

Utilities: Affordability Takes a Prominent Role in an Active Political Year

Andy Bohlin | Senior Fixed Income Credit Analyst & Principal

In AAM's corporate outlook for 2026, we highlighted utility bill affordability as an issue to watch in the new year. Barely a month into the year, that concern has already surfaced prominently in numerous political forums across the country. While multiple factors are contributing to utility bill inflation, the infrastructure investment related to the build-out of AI data centers is being identified as the primary culprit. Well-funded hyperscalers and the large loads they have been adding to the grid have become salient targets for regulators and politicians.

We expect affordability to be a central theme throughout the year, not only with the congressional midterms approaching but also with 36 gubernatorial elections on the docket. Elections will also influence the composition of public utility commissions, with implications for numerous rate cases scheduled for this year. As a result, almost every utility company will be affected in some way by the political environment this year.

PJM

PJM Interconnection (PJM), the largest Regional Transmission Organization (RTO) in the U.S., has become ground zero in the affordability debate. As an RTO, PJM coordinates the movement of wholesale electricity and ensures grid reliability for more than 67 million people across 13 states. It is also home to the world's largest data center cluster in Northern Virginia, as well as other data center hotspots in Ohio, New Jersey, and Illinois.

On January 16th, the National Energy Dominance Council within the White House and the governors of the 13 states within PJM released the Statement of Principles Regarding PJM¹. The major principles outlined in the statement include the following:

¹ The National Energy Dominance Council within the White House and the Governors of Indiana, Maryland, Ohio, Pennsylvania, Virginia, West Virginia, Delaware, Illinois, Michigan, New Jersey, Tennessee, North Carolina, and Kentucky.

- **Provide Revenue Certainty to New Generation:** Calls for PJM to hold a Reliability Backstop Auction (RBA) to procure new generation resources. This auction should commence no later than September 2026. The expectation is that the large hyperscalers would participate in this auction and provide 15-year power price certainty.
- **Allocate Costs to Data Centers:** Directly from the joint statement, “Their size and the risks they pose to resource adequacy make today’s data centers unique. For this reason, PJM should allocate the cost of any new capacity procured through the aforementioned Reliability Backstop Auction to load serving entities (LSEs) with new data centers that have not self-procured new capacity or agreed to be curtailable.”
- **Protect Residential Customers from Capacity Price Increases:** The past two capacity auctions in PJM resulted in high clearing prices that were limited by a cap. PJM plans to eliminate the cap, but the joint statement included a directive to keep it in place.
- **Improve Load Forecasting:** PJM should improve load forecasting methodologies and “only include large new loads in the forecast that can demonstrate a meaningful and verifiable commitment.” This would “ensure that capacity is procured only for real and verified demand.”
- **Accelerate Ongoing Generator Interconnection Studies:** PJM should commit to accelerating the timeline for the execution of generator interconnection agreements.

By signing the statement, the Governors agreed to use “all available authorities to allocate costs to data centers and protect residential customers.” To be fair, PJM was already aware of the issue and had been studying it under the Critical Issues Fast Path (CIFP) process. There is little doubt, though, that the heightened political attention has added urgency to this process.

Election Year Battlegrounds

While the joint statement was directed toward PJM, the affordability issue is by no means unique to PJM. All stakeholders in the utility industry should take note that affordability is not just a PJM issue. This issue has been, and will be, a hot topic in almost every major election across the country this year. Some recent high-profile events have already set the tone for the upcoming election cycle:

- **Virginia:** Newly elected Governor Abigail Spanberger campaigned on lowering utility costs as part of a broader affordability agenda. Affordability was the first item in the Governor’s Day One Executive Orders.
- **New Jersey:** On her first day in office, newly elected Governor Mikie Sherrill declared a State of Emergency on Utility Costs, and included the freezing of utility rate hikes in her Day One Executive Orders.
- **Indiana:** Late last year, NiSource subsidiary NIPSCO announced a deal to build generation capacity dedicated to serving Amazon and other large loads. Although this project would be developed outside the regulated rate base, NIPSCO still sought approval from the Indiana Utility Regulatory Commission. The resulting settlement included a commitment to return \$1 billion to customers, which will show up as a credit on their monthly bills over the project’s 15-year duration.

- **Georgia:** In an off-year special election in November, Democrats upset two incumbent Republicans on the Public Service Commission, resulting in the first Democratic presence on the PSC since 2007. Affordability was a centerpiece of both campaigns, and despite Georgia Power having already agreed to a three-year base rate freeze, the election proved that affordability remained a voter concern.

Rough Start to the Year

The utility industry faces a constant balancing act between affordability, reliability, and economic development. With the affordability debate already receiving significant attention, this balancing act faced an early test this year with Winter Storm Fern. At the start of the year, low natural gas prices appeared poised to ease pressure on monthly utility bills. That optimism proved short-lived, however, as the winter storm drove both natural gas and wholesale power prices sharply higher across much of the country.

While natural gas prices have already returned to more moderate levels, the episode underscores an additional risk in the affordability debate. Utility companies have limited ability to mitigate spikes in energy prices, which are largely outside their control. Because fuel costs are typically passed through to customers, sustained price increases can directly translate into higher bills. If elevated prices persist, they will further compound the existing affordability challenge.

Actions such as the RBA address the affordability issue, but the benefits will likely take several years to materialize. With no easy near-term solutions, utility companies and owners of large load data centers will continue to be under pressure to find more immediate responses. We have seen legislative bills introduced in various states designed to address high utility bills, and we expect to see more activity as the year unfolds. Navigating this evolving political landscape could be a challenging and consequential journey this year for the utility industry.

For author biography please visit www.aamcompany.com

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