FACT SHEET

A Plan for American Electricity Affordability

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The American economy is growing, and its electric grid must grow with it. But American households should not be forced to shoulder the costs while utilities post record profits and artificial intelligence (AI) companies reach unprecedented valuations. Residential electricity prices are on the rise, increasing by more than twice the rate of inflation in 2025. American families are struggling to keep up with rising costs. In 2024, utility companies shut off power 13.4 million times. Over the past 12 months, 66 percent of Americans report increases in their electricity bills. Utility debt is increasing, roughly 1 in 6 households are behind on their bills, and low- and moderate-income households are spending up to 10 percent of their income on energy.

There is little relief in sight for consumers. The expenses of rebuilding after climate disasters, the rising cost to modernize an aging electric grid, spiking costs of natural gas to fuel power plants, and surging demand forecasts for electricity from AI data centers are all expected to raise prices for consumers in the coming years. If the United States continues on its current trajectory, national average residential electricity costs are projected to increase by nearly 18 percent by 2028 and by more than 37 percent by 2032.[1] Indeed, new modeling from the Rhodium Group finds that the nation will need almost 50 percent more power generation in the next 15 years.[2] To keep utility bills affordable and sustain the economy of the future, the United States needs more energy and a better grid—and it needs them fast.

The enormous demand that the grid must meet in the coming decade calls for a new approach to the U.S. electricity system, one that greatly increases supply, takes advantage of cutting-edge technologies that lower costs, and ensures the American people can afford to heat and cool their homes.

The Center for American Progress proposes a three-pronged strategy to lower costs by:

- Creating a rate relief fund for states that freeze or lower residential electricity rates for a limited time (four years)
- Requiring all data centers to pay their fair share
- Expanding supply and strengthening the grid by building a bigger, better power system

CAP's plan would provide immediate relief while expanding supply and accelerating longer-term, catalytic investments that lower costs for consumers in the long run. The federal rate relief fund alone would save residential consumers more than $125 billion over four years—more than $900 for the average household across that period—allowing time for new investments and reforms to lower the costs of electricity for everyone by building a bigger and more affordable power system.[3]

The rate relief fund: Offer federal funding to states that freeze or lower residential electricity rates

CAP's plan saves money on electricity bills right away while upgrading America's electric grid to lower costs in the future. States that freeze or lower electricity rates for families would receive federal funding to build more power and modernize the grid. This would save households more than $900 in energy costs over four years while building a better energy system that saves American families billions for years to come.

Utilities are monopolies, and their rates are already regulated by the states and the Federal Energy Regulatory Commission. Today, funding for the new energy generation, grid maintenance and expansion that the American economy sorely needs comes almost exclusively from ratepayers, including millions of families who need relief. However, if a rate freeze were to starve the electricity system of capital, the resulting lack of investment would substantially degrade the electricity system, risking reliability problems and delays of service to new customers.

To prevent underinvestment while giving residential consumers the immediate help they are asking for, Congress should provide $125 billion in federal funding to states that freeze or lower rates. This funding would support grid modernization, transformer supply chains, new generation capacity, operational cost smoothing during fuel spikes or disasters, and utility reforms that improve affordability. In any state that participates, utilities would be barred from making ratepayers cover the costs of government lobbying efforts. Today, the federal government is a major investor in transportation infrastructure, and grid infrastructure is just as important. This rate relief fund ensures families get relief now—without sacrificing reliability or long-term savings.

A national AI data center fair share policy: Require all data centers to pay for the energy costs they impose on the system

Reasonable forecasts show that data center growth could increase power sector costs over the coming decade by 15 percent.[4] CAP proposes a requirement that all AI companies pay for the full costs of the power needs for their data centers. Instead of voluntary pledges or separate negotiations with thousands of different utilities, all new data centers would be required to pay a grid connection fee that covers the

full upfront capital costs of the grid infrastructure improvements and electricity generation capacity additions they need. In addition, data centers and other large loads would be placed in a separate customer class with transparent rates that fully cover generation costs, transmission and distribution operations, and maintenance expenses. Finally, CAP's plan would tax the data center's consumption of electricity from the grid, and tax at a higher rate the data center's behind-the-meter electricity generation from fuel combustion sources. This would avoid creating an incentive for data centers to be built off-grid and discourage excessive fuel consumption of those already off-grid that can indirectly raise costs for ratepayers while raising revenue and incentivizing data centers to lower overall power usage.

If data centers are required to pay their fair share and can be built on-grid, none of the cost increases driven by data center growth would be passed on to customers or contribute to the cost of the federal rate relief program while potentially lowering costs across the board given spare infrastructure capacity. The Trump administration's plan to secure voluntary pledges by companies cannot provide the same protection because any company that opts out will drive up costs for everyone else. A requirement, however, would ensure that data centers would not raise electricity prices for American families when they are built. Data centers may also face less local opposition if consumers are assured that AI companies—not households—will bear the burden of higher electricity costs, which is a top concern of voters.

The Trump administration is also blocking more affordable energy options, such as wind and solar, and forcing new data centers to rely on more expensive coal and gas power plants. Even if data centers pay their own electricity costs, this additional demand for fuel will raise fuel prices throughout the economy. Allowing clean energy to be built quickly and cheaply, as discussed below, works with the national fair share policy to keep costs down for households and provide clarity to a growing industry.

A bigger, better power system: Expand supply by improving grid infrastructure and building more capacity to generate electricity

Long-term affordability requires expanding supply and modernizing the grid, including reforms to accelerate permitting of new transmission and generation capacity, incentivize utilities to lower costs, and make public investments in infrastructure and low-cost energy generation. Key policies include:

- **Invest in the lowest-cost energy sources.** Congress should make investments that lower the cost of energy. Key reforms should include restoring and expanding the federal technology-neutral clean electricity investment and production tax incentives from the Inflation Reduction Act and funding aggressive scientific research, technology development, and commercial deployment of emerging technologies that could provide clean firm power at significantly lower cost.

- **Invest in grid improvements.** Congress should also make catalytic investments that lower the cost of grid infrastructure and grid components so that ratepayers alone do not need to pay for improvements. Key reforms should include establishing new investment tax credits, grants, and loans to lower the cost of grid infrastructure and bolster domestic manufacturing of standardized grid components.

- **Make utilities work to lower costs.** Congress should empower federal regulators to review the rates of return that investor-owned utilities may recover. Federally approved transmission upgrades should focus on maximizing efficiency and deploying grid-enhancing technologies that consistently cost less. Moving forward, utilities that build power plants should not be allowed to add fuel surcharges to electricity bills when natural gas prices spike.

- **Make quick, clear, and reliable decisions on permitting and connecting to the grid.** Reforms are needed to speed up permit reviews for new power and transmission projects, to grant permitting authority for interstate transmission lines to the federal government, and to streamline and standardize the interconnection process in order to connect power sources to the grid quicker so that infrastructure can be built with fewer delays, thereby lowering costs.

The U.S. electricity system needs to protect consumers from rising costs and greatly increase supply to keep up with demand. Data center-driven demand growth, aging infrastructure, and fuel volatility threaten to push costs even higher in the coming decades. Recent polls show that Americans understand that the United States needs more energy and increased investment in grid infrastructure, but they want utility companies to be held accountable and keep costs under control. With smart federal policy, the United States can meet rising energy needs and make electricity affordable.

Author's note: Polling is based on unpublished survey data from Blue Rose Research and is on file with the authors.

Endnotes

1 Estimate based on preliminary modeling for nominal residential electricity rates for 2024, 2028, and 2032 from the Rhodium Group, on file with the authors.

2 Ibid.

3 Ibid.

4 Ibid.