

## PRESS RESOURCE

# Who pays for AI's electricity

A working reference for reporters on data center electricity costs and ratepayer accountability. Story angles, quotes cleared for direct use, verified figures with primary sources, a nine-state policy tracker, and a plain-English glossary.

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Regulatory dockets move quickly; re-check before republishing.

## Quote me

Attribute to Dr. Mark R. McNees, Florida State University. These lines are cleared for direct use. For a quote tailored to your specific story, call 850.973.7687; response is same-day, usually within the hour.

*“Load creators should pay for the load they create. When a data center triggers billions in grid investment and every household absorbs the cost, the market is not functioning. The fix is aligning incentives, not restricting commerce.”*

Dr. Mark R. McNees, Florida State University

*“The cost of serving a data center does not show up as a line item on your bill. It arrives years later as a general rate increase, after the equipment is built into the rate base and earns a guaranteed return for thirty or forty years. By the time the bill comes, the decision that caused it is locked in.”*

Dr. Mark R. McNees, Florida State University

*“Florida's SB 484 audits what the utility charges the data center. It does not reach the price the utility pays its own affiliated generator in the middle. The front door is guarded. The back door is the seam between state and federal review, and no one is watching it.”*

Dr. Mark R. McNees, Florida State University

*“Florida passed a statute. Pennsylvania and Wisconsin moved through their utility commissions. Different mechanisms, one rule: data centers fund the capacity their demand requires. This is not an anti-growth position. It is market logic, and it is arriving on a bipartisan basis.”*

Dr. Mark R. McNees, Florida State University

# Four story angles

Framed and sourced so you can test each against your beat quickly. Every figure traces to the primary source named.

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## THE BACK DOOR

### **Florida's new law audits the invoice. It does not check the back door.**

SB 484 requires utilities to prove that large loads pay their own cost of service, which audits what the utility charges the data center. It does not reach the price a utility pays its own affiliated generator, the seam between state cost-of-service review and federal wholesale oversight where excess can still flow into everyone's rates.

The peg: every Florida utility must file its large-load tariff for PSC approval by October 1, 2026. (Florida Senate bill summary)

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## OCTOBER 1

### **Ninety days to the first real test of “data centers pay their own way.”**

A statute is a promise; a tariff is a price. What FPL, Duke, and Florida's other utilities file by October 1, and what the PSC approves, decides whether SB 484's promise survives contact with ratemaking. The filings will show exactly how each utility defines cost of service for a 50 MW customer.

The peg: SB 484 (Chapter 2026-65) was signed May 7, 2026 and took effect July 1, 2026. It applies to large-scale data centers of 50 MW monthly peak load or more. (Enrolled bill text)

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## PHANTOM LOAD

### **Ratepayers are billed today for data centers that do not exist yet.**

PJM's independent market monitor found that data centers accounted for \$6.5 billion of the \$16.4 billion in costs from the December capacity auction, and \$6.2 billion of that relates to data centers not yet built. If forecast load never materializes, the costs stay on household bills: a stranded-asset risk regulators are only beginning to stress-test.

The stat: \$6.2 billion of December's auction costs trace to data centers that could come online by 2027/28 but have not been built. (Monitoring Analytics, via Utility Dive, Jan. 2026)

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## NINE STATES

### **Red and blue states are converging on the same rule through different tools.**

Statutes in Texas and Florida. Commission tariffs in Pennsylvania and Wisconsin. A 45 percent data center rate proposal in Arizona. Merger review in the Carolinas, a study law in California, a rate-class fight in Virginia. The mechanism differs by state; the principle does not: load creators pay for the load they create.

The peg: PJM's December 17, 2025 auction cleared at its \$333.44 per MW-day cap and fell 6,623 MW short of its reliability requirement, a first. (PJM news release)

# Stats you can run, with their sources

Each figure was checked against the primary source linked beneath it.

## \$333.44 per MW-day

PJM's December 2025 capacity auction cleared at its FERC-approved price cap across the entire footprint, a record for the third straight auction, for power serving more than 67 million people in 13 states and D.C.

Source: PJM Interconnection, Dec. 17, 2025

## 6,623 MW short

For the first time, PJM's auction procured less capacity than its one-in-ten-year reliability requirement, with large data center loads a continued driver of the demand forecast.

Source: PJM Interconnection, Dec. 17, 2025

## 40% of auction costs

Data center load accounted for \$6.5 billion of the \$16.4 billion in December auction costs, per PJM's independent market monitor, and \$6.2 billion of it traces to data centers not yet built.

Source: Monitoring Analytics, via Utility Dive, Jan. 2026

## October 1, 2026

The deadline for every Florida public utility to file its large-load tariff for PSC approval under SB 484, which covers data centers at 50 MW monthly peak load or more and bars shifting their costs to other ratepayers.

Source: Florida Senate, SB 484 summary

## Chapter 2026-65

SB 484 was signed May 7, 2026 and took effect July 1, 2026. It also prohibits customers from splitting load at a single site to dodge the large-load tariff and bars service to foreign-entity large loads.

Source: Enrolled bill, Florida Senate

## Order PSC-2026-0022-S-EI

Florida's PSC approved Large Load Contract Service Tariffs on January 22, 2026, before SB 484 passed, designed to keep large-load costs off the general body of ratepayers. The statute now makes that approach mandatory statewide.

Source: Holland & Knight client alert, Feb. 2026

## The affiliate gap, in one picture

### FRONT DOOR, GUARDED

#### Utility to data center

SB 484 requires the utility to disclose what it charges the large customer. This transaction is now audited.

### BACK DOOR, UNCHECKED AT THE STATE LEVEL

#### Affiliate to utility

The internal price the utility pays its own generator is set inside the same corporate family. SB 484's cost-of-service review does not reach it; oversight sits with federal wholesale rules. If it runs high, the excess flows into everyone's rates.

*The front door is now guarded. The back door is a federal question no state audit reaches.*

# Who pays for the grid capacity that data centers trigger

Nine states, one question, different tools. Texas and Florida passed binding statutes. The others are answering through tariffs, rate cases, studies, and merger reviews. The organizing principle is simple: the load creator should pay for the load it creates.



## Florida

BINDING STATUTE

Florida's SB 484, effective July 1, 2026, is the first binding statute requiring large loads to pay their own cost of service. Every public utility must file a large-load tariff for PSC approval by October 1, 2026.

*"Florida passed the first binding statute in the country aimed squarely at retail cost of service. The question now is what the tariffs say and what the PSC approves."* Dr. Mark McNees

### KEY FACTS

- Law: SB 484, Chapter 2026-65, signed May 7, 2026, effective July 1, 2026. Applies to large-scale data centers of 50 MW monthly peak load or more.
- Cost rule: utilities must ensure large loads bear their own cost of service; risk of nonpayment may not fall on the general body of ratepayers.
- Anti-gaming: prohibits dividing load at a single location to avoid the tariff; bars service to foreign-entity large loads.
- Water: creates a distinct consumptive-use permit process for large-scale data centers and allows a reclaimed-water requirement.
- Deadline: tariff filings due for PSC approval by October 1, 2026.

**Where the gap is:** The tariff audits what the utility charges the data center. It does not reach the affiliate transfer price between the regulated utility and a generator owned by the same parent.



## Texas

### BINDING STATUTE

Texas moved a year before Florida and asked a different first question: not who pays for the grid, but whether the load asking to connect is real. SB 6, signed June 20, 2025 and effective immediately, rebuilt how large loads interconnect in ERCOT.

*“Texas answered a different question first. Before asking who pays, SB 6 asks whether the load is real. A six-figure study fee and full interconnection cost responsibility is how you clear phantom projects out of the queue.”* Dr. Mark McNees

#### KEY FACTS

- Law: SB 6, signed June 20, 2025, effective immediately. Default threshold 75 MW at a single site, adjustable by the PUCT. Requires site control, proof of financial commitment, and a transmission screening study fee of at least \$100,000.
- Kill switch: large loads interconnecting after December 31, 2025 must install equipment allowing remote disconnection during firm load-shed events.
- Draft rule: on March 12, 2026 the PUCT published draft rule 16 TAC 25.194: a \$50,000 per MW non-refundable interconnection fee and 100 percent of direct interconnection costs paid by the customer.
- Demand: ERCOT is tracking more than three times as many large-load interconnection requests as in 2024; nearly 69 percent of 189 GW in requests come from data centers.
- Co-location: pairing a new large load with an existing grid-connected generator now requires ERCOT study and PUCT approval.

**Where the gap is:** SB 6 polices how large loads connect and what they pay to connect. It is not a retail cost-of-service statute; most of ERCOT is a deregulated retail market. The 4CP transmission-cost allocation review is due by December 31, 2026.



## Pennsylvania

### PUC TARIFF

Pennsylvania acted through its Public Utility Commission. The PUC adopted a model large-load tariff framework on April 30, 2026, and HB 1834, the Data Center Act, passed the House.

*“Pennsylvania shows the cost most people never see. The capacity charge is spread across sixty-seven million bills, and data center demand is driving it. A model tariff helps at the connection point, but the auction cost still lands on everyone.”*

Dr. Mark McNees

#### KEY FACTS

- Regulatory action: the PA PUC adopted a model large-load tariff framework on April 30, 2026. It is guidance that utilities incorporate into their own filings.
- Legislation: HB 1834, the Data Center Act, passed the House and moved to the Senate. It directs the PUC to create data center regulations.
- PJM pressure: PJM's December 2025 auction cleared at the \$333.44 per MW-day FERC cap and fell short of the reliability requirement, the first time the RTO came up short, with data centers a primary driver.

**Where the gap is:** A model tariff is not binding. The far larger cost, the PJM capacity charge, is socialized across every customer in the 13-state footprint regardless of any state tariff.



## Virginia

### RATE CLASS

Virginia, home to the world's largest data center market, is fighting over rate class design at the State Corporation Commission while the NextEra-Dominion merger adds a second front.

*“Virginia is where the scale is largest and the rate-class fight is sharpest. The data center capital of the world is deciding, in real time, whether a separate class actually protects households.”* Dr. Mark McNees

#### KEY FACTS

- Market: Northern Virginia is the largest data center market in the world; PJM's Dominion Zone forecast more than 20,000 MW of data center growth by 2037.
- Mechanism: the fight is over a distinct data center rate class at the SCC, intended to assign costs to the loads that cause them.
- Merger overlay: if NextEra acquires Dominion, one parent could own the regulated Virginia utility and unregulated generation, raising the affiliate transfer-price question the rate class was not built to police.

**Where the gap is:** A rate class assigns retail cost of service. It does not police the affiliate transfer price, which becomes sharper if a merger places generation and the regulated utility under one parent.



## Wisconsin

### REWRITTEN TARIFF

Wisconsin's PSC rewrote a very large customer tariff, lowered the eligibility floor, and required full-cost recovery from the large loads themselves.

*“Wisconsin did the quiet, technical work: it removed a capacity-only option that would have left ordinary customers paying a quarter of new plant costs, and required full-cost recovery from the large loads.”* Dr. Mark McNees

#### KEY FACTS

- Order: the PSC approved a rewritten We Energies very large customer tariff on April 24, 2026 (Docket 6630-TE-113).
- Threshold: the Commission dropped the eligibility floor from 500 MW to 100 MW and extended the minimum term to 15 years.
- Full cost: the PSC removed the capacity-only option and required very large customers to pay the full cost of the generation serving them.

**Where the gap is:** The rewritten tariff covers the bespoke generation built for the load. Shared transmission risk still remains with existing customers.



## Arizona

### RATE CASE

Arizona is the live test of who pays, running in public right now. APS filed a rate case asking roughly 45 percent more from data centers in a new separate customer class, alongside about \$20 a month more from households.

*“Arizona is running the experiment in public. A 45 percent data center rate and a separate customer class in the same filing as a 20 dollar household increase. If the commission approves both, watch which one shows up on bills first.”* Dr.

Mark McNees

#### KEY FACTS

- The filing: APS rate case (Docket E-01345A-25-0105) requests roughly \$662 million, about 14 to 16 percent for households, and proposes a separate extra-large customer class with rates roughly 45 percent higher for data centers. Hearings began May 18, 2026.
- The opposition: Attorney General Kris Mayes intervened, arguing the increase could be cut to about 3 percent, calling the return-on-equity request a \$524 million transfer from ratepayers to shareholders.
- Commission posture: the Corporation Commission held a large-load workshop on April 16, 2026 and reported consensus that the cost causer pays.
- Demand: APS expects peak load to grow up to 40 percent by 2031, data centers the primary driver; it serves 400 to 500 MW of data center load today.
- Second utility: Tucson Electric Power is seeking its own 14 percent increase, about \$172 million a year, targeted for September 2026.

**Where the gap is:** Arizona has no binding statute. Protection runs utility by utility through tariffs and energy supply agreements, and a formula-rate proposal would let APS adjust rates annually with less scrutiny.



## California

### STUDY LAW

California passed a study-and-tariff law (SB 57) directing the CPUC toward a special large-user tariff, and AB 222 requiring data centers to report AI-driven energy use.

*“California is doing the homework first: a special tariff with reporting requirements, and a stranded-asset study, before it commits ratepayers to anything.”* Dr. Mark McNees

#### KEY FACTS

- SB 57: introduces a special electricity tariff for large users including data centers, with zero-carbon procurement targets, and directs stranded-asset study work at the CPUC.
- AB 222: requires data centers to report energy usage with a specific focus on AI-driven load.
- Posture: California's approach leads with transparency and study rather than an immediate binding cost rule.

**Where the gap is:** Study and reporting are not yet a binding cost-allocation rule. The protection depends on what the CPUC does with the findings.



## North Carolina

### MERGER REVIEW

North Carolina is one of three states reviewing the NextEra-Dominion combination. The North Carolina Utilities Commission must approve the deal.

*“North Carolina holds a live lever through the merger review. The condition worth attaching is the one every state keeps circling: the load creator pays for the load.”* Dr. Mark McNees

#### KEY FACTS

- Merger role: the North Carolina Utilities Commission is one of three state approvers of the NextEra-Dominion combination.
- Scale: the merged utility would be more than 80 percent regulated across Florida, Virginia, North Carolina, and South Carolina.
- Leverage: the review is the state's current lever over data center cost allocation, in the absence of a standing large-load rule.

**Where the gap is:** North Carolina has no dedicated large-load tariff yet. Its lever runs through the merger review and future rate cases, not a standing rule.



## South Carolina

### MERGER REVIEW

South Carolina is the third merger-review state and the announced operational headquarters of the combined company. The Public Service Commission of South Carolina must approve the deal.

*“South Carolina holds real leverage here and has not written a data center rule yet. The merger review is the opening. The condition worth attaching is the one every state keeps circling: the load creator pays for the load.”* Dr. Mark McNees

#### KEY FACTS

- Merger role: the PSC of South Carolina is one of three approvers; the combined company would place its operational headquarters in the state.
- Scale: the merged utility would be more than 80 percent regulated across four states.
- Context: coverage notes NextEra has faced skepticism on prior utility acquisitions; verify any specific prior-deal claim before repeating it.

**Where the gap is:** South Carolina has not enacted a statute or a tariff. Its current lever runs through the merger review and future rate cases.

# Data centers and your electric bill: the vocabulary

Each answer opens with the one-sentence version, then the detail, then the source.

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## What is a hyperscaler?

**A company that builds massive data centers to run its own cloud and AI workloads: Amazon, Google, Microsoft, Meta.**

The distinction that matters is hyperscale versus colocation. Hyperscalers build and operate their own campuses. Colocation companies (Equinix, Digital Realty) are landlords who lease space, power, and cooling to tenants. Brookings found the two types have very different local economic effects: hyperscale counties see information-sector job gains, colocation counties largely do not.

Source: Brookings, May 2026

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## What does “behind the meter” mean?

**Power generated and consumed on the customer's side of the utility meter, so it never touches the public grid or a monthly bill.**

When a data center builds or contracts on-site generation and consumes it directly, the arrangement is behind the meter. The policy question is what happens when a behind-the-meter deal pulls an existing power plant's output off the shared grid. Texas addressed this in SB 6, requiring ERCOT study and commission approval before an existing generator can be paired with a new large load.

Source: Baker Botts analysis of Texas SB 6, July 2025

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## What is a large-load tariff?

**The rate schedule and contract terms a utility applies specifically to very large customers, designed so those customers pay the full cost of serving them.**

A tariff is the public price list a regulated utility files with its state commission. A large-load tariff adds terms sized to the risk a giant customer creates: minimum contract lengths, minimum monthly payments, collateral, and exit fees. Florida's SB 484 requires every public utility to file one by October 1, 2026.

Source: Florida Senate, SB 484 bill summary, 2026

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## What is a capacity auction?

**An insurance market for the grid: power plants are paid to promise they will be available years from now, and the cost of those promises flows to customer bills.**

Grid operators like PJM (13 states plus D.C., 67 million people) run auctions to lock in future capacity. Data center growth pushed PJM's clearing price from \$28.92 per MW-day for 2024/25 to the \$333.44 cap for 2027/28, and the December 2025 auction fell 6,623 MW short of the reliability target, a first.

Source: PJM, Dec. 17, 2025; IEEFA price history

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## Why do data center costs hit my bill years later, not now?

**Because utilities recover big infrastructure spending through the rate base, and the bill arrives after the equipment is built, in a general rate increase that never names its cause.**

A regulated utility earns a state-approved profit on the infrastructure it builds. Spending to serve a new data center goes into the rate base, and customers pay it back, with the utility's return, over the asset's 30-to-40-year life. The cost shows up later as a general rate increase. That timing gap is why the fights are happening now, at tariff and rate-case stage.

Live example: Arizona Public Service's pending rate case (Docket E-01345A-25-0105) requests about \$662 million, roughly \$20 per month for households, while proposing a separate class and roughly 45 percent higher rates for data centers.

Source: Arizona Capitol Times, May 19, 2026

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## What is a stranded asset?

**Infrastructure customers are still paying for after the demand it was built to serve disappears.**

If a utility builds a plant or line for a forecast load and the load never arrives or leaves, the asset is stranded: it produces little value but its cost stays in the rate base for decades. PJM's market monitor found \$6.2 billion of December's auction costs trace to data centers not yet built. Stranded-asset protection is what the new state tariffs are for.

Source: Monitoring Analytics, via Utility Dive, Jan. 2026

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## Isn't gas cheaper than solar?

**Not for new construction. Lazard's 2025 analysis puts new utility-scale solar at 3.8 to 7.8 cents per kWh without subsidy, while new gas peaker plants run 13.8 to 26.2 cents.**

The standard yardstick is levelized cost of electricity. Lazard, an investment bank, finds unsubsidized new solar and onshore wind beat new-build gas and coal. Solar paired with storage runs 5 to 13.1 cents per kWh, still below the gas peaker range.

The honest nuance: the cheapest already-built combined-cycle gas plants can still beat new renewables on marginal cost unless subsidies apply, and firm capacity for reliability is a separate cost question. But for what to build next to serve new load, new solar is the low bid.

Source: Lazard LCOE+ report, June 2025; pv magazine

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## How long does it take to build solar, gas, or nuclear?

**Utility-scale solar: 12 to 18 months. A new gas plant: five years or more, because turbine backlogs stretch to 2029. Nuclear: a decade or longer.**

Solar and battery projects deploy in roughly a year to a year and a half; solar was 54 percent of new US capacity in 2025. New combined-cycle gas has gone from about 3.5 years of lead time in 2023 to five or more, and the three companies making 75 percent of large gas turbines have backlogs running to 2028 through 2030. Conventional nuclear runs a decade-plus; Vogtle in Georgia cost more than \$30 billion.

Why it matters: the demand is arriving in 2026 to 2028. Only solar plus storage matches that clock. A gas or nuclear buildout serves the 2030s.

Source: Arevon; RMI, Feb. 2026; Vogtle construction record

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## How many people does a hyperscale data center employ, and what do the jobs pay?

**Construction employs thousands for one to three years. Permanent operations typically run 50 to a few hundred people, and the most automated campuses need only 20 to 40 staff per 100 MW.**

The construction phase is large: 1,000 to several thousand workers. Permanent numbers are small. Meta's \$10 billion Lebanon, Indiana campus supports about 300 permanent jobs. Brookings, studying 770 data centers across 93 counties, found host counties gain 4 to 5 percent total employment over five to six years, but industry-sponsored estimates overstate the effect by roughly a factor of three.

On pay: data center technicians typically earn \$60,000 to \$90,000, and county wages rise 3 to 4 percent after a data center arrives. No reliable state-by-state salary table exists; treat any precise per-state figure with suspicion, and ask whether it counts construction, operations, or both.

Source: Brookings, May 2026; Built In; Hamm Institute, Nov. 2025

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## Can AI data centers cut their power use at peak hours?

**Yes, and the numbers are large: Duke University found 76 GW of new load fits on today's grid if data centers curtail just 0.25 percent of their uptime, about two hours per event on average.**

Duke's Nicholas Institute (Rethinking Load Growth, 2025) measured how much new load the grid can absorb if it powers down briefly during peaks: 76 GW at 0.25 percent annual curtailment, up to 126 GW at 1 percent, with PJM alone holding 18 GW of headroom. AI training jobs can pause or shift regions. Google has integrated 1 GW of data center demand response. Texas SB 6 makes the capability mandatory for new ERCOT large loads.

The tension to probe: most existing data centers avoid demand response to protect uptime. Flexibility is becoming the price of faster interconnection. Ask any operator claiming it cannot curtail why Google can.

Source: Duke Nicholas Institute, via Utility Dive, Feb. 2025; ACEEE; Latitude Media

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## Water-cooled versus waterless: what is the difference?

**Evaporative cooling spends water to save electricity. Closed-loop and dry cooling spend electricity to save water. Every data center picks a side of that trade.**

Evaporative (open-loop) cooling evaporates water in cooling towers; 70 to 80 percent of the water drawn is lost. It is the standard because it is energy-efficient. Closed-loop systems circulate sealed coolant and reject heat to air, using almost no water but more electricity. Vantage reports its closed-loop Wisconsin campus peaks around 22,000 gallons per day versus roughly 5 million for a comparable evaporative campus.

The catch: the waterless choice shifts the burden onto the grid; the water-heavy choice concentrates demand on the hottest days, when water and grid stress peak together.

Source: Vantage Data Centers, April 2026; peer-reviewed analysis

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## How much water does a hyperscaler use?

**A large hyperscale campus can consume 1 to 5 million gallons per day at peak. Five million gallons a day is the water use of a town of 10,000 to 50,000 people.**

Withdrawal is what a facility takes in; consumption is what never returns, mostly evaporated water. Google's Council Bluffs, Iowa facility withdrew 3.9 million gallons per day and consumed 2.8 million. Lawrence Berkeley National Laboratory found US data centers consumed about 17.4 billion gallons in 2023, hyperscale the majority, with projections of 38 to 73 billion by 2028.

Florida angle: SB 484 created a distinct water permit process for large-scale data centers and lets regulators require reclaimed water.

Source: MOST Policy Initiative, citing LBNL (Shehabi et al. 2024); EESI; SB 484

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## What is the affiliate transfer price, the “back door”?

**The internal price a utility pays a power generator owned by its own parent company. State laws like SB 484 audit what the utility charges the data center; they do not reach this internal price.**

Many utilities belong to holding companies that also own unregulated generation. When the regulated utility buys power from its corporate sibling, the price is set inside the family. SB 484 guards the front door: the invoice between utility and large customer. The back door is the affiliate transfer price, which state cost-of-service review does not reach; oversight sits with federal wholesale rules at FERC. If that price runs high, the excess flows into everyone's rates. The seam between state and federal review is where reporting should focus.

Source: SB 484 enrolled text; analysis by Dr. Mark McNees, 850.973.7687

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## Why do the laws use thresholds like 50 MW or 75 MW?

**The threshold defines who counts as a large load and therefore who the special rules apply to. Florida set it at 50 MW; Texas at 75 MW.**

Legislatures need a line separating a big factory from a grid-reshaping customer. Florida applies its data center provisions at 50 MW of monthly peak demand; Texas SB 6 sets 75 MW at a single site, adjustable by the commission. Set it too high and facilities split into smaller meters to duck under, which is why SB 484 prohibits dividing load at a single location.

Source: Holland & Knight (50 MW); Mayer Brown (75 MW)

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## What is curtailment, the “kill switch”?

**The grid operator's authority to order big customers to power down, or disconnect them remotely, during emergencies, so hospitals and homes stay on.**

Texas SB 6 made this concrete. New large loads in ERCOT after December 31, 2025 must install remote-disconnection equipment, which is why some call SB 6 the kill switch bill. ERCOT can order curtailment or backup generation, with notice, only after market options are exhausted. A data center with backup can ride out an emergency; a household in a heat wave cannot.

Source: McGuireWoods on SB 6; Data Center Frontier

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## If data centers now pay their own way, why are my rates still going up?

**Because the new laws mostly cover new, direct infrastructure. Shared costs, regional capacity prices, and everything already in the rate base still spread across everyone.**

Three reasons. Regional capacity and transmission costs are shared by design: when PJM's price rises tenfold, every household in 13 states pays a slice. The tariffs are forward-looking; booked costs stay put. And fuel clauses, purchased-power costs, and the affiliate transfer price can still move money onto general rates. That is why utilities in states with strong rules still seek double-digit household increases while insisting data centers pay their own way. The gap between those two facts is the story.

Source: IEEFA on PJM cost pass-through; Arizona Capitol Times, May 2026

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## What is industrial redlining?

**Siting the polluting, load-serving infrastructure of the data center buildout in communities that lack the political capital to push back, along the same lines drawn by 1930s redlining maps.**

The term, from Dr. McNees's May 2026 analysis, extends a familiar history: redlining maps denied minority neighborhoods capital; urban renewal routed highways and power plants through them; hyperscale siting is the next layer. The anchor case is Boxtown in south Memphis, where xAI's Colossus data center installed dozens of unpermitted methane gas turbines, documented by Southern Environmental Law Center drone flyovers, and residents learned of it from media reports. State NDA carve-outs, including one preserved in SB 484, let developers lock in a site before the community can weigh in.

Source: McNees in The Invading Sea, May 2026; Citrus County Chronicle

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## What is Washington doing, and can't Congress just pass a law?

**Washington is acting through FERC, not Congress, and the reason is a 90-year-old line: federal regulators control wholesale power and transmission, states control the retail rates on your bill.**

On October 23, 2025, the Energy Secretary directed FERC to write rules for connecting large loads (20 MW and up) to the interstate transmission system (Docket RM26-4-000), drawing 3,500-plus pages of comment. On June 18, 2026, FERC issued show cause orders to all six regional grid operators, forcing each to justify or reform how large loads connect and pay for upgrades.

Why Congress does not just pass a law: it could amend the Federal Power Act, but no bill is moving, and the Act's federal-wholesale versus state-retail split is the whole battlefield. Binding cost-of-service rules come from state capitals, not Capitol Hill. NARUC and Virginia's commission formally warned FERC against federalizing load interconnection. Watch FERC for interconnection and transmission cost rules; watch state capitals for who pays on the bill.

Source: FERC, June 18, 2026; FERC Docket RM26-4-000; Utility Dive; ABA

## Source details

Dr. Mark R. McNees directs the MS in Social and Sustainable Enterprises at Florida State University's Jim Moran College of Entrepreneurship, where he is Sustainability Entrepreneur in Residence. His work covers the economics of who pays when data centers connect to the grid: utility rate structures, ratepayer cost shifting, and the state laws now reshaping who funds the buildout. He has been quoted in national outlets on data center electricity costs and tracks large-load dockets in nine states. He holds a doctorate in organizational leadership from George Fox University and a graduate certificate from Harvard University.

**Title for first reference:** Dr. Mark McNees, director of the MS in Social and Sustainable Enterprises at Florida State University.

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