

# Energy and Utilities 2026: The Age of Affordability

Finding Balance

By West Monroe's  
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oth load growth and energy affordability dominate headlines and will continue well into 2026 and beyond. Speed to power driven by AI growth will require greater investments in a broad portfolio of generation and infrastructure to transfer power to load centers.

These load centers are not seeking behind-the-meter solutions, which means a greater expectation for the utility to deliver. It is not just data centers but also manufacturers, upgrading aging assets, and shoring up a resilient grid – all of which affect the pocketbooks of every customer.

The scrutiny utilities face calls for transparent grid planning so that the economics make sense on spending for the right investments. This means affordability becomes front and center for grid planners.

The public needs confidence that spending is being made in the right place, and there is a grid governance role for the customer to be heard. History has shown that when the public understands and supports the utility, rate cases have a greater chance for approval. We all know history has a habit of repeating itself.

### **Prioritizing Capital Investments to Balance Affordability/Load Growth**

With affordability top of mind with regulators, capital investments are under increasing scrutiny by the public. Utilities are exhausting precious resources to justify and demonstrate the value of these capital investments and to limited success. The average household utility costs have risen thirteen percent since the pandemic and expect to only increase in years to come, according to the U.S. Energy Information Administration.

This tension between having to invest and maintain affordability is on a collision course, and utilities will be forced to go on the defensive. What if there is an alternative method to rationalize capital investments so that the public understands and becomes a stakeholder in success?

Many utilities have begun modernizing the approach to designing and prioritizing capital investments. A strategic capital investment goes beyond standard Monte Carlo simulations and traditional options modeling. The approach deploys state-of-the-art planning tools, such as Copperleaf, with data-driven decision making and advanced analytics (including AI options modeling) that can help identify investments that optimize long-term costs and benefits.

Furthermore, the approach calls for collaboration with regulators and stakeholders, an element crucial to balance policy mandates with customer affordability. A strategic capital investment prioritizes programs that yield the greatest value to the customer.

The approach focuses on scalable, forward-thinking solutions that utilities can use in their filings to better articulate and

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justify the investment decisions being made. This approach may benefit greatly as the tension surrounding affordability grows louder with each passing year.

### **Alternative Rates for Transparency and Affordability**

More states are moving toward multi-year rate planning structures to address customer affordability by reducing regulatory lag and providing greater predictability in utility spending. These

frameworks require utilities to plan their revenue needs years in advance, encouraging disciplined spending and transparency.

Customers benefit through mechanisms like refunds if utilities underspend, while utilities are incentivized to stay within their projections to avoid exceeding cost caps. For states and utilities truly committed to affordability, evaluating alternative rate-planning models and ensuring clarity around future spending are essential steps to building trust and delivering value to customers.

### **Turning Data Center Demand into Grid Modernization**

Tech giants like Microsoft and Google are drivers of grid modernization. With their outsized appetite to invest, data centers are willing to pay for additional capacity and the infrastructure to support this.

The required grid upgrades can create shared value, enhancing reliability and resiliency for both data centers and the broader customer base. Entergy Mississippi, through its sixteen-billion-dollar contract with AWS, demonstrated how data center agreements

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can be leveraged to fund system improvements, modernize aging infrastructure, and meet customer needs.

While load growth may initially appear to be a challenge, the excess capital from data center customers has enabled utilities to reinvest in their grids, which would not have been possible if the load had remained stagnant. Rather than viewing data centers as a burden, utilities should see them as partners in building a stronger, more resilient grid. With willing tech investors, utilities can find equitable opportunities to invest without burdening the customer base.

### **An All-Encompassing Solution Set**

It almost seems inevitable that rising load demand will lead to higher bills for customers, despite efforts to minimize the impact. However, utilities are uniquely positioned to think strategically about how to optimize increased capital spending by developing creative solutions that address all parts of the business, rather than focusing on one area over another.

Diversifying generation and demand management, investing in microgrids, and promoting energy efficiency programs are all examples of ways utilities can shift their focus to build a comprehensive strategy that not only positions them as leaders in their industry but also helps mitigate the effects on customer bills.

Furthermore, continued investment in renewable generation and interconnection is essential for reducing fuel costs over time, even in the face of opposition from the White House. All utilities, whether vertically integrated or deregulated, stand to benefit from streamlined approval processes for permitting and regulatory reviews of clean energy solutions.

Customer affordability cannot be addressed without considering the investment strategies of utilities. Procuring a solution set that hits on demand-side management, creative generation diversification, grid modernization, and energy efficiency is more important than ever to ensure sustainable growth while keeping costs manageable for customers.

### **Energy Efficiency and Demand-Side Management Programs**

After decades of flat demand, electricity use is now growing at its fastest rate since World War II. The skyrocketing costs of building more infrastructure are becoming unsustainable, especially when an energy-efficiency approach may offer a viable solution.

Demand-side management programs are a key part of this solution, driving energy efficiency while rewarding utilities. State home energy rebate programs were not in H.R. 1, also known as the One Big Beautiful Bill Act, because the bill targeted federal residential tax credits for energy efficiency upgrades, not state-level rebate programs.

According to NASEO, only six states currently have fully baked home energy rebate programs and these rebates are driving energy efficiency in residential and C&I. Now more than ever is the time for utilities and state energy offices in the remaining forty-six to collaborate and prioritize energy efficiency.

Such government-driven programs work. Federal leadership aside, consider the Corporate Average Fuel Economy (CAFE) standard, which led to a doubling of fuel mileage for automobiles

and a similar decline in auto emissions in less than ten years. This approach resulted in greater mileage with lower fuel consumption and reduced carbon emissions. Similar initiatives at the state level may yield similar positive outcomes.

### **Energy Efficiency, DSM, and VPP Programs: Simplifying Enrollment**

Utility leaders can prioritize customer affordability by streamlining enrollment in energy efficiency, demand-side management, and virtual power plant programs, making it easier for customers to access cost-saving opportunities.

Simplified processes, such as digital-first enrollment, personalized outreach, and real-time customer education, can eliminate barriers that have historically limited participation, ensuring customers can benefit more quickly from lower energy bills. By leveraging data analytics and behavioral insights, utilities can offer tailored solutions that align with individual energy needs, helping customers reduce costs in ways that work best for them.

Collaborating with community organizations and trusted third parties can further increase awareness and build trust, encouraging broader participation in these programs. When utilities make these initiatives more accessible and user-friendly, they empower customers to take control of their energy usage, lower their bills, and contribute to sustainability efforts. At the same time, these programs enhance grid flexibility and reliability, creating a win-win scenario for both utilities and their customers.

### **Upgrading Legacy IT/OT Systems**

As supply and demand dynamics continue to evolve alongside the ongoing energy transition, modernizing legacy IT/OT systems presents an opportunity for utilities to improve affordability for customers. This transformation can enhance how utilities interact with customers and streamline internal operations, potentially reducing costs and improving efficiency.

Adopting automation and Development, Security, and Operations (DevSecOps) practices could enable faster, high-quality platform delivery, supporting the energy transition while identifying opportunities to lower expenses.

To further address affordability, utilities might consider establishing a Value Realization Office to maximize cost-saving benefits and foster an always optimizing culture driven by automation and AI. Collaborating with industry experts could accelerate new programs and initiatives, helping utilities position themselves as



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leaders in their service territories. By demonstrating the value of these investments, utilities can deliver tangible savings to the rate base while meeting the demands of a dynamic future.

### **Looking Ahead**

Concerns around energy affordability have always been present but in recent years this feels different. Perhaps the rising cost for other essentials like food, health care, and housing with no end in sight creates an unease for everyone.

The coming year will test the resolve of utility leaders, but it also presents a unique moment to lead the energy transition with new ways of thinking. With a focus on customer affordability, the industry can rise to meet the demands of a rapidly changing energy economy that delivers lasting value for generations to come. **PUF**

■ The views are those of the authors and not of West Monroe.