The Daily Dish

The Cost of Turning on the Lights

DOUGLAS HOLTZ-EAKIN | OCTOBER 9, 2025

The press is abuzz with inflated talk about electricity prices. This quote from Yahoo News is representative:

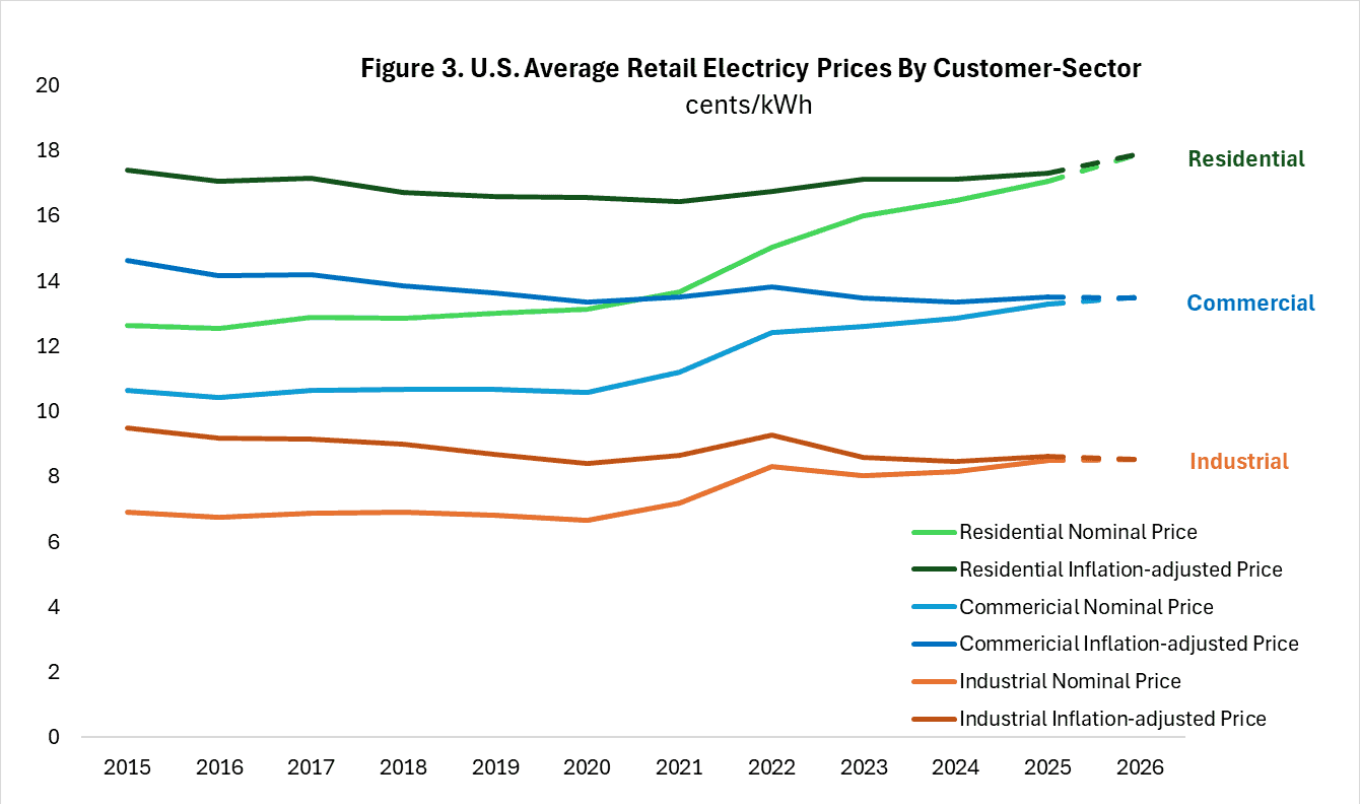
> *Without mitigation, the data centers sucking up all the [electricity] load is going to make things really expensive for the rest of Americans," said David Crane, the CEO of Generate Capital…Crane warned the strain on power supplies in certain markets could result in brownouts as soon as the next year or two.*

In this environment, it is useful to have a "just the facts" look at the issue. Enter AAF's Shuting Pomerleau, whose new piece comes to a few somewhat surprising conclusions.

First, it is true that national retail electricity prices grew rapidly in the first half of 2025. The 10-percent nominal growth rate was well above the 0.7-percent growth rate from 2013 to 2020, the 5.5-percent pace between 2020 and 2022, and the 4.5-percent rate recently.

Second, Pomerleau agrees with the outlook that the "commercial and industrial sectors' electricity demand is expected to outpace the residential sector's due to the power demand from artificial intelligence data centers and increasing manufacturing activities." This is clearly a challenge for the electricity sector across the country.

But third, residential electricity prices continue to be somewhat higher and growing the fastest of all the sectors. That is plainly visible in Figure 3 of her paper, which is reproduced below. This also explains why the issue has attracted so much press attention. High electricity costs in the business sectors are news, but not exciting news. High prices for American families are a lightning bolt by comparison.



The final takeaway from the insight is that the inflation-adjusted cost of electricity has remained relatively flat in the United States. Eakinomics was largely unaware of this fact. It suggests that electricity prices are a less-pressing policy issue than one might have thought.