ELECTRICITY AFFORDABILITY TOOLKIT

Tariffs for Large Load Customers

COST CONTROL | COST DISTRIBUTION

AT A GLANCE

TARGET COST DRIVERS

The policy can help to ease customer cost pressures created by these drivers

- **Load growth**
- **Aging grid infrastructure**
- **Misaligned utility incentives**

IMPACT TIME HORIZON

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How long it typically takes before changes materialize in utility behavior or customer bills

Medium-term (2–5 years)

POTENTIAL COST SAVINGS

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The level of cost savings that can reasonably be expected to result from this policy

High

CONTEXT AND BACKGROUND

A tariff is a legally binding set of rates (electricity prices) and service rules that govern how customers take power from the grid. For large load customers — such as manufacturers, data centers, and other high-energy industrial or commercial facilities — tariffs determine how much they pay and the conditions for how they connect to the system. These terms in turn influence broader cost allocation outcomes across customer classes. Tariffs are increasingly structured to include safeguards, such as exit fees or minimum demand commitments, that reduce the likelihood of other customers bearing stranded costs when anticipated large load customers fail to fully materialize or leave early.

There are two main types of tariffs. State-regulated retail tariffs address the utility's sale of electricity to end-use customers. The state's public utility commission (PUC) has jurisdiction over them. At the federal level, the Federal Energy Regulatory Commission (FERC) regulates interstate transmission service and wholesale power markets. FERC-regulated tariffs, such as Open Access Transmission Tariffs (OATTs), determine how transmission and wholesale electricity costs are shared among transmission customers such as utilities. Both state and FERC tariffs influence how grid costs and risks are distributed, and in turn, shape electricity affordability.

State legislation can enable, constrain, or direct large load retail tariff terms, influencing how grid costs and risks are shared. Well-designed state policies can promote affordability by ensuring that the costs of serving large new loads are borne fairly, including by using large load tariffs. Because retail electricity rates are subject to state jurisdiction, legislatures can direct utilities to create a separate customer class for especially large loads, design retail electricity rates so costs are borne by those benefiting the most from system upgrades, and embed protections against stranded costs and cross-subsidies (i.e., when one group of customers pays for costs caused by another).

Legislatures can choose from several approaches to ensure fair cost allocation and ratepayer protection. Creating a separate customer class for large loads can better account for costs to serve specific customer types, reduce regulatory burden associated with reviewing individual contracts, and create opportunities for broader stakeholder engagement in establishing utility best practices.

LEGISLATIVE DESIGN AND IMPLEMENTATION CONSIDERATIONS

Legislation on large load tariffs can include the elements listed below. These actions describe what a legislature can establish in statute — either directly or by directing and empowering the PUC to act through tariff proceedings, planning processes, and related orders.

Customer eligibility

Legislation can define or direct the PUC to define large load customer classes based on factors such as the size (MW) of the contracted load and the capacity factor of the load. This gives PUCs firmer ground to review and approve tariffs that address energy users who have a large footprint on the grid. These factors are viewed as less discriminatory than classifying customers based on their use, making PUC decisions less vulnerable to legal challenges.

Cost allocation and protections

Legislation can require the PUC to review existing cost allocation methodologies to ensure they fairly assign costs across and within customer classes and protect ratepayers from future risk. Large load tariffs developed under this direction could include ratepayer protections such

The table below provides examples of how authority and responsibility for tariffs for large load customers may be distributed across key entities.

VENUE	POTENTIAL ROLES
Legislature	• Enact enabling laws for PUC oversight of large load tariffs • Define tariff principles for PUCs and stakeholders to consider, such as customer eligibility, risk mitigation, and customer protection
Regulator	• Review and issue orders regarding retail tariffs • Enforce legislative requirements • Ensure cost allocation reflects cost causation and includes protections against stranded asset costs • Ensure that utilities are adequately planning for the needs of new load to maintain grid reliability
Administration	• Encourage the PUC to study large-load impacts and report options to the legislature
FERC and RTO/ISO	**FERC** • Regulate and approve OATTs; approve transmission cost allocation **RTO/ISO** • Draft OATTs for FERC approval • Operate wholesale markets and transmission subject to OATT terms • Assign costs for regional transmission upgrades driven by large loads

LEGISLATIVE DESIGN AND IMPLEMENTATION CONSIDERATIONS (CONTINUED)

as minimum term commitments (e.g., 10 years), minimum demand or energy commitments, capacity-reservation charges, and collateral or exit fees. These are all tools that reduce the risk other customers bear if large loads don't materialize.

Cost control and operational flexibility

Legislation can direct or enable the PUC to evaluate integrating measures into tariffs that curb system costs and incentivize efficient operations:

- Enable demand flexibility (e.g., through use of on-site generation, off-site demand flexibility such as through a virtual power plant, or by shifting computing demands) and staged load ramps to shape/shift load and reduce costly peaks.
- Coordinate with transmission planners to evaluate alternative transmission technologies (including grid-enhancing technologies and advanced conductors) as eligible non-wires solutions that create headroom for new loads and help avoid or defer traditional infrastructure.

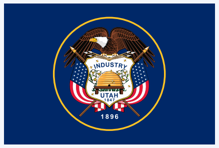
Integration with load forecasting

Legislation can require or encourage the PUC to incorporate certain large load tariff terms and conditions, such as collateral requirements or exit fees, into grid planning and forecasting. Incorporating these terms may help deter speculative load interconnection requests, inform how likely it is that the large load will materialize, and reduce uncertainty in load forecasts.

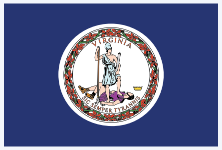
REAL-WORLD EXAMPLES

As of October 2025, at least seven US states — **Minnesota**, **Virginia**, **Utah**, **Oregon** (HB 3546, 2025), **Missouri** (SB 4, 2025), **Texas** (SB 6, 2025), and **Kansas** (SB 98, 2025) — have enacted statutes that address how large electricity users are classified, served, or charged.

Minnesota's HF 16 (2025) directs the PUC to establish a "very large customer" class in retail tariffs and to assign all attributable costs of serving that class to those customers. The statute does not set a MW threshold; the PUC will define "very large" in its tariff proceeding. Through the establishment of this new customer class, the law requires the PUC to protect other rate classes from stranded costs. The legislation also ties the state's data center tax exemptions to compliance with energy efficiency standards — linking economic development via very large customer growth to prudent grid planning.



Utah's SB 132 (2025) establishes a framework for "large-scale electric service" that includes a large load flexible tariff. The law establishes a threshold that applies to loads which will ramp up to ≥ 100 MW within five years. It also allows load to contract with alternative generation providers if the utility cannot provide timely service to large load customers. The law also ensures that large load incremental costs are excluded from general rates to mitigate the potential for cross-subsidization.



In 2025, **Virginia** enacted two complementary measures addressing large load customers. HB 2084 (Ch. 395) directs the State Corporation Commission (SCC) to review whether current customer classifications remain reasonable by July 1, 2027. This bill gives the SCC more discretion to consider and establish separate rate classes and potential cost shifting to other customers. HB 2644 (Ch. 499) allows electric cooperatives to establish for-profit affiliates to sell power on an unregulated basis to customers exceeding 90 MW. This creates an alternative service path for large loads with the intention of insulating smaller cooperative members from related costs.

FURTHER READING

- "Database of Emerging Large-Load Tariffs (DELTa)," Smart Electric Power Alliance, 2025
- "Large Load Tariff Design Principles," RMI and Advanced Energy United, 2025
- "Large Energy Users Want Power. Here's How to Protect Other Ratepayers from the Costs." RMI, 2025
- "Electricity Rate Designs for Large Loads: Evolving Practices and Opportunities," Lawrence Berkeley National Laboratory, 2025

IMPACT TIME HORIZON

Medium-term (2–5 years)

State-level legislative changes to tariff structures typically take several years to translate into measurable cost impacts (including time to enact legislation). After a law is enacted, utilities must propose new tariffs, PUCs must review and determine whether to approve the tariffs, and large-load customers then negotiate service agreements. The approvals can take less than one year, while implementation often takes one to three years. The most significant cost savings or avoided costs emerge over time, as grid investments are planned and paid for based on the new tariff structure.

POTENTIAL COST SAVINGS

High

Well-designed large load tariffs can lead to major savings over time. These tariffs can set the terms and conditions necessary to ensure that large customers pay their cost of service and are not subsidized by other rate classes. They can also help to reduce the risk of overbuilding resources for speculative loads and promote technology improvements for more efficient operation and utilization of the grid.