

# State Utility Tariffs: A Tool to Manage Large Load Growth

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The rapid growth in energy-intensive facilities, commonly referred to as “large loads,” is substantially increasing electricity demand in many parts of the country. The term “large load” is often used interchangeably with data centers. However, large loads can also include facilities like advanced chip manufacturers, hydrogen production facilities, and commercial electric vehicle charging depots that consume large amounts of electricity. As explained in a Georgetown Climate Center [introductory blog on large loads](#), most recent demand growth from large loads can be attributed to data center development, in part due to the rapid evolution of artificial intelligence (AI). These facilities can bring with them a range of costs and other impacts, including increased pollution, higher electric rates, and electric reliability challenges. There is a risk that these facilities will externalize those impacts, shifting costs onto residential and business customers and shifting health and climate impacts onto society at large.

Although the magnitude of electricity demand growth is uncertain, large loads are already resulting in a substantial increase in demand for electricity.<sup>1</sup> In response, regulators and policymakers at all levels of government are crafting solutions to mitigate the affordability, reliability, and climate impacts of these new electric customers. This brief will focus on one such solution—large load tariffs—a regulatory tool that state public utilities commissions (PUCs) can use to address the challenges that large loads present by requiring large consumers of electricity to pay for improvements to the electric system, by encouraging or requiring investments in clean energy resources, and through other terms and conditions. The state-level tariff mechanisms that this brief explores can help states maintain electric system reliability, protect existing ratepayers from rising costs, and increase the availability of clean energy.

## What are utility tariffs?

A utility tariff is a contract between a utility and a group of similar customers that identifies the rate customers will be charged for electricity as well as the terms and conditions under which customers receive electric service.<sup>2</sup> Utility tariffs are designed to enable the utility to recover costs, with the intent of allocating those costs as accurately as possible to the classes of

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<sup>1</sup> See, e.g., Shehabi et al., 2024 United States Data Center Energy Usage Report, Lawrence Berkeley National Laboratory (Dec. 2024), p.5, [lbnl-2024-united-states-data-center-energy-usage-report\\_1.pdf](#), accessed March 18, 2026.

<sup>2</sup> John Quackenbush, *Primer on Primary Drives of Electricity Tariffs for Utility Regulators* (NARUC, 2021), 7, <https://pubs.naruc.org/pub.cfm?id=5AF87EC9-155D-0A36-31A2-6ACF453362F4>.

customers that cause the costs to be incurred.<sup>3</sup> The most basic categories of customers are residential, commercial, and industrial. In addition to the price of electricity and the cost of its delivery to the customer, a utility tariff may contain terms that are designed to reduce impacts on the electric system, advance clean energy and energy efficiency, and achieve other important goals.

## Benefits of large load tariffs

Large load tariffs are a new kind of utility tariff that places customers over a certain size onto their own utility tariff. Several characteristics common to large loads—in particular, their unprecedented size, geographic concentration, and pace of development—have led PUCs across the country to determine that large loads bring unique costs to the system and thus to classify them as a distinct customer class. Assigning customers that place unique demands on the grid to their own specific utility tariff is an important regulatory tool states can use to ensure that large loads pay for the costs they bring to the system and do not shift undue risks onto other customers. In general, large load tariffs are emerging as a flexible and readily available regulatory tool that can be used to integrate large loads into the energy system without causing undue impacts to other customers, the grid, and state clean energy goals.

Across the country, state PUCs and utilities have already proposed or formally adopted at least 60 tariffs designed to manage large loads in some manner.<sup>4</sup> Both vertically integrated states like Indiana and Michigan, and deregulated states like Ohio, Delaware, and Pennsylvania, are considering and adopting large load tariffs.<sup>5</sup> Additionally, state legislatures have begun to pass legislation that directs their state PUCs to adopt new tariffs and interconnection rules for large loads. Recently passed laws in Texas and Oregon, for example, have directed PUCs in those states to develop large load tariffs that include a variety of important provisions, covering everything from clean energy requirements, to load flexibility, to residential ratepayer protections.<sup>6</sup>

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<sup>3</sup> *Id.*

<sup>4</sup> This data comes from Smart Electric Power Alliance's large load tariff database, which tracks large load tariffs that state PUCs are either considering or have put into place through a commission order. See "Database of Emerging Large Load Tariffs," Smart Electric Power Alliance (SEPA), accessed on March 18, 2026, <https://sepapower.org/large-load-tariffs-database/>.

<sup>5</sup> See Commissioner's Order, Cause No. 46097 (Ind. Util. Regul. Comm'n, Feb. 19, 2025), <https://iurc.portal.in.gov/docketed-case-details/?id=b8cd5780-0546-ef11-8409-001dd803817e>; Order Denying Petition for Rehearing, Dkt. 227, Case No. U-21859 (Mich. Pub. Serv. Comm'n, Feb. 19, 2025), <https://mi-psc.my.site.com/s/case/500cs00000TedunAAB/in-the-matter-of-the-application-of-consumers-energy-company-for-ex-parte-approval-of-certain-amendments-to-rate-gpd>; Opinion and Order, Case No. 24-508-EL-ATA (Pub. Util. Comm'n of Ohio, July 9, 2025), <https://dis.puc.state.oh.us/ViewImage.aspx?CMID=A1001001A25G09B43531I00509>; Tentative Order, Docket No. M-2025-3054271 (Pa. Pub. Util. Comm'n, Nov. 22, 2025), <https://www.pacodeandbulletin.gov/Display/pabull?file=/secure/pabulletin/data/vol55/55-47/1589.html>.

<sup>6</sup> See H.B. 3546, 83rd Legis. Assemb., Reg. Sess. (Or. 2025), <https://olis.oregonlegislature.gov/liz/2025R1/Measures/Overview/HB3546>; S.B. 6, 89th Legis. (Tex. 2025), <https://capitol.texas.gov/tlodocs/89R/billtext/pdf/SB00006H.pdf>.

## Tariff provisions that can align clean energy, affordability, and reliability goals

At a high level, states can use large load tariffs to:

1. **Accelerate Clean Energy:** Encourage or require large loads to use clean energy at optimal levels and locations;
2. **Improve Affordability:** Accurately identify the costs and risks that large load customers cause and avoid cost shifts to other customer classes; and
3. **Protect System Reliability:** Prevent providing electric service to large load customers from negatively impacting the reliability of the electric service that other customers receive.

The following section offers examples of ways that state PUCs can customize large load tariffs to achieve these three outcomes. Although each tariff provision is assigned primarily to one category — clean energy, affordability, or reliability — many of these tariff provisions can provide multiple benefits.

### 1. Clean energy and energy efficiency mechanisms

Clean energy mechanisms can help accelerate the successful integration of new large electricity customers without slowing progress on state clean energy and air emissions goals.

This section provides examples from three states that have incorporated clean energy or energy efficiency provisions into large load tariff designs. These examples illustrate the wide variety of options that can be tailored to different state environments to mitigate the impacts of large loads by establishing pathways for large customers to deploy and pay for clean energy resources.

#### Energy efficiency audits – North Dakota

Energy efficiency is a foundational element of managing the impacts of large electric customers on affordability, reliability, and the climate. Reducing demand for electricity can prevent the need for infrastructure investments, improve options for quickly and reliably serving new customers alongside existing customers, and lessen impacts on natural resources, communities, and the climate. For these reasons, before utilities commit to building new infrastructure to serve large load customers, it is important to require or incent customers to use the best available energy efficiency technologies. In addition, utilities can play a role in tracking and updating energy efficiency baselines over time as technologies evolve. Updates are particularly important for technologies that are evolving rapidly, such as the chips and cooling technologies that serve AI

loads. The International Energy Agency estimates that improvements in energy efficiency could reduce the overall electricity consumption by data centers by as much as 15 percent by 2035.<sup>7</sup>

In September 2018, the North Dakota Public Service Commission (PSC) approved a tariff that contains a provision requiring large load customers to participate in utility energy efficiency audits. The North Dakota tariff specifies that large load customers taking service from the utility “will allow the Company to undertake an Energy efficiency audit of the facility.”<sup>8</sup> This type of requirement can serve as an important foundation, with the potential to provide increased visibility into consumption trends over time that can support better system planning and increased reliability. Utility or third party energy efficiency audits can also provide a basis for comparison of different customer efficiency levels. It is important that large loads regularly update and improve their energy efficiency practices to meet prevailing efficiency levels that best support grid reliability and affordability, as well as reduced emissions.

To complement energy efficiency audit requirements like North Dakota’s, state commissions may also consider adopting standardized metrics for evaluating efficiency, as well as periodic public reporting requirements. Currently, power usage effectiveness (PUE) is the primary metric used by companies like Google and Meta to assess key aspects of the efficiency of their data centers.<sup>9</sup> However, PUE has been criticized as a limited yardstick because it only measures the efficiency of the cooling equipment used to keep data center equipment from overheating, and does not, for example, compare computing output to energy consumption.<sup>10</sup> While cooling uses significant volumes of electricity, the electricity consumption of data center computing equipment is often far higher.<sup>11</sup> Regulators in Europe are considering measuring other aspects of data center efficiency, for example assessing efficiency both in terms of the kWh of electricity consumed and in terms of the carbon emitted for a given amount of computation.<sup>12</sup> State commissions and regulated utilities may similarly wish to evaluate the adoption of several complementary metrics to capture multiple benchmarks. A 2017 paper published by the Institute of Electrical and Electronics Engineers (IEEE) surveys data center efficiency metrics for

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<sup>7</sup> “Energy Demand From AI,” International Energy Agency, accessed on March 18, 2026, <https://www.iea.org/reports/energy-and-ai/energy-demand-from-ai>.

<sup>8</sup> Super Large General Service Applications and Eligibility Requirements, 3, Case No. PU-17-398 and PU-18-106 (N.D. Pub. Ser. Comm’n, Sept. 2018), [https://www.otpc.com/media/0xqpqrwk/nd\\_1006.pdf](https://www.otpc.com/media/0xqpqrwk/nd_1006.pdf).

<sup>9</sup> See “Growing the Internet While Reducing Energy Consumption,” Data Centers, Google, accessed March 18, 2026, <https://datacenters.google/efficiency/>; Meta, *Environmental Data Index - 2025 Sustainability Report*, (Meta, 2025),

[https://sustainability.atmeta.com/wp-content/uploads/2025/10/Meta\\_2025-Environmental-Data-Index.pdf](https://sustainability.atmeta.com/wp-content/uploads/2025/10/Meta_2025-Environmental-Data-Index.pdf).

<sup>10</sup> See e.g., Jeremy Rodriguez, “Dial it In: Data Centers Need New Metric for Energy Efficiency,” *Nvidia*, May 12, 2024,

<https://blogs.nvidia.com/blog/datacenter-efficiency-metrics-isc/#:~:text=Finding%20the%20Next%20Metrics.water%20use%2C%20security%20and%20cost>.

<sup>11</sup> See e.g., Steven Nadel, *Opportunities to Use Energy Efficiency and Demand Flexibility to Reduce Data Center Energy Use and Peak Demand* (ACEEE, 2025), 3,

[https://www.aceee.org/sites/default/files/pdfs/opportunities\\_to\\_use\\_energy\\_efficiency\\_and\\_demand\\_flexibility\\_to\\_reduce\\_data\\_center\\_energy\\_use\\_and\\_peak\\_demand.pdf](https://www.aceee.org/sites/default/files/pdfs/opportunities_to_use_energy_efficiency_and_demand_flexibility_to_reduce_data_center_energy_use_and_peak_demand.pdf) (showing illustrative example with cooling at 15% of onsite data center electricity demand and IT equipment at 80%).

<sup>12</sup> *Id.* at 8.

everything from lighting to servers.<sup>13</sup> In addition, the Center of Expertise for Data Center Energy at Lawrence Berkeley National Laboratories has made available a wide range of efficiency best practices for consideration,<sup>14</sup> and has published a template for energy efficiency assessments of data centers.<sup>15</sup>

## Clean energy power purchase agreements – Nevada

In May 2025, the Public Utilities Commission of Nevada approved a large load tariff that offers one model for how large loads can be powered with clean energy while minimizing impacts to energy affordability and reliability.<sup>16</sup> The Nevada PUC's Clean Transition Tariff (CTT) grants NV Energy, a regulated utility operating in the state of Nevada, permission to "allow eligible customers to receive bundled electric service from new clean energy resources."<sup>17</sup> The CTT operates as a type of clean energy power purchase agreement, under which customers can pay for the construction and interconnection of new clean energy generation resources to be provided by the utility that serves them.

The Nevada CTT boosts clean energy and avoids significant cost and reliability impacts by matching new large loads seeking to interconnect to the electric grid with new, clean generation. The tariff allows NV Energy to enter into energy supply agreements with customers with loads larger than 5 MW and to build clean energy resources customized to meet the needs of those customers.<sup>18</sup> The tariff also directs NV Energy to include the new resources in its next integrated resource plan, so that the new grid investments can be incorporated into Nevada Power's long-term investment plans.<sup>19</sup> Once the Commission verifies that each respective energy supply agreement is in the public interest, does not negatively affect reliability and affordability, and satisfies a host of other requirements specified in the tariff, the energy supply agreement outlined in the CTT is finalized. This structure helps to safeguard the reliability of the electric system by ensuring that new loads are matched with new generation resources to serve their demand. The Nevada tariff also prevents other customers from paying for new generation built to serve large load customers. The CTT directs customers on the tariff to pay for the construction of new generation as well as other costs of interconnection.<sup>20</sup>

<sup>13</sup> V. D. Reddy et al., "Metrics for Sustainable Data Centers," *IEEE Transactions on Sustainable Computing* 2, no. 3 (2017): 290-303,

<https://www.computer.org/csdl/journal/su/2017/03/07921551/13rRUxCRFUJ>.

<sup>14</sup> Arman Shehabi et al., *2024 United States Data Center Energy Usage Report*, LBNL-2001637 (Lawrence Berkeley National Laboratory 2024), <https://doi.org/10.71468/P1WC7Q>.

<sup>15</sup> "Energy Efficiency Assessment Report Template," Center of Expertise for Data Center Energy, last modified September 20, 2020, <https://datacenters.lbl.gov/resources/energy-efficiency-assessment-report>.

<sup>16</sup> Order, Docket No. 24-05022 (Nev. Pub. Util. Comm'n, Filed March 11, 2025), <https://puc-onbase.nv.gov/api/Document/Aaw7d8rSpNgSbvIAA%C3%81EY%C3%89HVrla9M12GbFoM4pDBS9Np98E4EGwEUNL48IE7Q2ChRFGRhLXFV4T24CyIHBDwBQhI%3D/?OverlayMode=View>.

<sup>17</sup> Advice Letter No. 674-E in Original Filing, Docket No. 24-05022 (Nev. Pub. Util. Comm'n, Filed May 21, 2024),

<https://puc-onbase.nv.gov/api/Document/Af8ljzTFQyW4J%C3%81On525Yd3epMqUJbAQv3QsqwluonFLWTEFXvxvM4zaK2%C3%89UMgn5%C3%81%C3%891n1gUPDc0fPYks1yEuhfj4%3D/?OverlayMode=View>.

<sup>18</sup> Exhibit A of Original Filing, Docket No. 24-05022 (Nev. Pub. Util. Comm'n, Filed May 21, 2024).

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

Google is the inaugural customer participating in Nevada's Clean Transition Tariff.<sup>21</sup> NV Energy is in the process of placing a 115 MW geothermal power plant into service that will supply power to Google's data center campus at the Corsac Generating Station in Churchill County, Nevada.<sup>22</sup> Investments in technological innovations like these by motivated and well-capitalized data center companies have a potential multiplying effect for scalability and commercial viability of emerging technologies like enhanced or advanced geothermal, long duration battery storage, and small modular nuclear reactors. In February, Google proposed a similar Clean Transition Tariff in Minnesota, in an agreement with Xcel Energy to build 1.9 GW of renewable energy and 300 MW (or 30 gigawatt-hours) of long-duration energy storage, in a move that promises to help commercialize 100-hour iron-air batteries.<sup>23</sup> In 2020, Microsoft launched a Climate Innovation Fund that has been invested to spur emerging technologies like green hydrogen, fuel cells, and green steel.<sup>24</sup> While not all data center companies have made comparable commitments, there is significant potential for positive impacts from investments like these. State-level tariffs that help enable these investments can therefore help align data center development with clean energy goals. Nevada's CTT creates a regulatory structure that data center companies can use to more broadly deploy clean technologies.

Nevada's clean energy procurement approach could be applied in many parts of the country. Although geothermal generation is the only source of generation currently subject to the Nevada CTT, the tariff is technologically neutral. Under the tariff, other large load customers may elect to work with the utility to construct any number of clean energy resources to serve the new load they bring to the system, such as small modular nuclear reactors, solar, wind, or a combination of clean energy resources.<sup>25</sup> State regulators in states where the conditions for geothermal energy are not ideal could apply similar tariff provisions in a way that is suited to their state's unique geographic, regulatory, and climate contexts. In its statements, Google has highlighted the Clean Transition Tariff as a standardizable model that can be replicated across the country to help power their data centers more quickly with clean energy, in line with its corporate clean energy goals.<sup>26</sup>

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<sup>21</sup> Amanda Peterson Corio & Briana Kobor, "How We're Working with Utilities to Create a New Model for Clean Energy," *The Keyword*, June 11, 2024,

<https://blog.google/company-news/outreach-and-initiatives/sustainability/google-clean-energy-partnership>.

<sup>22</sup> Nevada Power Company & Sierra Pacific Power Company, *2024 Integrated Resource Plan*, Volume 8/29 (Application to Pub. Util. Comm'n of Nev., 2024), 86,

[https://www.nvenergy.com/publish/content/dam/nvenergy/brochures\\_arch/about-nvenergy/rates-regulatory/recent-regulatory-filings/irp/IRP-Volume-8.pdf](https://www.nvenergy.com/publish/content/dam/nvenergy/brochures_arch/about-nvenergy/rates-regulatory/recent-regulatory-filings/irp/IRP-Volume-8.pdf).

<sup>23</sup> Lisa Martine Jenkins, "With Form Energy Deal, Google's Clean Transition Tariff is Growing Up," *Latitude Media*, February 25, 2026,

<https://www.latitudemedia.com/news/with-form-energy-deal-googles-clean-transition-tariff-is-growing-up/>.

<sup>24</sup> "Climate Innovation Fund," Corporate Responsibility, Microsoft, accessed March 18, 2026,

<https://datacentremagazine.com/news/microsoft-funds-low-carbon-tech-to-green-data-centres;>  
<https://www.microsoft.com/en-us/corporate-responsibility/sustainability/climate-innovation-fund>.

<sup>25</sup> Order, Docket No. 24-05022 (Nev. Pub. Util. Comm'n, Filed March 11, 2025).

<sup>26</sup> Amanda Peterson Corio & Briana Kobor, "How We're Working with Utilities to Create a New Model for Clean Energy," *The Keyword*, June 11, 2024.

## Clean energy riders – Kansas

In November 2025, the Kansas Corporation Commission (KCC) approved a large load tariff for customers between 25 and 75 MW as well as a suite of clean energy riders as a part of the Commission's settlement agreement with the utility company Evergy and its subsidiary utilities throughout Kansas.<sup>27</sup> A rider is a “form of tariff that represents a supplemental charge to specific customer classes.”<sup>28</sup> In the context of large loads, riders can enhance existing large load tariffs as a way to provide customers and utilities with additional options for matching electricity supply with demand while enabling states as well as ESG-concerned corporations to reach their clean energy goals.

The KCC's order approved four clean energy riders, three of which all large load customers can choose from, with the fourth more narrowly tailored to customers of Evergy Kansas Metro, a division of Evergy serving the Kansas City Metro area.

- **Green Solutions Connections Program:** Provides large loads with an opportunity to claim renewable energy attributes of clean energy developed by the utility as part of an integrated resource plan. Under the rider, a customer “with an average monthly peak demand greater than 200 kW” has “the opportunity to subscribe to future renewable energy attributes associated with new Company-owned wind or solar generation acquired through the Integrated Resource Planning (“IRP”) process that are not needed to meet renewable compliance targets or requirements.”<sup>29</sup>
- **Alternative Energy Credit Rider:** Enables large loads to invest in nuclear power resources. Under this rider, the utility “will provide large customers with the ability to include emission-free nuclear energy from Company-owned or sourced resources into their clean energy portfolio to support the customer's sustainability and decarbonization goals.”<sup>30</sup> This type of provision could also be used to enable investment in other forms of low- or no-carbon generation.
- **Clean Energy Choice Rider:** Provides the utility with a cost recovery mechanism to serve large loads that elect to procure nuclear energy. The tariff states that the utility “will enable customers under Schedule LLPS [Large Load Power Service] to support the procurement of clean energy resources and/or replacement of identified existing resources in lieu of or in addition to the Company's Preferred Resource Plan. This shall

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<sup>27</sup> Order Approving Settlement Agreement, Docket No. 25-EKME-315-TAR (Kan. Corp.Comm'n, Aug. 18, 2025),

[https://estar.kcc.ks.gov/estar/ViewFile.aspx/25-315\\_Settlement\\_Agreement.pdf?Id=f65c8223-c3d3-47a7-b83b-877f318cf355&utm\\_medium=email&utm\\_source=govdelivery](https://estar.kcc.ks.gov/estar/ViewFile.aspx/25-315_Settlement_Agreement.pdf?Id=f65c8223-c3d3-47a7-b83b-877f318cf355&utm_medium=email&utm_source=govdelivery).

<sup>28</sup> John Hendrickson, “Electric Utility Cost of Service and Rate Design,” Slidedeck, 4, NARUC, June 2009, <https://pubs.naruc.org/pub.cfm?id=53788304-2354-D714-5194-BCE9529A6212#:~:text=A%20rider%20is%20a%20form,recovered%20through%20the%20base%20rates>.

<sup>29</sup> Order at 19, No. 25-EKME-315-TAR (Kan. Corp.Comm'n, Aug. 18, 2025).

<sup>30</sup> *Id.*

include distributed energy resources such as demand-side management, energy efficiency, battery storage, and nuclear.”<sup>31</sup>

- **Renewable Energy Choice Rider:** Allows customers who are served by Evergy Kansas Metro to access renewable energy credits at a fixed value adjusted for inflation.<sup>32</sup> The rider would maintain customers who are in Evergy’s Kansas City territory to maintain access to an existing renewable energy credit value that predated the Kansas City Corporation Commission’s settlement agreement with Evergy and its subsidiaries throughout Kansas.

This suite of options provides states, utilities, and large load customers with several pathways to meet climate and energy goals. At the same time, to help protect other customers from cost shifts, the Kansas tariff also includes customer protection measures commonly found in other tariffs such as minimum contract lengths and early exit fees.<sup>33</sup> These types of tariff provisions are discussed in more detail in the next section.

## 2. Affordability protections

Ratepayers in many parts of the country are facing rising energy costs. According to the Energy Information Administration, average utility bills for residential customers increased by 7.4 percent in 2025.<sup>34</sup> Nationwide, nearly one third of U.S. households are facing energy poverty, which is defined as paying greater than 6 percent of their income on energy costs.<sup>35</sup> Large loads can exacerbate these affordability challenges if existing tariffs or other policies shift the costs caused by large customers onto others. While data is limited regarding specific costs other customers are absorbing to support data center and large load grid needs, an increase in electricity costs has been observed over multiple markets. For example, capacity auction prices in the MidAtlantic region, which is home to the most data centers in the world, recently hit \$334, a record high.<sup>36</sup> The costs of increased capacity auction prices are eventually passed through to residential and commercial customers in the form of higher utility bills.<sup>37</sup>

There is a risk that the rapid growth of large loads will further exacerbate electric affordability challenges, both by directly shifting infrastructure costs to residential and commercial ratepayers, and by shifting long-term financial risks such as potential stranded assets to those same customers. However, regulators in a variety of states are adopting tariff provisions that directly address the energy affordability risks that large loads present to other customers. The

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<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> *Id.* at 4.

<sup>34</sup> “Electricity Monthly Update,” Energy Information Agency, accessed March 18, 2026, <https://www.eia.gov/electricity/monthly/update/end-use.php>.

<sup>35</sup> Carlos Batlle et al., “US Federal Resource Allocations are Inconsistent with Concentrations of Energy Poverty,” *Science Advances* 10, no. 41 (2024): 1 <https://www.science.org/doi/10.1126/sciadv.adp8183>.

<sup>36</sup> Ethan Howland, “PJM Capacity Prices Hit Record High as Grid Operator Falls Short of Reliability Target,” *Utility Dive*, December 18, 2025, <https://www.utilitydive.com/news/pjm-interconnection-capacity-auction-data-center/808264/>.

<sup>37</sup> *Id.*

following examples spotlight steps that three states have taken to protect existing ratepayers from undue increases in costs caused by large load customers.

## Contract-like terms to address costs and uncertainty – Indiana

In February 2025, the Indiana Utility Regulatory Commission (IURC) issued an order approving a settlement agreement between PUC staff, ratepayer advocates, Indiana Michigan Power (I&M), the data center industry, and others that created a separate rate class and applicable tariff for large load customers with a contract capacity between 70 MW and 150 MW.<sup>38</sup> The IURC's new large load tariff includes a variety of contract terms designed to protect energy affordability for existing customers. In this section, we spotlight several of these, including (1) minimum contract length, (2) study fees and up-front collateral payments, and (3) demand reduction restrictions and exit fees.

- **Minimum contract length:** The IURC tariff sets a twelve-year minimum contract length for large load customers.<sup>39</sup> Minimum contract lengths can help protect other ratepayers from long-term financial risks by requiring large load customers to continue paying their utility bills for the length of the contract. Minimum contract lengths lessen the risks of stranded assets and help to make sure that utilities have had a chance to recoup the fixed costs they incur to provide large load customers with electric service.<sup>40</sup> When regulators set minimum contract lengths for large load customers, they may want to consider tying the length of the contract to the expected lifespan of the infrastructure that is built to serve large loads. If large load customers leave the system at the end of their contracts, but before the end of the lifespan of the infrastructure that was built to serve them, and new demand for electricity does not materialize, other customers could be saddled with the costs of those stranded assets.
- **Study fees and up-front collateral payments:** The settlement agreement approved by the IURC in connection with the large load tariff stipulates that “Full Planning Studies, including steady-state and dynamic studies” are “required because of the potential addition of a Large Load Customer shall be paid solely by the Large Load Customer.”<sup>41</sup> The settlement agreement also stipulates that large load customers must either demonstrate creditworthiness and liquidity, or provide upfront collateral payments based upon the large load customer's monthly billing demand.<sup>42</sup> Together, these tariff requirements can help states and utilities allocate the financial risks of planning for large load interconnections to the grid to large load customers themselves, while reducing the chance that large load demand forecasts will be inflated by speculative interconnection requests.

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<sup>38</sup> Stipulation and Settlement Agreement, Commissioner's Order Attach., 50, Cause No. 46097 (Ind. Util. Regul. Comm'n, Filed Feb. 19, 2025).

<sup>39</sup> Commissioner's Order, 3, Cause No. 46097 (Ind. Util. Regul. Comm'n, Filed Feb. 19, 2025).

<sup>40</sup> When a utility company builds a new power plant, or puts up new polls and wires they often finance those investments over a period of years or even decades.

<sup>41</sup> Commissioner's Order, 41, Cause No. 46097 (Ind. Util. Regul. Comm'n, Filed Feb. 19, 2025).

<sup>42</sup> *Id.* at 73.

- **Demand reduction restrictions and exit fees:** Stakeholders such as ratepayer advocates like the Indiana Office of Utility Consumer Council (OUCC), a state agency that represents the interests of ratepayers in state commission proceedings, have raised concerns that the AI boom could slow or bust and that residential utility customers could be left with stranded assets on the grid and no one to pay for them.<sup>43</sup> The IURC has adopted several mechanisms to mitigate this risk. In particular, the Indiana tariff order requires large load customers to provide their utilities with advance notice of five years before reducing their demand for electricity by more than 20 percent.<sup>44</sup> States may also consider allowing substitute offtakers, entities that agree to accept the financial obligations of the original customer.

The Indiana settlement agreement additionally establishes an exit fee for large load customers that elect to leave their contracts entirely before the minimum contract term has expired. The IURC order finds that “the Exit Fee shall be calculated as the nominal value of the remaining Minimum Charge for the terminated/reduced capacity in excess of the 20 percent allowed reduction for the first year of the Exit Fee Period.”<sup>45</sup> This provision won support in the docket from utility companies and ratepayer advocates alike. The Indiana OUCC noted that, “the Settlement Agreement affords contractual flexibility while mitigating the potential impact on I&M’s other ratepayers by not allowing a reduction during the first five years, limiting the reduction to a total of up to 20%, and requiring at least 42 months’ prior written notice.”<sup>46</sup>

Although the exact terms and details are still evolving, the types of cost protection provisions Indiana has adopted reflect an emerging set of best practices for risk mitigation across the country. Similar cost protection provisions have also been either formally adopted or proposed in public utility commission proceedings across the country, including in Ohio, West Virginia, and Oregon.<sup>47</sup> While the exact percentage of allowable demand reduction, minimum contract length, and other provisions vary across these jurisdictions, these types of measures are increasingly common as means to protect residential and commercial ratepayers from subsidizing large load customers.

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<sup>43</sup> *Id.* at 7.

<sup>44</sup> *Id.* at 3.

<sup>45</sup> *Id.* at 41.

<sup>46</sup> *Id.* at 39.

<sup>47</sup> See Line Extensions Rule 13, 2, Docket No. UE 433 (Pub. Util. Comm’n of Or. Dec. 27, 2024), [https://www.pacificpower.net/content/dam/pcorp/documents/en/pacificpower/rates-regulation/oregon/tariff/rules/13\\_Line\\_Extensions.pdf](https://www.pacificpower.net/content/dam/pcorp/documents/en/pacificpower/rates-regulation/oregon/tariff/rules/13_Line_Extensions.pdf); Stipulation and Settlement Agreement, 6(57), Commissioner’s Order Attach., Cause No. 46097 (Ind. Util. Regul. Comm’n, Filed Feb. 19, 2025); Tariffs Nos. 16 and 21, Rate Schedules Terms and Conditions of Service Governing Sale Of Electricity, 70, Case No. 24-0854-E-42T (Pub. Serv. Comm’n of W. Va. Aug. 28, 2025), [https://www.appalachianpower.com/lib/docs/ratesandtariffs/WestVirginia/ENG\\_Tariff\\_Sheets\\_Eff\\_11-19-25.pdf](https://www.appalachianpower.com/lib/docs/ratesandtariffs/WestVirginia/ENG_Tariff_Sheets_Eff_11-19-25.pdf).

## Capacity and demand charges – Ohio

In July 2025, the Public Utilities Commission of Ohio issued an order adopting a large load tariff for customers with a contractual load greater than 25 MW.<sup>48</sup> The Ohio order establishes a minimum demand charge that large load customers must pay as a condition of service under the new tariff.<sup>49</sup> A demand charge is a charge levied against a customer based on the customer's maximum demand in each billing period.<sup>50</sup> This charge can help to protect other customers from being saddled with costs if a large utility customer suddenly reduces its demand for electricity.

According to the Ohio order, demand charges will “incentivize more accurate estimates of forecasted load to PJM, which will result in efficient, right-sizing of the transmission system and any upgrades that must be made.”<sup>51</sup> The Ohio commission also found that a demand charge “safeguards other non-data center customers and appropriately apportions the risk of underused investments by requiring the cost-causers to bear an appropriate share of investment costs.”<sup>52</sup> In short, the Ohio commission identifies two ways in which minimum demand charges protect customers from the long-term financial risks of serving large loads. First, demand charges provide an incentive for the large load customer not to inflate load forecasts, since an overestimate would result in the customer paying higher than necessary minimum demand charges.<sup>53</sup> In addition, a minimum demand charge reduces the chances that a utility could be left with stranded assets that other customers must pay for when the contract term between the utility and the large load customer expires.

In comments filed in the PUC of Ohio's large load tariff proceeding, multiple parties including the Data Center Coalition, a national trade group representing the data center industry, noted that minimum demand charges would provide a reasonable assurance that utility companies will be able to pay for the fixed costs of investments in infrastructure such as new transmission lines and substations, before the expiration of the eight-year minimum contract length set out in the PUC of Ohio large load tariff.<sup>54</sup> Minimum demand charges like this one are common in large

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<sup>48</sup> Opinion and Order, 15, Case No. 24-508-EL-ATA (Pub. Util. Comm'n of Ohio, Filed July 9, 2025).

<sup>49</sup> *Id.* at 39.

<sup>50</sup> National Association of Regulatory Utility Commissioner (NARUC), Primer On Rate Design For Cost-Reflective Tariffs, January 2021, pg. 16  
<https://pubs.naruc.org/pub.cfm?id=7BFEF211-155D-0A36-31AA-F629ECB940DC>

<sup>51</sup> *Id.* at 75. The Ohio tariff further provides that (*id.* pg. 17):

Monthly billing demand would be no less than the greater of: a) 85-percent of the customer's highest previously established monthly billing demand during the past 11 months; or b) percentage of the customer's contract capacity according to the following schedule: for customers with 25,001 kW to 75,000 kW of total contract capacity: minimum demand is 15,000 kW plus 85 percent of any capacity above 25,000 kW; or with more than 75,000 kW of total contract capacity, minimum demand is 57,500 kW plus 100 percent of any capacity above 75,000 kW. However, the minimum demand cannot exceed 85 percent of the total contract capacity.

<sup>52</sup> *Id.* at 73.

<sup>53</sup> *Id.* at 53.

<sup>54</sup> *Id.* at 41.

load tariffs, and can be found across jurisdictions including Oregon, West Virginia, and Indiana.<sup>55</sup>

## Direct assignment of costs for extensions of transmission and distribution lines – Oregon

In July 2025, the Oregon Public Utility Commission adopted Rule 13, which instructs utilities to assign the costs of interconnection tie-ins to large load customers. Specifically, the rule requires that customers with contracted capacity in excess of 50 MW pay the costs of “facilities located between existing Company network facilities and the Consumer’s point of delivery, and used for the sole use and benefit of the Consumer receiving service under the tariff.”<sup>56</sup> In Oregon, this direct assignment mechanism for infrastructure connecting large loads with the utility was adopted as a separate rule supplemental to a utility’s general rules of service. However, direct assignment terms can also be included as a component of a state’s large load tariff. Rule 13 focuses on directly assigning the costs to connect the new customer to the existing utility grid. As a side note, Rule 13 also establishes a minimum demand charge similar to the demand charges adopted in Ohio.

The purpose of requiring the direct assignment of costs is to establish a default cost allocation for utility infrastructure investments to connect large loads to the distribution utility’s system. Although Oregon’s Rule 13 is limited in scope, rules like this can give state commissions a regulatory mechanism to require large load customers to cover the direct cost impacts of serving them while a utility commission deliberates on a more comprehensive large load tariff, if one has not yet been established. In the case of Oregon, the state legislature directed the PUC to establish a large load tariff in August of 2025, shortly after the adoption of Rule 13.<sup>57</sup> Alternatively, direct assignment terms can be included as a component in a statewide or utility-specific large load tariff.

## 3. Electric reliability provisions

Electric reliability was already a growing concern prior to the AI boom and continues to be a focus of regulators. Aging grid infrastructure is one factor affecting energy system reliability.<sup>58</sup> At the same time, increases in the frequency, severity, and geographic scope of extreme weather caused by climate change have placed substantial pressure on the electric system in recent

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<sup>55</sup> See Line Extensions Rule 13, 2, Docket No. UE 433 (Pub. Util. Comm’n of Or. Dec. 27, 2024); Stipulation and Settlement Agreement, 6(57), Commissioner’s Order Attach., Cause No. 46097 (Ind. Util. Regul. Comm’n, Filed Feb. 19, 2025); Tariffs Nos. 16 and 21, Rate Schedules Terms and Conditions of Service Governing Sale Of Electricity, 70, Case No. 24-0854-E-42T (Pub. Serv. Comm’n of W. Va. Aug. 28, 2025).

<sup>56</sup> Line Extensions Rule 13, 1, Docket No. UE 433 (Pub. Util. Comm’n of Or. Dec. 27, 2024).

<sup>57</sup> H.B. 3546, 83rd Legis. Assemb., Reg. Sess. (Or. 2025).

<sup>58</sup> See Cara Kuuskvere & Weston Dengler, “The Aging US Power Grid: Navigating Toward Modernization,” *Smart Electric Power Alliance*, September 19, 2024, <https://sepapower.org/knowledge/the-aging-us-power-grid-navigating-toward-modernization/>.

years.<sup>59</sup> Recent severe weather events have included unprecedented and widespread cold and heat, as well as recordbreaking storms like hurricanes and snowstorms that have increased the frequency and severity of power outages.<sup>60</sup>

The expansion of large data centers has placed new pressures on the electric system while exacerbating existing challenges, including congestion and resource adequacy. The North American Electric Reliability Corporation attributes to data centers the vast majority of the projected demand growth that it identifies as a potential threat to resource adequacy in various parts of the country.<sup>61</sup>

Although large loads could present significant reliability challenges without adequate preparation, the state regulatory toolbox to address these challenges is robust. Among other reliability strategies available to states, utility commissions across the country are adopting targeted tariff provisions that aim to prevent large loads from increasing the frequency or severity of grid outages. This section highlights several tariff elements state PUCs are increasingly adopting to reduce potential reliability risks from large loads.

### **Demand transparency and load forecasting – Wisconsin**

In a proposed tariff before the Wisconsin Public Service Commission (PSC), WE Energies, a utility serving electric customers in eastern Wisconsin, is seeking approval to implement a “Very Large Customer” tariff.<sup>62</sup> The proposed tariff contains a measure that directs large load customers to provide a ten-year load forecast each year, for the duration of the customer’s contract.<sup>63</sup> The load forecast provision WE Energies proposes to implement will provide the utility with long-term insight into the demands that the customer will place onto the grid.

Utility companies often plan infrastructure investments on multi-year timelines, which makes long-term insight into the the demand profiles of their customers essential to making cost effective grid investment decisions. In addition, consolidating multiple investments that may be needed over a ten-year horizon can reduce costs as compared to planning investments only on a near-term basis. The requirement to provide load forecast data up to a decade in advance would assist with system planning, and could potentially provide opportunities for cost savings such as demand management to defer investments until sufficient load materializes to necessitate larger grid investments.

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<sup>59</sup> See *id.*; also see USDOT, *National Transmission Needs Study* (U.S. Department of Energy, 2023), vi, [https://www.energy.gov/sites/default/files/2023-12/National%20Transmission%20Needs%20Study%20-%20Final\\_2023.12.1.pdf](https://www.energy.gov/sites/default/files/2023-12/National%20Transmission%20Needs%20Study%20-%20Final_2023.12.1.pdf).

<sup>60</sup> See “Weather-related Power Outages Rising,” *Climate Central*, April 24, 2024, <https://www.climatecentral.org/climate-matters/weather-related-power-outages-rising>.

<sup>61</sup> See NERC, *Long-Term Reliability Assessment* (North American Electric Reliability Corporation, 2026), 27, [https://www.nerc.com/globalassets/our-work/assessments/nerc\\_ltra\\_2025.pdf](https://www.nerc.com/globalassets/our-work/assessments/nerc_ltra_2025.pdf).

<sup>62</sup> Proposed Very Large Customer Market Pricing Tariff, PSC Ref # 539748, Wis. Elec. Pow. Co. (Serv. Comm’n of Wis., Proposed March 31, 2025), <https://apps.psc.wi.gov/ERF/ERFview/viewdoc.aspx?docid=539748>.

<sup>63</sup> *Id.* at 4.

## Curtailment and load flexibility – Pennsylvania

In November 2025, the Pennsylvania PUC issued a tentative order that contains several provisions that promise to bolster the reliability of the grid as large loads come onto the system. If finalized, the order would place data centers and other large load customers of at least 50 MW in size individually, or 100 MW or greater in aggregate, onto a large load tariff.<sup>64</sup> The tentative order proposes voluntary options for these large loads to participate in both curtailment and basic load flexibility opportunities. Curtailment is a tool that allows a utility to temporarily turn off a customer's power during times of grid stress. Load flexibility is a type of demand response that enables large loads like data centers to reduce their demand on the electric grid by some portion of the total, including by deploying behind-the-meter backup generation or batteries, shifting non-essential tasks to other times of day, or shifting tasks between data centers in different regions. Whereas curtailment may be total and is more likely to occur in an emergency situation, load flexibility is often incremental and could potentially be an option on days with grid congestion that do not rise to the level of emergencies.

The Pennsylvania commission's tentative order would allow large load customers to participate in existing interruptible industrial rate schedules that would enable interruptions of service, or curtailment under specified grid conditions.<sup>65</sup> Historically, this type of rate has been offered to traditional large electricity customers like factories and steel plants. Utilities that offer interruptible industrial rates typically compensate customers either by bill credit or reduced rates for agreeing to have their electric service interrupted when the grid is under stress or facing unexpectedly high demand for electricity.<sup>66</sup> In its tentative tariff, the Pennsylvania PUC also proposes a somewhat more sophisticated demand response mechanism than traditional curtailment. The Pennsylvania PUC's tentative order includes a provision that would make the demand charge for large load customers proportional to the amount of load the customer agrees to make interruptible.<sup>67</sup> In short, the more energy a large load customer agrees to make interruptible, the less they pay. Importantly, interruptible rates may also have affordability benefits, since the bill credit is often significantly less than the cost of constructing new power plants.

The demand response incentives described in the Pennsylvania PUC's tentative order can set the stage for continued progress on demand response by creating pathways for large loads to reduce their energy consumption during times of grid stress. Importantly, large load participation in demand response programs has significant potential to mitigate both the resource adequacy and climate impacts of large loads. In a 2025 report, the Nicholas Institute found that reducing peak demand by as little as 0.25 percent could avoid as much as 76 GW worth of new load.<sup>68</sup> In a follow-up report issued in February 2026, the Nicholas Institute also modeled that large load

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<sup>64</sup> Tentative Order, Appendix A, Docket No. M-2025-3054271 (Pa. Pub. Util. Comm'n, Filed Nov. 22, 2025).

<sup>65</sup> *Id.*

<sup>66</sup> Tentative Order, Docket No. M-2025-3054271 (Pa. Pub. Util. Comm'n, Filed Nov. 22, 2025).

<sup>67</sup> *Id.* at 39.

<sup>68</sup> Tyler H. Norris et al., *Rethinking Load Growth* (Nicholas Institute, 2025), <https://nicholasinstitute.duke.edu/sites/default/files/publications/rethinking-load-growth.pdf>.

participation in demand response generally reduced the usage of combined cycle natural gas resources and increased the use of clean energy resources like wind, solar, and batteries.<sup>69</sup> The Pennsylvania PUC's tentative tariff can help to realize the types of peak load reductions that the Nicholas Institute's report describes by serving as a foundation for continued progress on large load demand response.

## "Bring Your Own New Clean Energy" requirements

State PUCs can also make progress on reliability while advancing clean energy goals and protecting other customers by adopting tariff provisions that require or incentivize large load customers to bring their own clean energy when they connect to the grid. Bringing not only clean generation, but new clean generation, helps secure resource adequacy on the grid by adding generation and new load at the same time above and beyond existing capacity levels – a concept sometimes called incrementality. Incremental additions of clean energy that are parallel in time and place to load interconnection are preferable to simply contracting for existing capacity otherwise allocated for other uses, which can cause capacity shortages. This also helps to avoid negative impacts like shifting costs to other customers and increased emissions due to the delayed retirement of aging generation facilities. This combination of terms is sometimes referred to as the Bring Your Own New Clean Energy (BYONCE) model, a close relation of the bring your own capacity approach.<sup>70</sup>

While the BYONCE tariff model is still evolving in both regulated and deregulated contexts, Nevada's Clean Transition Tariff and the Pennsylvania PUC's proposed large load tariff offer key examples. Nevada's Clean Transition Tariff, as described earlier, gives large load customers that seek to interconnect to the electric system the ability to directly pay for the construction and interconnection of matching new clean energy generation resources to be provided by the utility that serves them. The Pennsylvania PUC's tentative order provides a second example of how a BYONCE tariff might work. That commission proposes to offer economic incentives for large loads that bring their own generation resources.<sup>71</sup> The tentative order stipulates that, "Large Load Customers bringing their own onsite generation and not using their full interconnection limit may be offered lower minimum demand charges and/or standby charges."<sup>72</sup> While Pennsylvania's tentative order does not specify a clean energy requirement, commissions could combine the financial incentive structure Pennsylvania proposes with clean energy requirements or incentives. Commissions can also tie the volume of incremental clean energy brought to the size of the financial incentive, to promote a one-to-one match that optimizes reliability outcomes while reducing cost shifts and improving grid access to clean generation.

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<sup>69</sup> Martin Ross, *Data Centers and Generation Capacity over the Next Decade Potential Benefits of Flexibility* (Nicholas Institute, 2026), 9, <https://hdl.handle.net/10161/34273>.

<sup>70</sup> Abe Silverman et al., *A State Playbook for Managing Data Center-Driven Load Growth* (Johns Hopkins University: Ralph O'Connor Sustainable Energy Institute, 2025), 26, <https://energyinstitute.jhu.edu/a-state-playbook-for-managing-data-center-driven-load-growth/>.

<sup>71</sup> Tentative Order, Appendix A, Docket No. M-2025-3054271 (Pa. Pub. Util. Comm'n, Nov. 22, 2025).

<sup>72</sup> *Id.*

Although BYONCE tariffs are still in the early stages of their evolution, momentum for policies that require large loads to bring clean energy to the grid is growing. For instance, the Oregon legislature has passed legislation that requires the state PUC to ensure that large loads do not slow progress on state clean energy goals, and a similar bill is being considered in the Washington State legislature.<sup>73</sup> Additionally, the Illinois state legislature is considering legislation that would explicitly direct the state's PUC to create a bring your own clean energy program for large loads.<sup>74</sup> In a February 2026 paper entitled "New Ways to Power Data Center and Other Large Energy Users," the Rocky Mountain Institute identifies a range of potential benefits of this regulatory approach, including that it can enable new resources to be added quickly and dynamically without imposing costs on existing ratepayers.<sup>75</sup> When large electricity customers bring their own clean energy to the grid, they can have a positive impact on the scale of clean energy deployment and grid reliability at the same time by matching new demand for energy with new clean energy resources.

A BYONCE tariff provision could be structured in a number of ways. State PUCs could direct regulated utilities to meet new demand with new renewable energy and then directly charge the large load customer for the cost of the investment. State PUCs could also require or incentivize large loads to bring their own clean energy resources, such as through third party power purchase agreements, when they connect to the grid. To the extent the incremental clean energy exceeds the customer's demand, large load customers that bring their own clean energy could receive a bill credit equivalent to the value those resources bring to the grid, or could receive recognition for those contributions as a form of community benefits. This is a flexible regulatory tool that can be tailored to each jurisdiction's context, with the goal of ensuring reliability by matching new demand for electricity from large loads with an appropriate volume of new clean energy resources.

## Conclusion

Over the last few years, integrating large loads into the electric system has emerged as a key challenge for energy regulators and policy makers. An unprecedented number of large loads are coming onto the electric system at a time when aging grid infrastructure and increasingly extreme weather already present substantial electric affordability and reliability challenges. At the same time, plans to bring more fossil fuel resources onto the grid to serve these new customers could threaten state and local clean energy goals and have significant adverse impacts on public health and the environment. A roadmap in the form of a tariff can help customers and utilities navigate these challenges while offering large loads the means to efficiently interconnect.

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<sup>73</sup> See H.B. 3546, 2, 83rd Legis. Assemb., Reg. Sess. (Or. 2025); H.B. 2515, 2, 69th Legis., Reg. Sess. (Wash. 2026),

<https://lawfilesexternal.wa.gov/biennium/2025-26/Pdf/Bills/House%20Bills/2515.pdf?q=20260219084306>.

<sup>74</sup> H.B. 5513, 610, 104th Gen. Assemb., Reg. Sess. (Ill. 2026),

<https://www.ilga.gov/documents/legislation/104/HB/PDF/10400HB5513lv.pdf>.

<sup>75</sup> Alyssa Perez et al., "New Ways to Power Data Centers and Other Large Energy Users," *Rocky Mountain Institute (RMI)*, February 6, 2025,

<https://rmi.org/new-ways-to-power-data-centers-and-other-large-energy-users/>.

Large load tariffs offer state regulators a platform to advance state policy goals including affordability, reliability, and clean energy in a comprehensive regulatory roadmap. Some of the provisions states can incorporate into large load tariffs include bring your own clean energy requirements and renewable energy procurement options, demand response and curtailment programs, and contract-like terms to appropriately allocate the costs and risks that large load customers cause, while avoiding socialization of costs to other ratepayers who already face affordability challenges due to an aging grid battered by storms. States across the country, from Oregon to Pennsylvania, have begun to evaluate and adopt this toolbox of regulatory solutions. Together, the tariff provisions spotlighted in this brief can pave the way for a clean, reliable, and affordable electric system that meets the needs of new large load customers like data centers without harming existing residential and commercial ratepayers or the climate.