

Data Centers and Electric Infrastructure

- The American Public Power Association (APPA) supports policies that allow public power utilities to serve growing data center demand while maintaining reliable and affordable service for existing customers.
- APPA believes data centers and other large loads must not harm grid reliability or impose extra costs or risks on residential, commercial, or other existing public power customers.
- APPA opposes one-size-fits-all federal mandates for data center interconnection, cost allocation, and retail rates. Public power utilities must retain the flexibility to develop rates, terms, and conditions that protect their customers and reflect local needs.
- APPA supports infrastructure neutral permitting reform and tax-policy changes that are essential for public power utilities to build the infrastructure needed to serve new large loads without shifting costs or risks to existing customers.

Background

After decades of relatively flat electric load growth, the United States is entering a period of rapidly rising demand. Manufacturing growth, electrification, and data center deployment are driving this shift. Data centers can bring very large, highly localized electric loads into a utility's service territory. They can create economic development opportunities for communities, but they can also require major investments in generation, transmission, distribution, substations, transformers, and other grid infrastructure. Public power utilities must determine whether and how they can serve proposed data center load while continuing to meet their core obligation—providing safe, reliable electric service at the lowest reasonable cost, consistent with good environmental stewardship.

Because public power utilities are not-for-profit, community-owned, and locally governed, they are well positioned to help communities evaluate data center development. Data centers need power, but they may also need water, local permits, land-use approvals, and other public services. Public power utilities can work with local governments to support development where communities want it, while protecting existing customers from cost shifts, stranded-cost risks, and reliability impacts.

Protecting Customers' Electricity Bills

APPA believes data centers and other large loads should pay their fair share of the costs and risks they impose on the electric system. That principle must be applied carefully. Serving a data center can require new generation, long-term power supply commitments, and grid upgrades, costs that should be borne by the data center. Without appropriate guardrails, if a data center delays construction, uses less power than forecasted, or leaves the system after infrastructure has been built, existing customers could be left paying for significant investments made to serve that load. In some cases, infrastructure built to serve a data center may also provide broader benefits to other customers. In other cases, infrastructure may be needed primarily because of a single large-load customer. Public power utilities must retain the flexibility to develop rates, terms, and conditions that protect their customers and reflect local needs.

Public power utilities are already acting to protect their customers. Many have adopted, or are developing, rates, terms, and conditions for new large-load customers. These policies can include minimum demand charges, upfront contributions, financial security, longer-term service commitments, interruptible or flexible service options where appropriate, and pass-through charges for generation, transmission, or distribution costs. Public power utilities must retain the flexibility to develop rates, terms, and conditions that protect their customers and reflect local needs.

Electric rate design is primarily a state and local function. States, through public utility commissions, regulate investor-owned utility retail rates, while local governing bodies typically approve public power utility retail rates. The federal government does not establish retail rates, but the Federal Energy Regulatory Commission (FERC) regulate rates for transmission and wholesale electricity sales, overseeing costs which become inputs into customer rates.

Despite the limited role of the federal government in ratemaking, many members of Congress share APPA's goal of protecting existing retail customers. Recent congressional proposals would make data centers pay full infrastructure costs, create dedicated rate classes or tariffs, require financial guarantees or long-term contracts, and expand federal oversight of some large-load rates. These goals are reflected in the Ratepayer Protection Pledge, a March 2026 voluntary agreement between the Trump administration and major artificial intelligence (AI) companies to ensure new data center demand does not raise rates for existing customers by having large load customers pay for infrastructure costs.

While APPA shares these goals with federal policymakers, the association opposes legislation that aims to achieve them by expanding federal jurisdiction or imposing duplicative obligations. For example, APPA opposes the imposition of new “must consider” requirements under section 111(d) of the Public Utility Regulatory Policies Act for individual public power utilities. Public power utilities are already directly accountable to their communities. A federal “must consider” requirement aimed at large-load tariffs would duplicate local efforts and could slow customer-protection policies already underway.

Maintaining Grid Reliability

Data centers and other large computational loads must not threaten grid reliability. Their size, concentration, operating characteristics, and speed of development can create new planning and operating challenges. Public power utilities need timely and accurate information about large loads so they can plan, model, interconnect, and operate their systems reliably. They protect reliability by evaluating large-load requests carefully, updating rates and service requirements, planning for needed infrastructure, and coordinating with regional transmission organizations (RTOs), transmission providers, reliability entities, and state and local officials where applicable.

Congress is considering proposals that would improve load forecasting, adapt integrated resource planning, require reliability safeguards for new large loads, and require a study of system-wide impacts of AI data center demand growth. APPA supports policies that help utilities and reliability organizations understand and manage large-load risks. APPA does not support rigid federal mandates that override local utility planning, disrupt existing reliability processes, or shift costs and risks to existing customers.

Permitting Reform

New infrastructure—generation, storage, transmission, pipelines, etc.—must be built more quickly than ever before to meet the needs of data centers and to continue providing reliable, affordable electricity to existing retail customers. But projects that require federal permits often face long delays under the National Environmental Policy Act, Endangered Species Act, Clean Water Act, federal land-management processes, and other permitting requirements. Those delays increase costs and make it harder for utilities to serve new load while maintaining reliability for existing customers.

APPA supports pragmatic, technology-neutral permitting reform that increases clarity, predictability, coordination, and timeliness in federal reviews. Data center policy and permitting reform are linked—policymakers cannot ask utilities to serve large new loads quickly while leaving in place permitting processes that delay the infrastructure needed to serve them.

Regulatory Actions

In October 2025, the Secretary of Energy directed the Federal Energy Regulatory Commission (FERC) to consider an Advance Notice of Proposed Rulemaking on the timely and orderly interconnection of large loads to the interstate transmission system. APPA filed comments urging FERC to respect the Federal Power Act's jurisdictional limits and ensure existing customers do not bear increased costs or risks from FERC-jurisdictional large-load interconnection rules. APPA argued that FERC should make clear that state regulators and public power governing bodies retain authority over retail service, including the rates, terms, and conditions of service for data centers. The association also urged FERC not to require transmission providers to provide retail wheeling service or disturb existing rules governing bundled retail service.

In June 2026, FERC issued a series of “show cause” orders directing the six regional grid operators to ensure the rates and conditions that apply to data center connections will prevent cost shifting to existing customers and maintain grid reliability, while also requiring faster interconnection or co-location policies to ensure data centers are able to receive power efficiently. This region-by-region approach will allow each RTO to implement the principles through upcoming filings.

The North American Electric Reliability Corporation (NERC) has determined that large computational loads pose unique risks to grid reliability. NERC has developed a Large Load Action Plan and is working on reliability guidance, industry alerts, registration criteria, and reliability standards for large computational loads. APPA supports NERC’s work to ensure large computational loads do not threaten grid reliability, provided any requirements are risk-based and workable for public power utilities. As NERC develops large-load requirements, APPA will continue to advocate for standards that target true reliability risks and assign obligations to the entities best positioned to manage those risks.

Tax-Exempt Financing

Public power utilities generally finance capital investments with tax-exempt municipal bonds. However, under current federal tax rules, a public power utility that enters a retail service contract with a data center or other large customer may put the tax-exempt status of its bonds at risk. Specifically, a retail customer contract that lasts longer than three years and uses more than either 10 percent or \$15 million of bond proceeds (whichever is less) would exceed private-use limits. As such, these rules prevent a public power utility from securing commitments longer than three years from large-load customers, even when such commitments would protect existing customers from stranded costs.

APPA is working with the Treasury Department on potential changes to these federal tax rules so that public power utilities can enter contracts for up to 20 years with large customers, including data centers. Longer-term contracts would help ensure that new large load customers do not leave existing customers responsible for infrastructure costs incurred to serve them. APPA also supports a change to federal tax rules to allow public power utilities to purchase existing facilities, generally generation, without inadvertently exceeding private-use limits.

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The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. We represent public power before the federal government and protect the interests of the more than 55 million people that public power utilities serve and the 100,000 people they employ.

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