

Commercial Electricity Rate Report

A tariff-level analysis of the structural shifts in commercial electricity rates and their impact on enterprise energy management strategies

JANUARY 2026

Arcadia

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Executive Summary

The era of predictable electricity costs is over. Leveraging Arcadia's Signal product — a high-accuracy bill simulation engine and tariff database — paired with commercial building load profiles from the National Renewable Energy Laboratory (NREL), we modeled costs from 2020 through 2025 for typical building types at a sample of US utilities.

Our comprehensive analysis reveals that **electricity rates increased for 97.5% of commercial facilities** from 2020 to 2025, and **71% of facilities experienced rate increases that outpaced inflation**. However, the impact varied dramatically: some facilities saw rates rise by over 100% while others saw minimal change.

Key cost drivers include commodity price volatility and structural constraints in grid capacity. Accelerating load growth, coupled with insufficient supply, is causing capacity prices to surge. Furthermore, regulated utilities are securing approval for rate increases to fund necessary grid investments, signaling a systemic repricing of grid reliability for the foreseeable future.

In this environment, enterprise energy leaders must move beyond historical averages and adopt granular, facility-based strategies. This means retiring outdated budgeting models, understanding whether costs are consumption-driven or demand-driven, and proactively evaluating alternatives like tariff optimization or new supply contracts. Ultimately, financial risk mitigation requires dynamic budgeting and scenario forecasting based on specific tariffs and load profiles.

97.5%

of commercial facilities
experienced electricity rate
increases between 2020 & 2025

71%

of facilities had rate increases
exceeding inflation between
2020 & 2025

5.9%

median 5-year Compound
Annual Growth Rate for
commercial electricity rates

7x

difference between the
highest and lowest 2025
blended rate in our sample

12x

surge in annual capacity costs in
PJM between 2024 & 2027

9.7%

median year-over-year rate of
change between 2020 & 2025

Background & methodology

The shift from predictability to volatility

In 2025, electricity prices moved from the back office to the front page. Coverage spanned from industry journals like [Utility Dive](#) and [Canary Media](#), to mainstream outlets including [Bloomberg](#), [The Washington Post](#), and [CNN](#). Some analysts even proclaimed electricity to be “[the new price of eggs](#)” due to its political impact on 2025 elections in New Jersey, Virginia, Maryland, and Georgia.

Crucially, electricity cost concerns reached the C-Suite. According to Wells Fargo, mentions of “power”, “electricity”, or “energy” in Q3 2025 earnings calls for S&P 500 companies [more than doubled](#) year-over-year. Once considered a predictable operating expense, electricity has become a source of supply uncertainty and growing risk.

The data gap: Why averages fail

Much of the reporting about rising electricity prices relies on wholesale energy indices or average retail rates from the Energy Information Agency (EIA). While directionally useful, these metrics are insufficient for corporate decision-making. Unlike other energy commodities like oil, electricity costs are dictated by hyper-local structures.

CFOs and energy managers must look beyond averages and solve for three variables:

✦ **Tariff Specificity**

Utilities manage hundreds of unique tariffs, and rate increases are rarely applied evenly across them. Analyze the specific utility tariffs that are relevant to each facility.

✦ **Total Cost View**

Wholesale prices only comprise a fraction of the bill. Include all rate components — distribution, transmission, generation, capacity, and ancillary services — to get a total cost view. If your analysis only looks at wholesale energy prices, you’re missing 30–70% of the total cost equation.

✦ **Load Profile Sensitivity**

Two commercial buildings on the very same tariff with identical annual consumption could have vastly different costs if their usage patterns (load profile) differ. Enterprise energy managers must consider the granular load profiles of their facilities to evaluate the impacts of various energy strategies.

Analysis methodology

This report translates an important trend — rising electricity costs — into analysis that is pertinent to enterprise energy leaders. Leveraging Arcadia's [Signal](#) product — a high-accuracy bill simulation engine and comprehensive database of over 30,000 North American electric tariffs — paired with commercial building load profiles from the National Renewable Energy Laboratory (NREL), we modeled costs from 2020 through 2025 for typical building types at a sample of US utilities.

Our analysis includes:

- ✦ **5 building types**
Hospital, Office, Retail, Supermarket, and Warehouse
- ✦ **81 utilities**
A geographically diverse sample across all US regions*
- ✦ **321 tariff-building type combinations**
Unique pairings of tariff and building type

Importantly, this report is not an overview of average commercial rate trends by utility or state, as that data is readily available from the [EIA](#). Instead, we provide insight into electricity cost trends by specific commercial building types and utility tariffs, including a breakdown of cost trends by charge components.

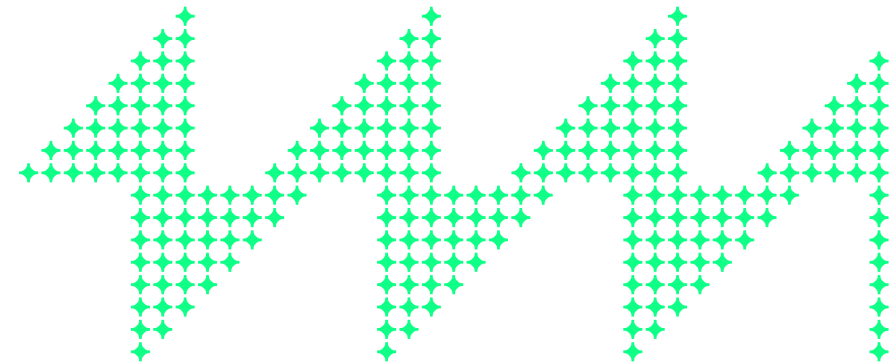
**Note on market structure: In deregulated markets, we used the default regulated tariff (the "Price to Compare") as a baseline. While we recognize enterprise customers often leverage third-party supply, the Price to Compare serves as the essential benchmark against which all third-party contracts are measured.*



Why one strategy does not fit all

Unlike oil or natural gas, which trade on global indices, the price of electricity is the sum of hyper-local constraints. While headlines focus on national inflation, the actual price paid by commercial facilities is dictated by many layers of regulatory, physical, and market variables. As shown below, the drivers of your cost increase are likely distinct to your region, your utility, and even your specific meter.

Level of impact	Electricity cost drivers
National	• Equipment shortages • Import tariffs • Interest rates
Regional	• Fuel volatility and basis risk • ISO / RTO market construct • Transmission build • Generation build / Reserve requirements
State	• PUC ratemaking policies • Environmental regulations • Renewable requirements • Labor rates
Utility	• Utility ownership structure • Weather / Climate events, including wildfire and hurricanes • Electrification & data center load growth • Congestion
Facility	• Building load profile • Peak demand coincidence • Service voltage



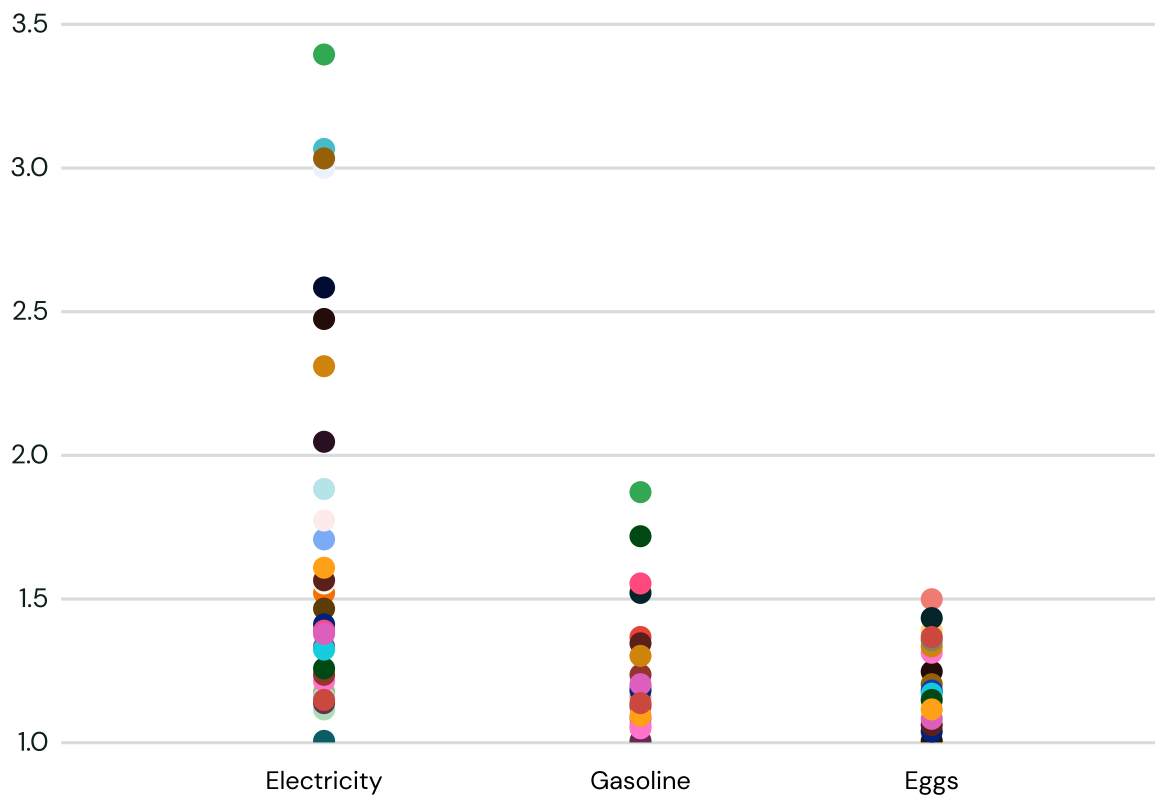
The geographical risk premium

Geography is one of the largest determinants of your electricity rate. While national commodities like fuel or food staples trade within a relatively narrow price band across states, electricity defies this trend. Because grid infrastructure and regulatory policies are state-specific, price dispersion is extreme. As shown on this chart, the price spread for electricity is nearly double that of gasoline and triple that of other consumer staples like eggs.

A facility in a high-cost state may pay **3.5x more** per kilowatt-hour than an identical facility elsewhere. For enterprise portfolios, this means “average” national energy budgets are ineffective; capital allocation must be scrutinized by regional exposure.

Price dispersion of electricity, gasoline, and eggs by state

Distribution of average retail prices for electricity, gasoline, and eggs across the 48 contiguous US states. Each dot represents a different state, with the lowest-priced state indexed to 1.0.



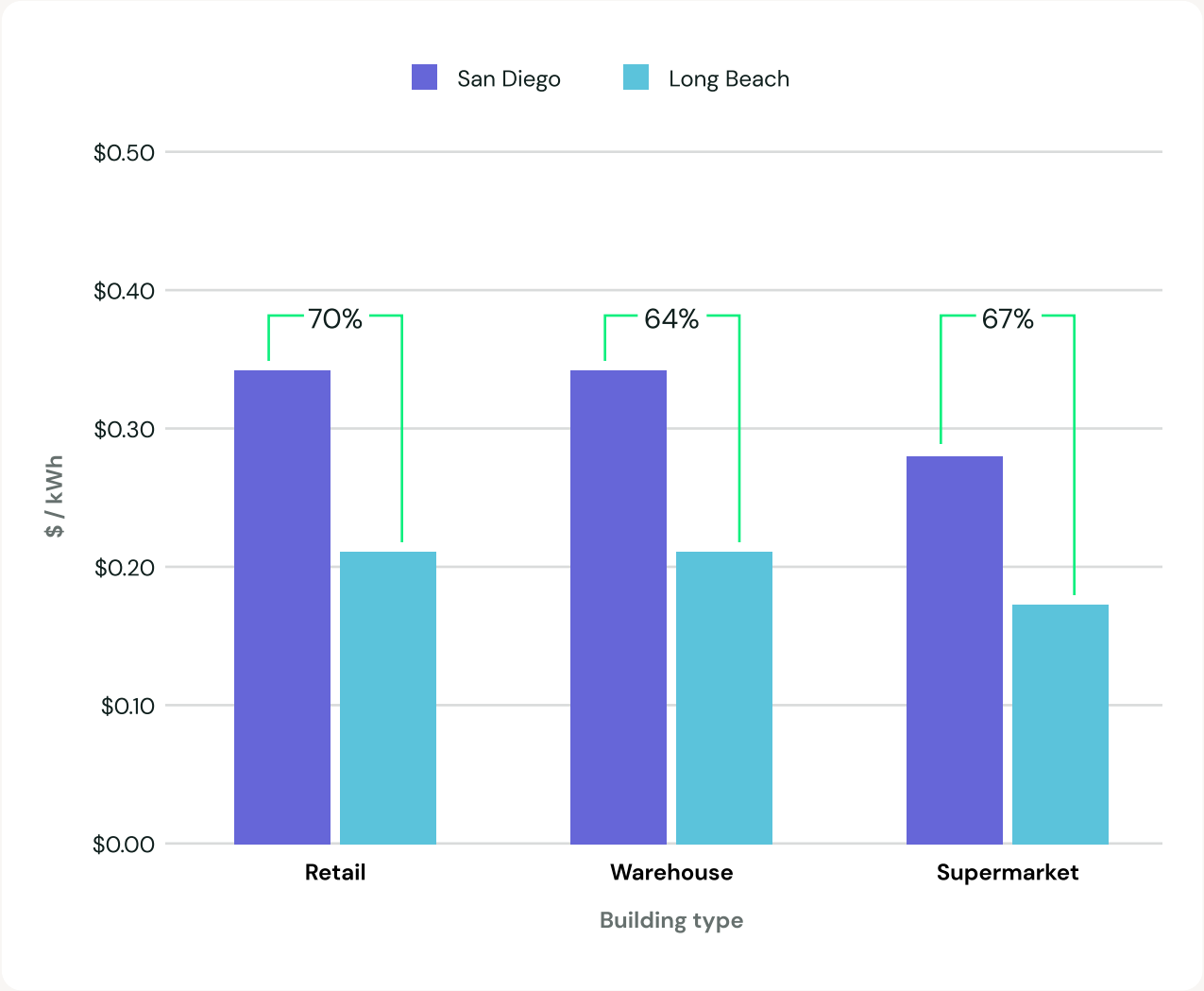
State averages are misleading

While the previous chart showed the spread between states, the spread within states is often just as extreme.

To illustrate this intrastate risk, we analyzed two major commercial hubs in southern California. Despite geographic proximity and shared governance, the differences in retail rates are staggering. San Diego (served by San Diego Gas & Electric) and Long Beach (served by Southern California Edison) are 100 miles apart, have similar climates, are both in the California ISO, and are both served by investor-owned utilities regulated by the CPUC. Yet, **commercial buildings in San Diego pay 64-70% more** for electricity than their counterparts in Long Beach.

Price variation by location

Electricity rate comparison for three commercial building types in San Diego and Long Beach.



2025 average electricity rates

Your rate is a function of your load profile

In commercial energy, there is no such thing as a standard price tag. Even within the same utility territory, the effective rate you pay is determined by *how* you consume power.

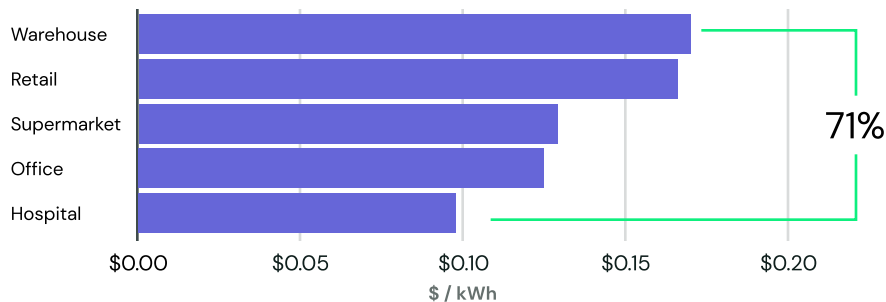
Utilities incentivize large, steady, predictable usage (like hospitals) and penalize “peaky” usage (like warehouses and retail). As the data shows, this penalty can be severe. Within some utility service territories, we observe price spreads of 40–75% between the lowest and highest-cost building types.

For example, in Tucson, AZ, a warehouse with volatile demand pays 71% more per kWh than a steady-state facility next door. While you cannot control the utility’s base rates, you can control your effective rate by optimizing your load profile and tariff selection.

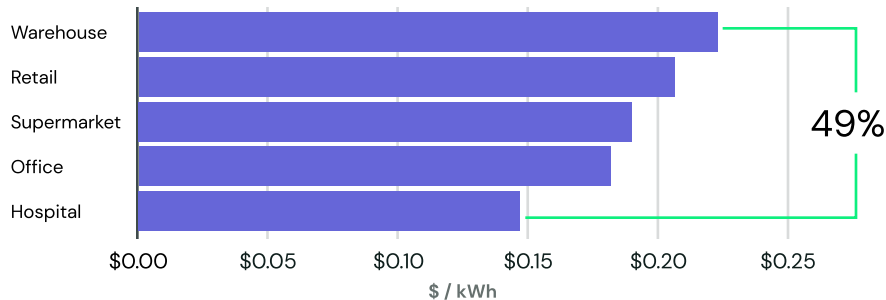
Same utility, different rates

These examples show how building type (load profile) impacts effective rates within a single service territory. Hospitals, with high baseload usage and high load factor, have lower effective rates than facilities with low load factor and weather-dependent usage, like warehouse and retail.

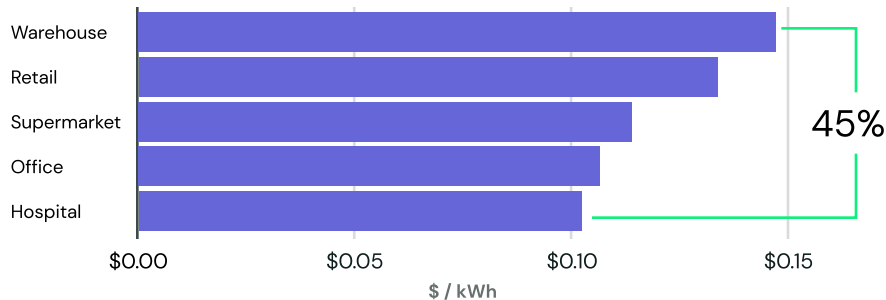
Tucson, AZ



Atlantic City, NJ



Kansas City, KS



The fallacy of the average rate

The variance we've detailed — across state lines, utility territories, and building types — leads to a singular conclusion: There is no such thing as an "average" commercial price.

For enterprise leaders, relying on national or state-level aggregates is not just imprecise; it is a financial risk. As the data proves, a generic benchmark can deviate from actual costs by 70% or more depending on a facility's load profile and tariff.

To navigate this variability, enterprise energy leaders must replace estimation with granularity. The following analysis abandons averages to track cost trends at the level that matters to your P&L: The specific intersection of tariff, location, and load.



The electricity cost crisis in 9 charts

1

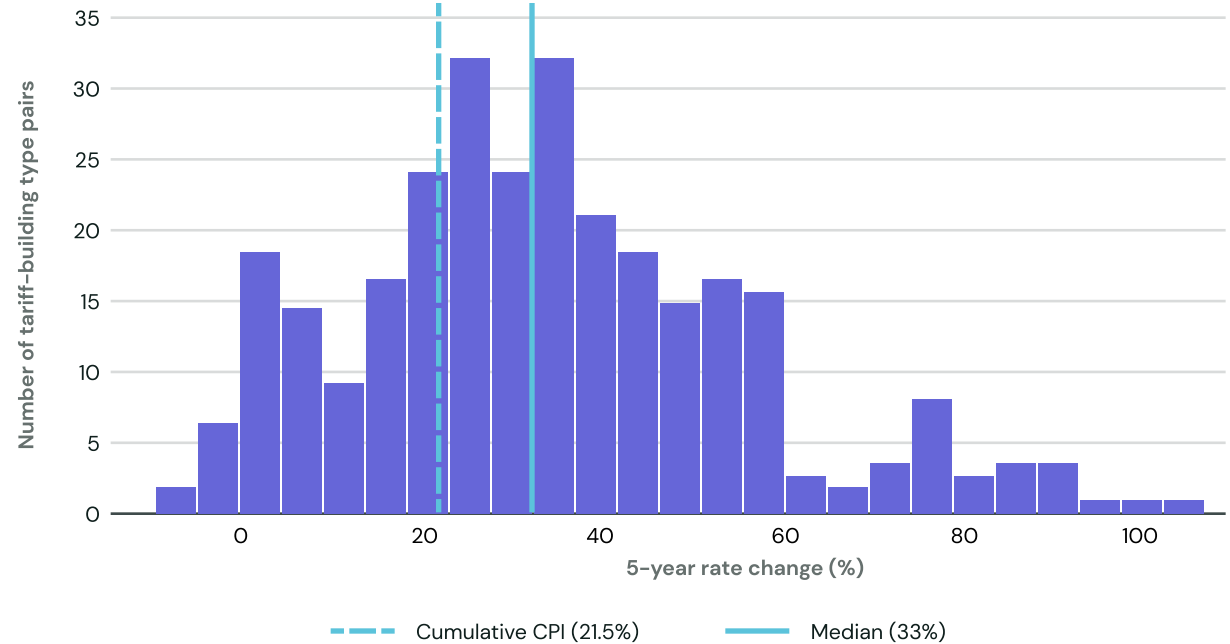
The new baseline: 6% is the new 3%

Commercial electricity prices have fundamentally decoupled from standard inflation metrics.

For decades, corporate finance teams have relied on a standard 3% annual escalator for utility budgeting. Our data shows this model is now obsolete. With a median Compound Annual Growth Rate (CAGR) of 5.9%, the market is moving twice as fast as historical benchmarks suggest.

While the upward trend is nearly universal — 97.5% of facilities saw increases — the magnitude of that pain is highly concentrated. As the distribution chart shows, the long tail of volatility is severe: while the median increase sits at ~33%, the top quartile of facilities absorbed increases approaching 50% to 100%.

Distribution of electricity rate changes (2020–2025) by tariff and load profile



Key findings:

- ✦ 97.5% of tariff-building type pairs saw rate increases from 2020–2025
- ✦ 71.3% of increases exceeded cumulative CPI inflation (21.5%)
- ✦ Median CAGR: 5.9% (double the typical 3% annual escalator many businesses use for budgeting)

2

Regional winners & losers: The PJM Shock

Geographic exposure is a primary determinant of cost escalation. While natural gas prices increased costs globally, the outliers in our data were driven by market structure. Facilities in PA and NJ faced a perfect storm: High gas basis combined with a 10x increase in PJM capacity rates and over 2x increases in transmission rates.

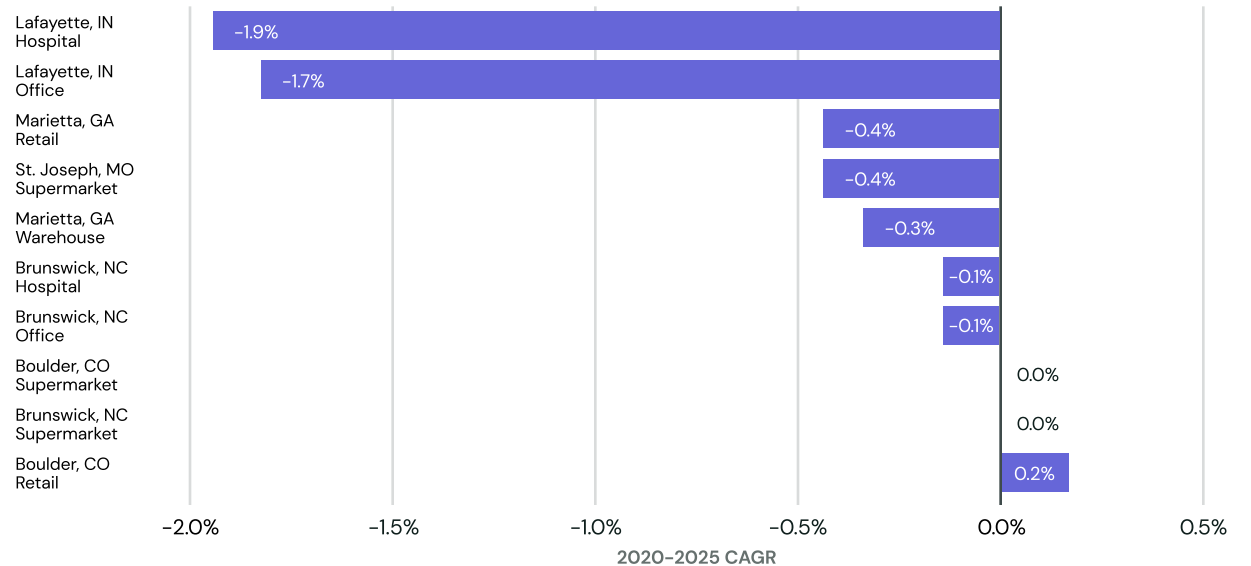
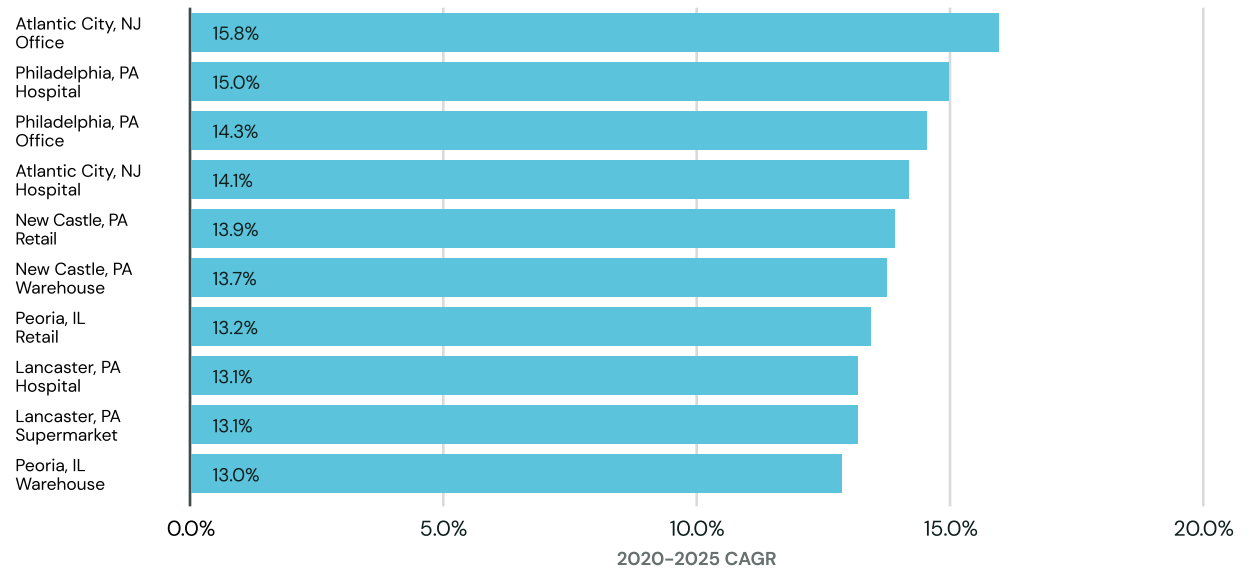
For corporate buyers, this demonstrates that "deregulation" does not equal "low cost." Structural grid costs (capacity & transmission) are eroding the benefits of competitive supply.

Conversely, vertically integrated markets in the Southeast and Midwest (e.g., Indiana, Georgia, North Carolina) acted as a shield. With rate changes near 0% — or even negative — these regulated zones offered a safe harbor from the price spikes seen in the Mid-Atlantic and Northeast.

5-year CAGR by location & building type

Top 10 Location-Building Types from our sample with the highest and lowest 5-year CAGR in electricity rates.

Highest CAGR
Lowest CAGR



3

The California disconnect

The US energy map is defined by extreme polarization. A retail building in San Diego, CA pays a blended rate of \$0.45/kWh, while a hospital in Lubbock, TX has an average rate of \$0.065/kWh — **a 7x difference!**

The high end (California)

California is no longer just "more expensive"; it is a statistical outlier. Driven by wildfire mitigation costs, decarbonization mandates, and demand charges, commercial rates in San Diego and the Bay Area now consistently breach \$0.35–\$0.45/kWh.

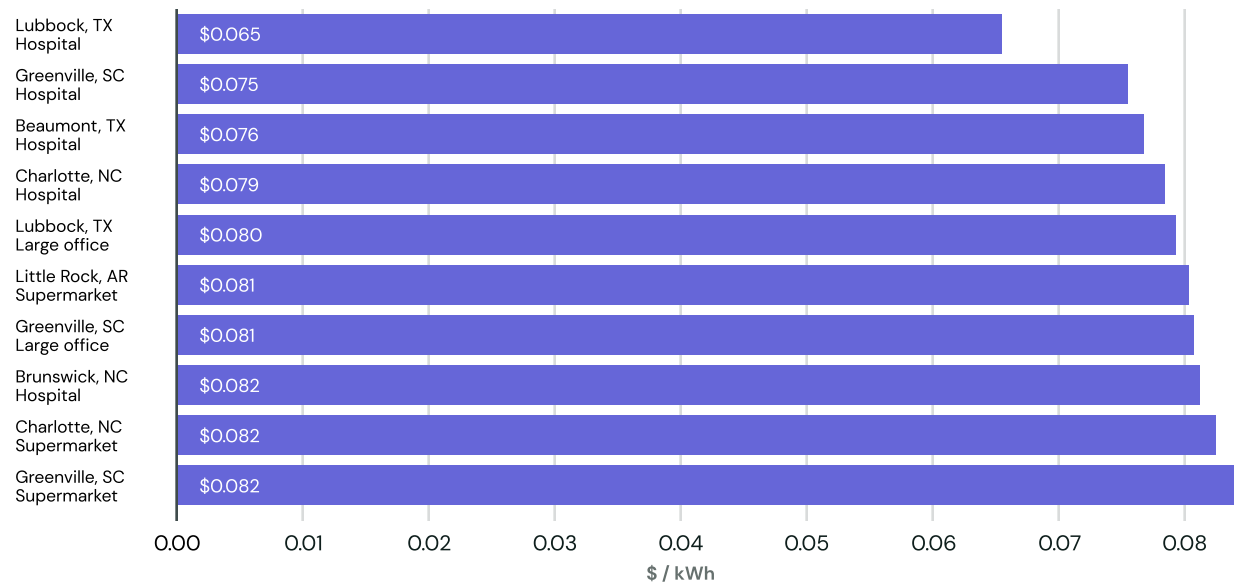
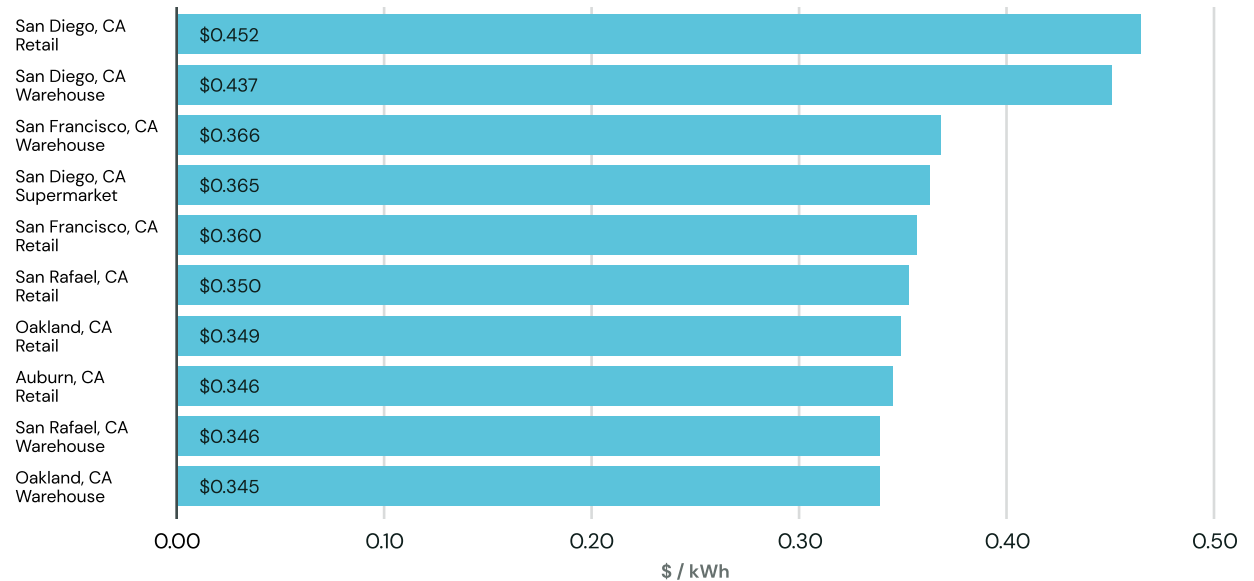
The low end (Texas & Southeast)

Conversely, the South (Texas, Carolinas, Arkansas) remains a bastion of affordability. Due to diverse generation mixes and favorable regulatory environments, businesses in these regions continue to secure rates under \$0.10/kWh.

Highest and lowest 2025 total cost \$/kWh

Top 10 Location–Building Types from our sample with the highest and lowest 2025 electricity rates.

■ Highest 2025
■ Lowest 2025



4

The decoupling of cost components

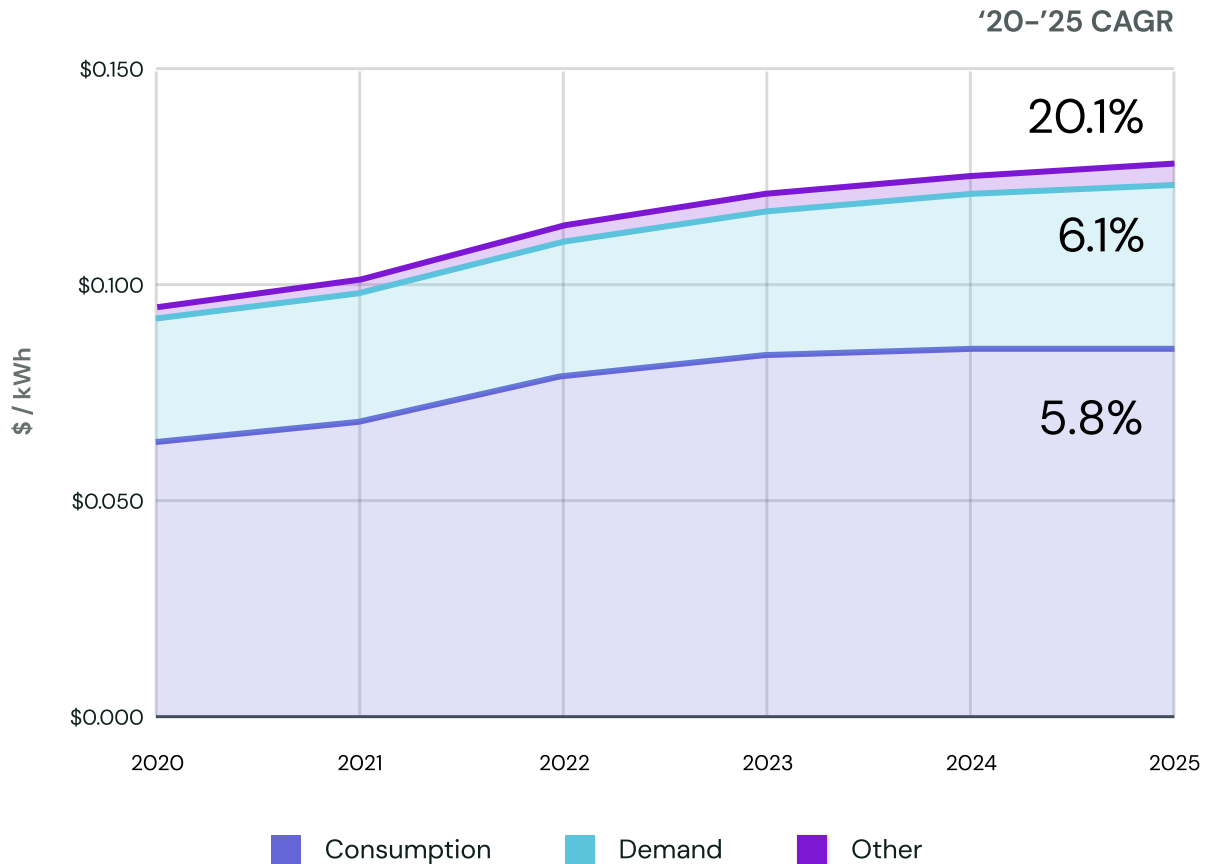
Understanding the composition of your rate increase is as critical as tracking the total. While consumption rates (\$/kWh) and demand charges (\$/kW) are rising in tandem, the strategic implication is profound.

- ◆ Demand (6.1% CAGR)**
 The cost of peak usage is outpacing the cost of energy itself. This penalizes facilities with "peaky" operations (e.g., manufacturing, EV charging) regardless of their total consumption.
- ◆ Consumption (5.8% CAGR)**
 The volumetric cost of power remains a steady driver, but is not the sole lever for savings.
- ◆ Fixed/Other (20.1% CAGR)**
 The sharpest increase is in fixed grid charges — a structural shift by utilities to recover infrastructure costs regardless of customer usage.

A one-size-fits-all energy reduction goal will fail. Businesses need a tariff-specific strategy: Load reduction for consumption-heavy sites, and load management for demand-heavy sites.

Average electricity prices by charge type

5-year trend of consumption, demand, and other charge types.



5

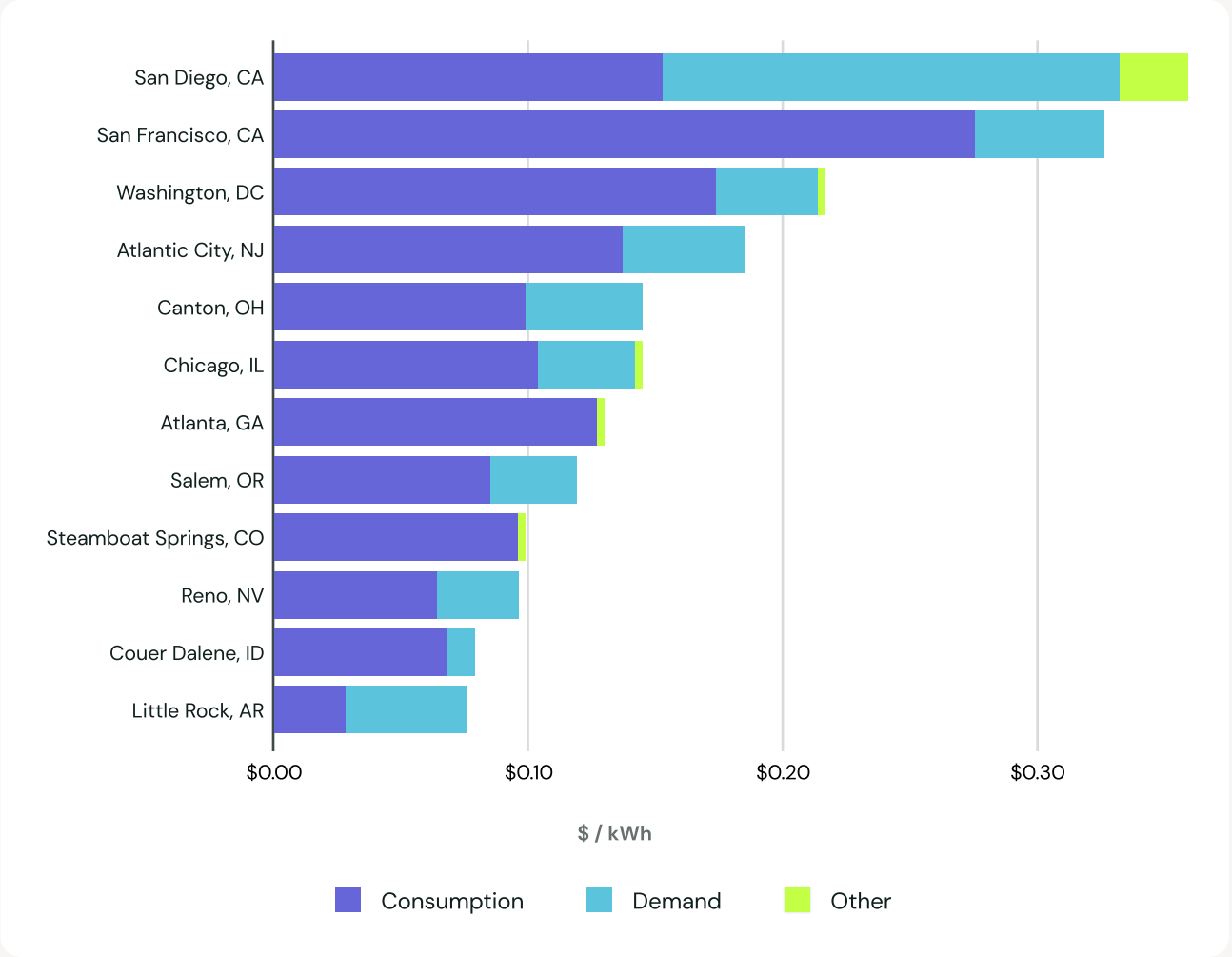
Exposure analysis: volume vs. intensity

Similar to the trend with overall rates, the breakdown of consumption and demand charges varies considerably by utility, tariff, and building type.

This chart illustrates this point for supermarket buildings in 12 cities across the US. Not only is there a significant difference in the total blended rate — San Diego is 4x more expensive than Little Rock — there is a wide spread of consumption vs. demand costs. Consumption charges are nearly 100% of the total electricity bill for facilities in Atlanta and Steamboat Springs, while they make up less than 50% for facilities in San Diego and Little Rock.

Charge type breakdown for supermarkets

Breakdown of electricity charge components for supermarket load profiles across 12 US cities, normalized to \$/kWh units.



6

The unhedged liability: Peak demand risk

For a significant portion of your portfolio, standard energy hedging may be ineffective. Corporate procurement typically focuses on fixing the price of consumption. However, our data shows that demand charges — which track the intensity of your usage rather than the volume — are a dominant cost driver that cannot be solved with a traditional energy supply contract.

✦ The 30% club

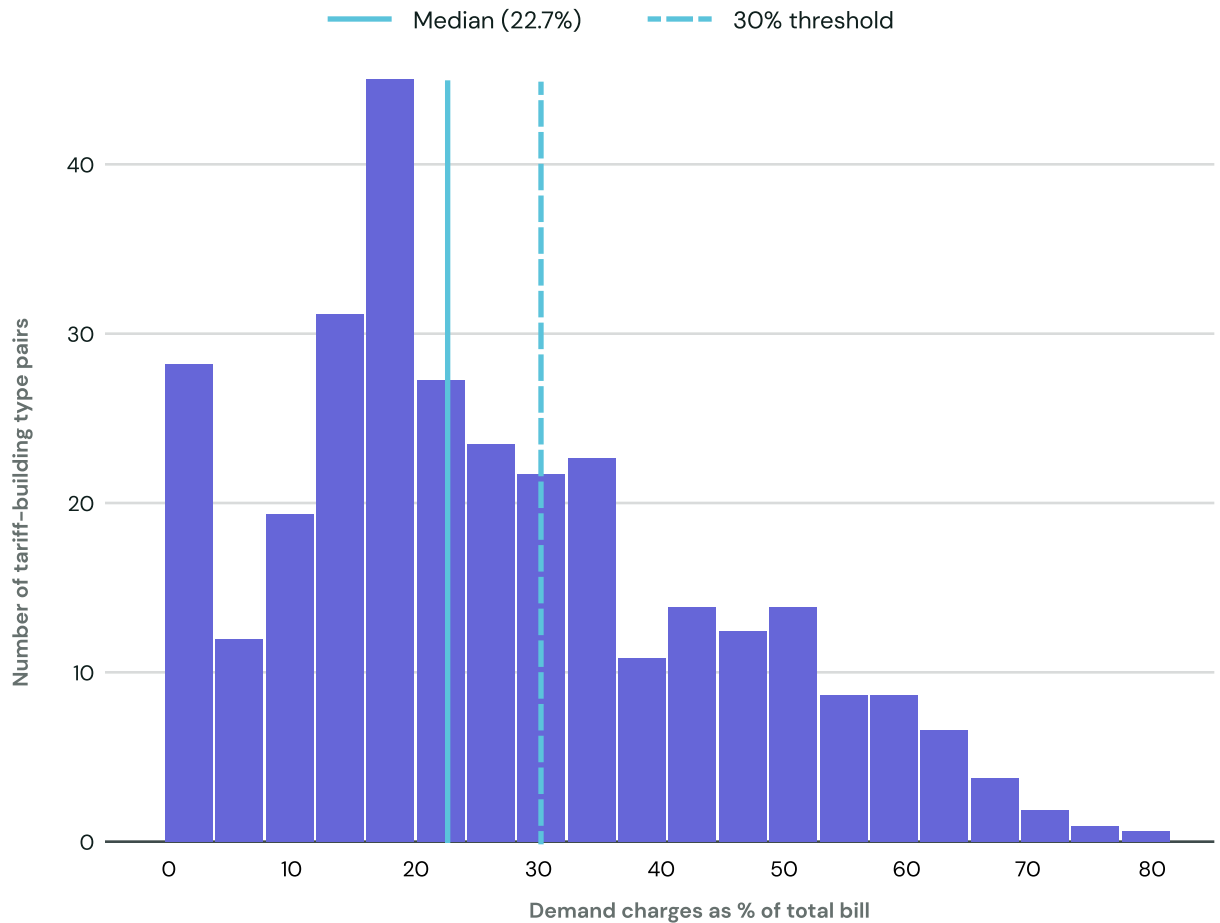
For 37% of the facilities in our dataset, demand charges comprise more than 30% of the total bill. This represents a massive slice of opex that remains exposed.

✦ The danger zone

In extreme cases (demand-weighted tariffs), we found facilities where over 70% of the total energy cost was determined solely by peak demand.

Distribution of demand charge percentage (2025)

Distribution of demand charges as percentage of total bill.



The California cliff: A market apart

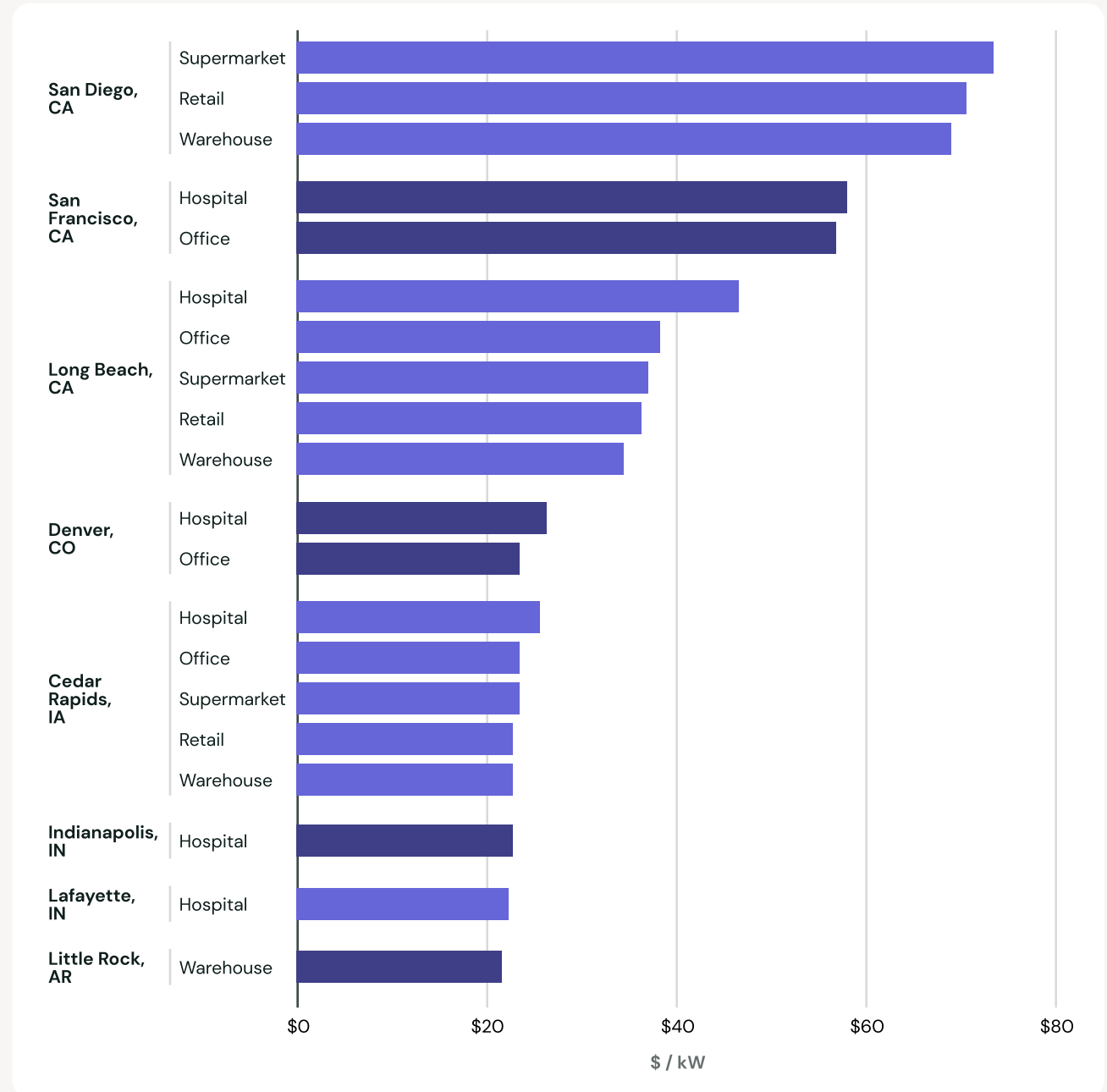
California's demand charges have detached from the national trend. While high energy rates are common in coastal markets, California's demand charges (\$/kW) are statistically extreme.

- ✦ In San Diego and San Francisco, businesses face peak demand charges ranging from \$35 to \$70 per kW per month.
- ✦ The highest non-California rate in our dataset (Denver, CO) sits at \$23/kW—meaning California businesses pay a 200% to 300% premium for peak capacity.

In this environment, passive operations are a liability. The ROI for battery storage and automated load shedding in California is significantly impacted by these cost disparities.

Demand charges by location and building type

Location-building type pairs with the highest demand charges in 2025



The death of budget certainty

Beyond the cumulative cost increase and charge-level breakdowns, year-over-year volatility creates budget uncertainty.

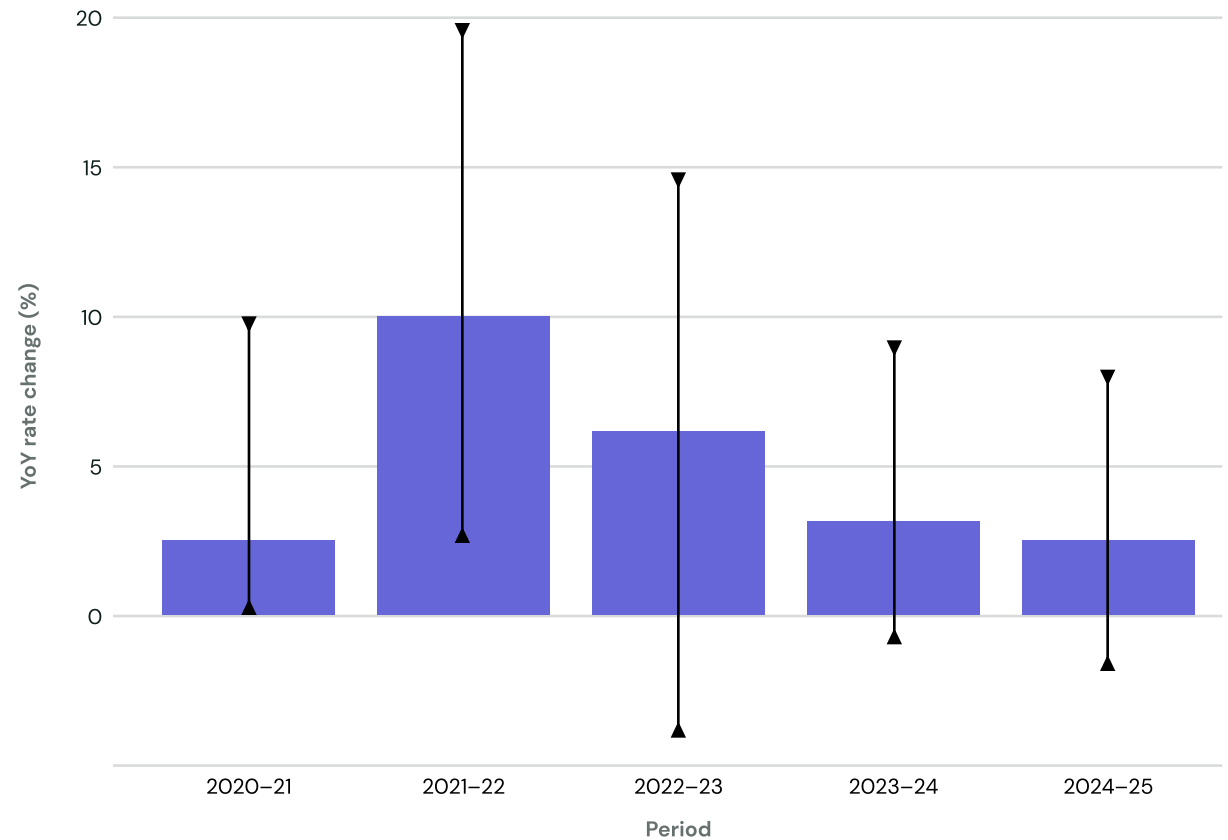
Markets have become dangerously unpredictable. While the long-term trend is upward, the year-over-year path is chaotic. Between 2020 and 2025, the median year-over-year (YoY) rate of change was 9.7%, with 47% of our sample experiencing volatility greater than 10%.

Some locations saw swings of over 100% in a single year.

2021-22 and 2022-23 had the highest median increases and the widest range, reflecting the uneven impacts of commodity price spikes (due to the Ukraine war) and post-pandemic inflationary shocks.

Annual rate volatility: Median YoY changes with interquartile range

Annual rate volatility from 2020 through 2025



9

Volatility waned in 2025, but not for everyone

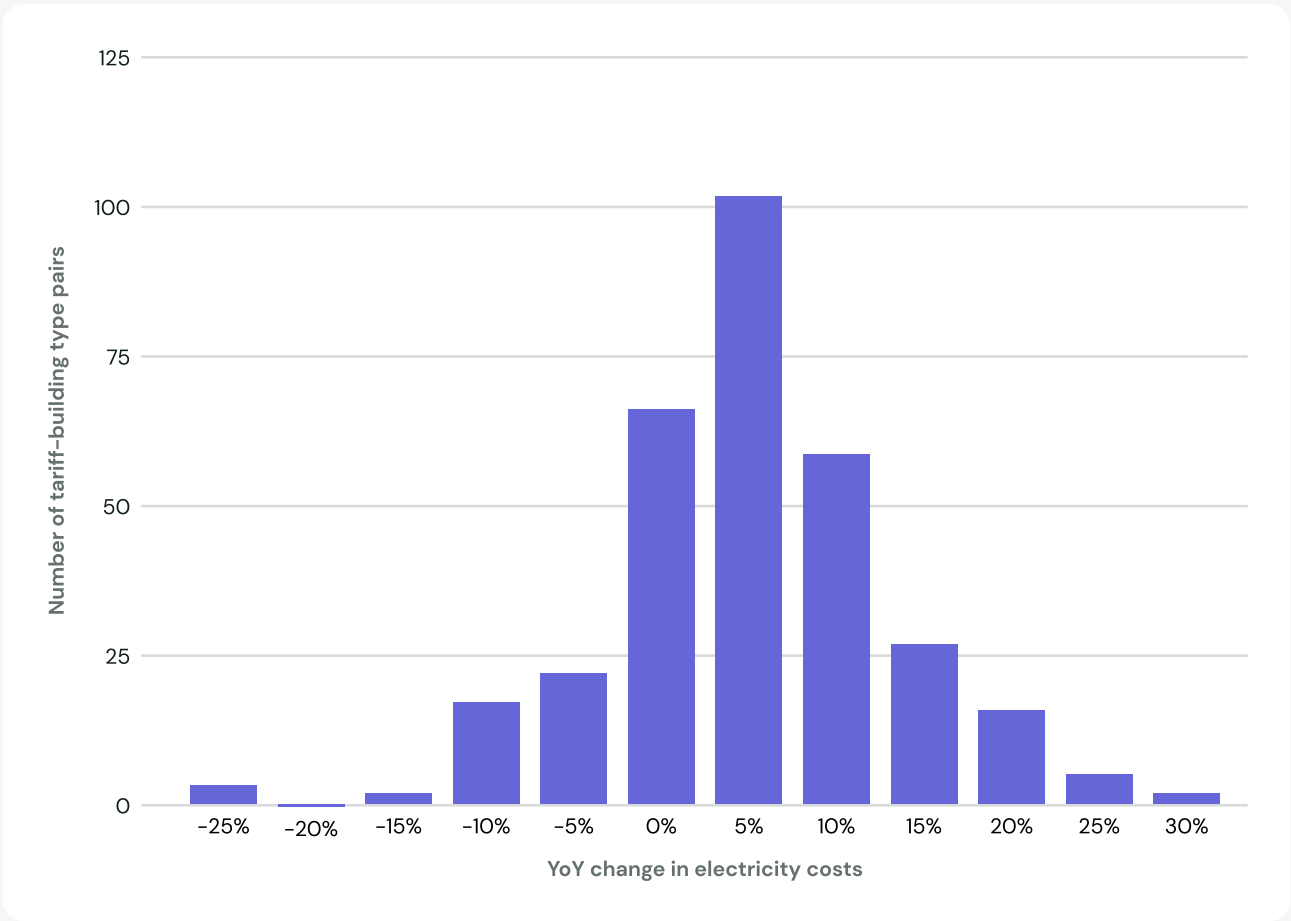
Volatility has decreased from its highs in 2021–2023, but many businesses must still contend with highly volatile and difficult-to-predict electricity rates. Several tariff-building type pairs experienced +/- 25% changes in electricity costs in 2025.

Drilling down further illustrates the challenges of price volatility, and how it's amplified by the vagaries of electricity tariff structures. Consider the example of a hospital in Cleveland vs. a hospital in Philadelphia. The facilities have similar load profiles, are both located in the PJM electricity market, and are both served by IOUs on their provider of last resort tariff. Yet the Cleveland hospital saw electricity costs **decrease by 6%** in 2025, whereas the Philadelphia hospital saw costs **increase by 46%**.

Distribution of YoY change in electricity cost

2024–2025

Distribution of 2024–2025 rate volatility, representing wide spread of positive and negative rate changes



Looking ahead: Cost drivers in 2026 and beyond

The supply–demand balance has shifted. While 2025 showed localized volatility, the forward indicators for 2026 suggest a systemic repricing of grid reliability. The primary driver is no longer just fuel costs, but the scarcity of generation and delivery capacity itself.

Load growth is accelerating

For the first time in two decades, demand is outpacing supply. Commercial businesses are now competing for capacity against AI data centers, manufacturing loads, and EV infrastructure, driving load growth projections.

US electricity sales are expected to grow 2.6% in 2026, on top of 2.5% growth in 2025, according to the EIA. As more large industrial loads come online — particularly data centers — prices will increase given that supply has not kept pace with demand.

Although the growth of AI data centers has garnered the most headlines, load growth is also growing in regions without significant data center expansion. For example, ISO–NE expects a 30% increase in winter peak demand by the mid 2030s, primarily due to EVs and building electrification.

Capacity prices are skyrocketing

Recent capacity auctions provide a concrete example of how the combination of load growth and constrained supply is causing price increases. In PJM — North America’s largest grid operator covering 13 Mid–Atlantic and Midwest states — capacity prices are surging 9–12x for the next 3 years relative to the 2024/25 auction.

This increase is only partially reflected in 2025 rates, since the delivery year began on June 1, 2025. Expect full–year impacts in 2026 and 2027 to lead to significantly higher utility bills for commercial energy users. As shown in the table below, the annual capacity cost for a standard 1 MW commercial load will surge from ~\$10,000 in 2024 to ~\$120,000 by 2027. This 12x multiplier cannot be avoided through efficiency; it is the new baseline price of being connected to the grid.

PJM delivery year	Capacity price (\$/MW–day)	Annual capacity costs for a 1-MW commercial load
June 1, 2024 – May 30, 2025	\$28.92	\$10,556
June 1, 2025 – May 30, 2026	\$269.92	\$98,521
June 1, 2026 – May 30, 2027	\$329.17	\$120,147
June 1, 2027 – May 30, 2028	\$333.34	\$121,669

Regulated utilities are making grid investments

Utilities nationwide face rising costs due to years of deferred maintenance, destructive natural disasters including tropical storms and wildfires, and grid infrastructure expansion required to meet rising demand. As a result, regulated utilities are securing approval for rate increases that will impact customer bills in 2026 and the coming years. Several prominent rate cases approved in 2025 include:

- ✦ **Southern California Edison:** Up to 5% annual rate increases from 2026–2028 to support wildfire mitigation efforts.
- ✦ **Dominion Virginia:** 10% cumulative increase in C&I rates from 2026–2028, driven by growth in data center demand.
- ✦ **Duke Energy Carolinas:** 5–10% increase in 2026, followed by 4–8% increases in 2027 and 2028, due to manufacturing and data center load growth.

Natural gas prices are rising

Natural gas prices were at historic lows in 2024, which helped suppress electricity generation costs, but prices have now more than doubled from 2024 lows. The EIA forecasts Henry Hub prices to average \$4.00/MMBtu in 2026 — 16% higher than 2025 — driven by increased LNG exports. Since gas-fired generation often sets marginal electricity prices, this will translate to higher energy rates in many markets.



5 strategic mandates for enterprise energy leaders

The trends identified in this report — scarcity, volatility, and complexity — are not temporary. They are the new operating reality. Here is how leaders must adapt:

1 Retire the “flat 3%” model

The era of predictable inflation is over. With capacity prices surging 10–12x and volatility swinging by double digits, the traditional “3% annual escalator” is a liability. Finance leaders must adopt dynamic budgeting models that account for structural market shifts, not just historical averages.

2 Reject the average

As our data shows, national and state averages are statistically irrelevant to your P&L. A “California Strategy” is useless; you need a “San Diego Retail Strategy” versus a “Long Beach Warehouse Strategy.” Granularity is the best hedge against variance.

3 Understand your cost drivers

Knowing whether your costs are consumption-driven or demand-driven fundamentally changes your mitigation strategy. If demand charges dominate, focus on peak shaving, battery storage, and load flexibility. If consumption charges dominate, on-site generation, efficiency improvements, and time-of-use optimization may be more impactful.

4 Evaluate your alternatives

Mitigation strategies don’t have to center on installing new equipment or using less energy. Tariff optimization or alternative suppliers may be your best lever.

In deregulated markets, the “Price to Compare” is moving fast. You cannot passively renew contracts. Compare retail supply options using actual projected costs, not average rates. Your specific consumption pattern may make certain supply structures more or less attractive.

In regulated markets, new rate cases are rewriting the rules. Tariff optimization — finding the best rate structures for your load profile and risk appetite — is often the highest-ROI lever available.

5 Forecast scenarios, not just costs

The future is defined by tail risks like extreme weather, policy shifts, and AI loads. Best-in-class energy management requires modeling the outliers — simulating the impact of a hot summer or a 30% capacity hike — so you are prepared for the shock before it hits the ledger.

Although no one can perfectly predict the future, you can improve your scenario analysis and budget planning if you go beyond assuming a flat escalator. With granular tariff data and custom rate modeling, you can:

- Assess the impact of pending rate cases before they take effect
- Simulate impact of forward price auctions
- Model different commodity price scenarios while holding T&D components constant
- Compare long-term supply contracts against floating market rates

By building robust, data-driven forecasts of electricity spend, you can be prepared when price spikes hit and take proactive steps to mitigate expected cost increases.

How Arcadia turns utility data into defensible strategies

The complexity detailed in this report — 30,000+ tariffs, hourly volatility, and hyper-local constraints — cannot be managed with spreadsheets. It requires an intelligence layer.

Arcadia combines a unified data model — utility tariffs, billing statements, energy usage data, and site criteria — with energy intelligence analytics and subject matter expertise. With our integrated platform, we help enterprise organizations:

- ✦ Calculate accurate, location- and load-specific electricity costs
- ✦ Identify cost-saving opportunities across their portfolio
- ✦ Model the financial impact of energy projects with tariff-level precision
- ✦ Forecast future costs across multiple scenarios

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