SHOCK TO THE SYSTEM

Protecting Louisiana Consumers from Rising Electricity Costs

2026

PELICAN INSTITUTE FOR PUBLIC POLICY

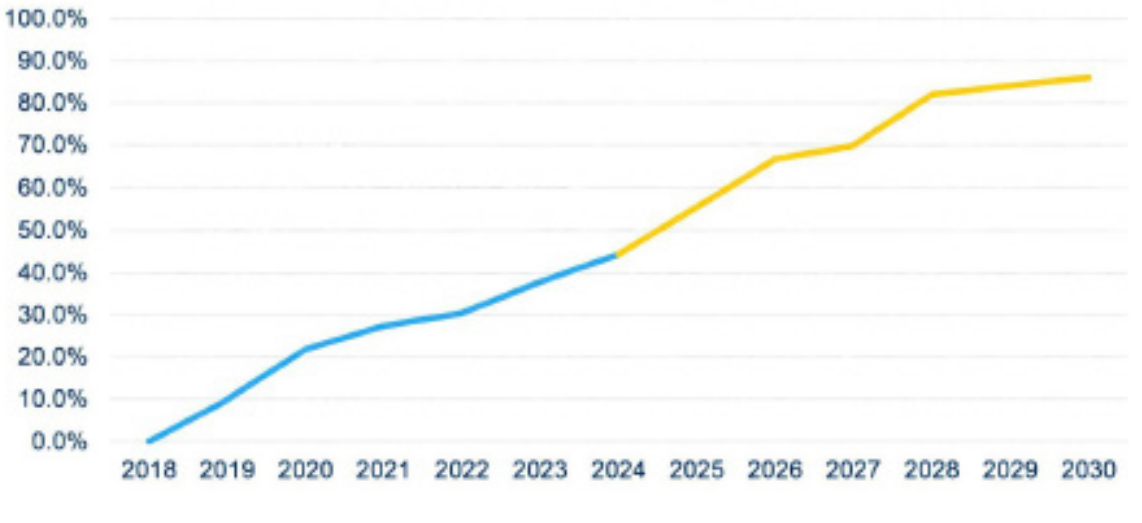
R Street

INTRODUCTION

For years, electricity policy drew little notice from the public. But rising electricity costs and reliability concerns have thrust the issue from regulators' back offices onto front pages and kitchen tables across America. Energy affordability now ranks as a top issue for families and businesses nationwide. A 2026 Pelican poll found two-thirds of Louisiana voters, 66%, saw increases in their electric and gas utility bills over the past year.[1] Federal data indicate U.S. electricity prices rose 27% from January 2021 through January 2025, followed by an additional 11% increase from January through September 2025, further squeezing household and business budgets at a time when every dollar counts.

Louisiana is not immune from the looming affordability crisis. While the Pelican State had the third-lowest electricity rates overall nationwide last year, families' monthly utility bills are rising faster here than in most parts of the county. Between 2019 and 2024, base rates for residential customers who get their power from Louisiana's largest utility provider increased over 30%.[2]

Actual and Forecasted Electric Base Rate Increases



Source: BAI Group

[1] "New Poll: Louisiana Voters Sound the Alarm on Rising Costs, Demand School Choice Funding and Legal Reform as Legislative Session Begins," Pelican Institute for Public Policy, March 3, 2026. https://pelicanpolicy.org/press-release/pulsefeb2026/.

[2] Louisiana Public Service Commission Staff Report on Entergy Formula Rate Plan 2023 Test Year, Docket U-37371, November 18, 2024, page 14, History of Residential Bill Impacts shows increase from 2019-2024 of 32-37% exclusive of fuel cost changes; See also, Entergy Annual Report, CCO Docket R-35462, October 29, 2024, pages 4-5, Annual Rate History of Entergy 1,250 kWh Customer shows increase from 2019-2023 of 32-34% including changes in fuel cost.

In addition, Federal data show that from 2024 to 2025, the average retail residential price per kilowatt-hour of electricity in Louisiana rose by 14.1%, more than doubling the nationwide average increase of 6.5% over the same period.[3]

Potentially compounding the pain, Louisiana's largest monopoly utility is currently pursuing a series of major capital expenditure projects totaling over $8.5 billion.[4] If all of the proposals and associated rate increases are approved by the Public Service Commission (PSC), it is estimated base rates for electricity could climb another 40% by 2030.[5]

> *"Each of these initiatives would expand the Company's regulated rate base and increase its opportunity to earn an authorized return, while also putting pressure on aff ordability for ratepayers."* ***— PSC Consultant***

The numbers paint an unmistakable picture: Costs are climbing. Families are struggling. Without significant reforms to move beyond the status quo, Louisiana could be headed toward a full-blown electricity affordability crisis. While there is no magic bullet that can instantly reverse this course, there are concrete actions state lawmakers and regulators can take now to blunt the worst impacts and help reduce costs both in the short term and for generations to come.

In the first part of this report, we focus on the factors that are and are not contributing to Louisiana's rising electricity rates and discuss how this issue could become worse in the future if allowed to remain unchecked. Contrary to popular belief, data centers are not the driving force behind electricity rate increases in Louisiana today. As discussed in detail below, the real drivers are structural and largely the result of state-level policy decisions.

Fortunately, future projected cost increases do not have to become reality. Although Louisiana received a D+ grade on R Street's recent *State-by-State Scorecard on Electricity Competition,* it has the power to make changes that could substantially reduce future costs for the state's citizens.[6] In the second part of this report, we offer a policy playbook, which includes high-impact solutions Louisiana can enact to reduce electric sticker shock.

The main takeaway is that even though Louisiana faces significant challenges to electric affordability in the coming years, prudent policy changes can and should be implemented now to address the real cost drivers and keep utility costs in check.

[3] Electricity Monthly Update, EIA, August 26, 2025. https://www.eia.gov/electricity/monthly/update/archive/july2025/.

[4] LPSC Docket No. U-37735, Direct Testimony of R. Lane Sisung, March 9, 2026, pages 24-26. https://lpscpubvalence.lpsc.louisiana.gov/portal/PSC/ViewFile?fileId=%2FftL6f%2BCCZs%3D.

[5] 4 BAI Group analysis conducted on behalf of Louisiana Energy Users Group and presented to LPSC in public filings submitted February 2025, page 23. Historical data sourced from FERC Form 1 data for 2018 to 2023, Page 304. 2024 increase estimated based on historical trends and adjusted to reflect FRP decrease. Forecasted base rate increases includes expected cost increase estimates from the Formula Rate Plan, Grid Hardening Resilience Plan, Magnolia CCGT Capacity, Solar Additions, proposals for West Bank 230 kV and 500 kV lines, 2,000 MW CCCT RFP, and other transmission additions.

[6] Chris Villarreal, Kent Chandler, and Michael Giberson, "State-by-State Scorecard on Electricity Competition," R Street Policy Study No. 324, May, 2025. https://www.rstreet.org/wp-content/uploads/2025/05/Final-Study-No.-324-1.pdf.

PART I: WHY ARE ELECTRICITY PRICES INCREASING?

To investigate the causes of the recent electricity price increases, it's important to note that electricity is not the only thing that has gotten more expensive in recent years. Significant inflation has driven up the prices of everything from eggs to automobiles. In fact, from 2019-2024, retail electricity prices increased less than many other expenditure categories including groceries, housing, and health care.[7]

On one level, the fact that electricity price increases are part of a broader trend is cold comfort to consumers. Financial stress when opening one's electric bill does not become easier to bear when one recalls that other bills are also going up. But it does mean that at least some of the increase in electricity prices is not the result of specific features of the energy market; rather, it is also at least partially the result of a combination of factors that include pandemic-era government stimulus, monetary policy, and other economic issues.

Although inflation has begun to slow, in 2025 electricity prices began to increase at around double the rate of inflation.[8] During the first half of 2025, utilities requested roughly $29 billion in rate hikes, which exceeds requests for all of 2024 and in fact is the highest in inflation-adjusted terms since the 1980s.[9]

Power Generation Mix

When analyzing potential causes for the rise in electricity prices, it is natural to begin by thinking about generation costs, i.e. the cost of producing power itself. However, while generation costs make up the largest portion of overall electricity costs, **increased generation costs do not seem to be a major factor in present or projected future price increases.** In fact, generation costs have actually gone down over the past two decades.[10]

Some have argued that increases in electricity prices are linked to the increased amounts of wind and solar energy on the grid.[11] However, this explanation is weak. Wind and solar electricity tend to be lower-cost energy sources, because they have no fuel costs. According to the 2025 edition of Lazard's annual Levelized Cost of Electricity report, the cost of new utility-scale solar generation ranges from $38 to $78 per megawatt-hour (MWh) without federal subsidies while the average cost of new onshore wind generation

[7] Ryan Wiser, et al., "Factors influencing recent trends in retail electricity prices in the United States," p. 6, The Electricity Journal 38 (2025). https://pdf.sciencedirectassets.com/272016/1-s2.0-S1040619025X0004X/1-s2.0-S1040619025000612/main.pdf.

[8] Scott Horsley, "Electricity prices are climbing more than twice as fast as inflation," NPR, August 16, 2025. https://www.npr.org/2025/08/16/nx-s1-5502671/electricity-bill-high-inflation-ai.

[9] "Utility Bills are Rising: Q2 2025 Update," Powerlines, July 2025. https://powerlines.org/wp-content/uploads/2025/07/0709_PowerLines_Rising-Utility-Bills-Q2-Update-2.pdf.

[10] "Grid infrastructure investments drive increase in utility spending over the last two decades," EIA, November 18, 2024. https://www.eia.gov/todayinenergy/detail.php?id=63724.

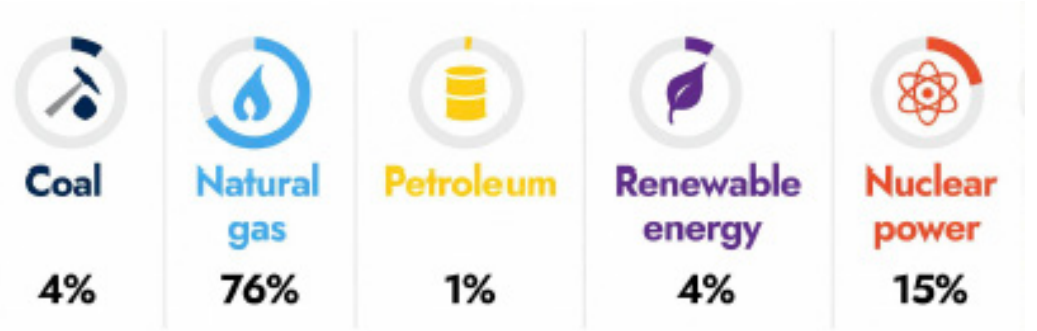
[11] See, e.g., Julio Mejía and Elmira Aliakbari, "Solar and wind power make electricity more expensive – that's a fact," Ottawa Sun, January 1, 2025. https://www.fraserinstitute.org/commentary/solar-and-wind-power-make-electricity-more-expensive-thats-a-fact. 12 Lazard's Levelized Cost of Electricity, June 2025. .https://www.lazard.com/media/uounhon4/lazards-lcoeplus-june-2025.pdf.

ranges from $37 to $86 a MWh, which is comparable to the $48 to $109 per MWh range for a combined cycle gas plant and significantly lower than for other types of thermal power plants.[12] Electricity price increases are also poorly correlated with the degree of wind and solar penetration. Some areas with relatively little wind and solar, such as the 13-state region across the Mid-Atlantic that's serviced by PJM Interconnection, have seen big price increases, while other areas with lots of renewables, such as North Dakota, have seen price decreases in real terms.[13]

One key caveat to consider is that it matters whether the amount of wind and solar generation on the system is the result of markets or of mandates. A recent analysis by the Brattle Group and a national laboratory found, "Renewable Portfolio Standard (RPS) requirements for additional utility-scale renewable energy were associated with increased retail prices of approximately 0.4 (±0.1) cents/kWh over the 2019–2024 period."[14] But when wind and solar generation expanded through market forces rather than RPS mandates, state-level retail electricity prices did not meaningfully increase.[15]

The natural gas market plays a pivotal role in the cost of electricity in Louisiana. According to EIA data for 2024, natural gas accounted for approximately 76% of the state's net electricity generation, fueling eight of the ten largest power plants and ranking Louisiana fifth among states in natural gas generation share. By comparison, the U.S. total stood at 43.4% in 2024 and approximately 40.8% on a preliminary basis for 2025. Nuclear power contributed about 15% in Louisiana, while coal accounts for roughly 4%. This unique mix reflects both the state's vast energy resources– Louisiana ranks third in marketed natural gas production– and the operational flexibility of combined-cycle gas turbine plants. But this abundance does not insulate customers from volatility.

Electric Power Generation by Source



Source: U.S. Energy Information Administration (EIA)

[12] Lazard's Levelized Cost of Electricity, June 2025. .https://www.lazard.com/media/uounhon4/lazards-lcoeplus-june-2025.pdf. 13 The question of whether wind and solar might be indirectly causing price increases through increased transmission spending will be addressed in a subsequent section.

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[14] Ryan Wiser, et al., "Factors influencing recent trends in retail electricity prices in the United States," p. 6, The Electricity Journal 38 (2025). https://pdf.sciencedirectassets.com/272016/1-s2.0-S1040619025X0004X/1-s2.0-S1040619025000612/main.pdf.

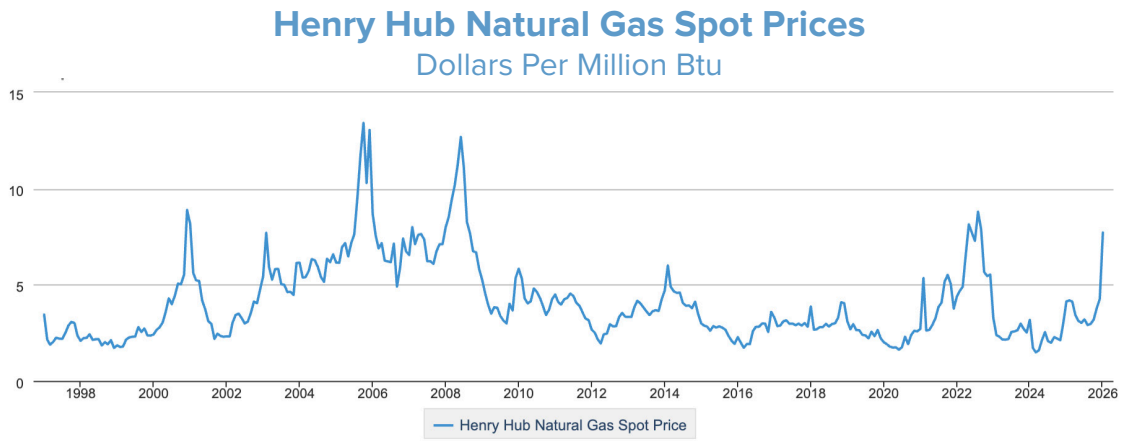
[15] Wiser at 7.

Henry Hub spot prices, Louisiana benchmark, fluctuated sharply in 2025, rising 56% on an annual average basis from 2024's inflation-adjusted lows and spiking during winter events, directly feeding into higher power generation costs for utilities and bigger bills for consumers.

The regulatory mechanism enabling this transmission, known as a Fuel Adjustment Charge (FAC), permits regulated electric utilities to recover actual fuel and generation-dependent costs from ratepayers on a monthly basis. Recovery is strictly dollar-for-dollar: no profit is earned on fuel, costs must be prudent and documented, and monthly filings reconcile historical actuals against jurisdictional retail sales. Over- or under-collections carry forward with interest, effectively spreading larger shocks over subsequent billing periods. The PSC conducts biennial audits, requires detailed supporting invoices, and retains authority to order refunds for imprudent costs. This framework, while ensuring timely cost recovery and utility financial stability, inherently passes market volatility through to customers with minimal buffering at the utility level.

This pass-through dynamic also creates a structural vulnerability. **Because utilities face limited downside risk on fuel expenses, the incentive to invest in sophisticated procurement, such as multi-year fixed-price contracts, options, or volumetric hedges, can be attenuated compared with companies operating in competitive markets.**

Academic literature on similar fuel adjustment clauses in regulated utility markets across the country consistently note this effect: fuel adjustment pass-through mechanisms act as a partial hedge for utilities, shifting fuel price risk to ratepayers and reducing the shareholder motivation for aggressive risk management.[16] In contrast, airlines competing in open markets, whose fuel costs comprise 20 to 40% of operating costs, routinely employ programmatic hedging to reduce exposure and deliver more predictable pricing for their customers. Regulated utilities in Louisiana can, and in some limited cases do, employ similar hedging strategies to reduce the impact of price volatility, but the fuel adjustment charge pass-through mechanism reduces the urgency for utilities to optimize these and other market-based tools for ratepayer benefit, leaving Louisiana families more vulnerable to unexpected events that impact natural gas prices.



Source: U.S. Energy Information Administration (EIA)

[16] S. Stoft, T. Belden, C. Goldman, and S. Pickle, "Primer on Electricity Futures and Other Derivatives," Lawrence Berkeley National Laboratory, 1998. https://eta-publications.lbl.gov/sites/default/files/report-lbnl-41098.pdf.

The 2022 invasion of Ukraine, for example, caused a temporary pronounced spike in natural gas prices, which rippled out into the broader electricity market for the next several years. With European companies eager to pay top dollar for natural gas to replace the fuel they had been getting from Russia prior to the invasion, U.S. natural gas prices doubled to levels not seen since 2008. That translated directly into higher electricity bills for Louisiana families. According to PSC data, the state's average fuel adjustment rate jumped from 3.4 cents per kilowatt-hour to 5.5 cents from 2021 to 2022.17 While this particular spike has subsided, electricity prices remain vulnerable to this and other geopolitical events, such as the current conflict in Iran. It is also important to note that the forecasted 40% increase in electricity prices for Louisiana consumers does not include assumptions tied to potential global gas-market disruptions in the future.

In addition, **severe weather events such as the January 2026 winter storm can drive significant price increases.** Prolonged sub-freezing temperatures across the U.S. drove natural gas spot prices at Louisiana's Henry Hub distribution center to $30.57 per million British thermal units (MMBtu), a price significantly higher than the $23.61/MMBtu peak seen during the 2021 Winter Storm Uri.[18]

> *"Delta Utilities understands customer concerns regarding natural gas costs this winter. The primary factor in year-over-year purchase gas adjustment changes is an increase in the cost of natural gas by more than 30%, with a 100% increase over the past five months."* [19] ***— Spokesman for Delta Utilities***

These events demonstrate some of the ways in which Louisiana families are routinely exposed to sudden, sharp energy cost increases due to our state's regulatory framework and unique generation mix. Large fluctuations in natural gas prices directly impact the cost of electricity generation, which directly impacts ratepayers. Meanwhile, states with more diverse power generation portfolios are less reliant on any one fuel source and therefore less vulnerable to price spikes in that sector, underscoring how energy source diversity acts as a natural hedge against price volatility.

Transmission & Distribution

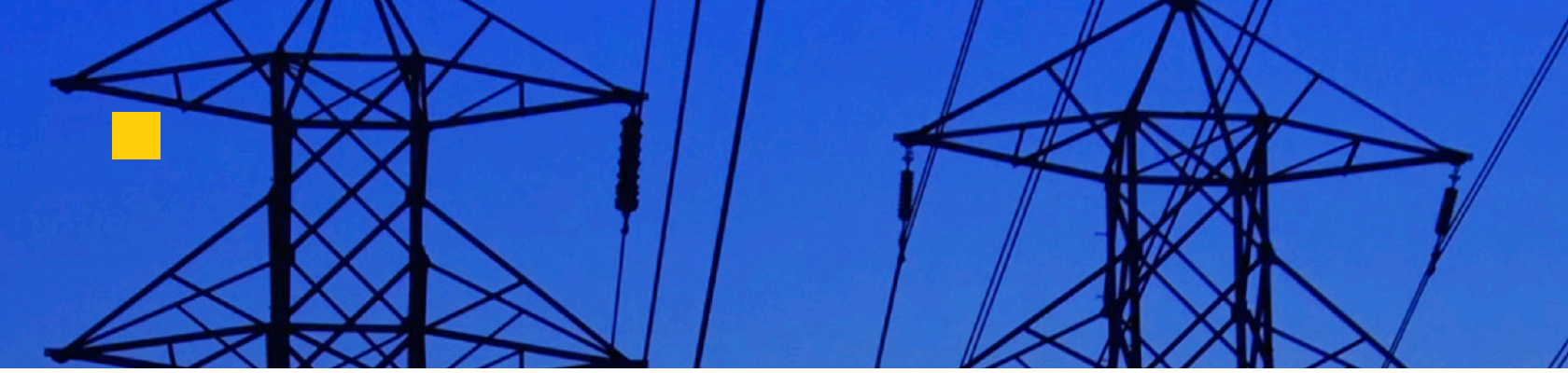
Generation mix is just one piece of the puzzle when it comes to electricity prices. The other major factor is the cost of delivering that power from generators to homes and businesses through transmission and distribution systems. **Nationwide and in Louisiana, local distribution spending has emerged as one of the fastest-growing components of electric bills,[20] and transmission investments are also climbing rapidly.**

[17] Robert Stewart, "Why are Louisiana electric bills sky high? ," The Advocate, July 29, 2022.

https://www.theadvocate.com/baton_rouge/news/business/why-are-louisiana-electric-bills-sky-high-this-is-the-most-i-ve-ever-paid/artic le_7bc9a61c-0f4a-11ed-870e-9b054a2ea95d.html.

[18] Henry Hub Natural Gas Spot Prices, EIA, February 19, 2026. https://www.eia.gov/dnav/ng/hist/rngwhhdm.htm.

[19] Lily Cummings, "Delta Utilities customers face sticker shock as gas bills double following Entergy takeover," Feb. 4, 2026. https://www.wwltv.com/article/money/delta-utilities-customers-face-sticker-shock-as-gas-bills-double-following-entergy-takeover/289-5 371d60e-ebe1-457f-a093-5456079fff3a.



Several unavoidable realities are fueling this trend. Much of the grid infrastructure in place today was built decades ago and now requires modernization, hardening, and expansion to accommodate new technologies, evolving reliability standards, and rising demand.[21] Replacing aging assets and integrating advanced equipment is capital-intensive.

Under Louisiana's regulated monopoly model, the capital costs invested by utility companies are approved by the PSC and then recovered directly from ratepayers through base rates or dedicated riders.

Compounding the challenge is the fact that transmission and distribution investments often lack the cost-constraining incentives present in other sectors of the economy where competition and consumer choice naturally drive cost discipline. In competitive markets, firms must control costs to survive. In contrast, under Louisiana's regulated monopoly system, utility-owned grid projects are typically rate-based once approved by the PSC, meaning recovery is largely guaranteed, so there is less of an incentive for utilities to contain costs. As a bipartisan group of state public utilities commissioners observed, an "astoundingly, a large proportion of transmission development is neither subject to competitive bidding nor economic regulation."[22]

Recent examples illustrate how these dynamics play out in practice. Following the announcement of Meta's $10 billion data center in Richland Parish, Entergy submitted proposals to the PSC for approval of the energy infrastructure needed to power the project. This includes construction of three new combined-cycle natural gas plants, six substations and connecting transmission and distribution lines. Under a new PSC directive now known as the "Lightning Initiative," none of these projects, which are estimated to cost roughly $3 billion in total, were competitively bid.

In August 2025, the PSC approved a deal, which requires Meta (through a subsidiary) to pay the vast majority of infrastructure costs for the first 15 years. However, the cost of broader transmission upgrades related to the project, estimated between $470 and $550 million, will be socialized across all of Entergy's utility customers as reliability enhancements the company says will benefit the entire system.[23] This will translate to base rate increases in the future. In addition, public filings show ratepayers could be left with any remaining costs for the new power plants if Meta decides to leave Louisiana after its 15-year contract expires.

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[20] Sydney Forrester, et al., "Retail Electricity Price and Cost Trends: 2024 Update," NREL, December, 2024. https://eta-publications.lbl.gov/sites/default/files/2025-01/retail_price_and_cost_trends_2024_update_final_v3.pdf.

[21] "U.S. electricity prices continue to steadily increase," EIA, May 14, 2025. https://www.eia.gov/todayinenergy/detail.php?id=65284. 22 Devin Hartman and Kent Chandler, "Stakeholder Soapbox: A Transmission Planning Resolution Emerges," RTOInsider, Dec. 13, 2022. https://www.rtoinsider.com/articles/31281-stakeholder-soapbox-tx-planning-resolution-emerges.

[22] Devin Hartman and Kent Chandler, "Stakeholder Soapbox: A Transmission Planning Resolution Emerges," RTOInsider, Dec. 13, 2022. https://www.rtoinsider.com/articles/31281-stakeholder-soapbox-tx-planning-resolution- emerges.

[23] Nolan McKendry, "Ratepayers on the hook for $470 million in data center infrastructure," New Orleans City Business, July 11, 2025. https://neworleanscitybusiness.com/blog/2025/06/11/entergy-meta-data-center-infrastructure-cost.

This is not an argument against economic development, AI-related load growth, or prudent transmission expansion. In fact, ***recent studies have found that new large load growth, when properly structured, can actually help reduce average rates by spreading fixed infrastructure costs across more customers.***[24]

> *"Hyperscalers and AI companies that increase electricity demand must pay for the full cost of the energy and infrastructure needed to build and operate data centers, and must not pass this cost on to the American people. Instead, the data center boom should be leveraged to address affordability and benefit all American households and businesses."* [25] ***– President Trump***

The key takeaway is that in state-regulated monopoly markets like Louisiana, where one utility company is granted exclusive rights to provide service within a specific region, there is no competitive pressure to contain costs. If a consumer wants electricity, they are forced to receive service from the monopoly utility provider and forced to pay the rates that regulators allow them to charge. **Under this regulatory framework, there is no free market competition to help drive down prices, which means the PSC is solely responsible for protecting captive Louisiana ratepayers from unnecessary costs and long-term financial risk.**

Regardless of whether new energy infrastructure is needed to support a data center, steel plant, or any other large-load customer, the PSC must ensure that any capital investment proposals submitted by monopoly utilities include robust ratepayer protections and consumer safeguards. In March 2026, President Donald J. Trump announced the Ratepayer Protection Pledge, which lays out a useful set of criteria that energy infrastructure proposals should be evaluated against in the future.

At the distribution level, which includes the poles, substations, and local lines delivering electricity directly to homes and businesses, spending has increased even more rapidly than at the transmission level. In Louisiana, recent grid-hardening and supplemental upgrade programs have added billions in capital expenditures.

In 2024, the PSC approved approximately $1.9 billion for over 2,100 Entergy grid-hardening projects statewide.[26] In 2025, Cleco Power received PSC approval for a similar grid hardening plan.[27] The price tag: $257.6 million. **While reliability and storm resilience are legitimate priorities, these projects are often proposed unilaterally by utilities and approved by the PSC, outside broader regional planning processes and with limited competitive scrutiny.** In addition, utilities are not consistently required to publicly demonstrate that their chosen solution is the lowest-cost way to address a reliability need.

[24] "Tailored for Scale: Designing Electric Rates and Tariffs for Large Loads," Energy & Environmental Economics, December 2025. https://www.ethree.com/wp-content/uploads/2025/12/RatepayerStudy.pdf.

[25] President Donald J. Trump, Ratepayer Protection Pledge Proclamation, The White House, March 4, 2026. https://www.whitehouse.gov/presidential-actions/2026/03/ratepayer-protection-pledge-proclamation/.

[26] Wesley Muller, "Few of Entergy's $1.9 billion in grid-hardening projects include underground power lines; Louisiana Public Service Commission approved rate increase," Louisiana Illuminator, April 24, 2024. https://lailluminator.com/2024/04/24/few-of-entergys-1-9-billion-in-grid-hardening-projects-include-underground-power-lines.

[27] Louisiana Public Service Commission Order Number U-37479, CLECO POWER LLC, December 16, 2025. https://lpscpubvalence.lpsc.louisiana.gov/portal/PSC/ViewFile?fileId=QrzcLTUW2qc%3D.

A related question frequently raised in policy debates is whether the growing cost of transmission is primarily driven by changes in the generation mix, particularly on the expansion of wind and solar resources. Because optimal renewable generation sites are sometimes distant from major load centers, new long-distance transmission lines may be required to connect them to the grid. At first glance, this appears to be a plausible explanation. However, the available evidence suggests renewables are not the dominant driver of rising transmission and distribution costs.

First, distribution spending has grown more rapidly than transmission spending, even though wind and solar development would be expected to affect transmission far more than local distribution systems. Second, transmission spending has increased across the country, including in regions with relatively modest renewable penetration. Moreover, the cost of transmission needed to integrate renewable resources may be partially or fully offset by the lower generation costs those resources can provide. In fact, transmission bottlenecks are estimated to increase electricity costs to consumers by $8 to $13 billion a year,[28] suggesting that well-planned transmission expansion can relieve congestion and lower overall system costs.

In short, while the relationship between generation mix and grid spending warrants continued research, current evidence does not support the conclusion that market driven expansion of wind and solar are major contributors to increased electricity prices, either directly or indirectly. The more immediate concern is structural: aging infrastructure, guaranteed cost recovery, limited competitive discipline, and planning processes that do not consistently and rigorously test whether projects represent the most affordable path forward.

The bottom line is this: strategic investment in generation, transmission and distribution can help reduce electricity costs for consumers, while ensuring long-term grid reliability and supporting new load growth. But expansion must occur within a regulatory framework that prioritizes consumer affordability, enforces rigorous least-cost standards, and applies transparent competitive procurement practices and beneficiary-pays principles for large-load interconnections. Without strong cost discipline, competitive alternatives, and consumer safeguards, these upgrades can translate directly into higher bills for Louisiana families.

[28] Nathan Shreve et al., "2023 Transmission Congestion Study," Grid Strategies, September, 2024. https://gridstrategiesllc.com/wp-content/uploads/Grid-Strategies_2023-Transmission-Congestion-Report.pdf.

Demand Growth

After decades of flat or declining electricity usage, electricity demand is surging and is projected to continue growing substantially in the coming years. S&P Global estimates American electricity demand could increase up to 50% by 2040.[29]

Louisiana is not immune from this trend. In its latest Integrated Resource Plan (IRP) assumptions, Entergy, Louisiana's largest monopoly utility, is projecting approximately 5,600 megawatts (MW) of load growth between 2026 and 2040—a 56% increase over its current load of roughly 9,972 MW.[30] Notably, the utility anticipates that about 4,000 MW of that increase will materialize within the next five years alone, signaling that growth is not a distant possibility but an immediate planning challenge.

At the same time, the supply picture is tightening. Entergy forecasts retiring approximately 1,800 MW of generation between 2026 and 2031. Although the company projects adding roughly 7,000 MW of new capacity by 2031, its long-term outlook still anticipates a capacity shortfall of around 2,000 MW by 2033—widening to roughly 6,000 MW by 2045. These projections underscore the challenge regulators face.

While rising demand can place upward pressure on prices, especially if new infrastructure is not built quickly, the relationship between demand and cost is complex. Through smart policies and regulations, the unprecedented surge in electricity demand can be leveraged to address affordability and reliability to benefit all Louisiana households and businesses.

First, it is important to define the primary drivers of electricity demand growth. Discussion about projected demand growth most often focuses on the electricity demands of data centers, particularly those used for artificial intelligence (AI). This focus is understandable, as AI is a rapidly expanding, energy-intensive technology.

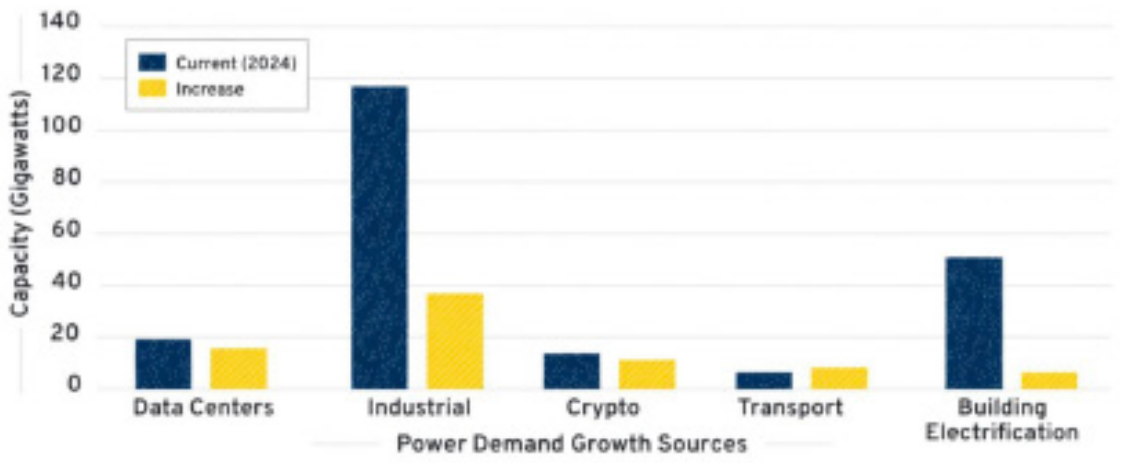
Current estimates suggest that U.S. data centers use 19 gigawatts (GW) of electricity, and this number is projected to double over the next five years.[31] Still, **data centers are not the only source of growing electric demand. In fact, they are not even the single largest source, in absolute terms.**

[29] S&P Global, " US National Power Demand Study," prepared for the American Clean Power Association, March 7, 2025. https://energy.spglobal.com/rs/325-KYL-599/images/ACP_DemandStudy_Exec_Summary_Final.pdf.

[30] Entergy Louisiana 2027 IRP Data Filing. January 21, 2026. https://www.entergylouisiana.com/wp-content/uploads/Entergy-Louisiana-2027-IRP-Data-Assumptions.pdf.

[31] Devin Hartman and Olivia Manzagol, "AI's Energy Footprint Warrants Markets, Not Panic," R Street, Sept. 26, 2024. https://www.rstreet.org/commentary/ais-energy-footprint-warrants-markets-not-panic/

2030 Forecast of U.S. Power Demand Growth



Source: Chart created from R Street analysis of Brattle Group data

Reindustrialization of the United States is expected to require even more demand, with industrial electric demand projected to increase by almost 40 GW by 2030. Other substantial sources of projected demand growth include electric vehicles, crypto mining, and the electrification of things like home heating that have historically used non-electric power.

In addition, the relationship between increased electric demand and increased electricity prices is not linear. **A curious fact about the electricity market is that growth in energy demand does not necessarily result in higher electricity prices**. In fact, of the 29 states reporting rising electricity consumption over the last decade, 26 saw electricity prices increase slower than the national average. By contrast, of the 22 states in which power consumption has fallen, 17 had electricity prices increase more quickly than the national average.[32] This finding is further supported by a 2026 Institute for Energy Research report, which concluded, "Across all 50 states, states where electricity sales grew faster from 2015 to 2025 paid less, not more, for electricity. States where sales declined paid dramatically more."[33]

To understand this counter-intuitive result, it is useful to recall that electricity prices reflect both generation costs and the expenses of building and maintaining grid infrastructure. Grid costs tend to be more fixed than generation costs. Much like when a state builds a road and the construction cost of that road is the same regardless of whether one car or one thousand cars use it, when power consumption increases, fixed grid costs can be spread over a larger number of customers, resulting in lower prices than if a smaller number of customers bore the burden of recouping those costs.

[32] Ryan Hledik, et al., "Recent Retail Electric Price Trends: What do we know... or think we know?" Brattle Group, October, 2025. https://eta-publications.lbl.gov/sites/default/files/2025-10/presentation_retail_price_trends_drivers.pdf.

[33] Daniel Simmons, "Have Data Centers Driven Up Electricity Prices? The State-Level Data Don't Support the Narrative," Institute for Energy Research, March 2026.

Load growth can also mean that the system can more efficiently use assets that are already part of the system. Electric demand varies substantially depending on the time of day or year. As a result, many power plants will spend much of their time sitting idle because there is not enough demand to require their services. Adding load that buys power from the system 24/7 but that can be flexible and not draw power from the grid during the few hours of peak demand can be a net positive for the reliability and cost to other consumers. **Simply put, demand growth has not yet led to higher electricity prices, but that relationship could change if generation fails to keep pace with consumption.**

PART II: LOUISIANA'S ELECTRIC POWER POLICY PLAYBOOK

Today, fourteen states across the U.S., and the District of Columbia have competitive electric utility markets. While this approach has demonstrated generally positive results, often leading to lower prices, higher reliability, a better environmental footprint, and reduced corruption in the electricity market,[34] significant barriers prevent Louisiana from restructuring its regulatory approach to enable an openly competitive market. However, there are policies that can and should be implemented under Louisiana's existing regulatory framework to enable consumer choice and competition on a more limited basis to drive efficiency, reliability, and innovation while adding price discipline.

Louisiana is approaching an inflection point. Continued increases in electricity prices will compound the financial strain already facing households and employers across the state. Affordability is no longer a theoretical concern—it is an emerging economic risk. As the state's primary utility regulator, the PSC has both the authority and the obligation to act now to prevent a deeper affordability crisis. More than almost any other essential service, electricity rates are shaped by state-level regulatory decisions that dictate what generation is built, how transmission and distribution investments are bid and approved, how costs are allocated to ratepayers, and whether meaningful competitive discipline is introduced. As demand accelerates and capital expenditures rise, the policy choices made today will determine whether Louisiana families face manageable bills or sustained upward pressure for years to come.

The reforms outlined below offer a practical path forward—one that protects ratepayers, strengthens grid resilience, and positions Louisiana to meet rising demand without sacrificing economic competitiveness.

[34] Michael Giberson and Devin Hartman, "Electric Paradigms: Competitive Structures Benefit Consumers," R Street Policy Study No. 293, September, 2023. https://www.rstreet.org/wp-content/uploads/2023/09/FINAL_r-street-policy-study-no-293.pdf.

Direct Market Access for Large Load Customers

Several states already empower large load customers to bypass incumbent monopoly utilities and procure generation directly through competitive markets if they so choose.[35] These policies recognize a simple reality: large energy users often have unique operational needs, sophisticated procurement capabilities, and strong incentives to secure the most cost-effective and reliable power supply available. Louisiana should consider a similar framework.

Providing direct market access would allow large load customers to source, build, or purchase their own power—whether through bilateral contracts with natural gas generators, long-term agreements with renewable developers, or investments in on-site and distributed energy resources. This flexibility can unlock private capital, accelerate new generation development, and reduce pressure on utility-sponsored buildouts that are ultimately recovered from all ratepayers.

Importantly, expanding choice for large load customers can also benefit those who remain on traditional utility service. When large users procure their own generation, they reduce strain on the centralized system and mitigate demand-driven infrastructure expansion. Moreover, sophisticated customers participating in wholesale markets are more responsive to price signals, scaling consumption up or down based on real-time conditions. That flexibility can improve overall system efficiency and reduce peak costs.[36]

Louisiana should also consider creating a regulatory environment that encourages third-party generation and distributed energy resources to compete on equal footing with monopoly utilities. Independent power producers, microgrid developers, and distributed resource providers can offer innovative solutions that diversify supply and inject competitive discipline into the market. Allowing these alternatives to compete does not undermine reliability—it strengthens it by broadening the pool of investment and risk-bearing beyond a single utility.

Any transition to direct market access must be carefully structured. Large load customers are often influential participants in regulatory proceedings, and their departure from bundled utility service could alter advocacy dynamics. However, because transmission and distribution service would remain regulated monopolies, large load customers would still have a strong incentive to advocate for prudent grid spending and fair cost allocation.

There are also legitimate transition considerations. Utilities may seek exit fees to recoup costs of system upgrades made in anticipation of lost demand.[37] These concerns are most relevant for existing customers. They are far less significant for new large load customers, such as data centers or new industrial facilities, where infrastructure investments have not yet been made or can be structured prospectively under clear beneficiary-pays principles.

[35] Erin Jordan, “Iowa’s large energy users want electricity choice,” The Gazette, Jan. 8, 2023. https://www.thegazette.com/energy/iowas-large-energy-users-want-electricity-choice-heres-how-that-works-in-four-other-stat.

[36] William Driscoll, “Flexible demand through participation by large customers in wholesale markets,” pv magazine, May 25, 2023. https://pv-magazine-usa.com/2023/05/25/flexible-demand-through-participation-by-large-customers-in-wholesale-markets; Richard O’Neill, et al., “Treating Demand Equivalent to Supply in Wholesale Markets,” ESIG, May 2023. https://www.esig.energy/treating-demand-equivalent-to-supply-in-wholesale-markets-an-opportunity-for-customer-market-and-social-b enefits.

[37] Herman K. Trabish, “Exit fee: Deciding the fate of California’s utilities and customer choice movement,” Utility Dive, Aug. 14, 2018. https://www.utilitydive.com/ news/exit-fee-deciding-the-fate-of-californias-utilities-and-customer-choice-m/529894.

Empowering large load customers with direct market access, while encouraging third-party generation and distributed energy competition, can introduce meaningful market discipline into Louisiana's electricity sector. Done carefully, such reforms can attract private investment, reduce system-wide cost pressures, and provide greater flexibility to meet surging demand without placing new burdens on existing ratepayers.

Consumer Regulated Electricity

As Louisiana looks to expand its energy capacity and deliver affordable, reliable power, policymakers should also consider forward-looking models like Consumer Regulated Electricity (CRE), microgrids, energy parks, and other market-driven innovations. **CRE-style reforms allow large, sophisticated energy users, such as data centers, industrial facilities, and major manufacturers, to develop or contract for fully private power systems operating independently of the regulated monopoly grid.** Under this framework, developers would be allowed to finance, build, own, and operate generation and related infrastructure entirely with private capital and at private risk, serving only voluntary customers under negotiated agreements. This approach preserves the existing regulated utility system while creating a parallel pathway for new large-load customers that poses no risk to the grid and no cost to ratepayers. Last year, New Hampshire passed a streamlined law, HB 672, which exempts off-grid electricity providers from traditional utility regulation. Meanwhile, at the federal level, Sen. Tom Cotton's DATA Act would take the New Hampshire blueprint national, carving out the same exemption from federal utility rules for off-grid generators. These flexible, pro-growth solutions offer no-risk, high-reward pathways to protect ratepayers, modernize the grid, attract private investment, enhance competition, and empower consumers like never before.

Limited Retail Choice

Another approach worth consideration is following Michigan's example, which allows retail choice to any customer up to a set percentage cap. In Michigan, 10% of each utility's customer base can participate in retail choice. Of note, Michigan's retail choice program has reached the capped limits, and thousands of customers are currently on a waiting list for a retail choice arrangement.[38] **A limited retail choice program would be a way for Louisiana to gauge the level of customer interest and get a better sense of how retail choice could work in practice, as well as the benefits and challenges it might have for the state.**

Resource Aggregation

Another option to promote some measure of market competition and customer empowerment is to allow consumers in organized wholesale markets to participate in resource aggregation. Many homes today have small sources of power generation assets, such as batteries or solar panels, or have the ability to reduce their demand on request. While on an individual level, these assets can collectively supply valuable power generation capacity or reduce demand when this would provide value to the grid. **Allowing third parties**

[38] Michigan Public Service Commission. michigan.gov/-/media/Project/Websites/lara/Folder11/Status_of_Electric_Competition_Report_2020_-_Feb_1_2021. pdf.

to contract with customers to combine these resources for participation in wholesale markets would provide benefits both to the grid and to consumers.

All-Resource Competitive Procurement

In the absence of open market competition, states must rely on alternative mechanisms to constrain costs. One such approach is to require electric utilities to seek competitive bids for new power generation or other essential resources. This process determines whether third-party providers can deliver those resources at a lower cost than the incumbent monopoly utility itself. Just as competition drives down prices across other sectors of the economy, competitive bidding for energy infrastructure ensures ratepayers receive the best possible value. Studies have shown that competitive processes in transmission projects can reduce costs by as much as 30 percent.[39]

Multiple states have rules on the books that require competitive procurement for at least some resources. For example, Xcel Colorado seeks competitive bids for approximately one-half of its needs.[40] Meanwhile, Louisiana has had competitive procurement policies in place for many years, but the effective use of these tools to protect ratepayers and ensure consumers are paying the lowest reasonable cost for new resources has been limited in practice.

The PSC's Market-Based Mechanisms (MBM) Order, was originally issued in 2002 and most recently updated in October 2024.[41] The purpose of this order is clear: to mandate transparent, all-source competitive procurements that solicit bids from third-party providers to deliver reliable service at the lowest reasonable cost to ratepayers. The framework incorporates pre-RFP stakeholder input, independent monitoring in many cases, and a rigorous focus on selecting the most cost-effective options.

However, in December 2025, **the PSC issued a directive, the "Lightning Initiative," which explicitly waives these competitive bidding requirements for certain new resource procurements tied to large-load energy infrastructure projects** (such as those serving major industrial customers like AI data centers).[42] In practice, this means Louisiana's incumbent monopoly utilities no longer need to compete against other companies when building new energy projects. Instead, they can propose self-build options without first testing the market for potentially lower-cost alternatives from independent developers.

[39] Johannes P. Pfeifenberger, et. al, "Cost Savings Offered by Competition in Electric Transmission," The Brattle Group, April 2019. https://www.brattle.com/wp-content/uploads/2021/05/16726_cost_savings_offered_by_competition_in_electric_transmission.pdf.

[40] Herman K. Trabish, "Xcel's record-low-price procurement highlights benefits of all-source competitive solicitations," Utility Dive, June 2021. https://www.utilitydive.com/news/xcels-record-low-price-procurement-highlights-benefits-of-all-source-compe/600240.

[41] LPSC General Order 10-14-2024 (R-34247). https://lpscpubvalence.lpsc.louisiana.gov/portal/PSC/ViewFile?fileId=Y-VoYMs5%2BgSk%3D.

[42] LPSC Lightning Amendment to the General Order. https://lpsc.louisiana.gov/docs/minutes/Dec_17_2025_Min.pdf.

At this critical juncture—when unprecedented levels of energy infrastructure are needed to support new economic development—the waiver of Louisiana's longstanding competitive safeguards is likely to result in higher, unnecessary costs that will ultimately be passed along to consumers through higher electric bills. **This directive undermines ratepayer protections and risks squandering the very advantages that have made Louisiana attractive for investment. Regulators should act quickly to correct course and restore the full application of competitive procurement rules to safeguard consumers and ensure the lowest reasonable costs for new resources.**

Moderating Peak Demand

Markets of all types rely on prices to send critical information about the scarcity of a product to consumers. A temporary price increase on a product can signal the market to increase supply and prompt consumers to moderate demand until supplies become more plentiful. In electricity markets, however, most residential consumers are insulated from these price signals. While there are sound consumer-protection reasons for this design (e.g., shielding households from price volatility), the result is that electricity consumers lack both the incentive and awareness to conserve energy during periods of grid stress. Customers being unaware of and indifferent to grid stress and using electricity inefficiently drives up system costs, unnecessarily raising rates.

Several strategies could help change this dynamic. First, **Louisiana could make it easier for consumers to monitor their own energy use and respond to grid conditions.** Smart meters have been installed for most Louisiana customers, but this smart meter data is not always available in a readily usable form. To address this issue, the industry has developed the "Green Button" standard—an app-based tool that enables customers to download and share their usage data easily.[43] Adopting the Green Button standard in Louisiana would allow providers to create products to help reduce energy usage across utilities without undertaking material modifications.

Streamline Permitting and Siting

A major barrier to building the generation needed to meet growing demand is permitting delays. The growing length and cost of permitting is a general problem in the American economy, but is particularly acute in the energy sector. **It now takes an average of five years to approve a new power plant and ten years to build and permit a high-voltage transmission line.** These timelines are simply not compatible with Louisiana's growing energy needs.

Adequately dealing with these issues will require reforms at the federal, state, and local levels. Focusing on Louisiana, recommended reforms include, first, modernizing and digitizing state permitting processes to allow for quicker and more predictable approval timelines, and to enhance interagency coordination. In addition, the state should adopt clear timelines and deadlines for permit reviews to enhance transparency, clarity, and predictability in permitting and help facilitate better project planning and execution. Finally, the

[43] "What is the Green Button?" U.S. Department of Energy, https://www.energy.gov/data/green-button.

state should evaluate existing rules and standards to clearly define who has standing to bring a challenge to a permitting decision and on what grounds, and allow appeals from local permit denials where decisions are made arbitrarily.[44]

Regional Transmission Planning

Louisiana regulators can lower electricity costs and strengthen reliability for families by requiring utilities to fully participate in the Midcontinent Independent System Operator's (MISO) Long-Range Transmission Planning (LRTP) process. MISO serves as the nonprofit "air-traffic controller" for electricity across 15 states, independently coordinating power flows on the high-voltage grid to maximize efficiency and reliability. Full LRTP engagement shifts from isolated utility planning to collaborative, 20-year regional strategies that identify true least-cost solutions, unlock access to diverse generation resources, and deliver market efficiencies that reduce overall system costs. MISO's latest value proposition confirms the results: members have realized more than $50 billion in cumulative benefits since 2007, with annual savings exceeding $5.1 billion in recent years.[45] These gains come from enhanced reliability, more efficient use of existing infrastructure, reduced reserve requirements, and avoided congestion that would otherwise drive up prices for every customer.

For Louisiana, this reform would be especially powerful, potentially providing multi-billion-dollar system-wide savings over time through avoided congestion, diversified supply options, and the need for fewer utility-owned projects in the future (the cost of which is recovered from their customers through base rates)—providing tangible, long-term relief for families while supporting sustainable economic growth.

Advanced Nuclear Development

Louisiana regulators and lawmakers can further diversify the state's energy supply, moderate long-term electricity costs, and strengthen reliability by launching a whole-of-government initiative to support advanced nuclear development.

Nuclear energy already supplies roughly 15% of Louisiana's electricity generation, yet this output comes from only two aging facilities built roughly 40 years ago. Next-generation technologies, especially small modular reactors (SMRs), offer a practical path forward. According to the U.S. Department of Energy, SMRs are one-tenth to one-fourth the size of conventional reactors and generate 10 to 300 megawatts each.[46] These compact, factory-built units deliver flexible, scalable, zero-emission baseload power that is well suited for both grid support and on-site industrial needs, including the data centers and energy-intensive facilities.

[44] See generally, Devin Hartman et al, "State and Local Permitting for the Energy Sector: Challenges and Opportunities," R Street Policy Study 313. November, 2024. https://www.rstreet.org/research/state-and-local-permitting-for-the-energy-sector-challenges-and-opportunities/.

[45] Chris Villarreal, "Red States Missing Out," R Street Institute, February 1, 2022. https://www.rstreet.org/commentary/red-states-missing-out-on-better-electricity-market-opportunities-through-rtos/. 46 U.S. Department of Energy. "Advanced Small Modular Reactors (SMRs)." https://www.energy.gov/ne/advanced-small-modular-reactors-smrs.

[46] U.S. Department of Energy. "Advanced Small Modular Reactors (SMRs)." https://www.energy.gov/ne/advanced-small-modular-reactors-smrs.

Building upon the foundation established by Senate Bill 127, sponsored by Senator Adam Bass in 2025, which streamlines environmental permitting for advanced nuclear projects,[47] Louisiana can continue laying the groundwork to attract new investments in nuclear energy. Similar initiatives are already succeeding in other states. Utah's Operation Gigawatt, advanced through HB 249, created a Nuclear Energy Consortium, a development fund with designated zones, and a research board to foster collaboration among industry, workforce leaders, and academic partners.[48] Texas took a rigorous, stakeholder-driven approach with its Advanced Nuclear Reactor Working Group, launched in 2023. The group's 2024 report delivered concrete legislative, regulatory, economic, safety, and market-integration recommendations and has already drawn interest from multiple developers.[49] **Louisiana can follow these models by establishing a comprehensive framework that sends a clear signal to the private sector: Louisiana is serious, prepared, and open for business. The payoff for families: more energy and lower bills.**

Enhanced Geothermal Systems Development

Louisiana can also take steps to position itself as a national leader in Enhanced Geothermal Systems (EGS), a next-generation energy technology capable of delivering reliable, 24-hour baseload power without emissions. After decades of scientific research and early-stage investment, EGS is moving from laboratories to commercial markets. In 2018, the U.S. Department of Energy partnered with the state of Utah to launch Utah FORGE, a $218 million field laboratory that achieved major technical breakthroughs and reduced drilling costs by approximately 50 percent over the past two years. The oil and gas sector is now actively investing in EGS, leveraging existing drilling expertise and infrastructure. Federal permitting timelines are also beginning to improve. The next step is state-level action.

Numerous studies indicate Louisiana possesses promising geothermal resources. With appropriate policy support, EGS can help to diversify the state's energy supply portfolio. First, permitting processes for all forms of energy infrastructure should be modernized to provide clear timelines, coordinated agency review, and predictable standards tailored to geothermal development. In addition, lawmakers and regulators should consider establishing a Louisiana Geothermal Working Group modeled on the Texas Advanced Nuclear Reactor Working Group described in the previous section. A structured working group could evaluate resource potential, regulatory gaps, grid integration strategies, workforce development needs, and opportunities for private capital deployment. The outcome should be a detailed state roadmap that provides actionable legislative and regulatory recommendations.

[47] Louisiana Legislature. SB 127 (2025). https://legis.la.gov/legis/ViewDocument.aspx?d=1424937.

[48] Utah Legislature. HB 249 (2025). https://le.utah.gov/~2025/bills/static/HB0249.html.

[49] Public Utility Commission of Texas. "Texas Advanced Nuclear Reactor Working Group Final Report." November 2024. https://ftp.puc.texas.gov/public/puct-info/industry/nuclear/Advanced_Nuclear_Report.pdf.

CONCLUSION

Louisiana stands at a decisive moment. Electricity prices are rising. And families are already feeling the strain of higher monthly bills. The data presented in this report make clear that without meaningful reform, electric sticker shock will not be a temporary inconvenience. It will become a structural feature of the state's economy. Yet Louisiana is not powerless. Electricity prices are shaped far more by state policy decisions than distant market forces. How electricity generation and transmission infrastructure is built, whether projects are competitively bid, how costs are allocated to ratepayers, and whether consumer choice is permitted are all the result of the decisions we make. And in Louisiana, that authority and responsibility rests with the five elected members of the Public Service Commission.

The path forward does not require radical disruption. It requires disciplined reform. Competitive procurement, rigorous beneficiary-pays principles for large-load infrastructure, expanded consumer choice, streamlined permitting, participation in regional transmission planning, and thoughtful deployment of next-generation technologies can be implemented to transform rising demand into an unprecedented opportunity.

If current trends continue unchecked, ratepayers will shoulder the cost of massive capital expenditures, fuel volatility, and guaranteed returns embedded in the existing regulated monopoly utility model. But if Louisiana acts decisively, it can protect families and businesses from escalating bills, attract private capital, support industrial growth, and ensure affordable, reliable electricity for decades to come. The choice is clear, and the opportunity is now.

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