needs, but not deemed prudent (or at least create a presumption against prudence) if that load doesn’t show up, or leaves the system?

If utilities go to the market for billions of dollars of capital to fund facilities to meet these new loads, will Wall Street want higher returns and debt coverage levels? Of course they will.

But can we design rates in a way that allocates this higher cost of capital to the class that caused it – a large load tariff design with an eleven percent ROR, and a residential tariff designed with a seven percent ROR, for example?

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Is our reliability and resilience framework up to the task of dealing with these large single point load sinks, or will new investment be needed to bolster the bulk power system? And what behind-the-meter solutions should we require, so that these large load customers are active in pursuing solutions that can lessen the stress on the bulk power system?

I’m sure there are many more areas to address. If our goal is to serve these new customers and put downward pressure on residential and small commercial rates, and other classes for that matter, we need to be very intentional about how we construct this future. Time will tell us whether we were up to this challenge. ■

Europe’s Clean Energy Progress

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supporting a grid increasingly powered by distributed resources. Renewables accounted for sixty percent of the country’s electricity generation last year.

Their approach, phasing out coal while doubling down on innovation, efficiency, and interconnection, demonstrates how large-scale transitions can be coordinated over time. It was also the location of SEPA’s international fact-finding mission last year and the topic of a PUF article we shared shortly after.

Finally, Austria is well on its way to one hundred percent

renewable electricity supply by 2030 and climate neutrality by 2040, with Salzburg offering an inspiring view of hydropower and renewables coupled with smart city initiatives and grid modernization. Their success shows that smaller nations can lead on clean energy through policy certainty, citizen engagement, and cross-sector coordination.

Each of these countries faces its own political and economic complexities; yet all have found ways to embed climate ambition into national identity and local infrastructure. As U.S. regulators, legislators, and utility leaders consider the implementation of state decarbonization plans, regional grid reforms, and expanded use of emerging technologies, I urge us to look across the Atlantic to real-world examples for inspiration. ■

Innovators at twenty-nine different utilities have been nominated for Fortnightly Top Innovators Awards 2025.