

Who Pays for the AI Grid?

A State-by-State Analysis of Data Center Cost Externalization and the Case for Load-Creator Accountability

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Key Findings

01

AI data center construction is driving grid infrastructure costs onto residential ratepayers who neither requested nor benefit from the new load.

02

Florida, Pennsylvania, Colorado, New Jersey, and Oklahoma passed binding legislation in 2026 requiring large load creators to bear the full cost of the infrastructure they trigger.

03

The White House Ratepayer Protection Pledge lacks enforcement mechanisms and excludes transmission costs, the primary driver of rising household electricity bills.

04

Florida's SB 484 provides a replicable statutory model that states and federal policymakers can adopt without waiting for FERC reform.

The Problem: Socializing the Cost of Private Infrastructure

The rapid expansion of artificial intelligence has produced a surge in data center construction unlike anything the U.S. power grid has previously absorbed. A single hyperscale facility can draw 100 to 500 megawatts of continuous load. Wood Mackenzie projects that data centers will account for 96 percent of new electricity demand growth between 2026 and 2031. The Federal Reserve Bank of Dallas estimates that wholesale power prices could rise 50 percent if current demand trajectories continue without structural reform.

The cost of that demand is not being borne by the companies creating it.

Under standard utility rate-setting, the cost of new generation capacity, transmission upgrades, and grid interconnection is spread across the general body of ratepayers through rate cases adjudicated

by state public utility commissions. A data center that triggers a \$500 million transmission upgrade pays the same fraction of that cost as a family of four. The company captures the economic benefit. The household absorbs the infrastructure cost. This is textbook cost externalization.

In regions with high concentrations of data centers, wholesale electricity costs have increased 267 percent over five years. Average U.S. retail electricity rates rose 2.3 percent year-over-year in 2025. Goldman Sachs analysis projects that data center electricity demand will boost core inflation by 0.1 percent in both 2026 and 2027. In Pennsylvania, residential electricity prices have risen nearly 50 percent since 2018.

The Policy Landscape: What States Have Done

Thirty states introduced data center accountability legislation in 2026. Five passed binding law. The statutory frameworks share a common principle: load creators must bear the full cost of the infrastructure their demand triggers. This principle is called cost causation. It is already the foundational standard for every other utility rate class. The data center exception is the anomaly, not the rule.

Florida: SB 484 (2026)

Florida's SB 484 requires the Florida Public Service Commission to ensure that each large load customer bears its own full cost of service, and that such costs are not shifted to the general body of ratepayers. The bill passed the House 92-16 and the Senate 31-6. It requires investor-owned utilities to file tariff compliance plans with the PSC by October 1, 2026, subject to public comment. The bill also prohibits state agencies from signing non-disclosure agreements that conceal data center development plans from public review.

Pennsylvania: HB 2606 and PPL Settlement (2026)

Pennsylvania passed HB 2606 requiring large load customers to fund grid capacity their demand triggers. PPL Electric Utilities separately reached a rate case settlement including binding minimum bill requirements for hyperscale data center customers. Pennsylvania demonstrates that cost-causation frameworks can be implemented through both legislation and utility commission proceedings.

Colorado, New Jersey, Oklahoma

Colorado ordered Xcel Energy to develop dedicated large-load tariffs for data centers through the state PUC. New Jersey passed data center accountability legislation through the assembly. Oklahoma advanced HB 2992 unanimously through the Senate Energy Committee, with the sponsor stating: "If you are going to put strain on the grid and have to have new infrastructure, you are going to have to pay for it. It will not fall back on the ratepayers."

The Federal Gap

The White House Ratepayer Protection Pledge, signed in March 2026 by Amazon, Google, Microsoft, OpenAI, Oracle, Meta, and xAI, commits signatory companies to cover the cost of new power generation required for their data centers. Georgetown University's Center for Security and Emerging Technology described the enforcement mechanisms as "so weak" they offer no real consumer protection. The pledge also excludes transmission costs. A 1994 FERC transmission pricing policy allows utilities to roll transmission upgrade costs into shared rate bases regardless of which customer triggered the upgrade. Until that policy is reformed, voluntary pledges leave the largest cost category unaddressed.

The SB 484 Model: Key Provisions and Replication Path

Florida's SB 484 offers a replicable framework built on four core elements:

- **Cost-causation mandate:** The PSC must ensure large load customers bear full costs of service, including generation, transmission, and interconnection.
- **Utility compliance filing:** Investor-owned utilities must file tariff compliance plans with the PSC by October 1, 2026, subject to public comment.
- **Transparency requirement:** Prohibits NDAs on data center development plans, ensuring demand projections are visible to regulators and the public.
- **Local authority:** Preserves local government authority to regulate data center land use.

States seeking to replicate this framework can do so through legislation, as Florida and Pennsylvania did, or through utility commission proceedings, as Colorado demonstrated. All five states that passed binding legislation in 2026 did so with bipartisan votes.

Policy Recommendations

For State Legislatures

- Adopt cost-causation statutes requiring large load customers to bear the full cost of infrastructure their demand triggers.
- Require transparency in data center demand projections through prohibition of NDAs on plans filed with state agencies.
- Direct state PUCs to develop dedicated tariff classes for large load customers as a parallel or alternative mechanism.
- Require utilities to file publicly available compliance plans before rate cases are approved.

For Federal Policymakers

- Reform the 1994 FERC transmission pricing policy to require cost causation for transmission upgrades triggered by specific large load customers.
- Codify the Ratepayer Protection Pledge with binding enforcement mechanisms and full coverage of transmission costs.

- Authorize FERC to establish a national large load tariff standard that states can adopt by reference.

For Regulators

- Require demand durability analysis before approving infrastructure investment to serve large load customers. Load that is mobile, temporary, or reducible through efficiency improvements should not justify permanent infrastructure at ratepayer expense.
- Establish public comment periods for all tariff compliance plans filed under cost-causation statutes, ensuring ratepayer advocates can challenge inadequate cost allocations.

Conclusion

The data center boom is not a threat to American innovation. It is a test of whether market design can keep pace with market scale. Companies that create large new loads should fund the infrastructure required to serve them. That principle is already the standard for every other utility customer class. Extending it to hyperscale data centers is not a regulatory burden. It is the restoration of a basic market rule.

Florida, Pennsylvania, Colorado, New Jersey, and Oklahoma have demonstrated that cost-causation frameworks can be enacted with bipartisan support and implemented through existing regulatory structures. The model exists. The question for remaining states and federal policymakers is whether they act before the infrastructure bills arrive, or after.