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**PJM Board of Managers Annual Meeting:
Maryland People's Counsel Presentation**

People's Counsel David Lapp delivered the following remarks on behalf of the Consumer Advocates of PJM States (CAPS) to PJM, Interconnection, LLC's Board of Managers during the organization's 2026 annual meeting. Minor edits have been made for clarity. The full slide deck is available [here](#).

Thanks to the Board for the opportunity to present today.

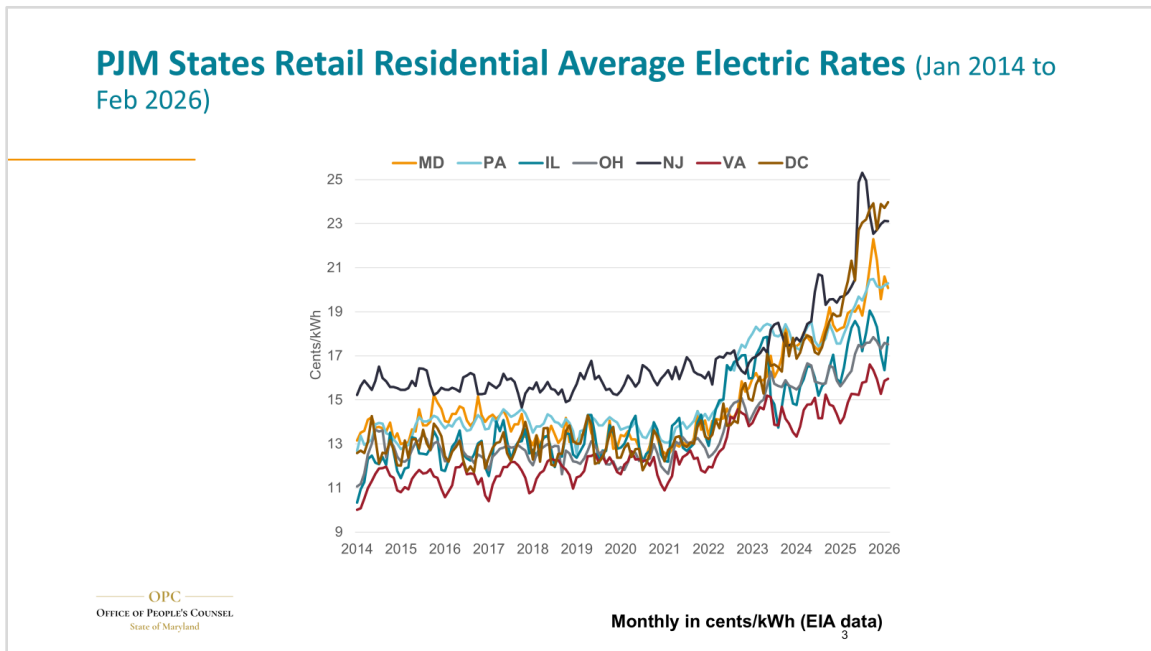
As [PJM's recent white paper](#) acknowledges, PJM is at a crossroads. The Board has to make many decisions that will impact tens, if not hundreds, of billions of dollars in the coming decades.

At the same time, customers are already experiencing untenably high and rapidly increasing energy burdens. As you decide on the path forward, it is important to understand that PJM wholesale costs are primary drivers of those growing burdens.

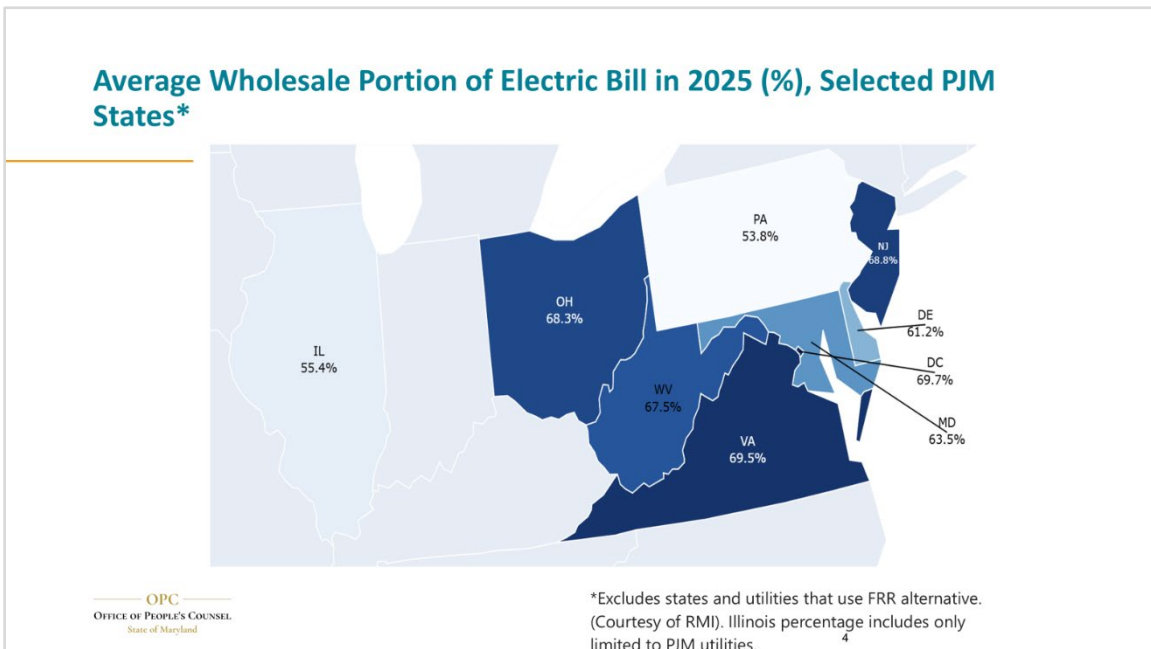
So, I'm going to give some quick illustrations showing how PJM wholesale costs are a primary source of higher rates and higher bills across the region, before turning to what PJM should do to address affordability.

Wholesale costs as a driver of energy burden

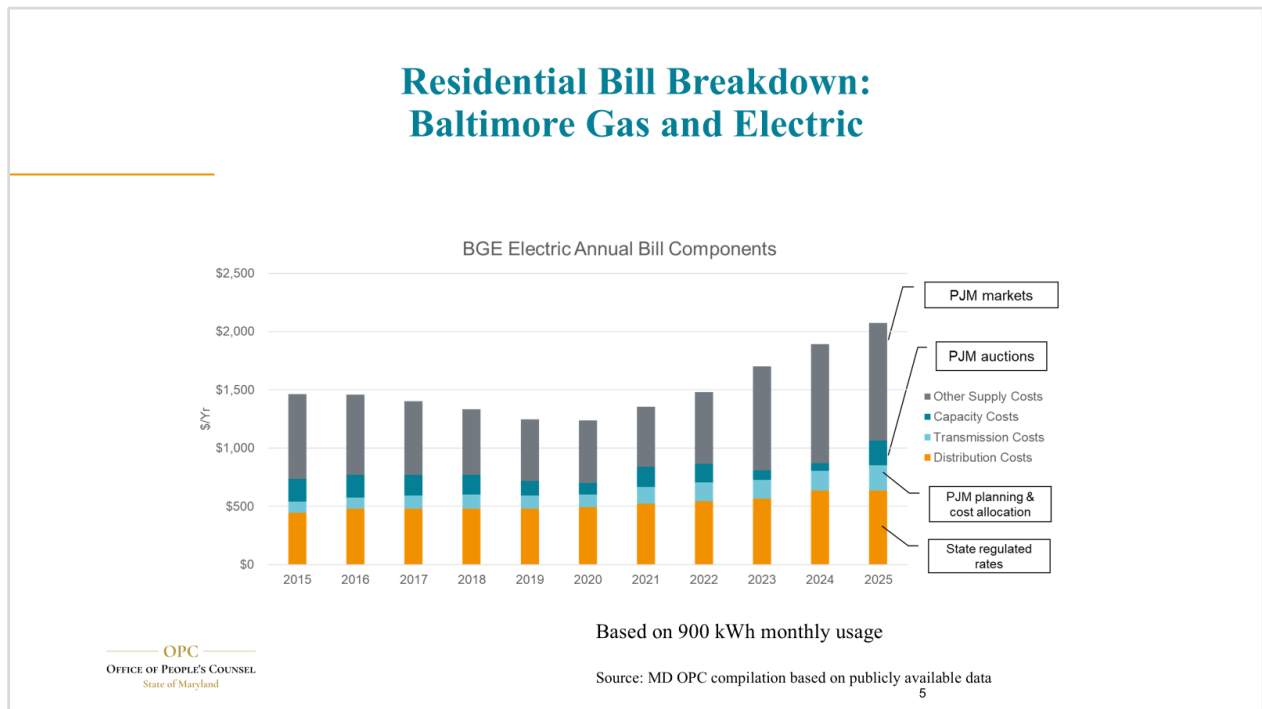
This slide shows how residential customer bills overall have risen significantly in recent years across PJM.



This next slide highlights how wholesale costs – PJM costs – make up between about 55 and 70 percent of customer electric bills. States can't make these costs go away with their retail rate authority, because higher wholesale costs are a primary driver of retail costs.



This slide shows the bill breakdown for an average residential customer of Maryland's largest electric utility, Baltimore Gas and Electric, serving us here today. The top three portions of each bar are PJM wholesale costs. While State-regulated distribution costs have been steadily rising and contributing to higher bills, wholesale costs drive a larger portion of customer bills, and for energy and capacity, are volatile.



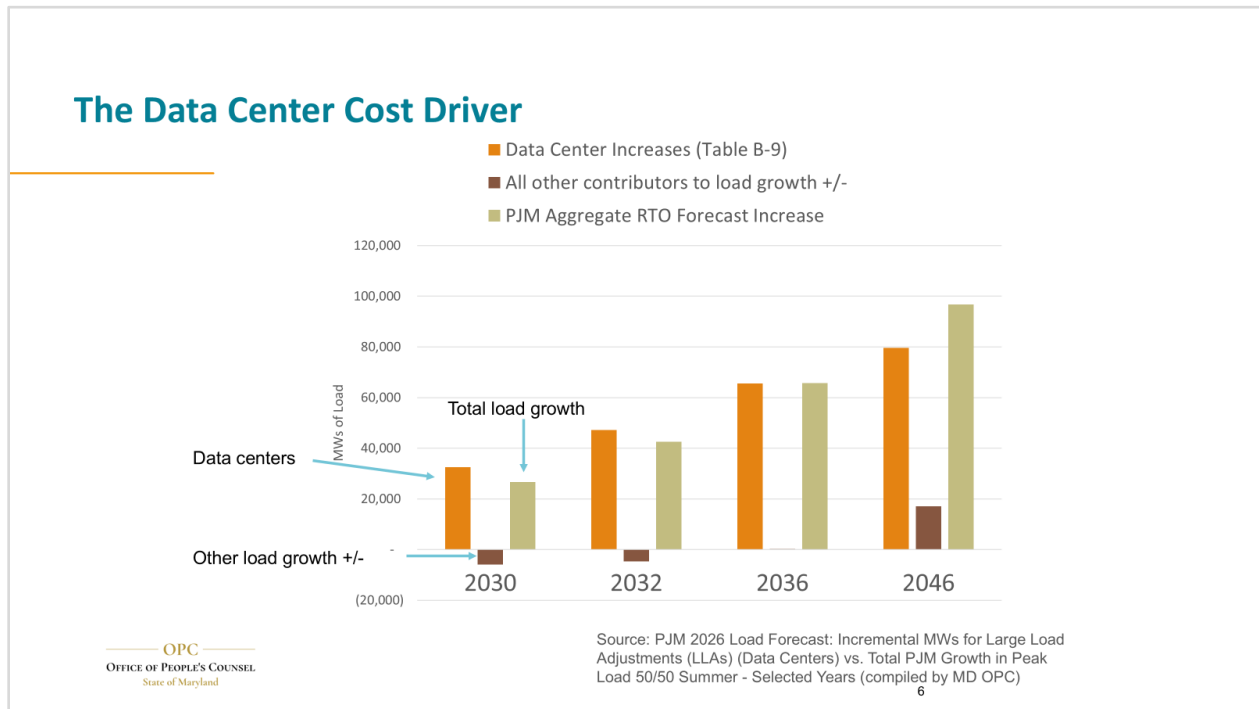
PJM is hearing from elected officials because they are responding to their constituents who are facing these escalating bills. States depend on PJM to keep costs as low as possible, to create market rules that benefit customers, and to establish fair cost allocation practices. On an absolute basis, residential customers have reached the pain point, and higher prices for all customers cannot be the answer.

The data center load growth cost driver

It is against this backdrop that PJM is at a crossroads. The white paper infers that high “price signals” are necessary to resolve scarcity issues, and it rejects the notion that PJM bears significant responsibility for the electric bill crisis hitting customers. This message is divorced from what is driving the issues we are all confronting—actual and projected data center load growth.

Data centers are at the core of the large increases in wholesale costs and are poised to drive even higher cost increases going forward. The solution is to address, directly, the data center issues.

You can see the problem: this slide compares data center growth with organic growth (or decline) out to 2046.



While PJM often refers to electrification and state policy as additional drivers of increased demand, those impacts are negligible. This data from PJM's 2026 forecast shows that organic load growth is negative to flat over the next ten years. It is city-sized data centers that are driving up PJM energy, capacity, and transmission costs.

As you've heard over three days, data centers break the regulatory paradigm of gradual and diffuse load growth. They are massive, highly concentrated, and can be built in a very short amount of time. That is unprecedented and leaves us with regulatory rules that fall far short.

Data centers also present an impossibility: Even if costs were no barrier, the infrastructure cannot be built at the same pace as data centers. In short, data centers are the square peg that PJM is trying to fit in the round hole, and they require a major rethinking of all the rules.

At the outset, data centers must be treated entirely separate from organic, native load. Their incorporation into PJM markets and planning should only occur with transparent mapping of all their costs—energy, capacity, and transmission—so that PJM can direct their costs back to them or their load-serving entities. If the Board thinks its hands are somehow tied, rather than blaming states for problems they cannot resolve, PJM should advise state and federal policymakers on how laws and rules may need to change to address this new paradigm of data center growth.

This ask is no more than what the federal administration and governors are demanding and the data centers themselves are pledging. This slide shows the [Ratepayer Protection Pledge](#). It states what residential customers need: protections from data-center costs for households across PJM. It says that data centers will build, bring, or buy new generation resources and will pay for new power delivery infrastructure upgrades and ensure those costs don't get passed on to ordinary households.

Ratepayer Protection Pledge

- “Companies will **build, bring, or buy the new generation resources and electricity** needed to satisfy their new energy demands, paying the full cost of those resources whether by building, or buying from, new or otherwise additive power plants.”

- “Companies will **pay for new power delivery infrastructure** upgrades to service their data centers, including adequate network upgrade costs to ensure that these expenses are not passed on to the ordinary household.”

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A similar message is presented in the [White House and PJM governors' statement of principles](#). PJM's top priority should be to advance these commitments. But PJM is failing to do so.

PJM action

In my remaining few minutes, I'll highlight four key areas where PJM needs to implement the data center pledge.

First is load forecasting. Forecasts are driving capacity market and transmission costs, but despite modest recent improvements, PJM still does not have a rigorous process for large load forecasts. To meet the pledge, forecasts must include individual data center projects, require uniform and rigorous financial commitments, and adherence to project milestones. These requirements are necessary to weed out speculative projects and protect against stranded costs. Without fixing its forecasts, the Pledge cannot be fulfilled.

Second is transmission. Data centers are driving up transmission costs for everyone. [Our office's FERC complaint filed last week](#) focuses on the \$22 billion in capital expenditures for baseline projects over the last 3 major RTEP procurements, overwhelmingly for data center growth. Of the \$22 billion, Maryland customers are bearing \$2 billion and will pay \$1.6 billion in revenue requirements over the next ten years alone – all with little to no data center load to help pay for it. Customers in other states are similarly subsidizing transmission projects for data centers. To implement the pledge, PJM must fix its transmission cost allocation rules.

Third is capacity. Data centers are driving higher capacity market prices. The [Independent Market Monitor analysis](#) shows \$23 billion in added costs over the last three auctions. The only policy that can fulfill the pledge is to remove data center loads from the auction altogether, unless they bring their own new capacity.

Energy costs are fourth. Energy costs are the unsung villain of data center growth driving up household bills. Data shows that energy use is growing much faster than peak load growth, most obviously driven by data centers that operate at high load factors. To meet the demands of the Ratepayer Protection Pledge, PJM should require data centers to bring new capacity that meets their energy needs *on an hourly basis* and avoids raising prices for existing customers.

Credibility trap or credibility gap?

Given these hard facts about data centers, when PJM gives states the simplistic message that there's a supply-demand shortage to resolve—full stop—PJM creates its own “credibility gap.” PJM is failing, first, to pinpoint the problem of the

unprecedented scale of data center-driven load growth and, second, to target its remedies to that problem. Those failures undermine its institutional credibility.

Fulfill the pledge

“Credibility Trap”

or

“Credibility **Gap**”?

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PJM did not foresee the data center boom that we’re experiencing, and neither did the states. The default solution of treating data centers as just more customers creates a credibility gap. But that appears to be the premise of PJM’s “credibility trap.” PJM apparently would have existing customers address its trap through high costs that assure “investment certainty.” That solution may add to the profits of data centers, generators, and utilities, but it only does so off the backs of existing customers that cannot sustain those high costs.

The Ratepayer Protection Pledge recognizes the data center problem, but it needs implementation. For 67 million people, PJM is the implementer. PJM should be advancing an agenda that presumptively excludes real and projected data centers from its markets and planning. For inclusion, it must map every cost directly to its data-center causer and prevent costs from leaking into the bills of ordinary households.

That is what is required to fulfill the Ratepayer Protection Pledge, as well as what’s needed for PJM to win back its lost credibility and erase its credibility gap.