



MYTH vs FACT: Correcting the Record on CRA's Misleading Report

A new report by Charles River Associates (CRA), commissioned by the Edison Electric Institute, uses misleading arguments, unsubstantiated claims, and cherry-picked examples to further conceal the real reason why Americans' electric utility bills are rising. The report represents the latest attempt by utilities to deflect blame for increasing electricity bills, which in reality, is driven in large part by utilities' spending on transmission and distribution infrastructure.

MYTH: Capacity prices in PJM are a leading cause of higher electricity bills.

FACT: Rapid increases in utility transmission and distribution costs and state policies are the fastest-growing parts of electricity bills over the past decade.

- A [study by Energy Tariff Experts](#) (ETE) analyzed 14 different utilities in PJM's footprint over a decade and found that transmission, distribution, and state policies were the fastest growing parts of electricity bills. In fact, the share of electricity bills that came from energy generation and capacity prices remained consistent with historical averages.

MYTH: Vertically integrated utilities would have anticipated demand increases that the market did not.

FACT: If VIUs were better at forecasting demand and building generation, Dominion would have plenty of in-state power to meet demand in Virginia.

- Under a VIU model, Dominion failed to keep pace with demand and Virginia had to [import](#) more electricity than any other state in 2023.
- Conversely, Pennsylvania had a massive generation surplus and exported more electricity than any other state under its competitive structure.

MYTH: Utilities can only charge ratepayers once projects have been completed.

FACT: Utilities can pass costs onto ratepayers as long as it's approved by state regulators.

- The CRA report concludes that AI data centers are not the cause of increasing prices because those data centers are not operational. Unlike independent power suppliers who absorb the investment risk for new projects, monopoly utilities pass the risk of their investments onto ratepayers. Utilities might be able to recover costs for projects that never get built. Examples include:
 - The [Mid-Atlantic Power Pathway](#) was a \$1 billion project by PEPCO and DPL that was abandoned and cost ratepayers \$80 million despite never breaking ground.
 - The [PATH transmission project](#) between West Virginia and Maryland cost ratepayers \$250 million despite construction never beginning.
- Moreover, utilities have a history of leaving ratepayers on the hook for cost overruns when building generation.
 - Mississippi Power halted construction of its [Kemper IGCC project](#) after years of construction delays and costs that rose to \$7.5 billion from the originally budgeted \$2.9 billion. While regulators ordered the utility to bear the costs of the failed coal-to-gas project, ratepayers were still charged for the costs associated with the natural gas power plant component of the project.
 - El Paso Electric - which operates outside of Texas's competitive market - was six months behind schedule on the Newman 6 power plant and cost 27 percent more than the initial budget. The Public Utility Commission of Texas is set to decide if ratepayers will bear the full \$217 million, as was recommended by a panel of Texas administrative law judges.

MYTH: IPPs are not building fast enough in PJM.

FACT: IPPs are investing in new generation capacity in PJM and across the country. Factors outside of IPP's control - like permitting processes, and state and local opposition to projects - slows the rate new generation projects can be added.

- Labor shortages, supply chain issues, and a challenging permitting environment have all made building new generation more difficult. Any company trying to build power plants will face the exact same barriers.
- Despite this, IPPs are investing in PJM and across the country. Through its Reliability Resource Initiative, PJM is advancing 41 projects representing approximately 8,000 MW of generation. PJM has also [signed](#) agreements with 63.4 GW of projects to connect to the grid, but they have yet to be brought online due to red tape by state officials.
- Speculative load forecasting by utilities is causing investment problems. AEP Ohio [reported](#) data centers have committed to 5,642 megawatts of contracts, which is significantly lower than the 30,000 megawatts initially projected under a now approved PUCO tariff. This discrepancy demonstrates that utility forecast practices need to better reflect the probability of projects completing, their total loads, supply constraints, or timing of load growth.

CRA's report contradicts clear evidence and data by using cherry-picked information

CRA's Report

HIDING INFORMATION & CHERRY PICKING

To understand electricity rate trends impacting several regions across the country, CRA decided to only break down the spending of two unnamed utilities in the "northeast." As the report explains: *"we have chosen not to identify the utility by name because of concerns that the inclusion or omission of some companies but not others could mislead or confuse the reader."*

DISCREPANCIES

The report presents electricity as a share of average household expenditures falling over time.

DENYING THE PROBLEM

"Our analysis supports the important finding that most American ratepayers have not been burdened with rapid increases in their electric costs and that efforts to control costs have generally been effective."

FEAR-MONGERING

CRA estimates total PJM-wide capacity costs for 2028/29 between \$16.6 billion and \$27.0 billion in the BAU case, depending on policy outcomes related to the price collar. Under its BAU scenario, CRA claims capacity prices will clear high and low price caps - \$337/MW-day and \$550/MW-day.

Inconsistencies

By only examining two utilities - while simultaneously concealing the identities of the utilities - CRA appears to be cherry picking a result that fits their desired narrative, which could lead to decisions that have national and regional impacts. To fully understand the trends and causes of electricity rates, CRA should have looked at an entire region, like California or PJM.

Using average household expenditures on electricity, like the CRA's report does, is an egregious misrepresentation that ignores the [large number of low-income households that have been and continue to experience energy poverty](#). This misrepresentation is particularly appalling, given that the study's opening paragraph explains why average electric rates are misleading.

[Analysis from PowerLines](#) found that 56 million Americans will pay \$11.6 billion in increased utility costs after state regulators approved 43 rate hikes last year.

CRA is fear-mongering around the price cap, which was implemented by PJM to quell over-reactions to the market providing build signals. The reality is that there is a price cap of \$325/MW-day until May 30, 2028, and are likely to be extended until May 30, 2030. Furthermore, PJM's maximum capped prices are still lower than neighboring regions like Appalachian Power Company, which has seen its FRR hit \$455/MW-day in the 2024/25 delivery year.

The Bottom Line

As the cost to maintain the power grid continues to rise, customers are being saddled with higher bills and no tangible improvement in service. In the years ahead, utilities will have their hands full addressing transformer shortages, pole hardening, and resilience planning. Instead of deflecting blame for their contribution to rising bills, utilities should focus on keeping costs for transmission and distribution system in check. And to keep costs from running rampant, state public utility commissions must provide aggressive oversight to ensure that capital spent is doing more than lining utility coffers.