

Policies, Poles, and Wires: *How Renewables Mandates and an Aging Grid Have Increased Electricity Prices*

By Steve DelBianco, President & CEO

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It's hard to miss the recent spike in news coverage speculating about causes for electricity price increases in America. While some of these articles blame data centers, a [new study](#) from the [Lawrence Berkeley National Laboratory](#) explains the key drivers of electricity rates around the country, and its findings debunk the simplistic claim that data centers are responsible.

The [report](#), commissioned by the U.S. Department of Energy, investigated electricity price data between 2019 and 2024 to see which geographical, market and policy factors were the biggest influences on price changes for consumers. Adjusted for inflation, state-level average retail electricity prices actually decreased in most states, and electricity prices went down in states where electricity demand grew because fixed utility costs were spread over more customers. The Berkeley research's findings should guide federal, state and local governments toward policies that will slow the growth of electricity bills while increasing the capacity and reliability of America's electrical grid.

There are three big factors contributing to energy prices rising in America today:

- Extreme weather disasters;
- Aging grid infrastructure; and
- State regulators pushed utilities to add solar and wind power while retiring natural gas, coal and nuclear power plants.

Natural disasters increase electricity prices through a combination of immediate recovery costs and the upgrades needed to reduce weather vulnerability over the long-term. In California, for example, investments to mitigate wildfire risks, obtain the necessary insurance and minimize liability costs [have been](#) "a significant driver of retail price increases."

However, these grid investments are not just needed in areas experiencing more weather events. **Berkeley Labs' research emphasizes that the urgent need for grid upgrades is widespread and a major structural challenge across the U.S. power sector.** The costs of upgrading and maintaining our aging grid, particularly the poles and wires used for distribution, are contributing to rising retail electricity prices. **An article on the LBNL study by Shannon Osaka at The Washington Post called, ["There's a reason electricity prices have been rising. And it's not data centers."](#)** notes:

The Washington Post
Democracy Dies in Darkness

There's a reason electricity prices have been rising. And it's not data centers.

It's not AI. It's not even data centers.

October 25, 2025

"The price of transformers and wires, for example, has far outpaced inflation over the past five years. At the same time, U.S. utilities haven't been on top of replacing power poles and lines in the past, and are now trying to catch up. According to another report from Brattle, utilities are already spending more than \$10 billion a year replacing aging transmission lines."

Even when utilities seek regulatory approval to upgrade their grid infrastructure, green energy mandates from politicians have increased the cost and complexity. **State mandates like [Renewable Portfolio Standards](#) require utilities to procure incremental renewable energy supplies, primarily from solar and wind.** While these generation sources are less expensive to construct, they do not provide any power when the sun isn't shining and the wind isn't blowing, so supplemental power must be purchased from other utilities at prices higher than baseload power that's always on. These additional electricity costs are in turn imposed on ratepayers.

Meanwhile, America's tech industry is investing hundreds of billions across the country, building more data centers to meet growing consumer demand for cloud services and AI tools. Each time you take a video or photo on your phone, share with family and friends, send messages and emails or create a new document, you are increasing the need for more cloud storage in more data centers and the electricity to make it all happen. The same goes for cloud storage and applications used by businesses, governments and organizations, since we all use digital services to conduct our daily lives.

In the areas where data centers have been built up the most, they are actually pushing prices [down](#) for residential ratepayers. Grid upgrades and operating costs show on your utility bill as allocated "fixed costs" for generation and transmission. These modernization efforts, as noted above, are badly needed for the stability and reliability of our electrical grid. Enterprise data centers cover much of the cost of these grid upgrades, since state utility regulators are required to protect ratepayers from costs incurred to serve new large-load customers. Additionally, these upgrades help to decrease costs for local residents because new grid equipment is not as vulnerable to weather events. That's why the Berkeley Labs research shows that data centers are actually helping to keep energy costs low for local residents in the communities they serve.

The best example of this is from Virginia, which has the largest concentration of data centers in the world. According to the Berkeley Lab [study](#), statewide load grew 15% from 2019 to 2024, when many data centers came online in the area. This growth in usage of the grid "helped keep many other costs...flat on a nominal basis and declining in inflation-adjusted terms as fixed costs were spread over more load." Where there have been price increases in Virginia, the study notes that increase is driven by the state's environmental regulations and an increase in the price of fuel due to global events like the Ukraine-Russia war.

While nothing can be done to prevent weather disasters, utilities and policymakers can and should adopt new approaches to upgrade and harden America's power grid. First, as President Trump has already ordered, **federal regulators overseeing interstate electrical networks and nuclear power should expedite permit approvals for new transmission and generation projects** to help increase the speed at which grid upgrades happen and decrease the costs that consumers ultimately pay.

Second, **state public utility regulators can actively encourage utilities to propose new investments in transmission and generation.** Utilities who are adding grid capacity can, in turn, work to attract new large-load customers like data centers to their service territories, since those customers pay the incremental construction and operating costs incurred to serve them power.

Data centers can be built anywhere in the country and still serve users everywhere, so they will naturally go to communities that have the electricity and welcome the new investment, jobs and tax revenue. **It's up to local governments and planning commissions to evaluate the benefits of attracting large data centers who spend billions in construction, employ hundreds of high school grads in six-figure operations jobs and pay millions in new property taxes.** Where local officials find those upsides persuasive, they need to explain the benefits to citizens, parents and homeowners to counter the NIMBY protesters doing their best to prevent America from building the power and data infrastructure we require to drive our economy and compete in the modern era.

While America's tech industry makes an easy target for radical environmentalists and NIMBYs to flip the script on America's Golden Age, the Berkeley Labs study clearly shows that upgrading our outdated power infrastructure is a challenge America must urgently address. Data centers are helping absorb the bulk of new fixed costs, putting downward pressure on electric bills for ratepayers in the areas they serve. **Now, policymakers and regulators must roll back onerous regulations so utilities can make the necessary, forward-thinking investments to increase energy grid capacity and reliability and stabilize costs for Americans.**



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