



The **State** of Electricity Affordability in the US

*Trends, cost drivers, and state
policy approaches*

April 2026





Overview

Trends: Understanding the Problem

Cost Drivers: What's Driving Costs and Where?

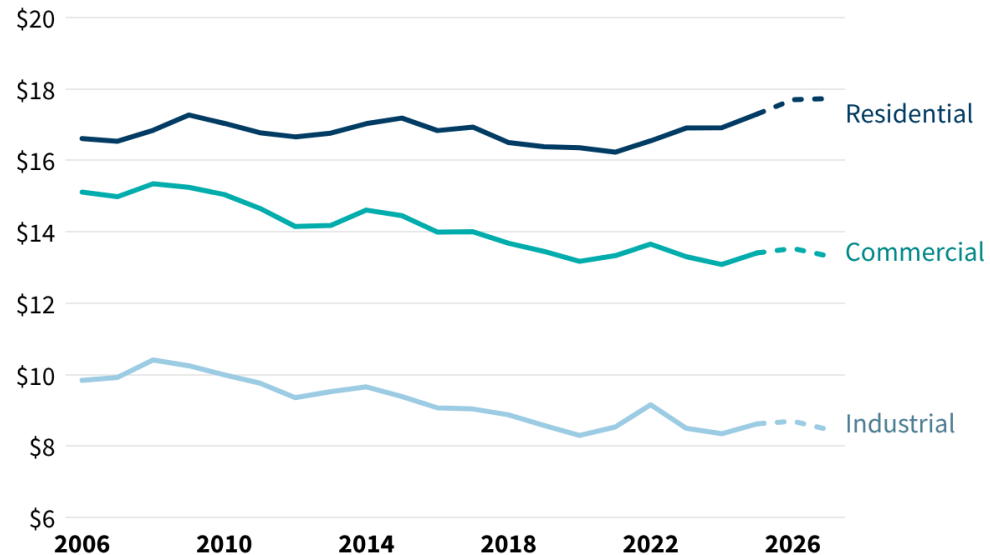
State Policy Approaches: Actors and Actions

The national outlook

In the long run, average retail electricity prices have grown with inflation, but there's more to the story.

Inflation-adjusted electricity prices by sector in the U.S.

Cents/kWh in 2025 USD. 2026–2027 forecast.



Forecasted electricity prices come from EIA's Short-Term Energy Outlook. Forecasted prices are adjusted for inflation based on the Federal Reserve's economic projections.

Source: EIA, BLS

1

Inflation-adjusted prices have remained flat or decreased **over the last 20 years**

2

Prices have kept pace with or outpaced inflation **in the near-term, especially in the residential sector**

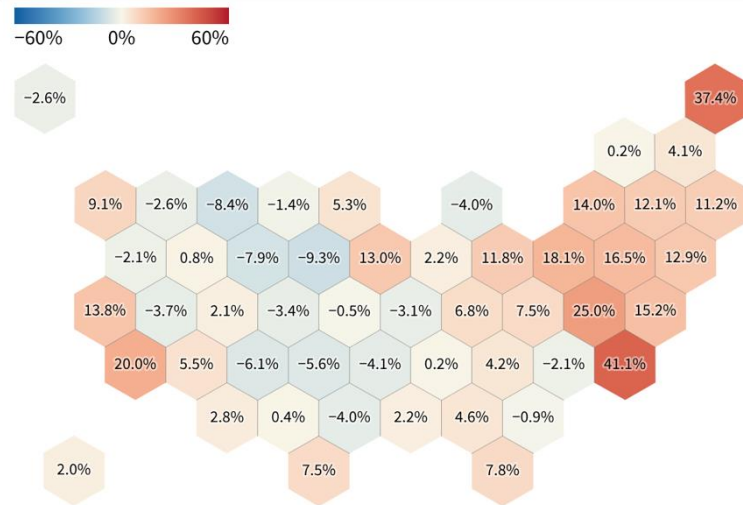
3

There are **substantial state differences** lurking underneath the surface

Location, location, location

Inflation-adjusted prices have grown unevenly across the U.S. in the last five years.

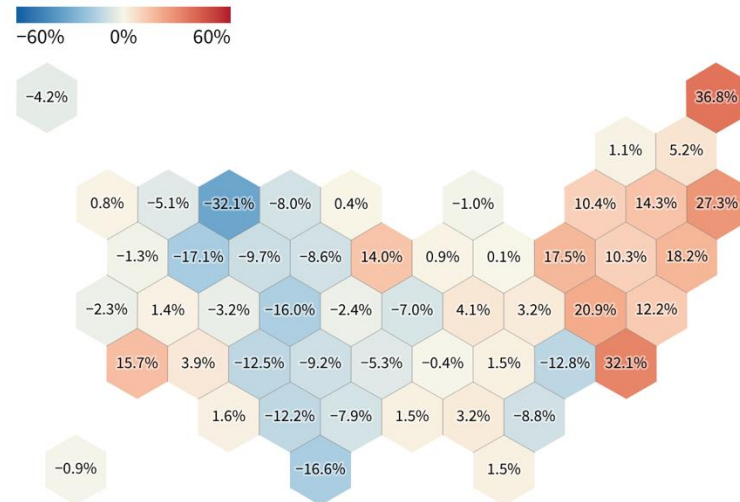
Residential price growth, 2021–2025



Growth in inflation-adjusted residential electricity prices, 2021–2025.

Source: EIA, BLS • Map data: Tilegrams/NPR

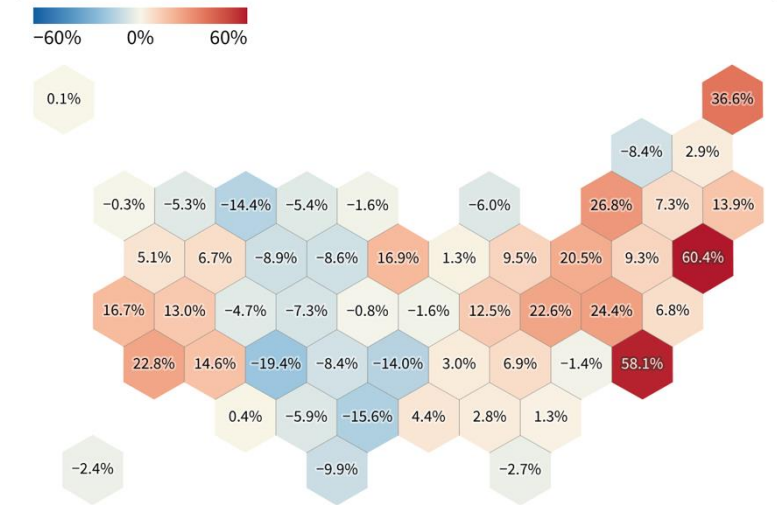
Commercial price growth, 2021–2025



Growth in inflation-adjusted commercial electricity prices, 2021–2025.

Source: EIA, BLS • Map data: Tilegrams/NPR

Industrial price growth, 2021–2025



Growth in inflation-adjusted industrial electricity prices, 2021–2025.

Source: EIA, BLS • Map data: Tilegrams/NPR

Across sectors, inflation-adjusted prices have **risen in the Northeast** and **fallen in the Great Plains and Mountain West**

Industrial prices have been the most volatile, growing as fast as 60% in Connecticut but shrinking nearly 20% in New Mexico



Cost Drivers

Aging grid infrastructure

Fuel price volatility

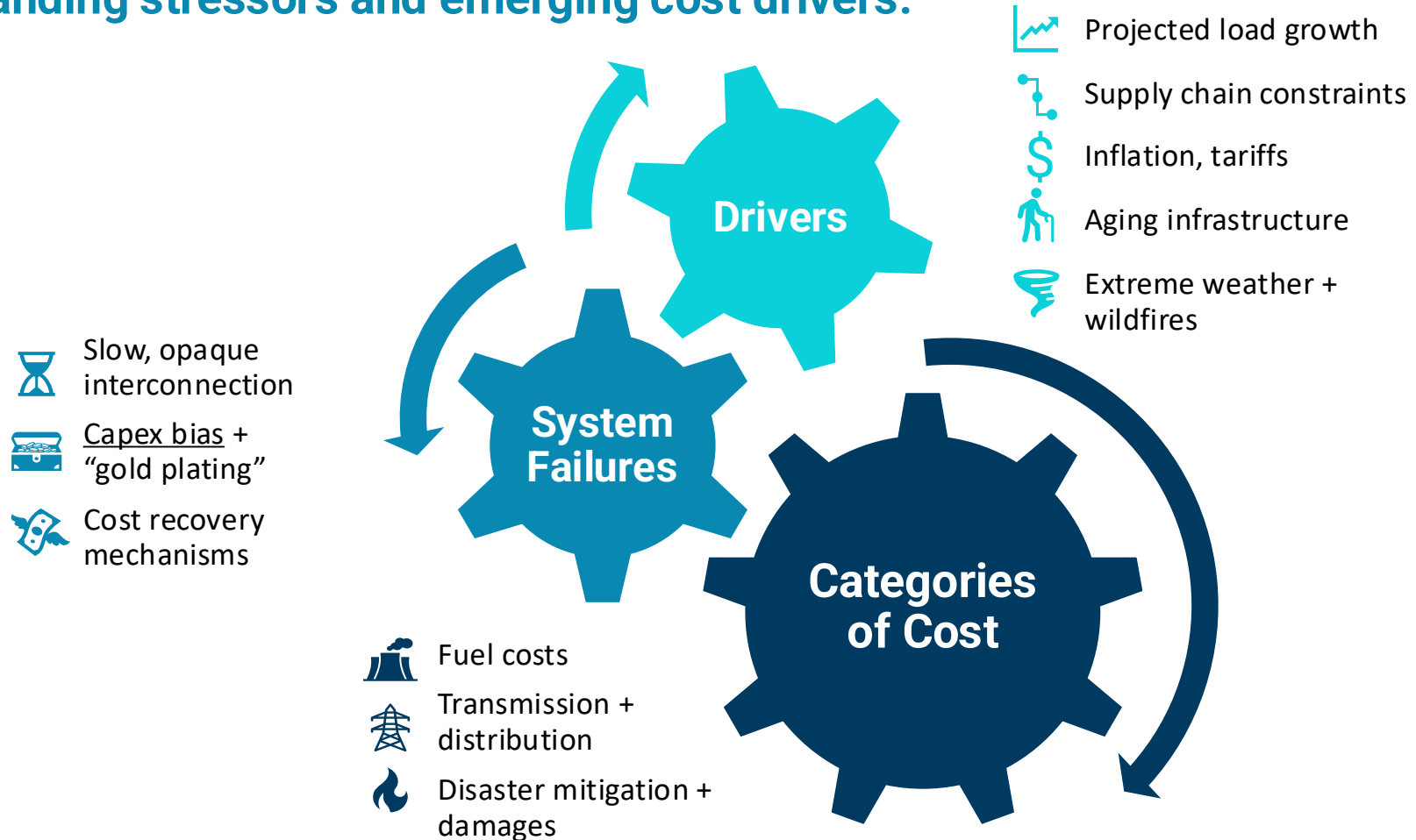
Extreme weather and wildfires

Load growth

Misaligned utility incentives

What's causing the electricity affordability problem?

A mix of long-standing stressors and emerging cost drivers.



Five key cost drivers



Aging Grid Infrastructure

Utilities are ramping up spending on grid infrastructure, in part due to equipment reaching the end of its useful life. From 2003 to 2023, US transmission spending nearly tripled while investment in distribution infrastructure increased by 160%.



Load Growth

Without proper guardrails, load growth can drive up prices. A recent report found that load growth from data centers, manufacturing, and electrification could drive rates up by 15% to 40% by 2030, depending on the market.



Extreme Weather and Wildfires

Utilities pay to harden the electric grid and recover from extreme weather events. In California, for example, wildfire-related costs made up roughly 16% of utility revenues in 2022.



Fuel Price Volatility

Reliance on natural gas for power generation introduces affordability risks due to the fuel's inherent price volatility. Market disruptions caused by a major 2021 winter storm and Russia's invasion of Ukraine in 2022 caused massive spikes in the price of gas for electricity generation.

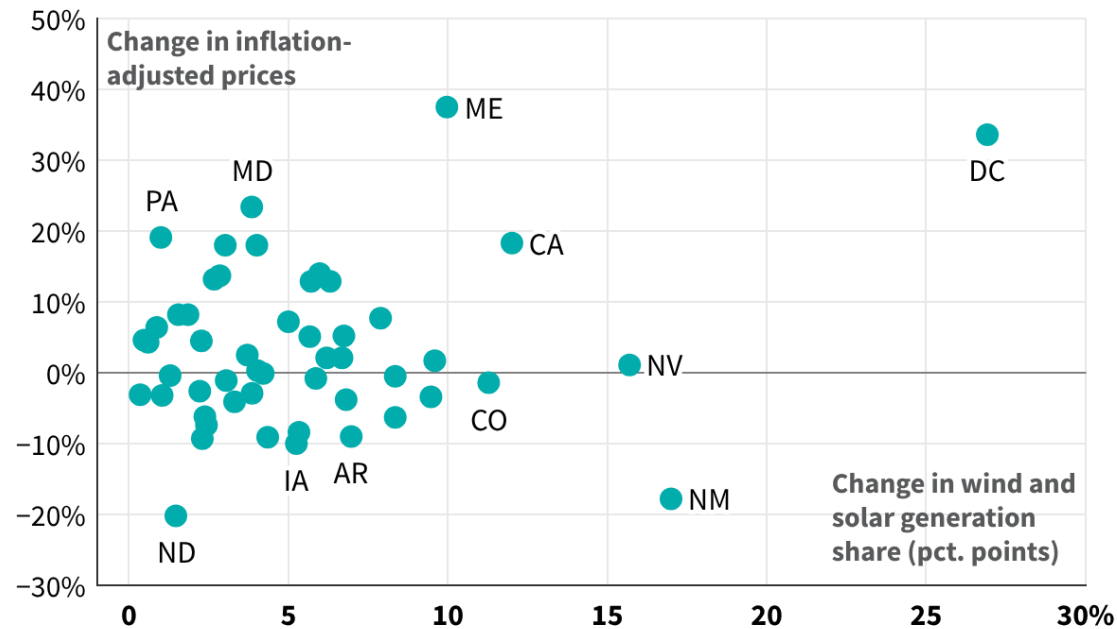


Misaligned Utility Incentives

Many utilities lack incentives to adopt new approaches or modern, cost-saving technologies. For example, widespread deployment of grid-enhancing technologies (GETs) on the transmission system could cut customer costs substantially, but they remain rare in the United States due to misaligned incentives.

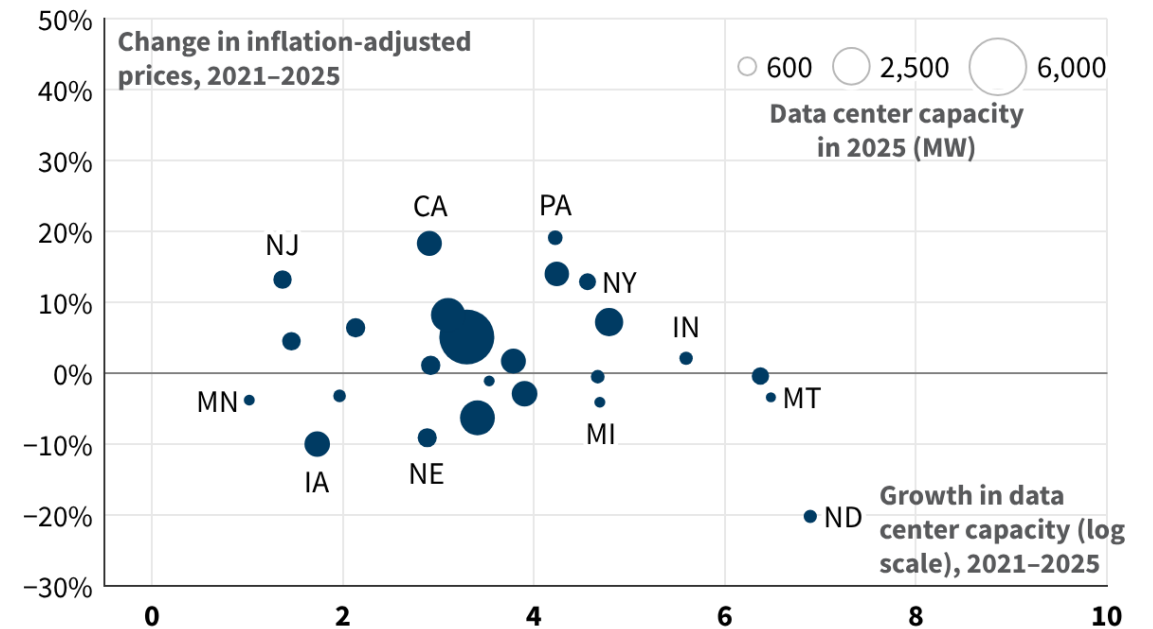
Renewables and data center load growth are **not** strongly correlated with price growth

Growth in inflation-adjusted prices vs. wind and solar generation share by state, 2021-2025



Source: EIA, Ember Energy

Growth in inflation-adjusted prices vs. data center load growth by state, 2021-2025



Log of data center capacity growth rate is shown on the x-axis. Only states with positive growth in data center capacity between 2021-2025 are included.

Source: EIA, BNEF



State Policy Approaches

The role of different state actors

Framework for action

Affordability and economic development

The role of different state actors

A broad ecosystem of decisionmakers shape electricity affordability.

Legislatures	Regulators	State Administrations	RTOs
<ul style="list-style-type: none">• Establish or clarify regulatory authority• Direct regulators and agencies• Establish state programs• Allocate funding	<ul style="list-style-type: none">• Ensure that utility service is reliable and affordable through just and reasonable rates• Design and implement policy's technical and administrative details• Provide utility oversight• Manage siting of new generation, depending on state	<ul style="list-style-type: none">• Set high-level goals and strategy• Propose and shape legislation and budget• Convene stakeholders• Administer state programs	<ul style="list-style-type: none">• Set wholesale market rules• Manage system operations• Determine upstream system costs

Framework for holistic affordability action

UPSTREAM | SYSTEM-LEVEL

DOWNSTREAM | CUSTOMER-LEVEL

COST CONTROL

Manage upstream costs

Examples:
incentivize reduced
spending, lower financing
costs, leverage competition

COST DISTRIBUTION

Distribute costs to
customers and
non-customers to support
affordability

Examples:
shift appropriate costs to
tax base, differentiate rates

CUSTOMER AGENCY

Empower customers to
control and manage energy
bills

Examples:
provide energy efficiency
programs and payment
programs

SAFEGUARD VULNERABLE CUSTOMERS

Affordability and economic development are intertwined.

States across the U.S. are using creative financing tools, incentives, and streamlined permitting processes to spur development.



Indiana's energy growth plan will focus on **promoting reliability and affordability to support economic development** and identify opportunities to develop new generation



Maryland's proposed Lower Bills and Local Power Act will **invest \$70M in a solar and storage gap financing program** to spur development of clean energy projects



Pennsylvania's Lightning Plan will streamline siting and permitting and **create a suite of economic development tax credits** to deploy new generation, invest in clean hydrogen, and produce sustainable aviation fuel



Thank you!



Matthew Land
Senior Associate, US Program
matthew.land@rmi.org

