

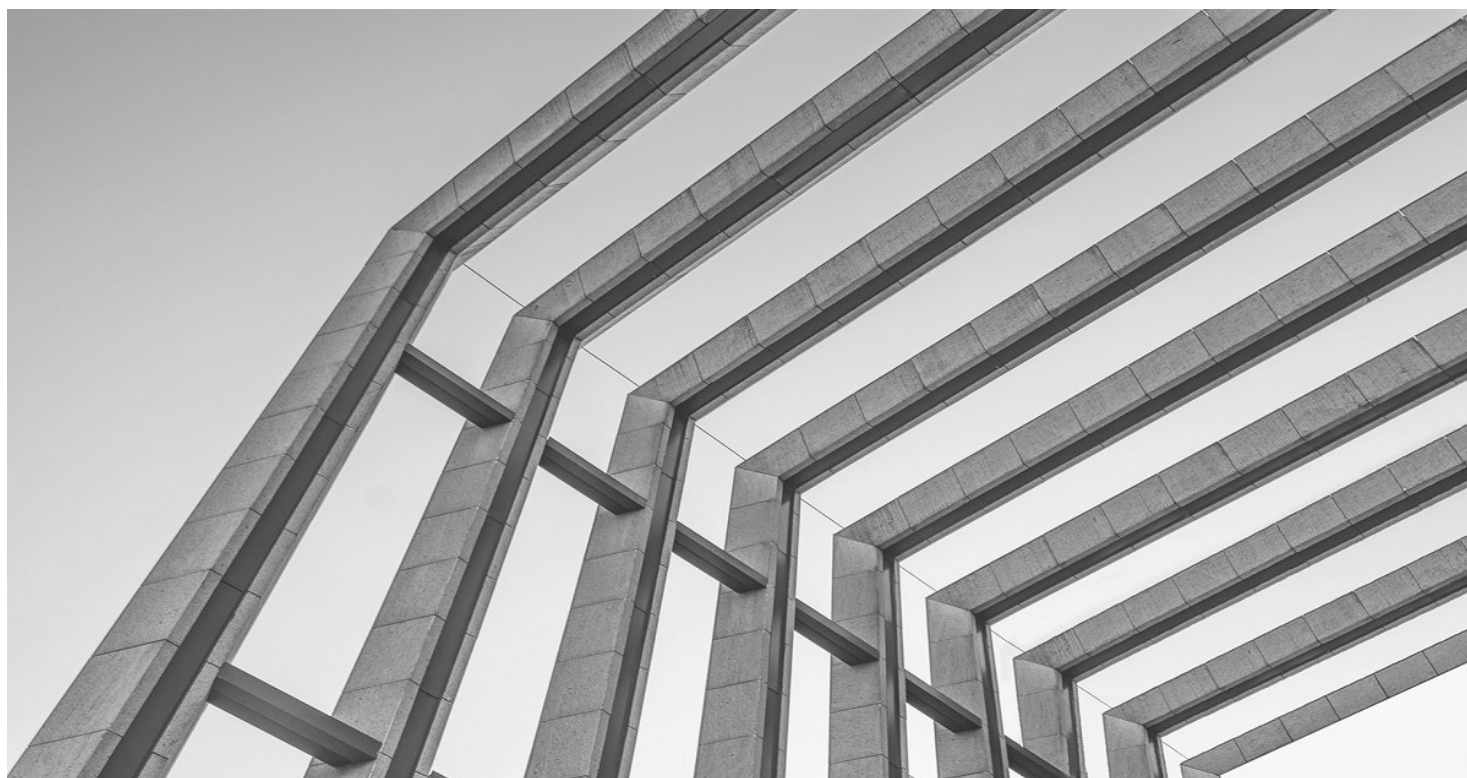
➤ On the Minds of Investors

Are data centers to blame for higher electricity bills?



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Data centers are unquestionably adding a new source of electricity demand, but data centers are only one of several forces pushing electricity costs higher.

Energy bills are a frustration for households, and data centers have become an easy target. They consume massive amounts of electricity: some of the largest campuses training frontier AI models could consume as much power as a

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appliances, with lower-income households paying a higher burden relative to their income. Since 2020, urban electricity prices have risen 46%, and they continue to rise at 3.8% annually, above the pace of general consumer price inflation (CPI).

Data centers are unquestionably adding a new source of electricity demand. But data centers are only one of several forces pushing electricity costs higher. Indeed much of the rise in electricity costs predates the data-center boom, and relates more to supply than to demand.

Supply side challenges

Let's start by taking a look at the grid supplying the power to homes and businesses. Much of America's transmission and distribution infrastructure was built in the middle of the last century, and needs to be replaced. According to the American Society of Civil Engineers, the U.S. has 600,000 miles of transmission lines that need to be maintained, and the pace of replacement has necessarily stepped up as the grid gets older. Utilities are spending more on poles, wires, substations and transformers, while also making networks resilient to natural disasters like storms and wildfires that have become more frequent. The U.S. experienced two times more weather-related outages during the last 10 years than during the prior 10 years.

These upgrades are coming at a time when the grid is modernizing. Cheap, but polluting, power sources like coal and oil-fired plants are being retired. New demand is being met by clean, but initially expensive, generation like solar. As the power generated by solar can be highly variable depending on the season and time of day, they need large batteries to regulate this power, which adds to the cost.

A study by Berkeley Lab found that grid operators were putting more of their investment dollars into infrastructure resiliency and replacement than into expansion to meet new demand.

Higher demand

The demand outlook for energy has stepped up in a big way. For years, U.S. electricity consumption barely grew as efficiency improvements – think LED lights and flat-screen TVs – offset the increase in population. That period appears to be ending. New manufacturing, electric vehicles and data centers are requiring utilities to plan for additional load.

Data centers consume about 6% of the country's electricity today, but this is set to grow to 14% by 2030 if all planned developments go ahead.

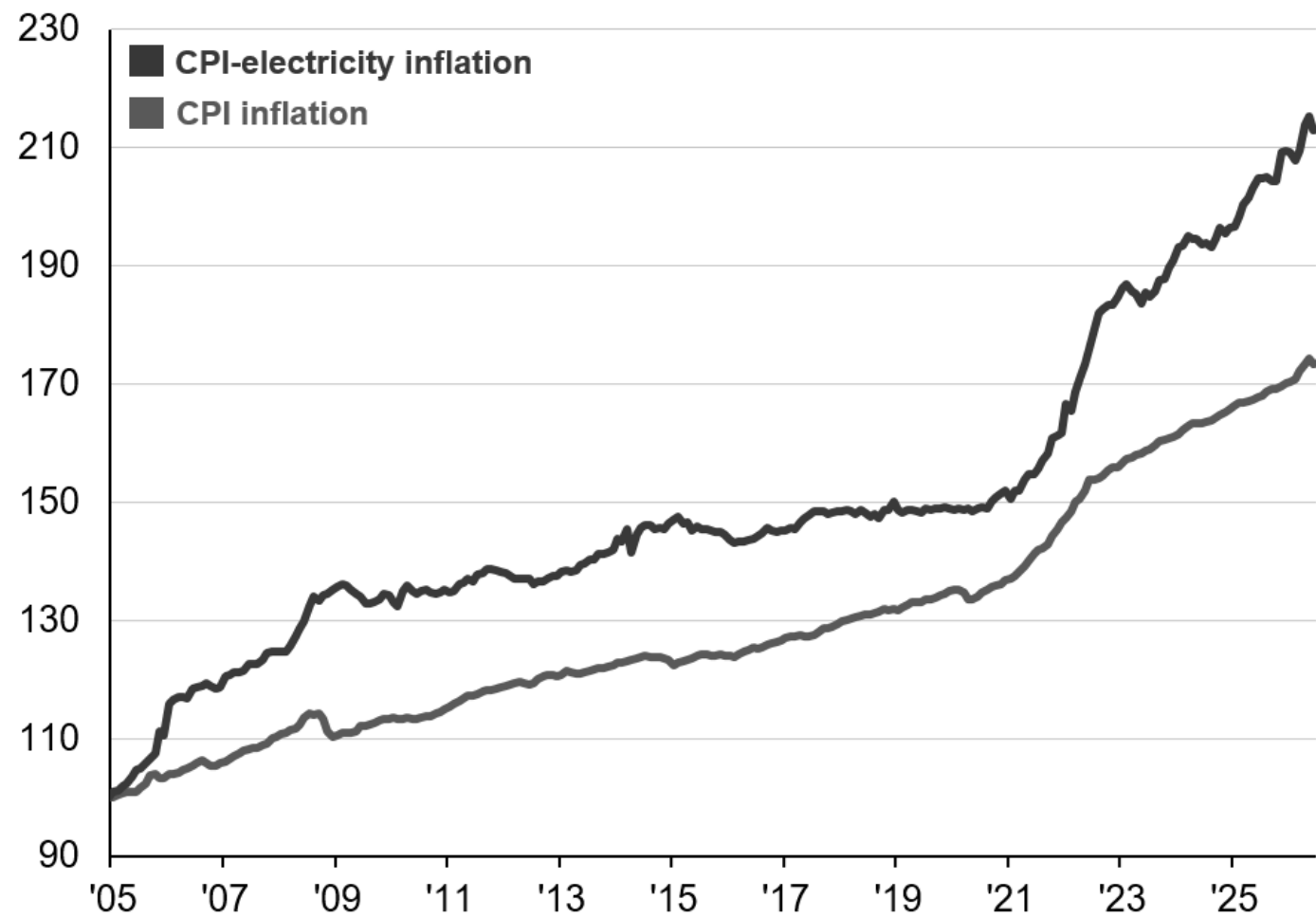
Who ends up paying for all of this?

With higher costs, and higher demand, the eventual effect on home utility bills will depend on how the bill gets split. Grid operators are increasingly making separate contractual deals with data centers, which might end up shouldering more of the burden than households. Some data centers have chosen to build their own power generation rather than connect into existing household grids, a strategy known as BYOP, or "bring your own power".

Data centers are certainly an important driver when it comes to electricity pricing today, but by no means the only one. We also need to consider the high burden of maintaining the grid, upgrading to cleaner sources of power, and how pricing gets worked out between business and household consumers. Investing in private infrastructure funds, which are providing electricity to consumers as well as businesses, can be a way for investors to benefit from higher electricity prices and demand.

Electricity cost inflation continues to outpace general inflation.

Electricity inflation vs. CPI inflation, Dec. 31, 2004 = 100, monthly



Source: BLS, J.P. Morgan Asset Management.
Guide to Alternatives. Data are based on availability as of October 1, 2026

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