

Public Power & Private Business Use: The Three-Year Trap

Detailed Results

Private Business Use Explained by
LPPC President Tom Falcone:



This document gives the numbers behind LPPC's fact sheet, [Public Power and Private Business Use](#). It models one public power system and the 13 LPPC members with the most large-load demand under Treasury's current regulations.

The Illustrative System

A large public power system with **7,000 MW** of peak demand and about **\$10 billion** of tax-exempt bonds has requests for about **20,000 MW** of new service from data centers, manufacturers, and other large customers. The system is built from **actual utility data**, anonymized and scaled.¹ The tables show **three levels of new load**: 5,000, 7,000, and 9,000 MW, or 25, 35, and 45 percent of requests.

Each table assumes the utility builds for the stated level of new load. Under three-year contracts with the new loads, the cost to existing customers depends on how much of that load customers actually use when their contracts end: 20 percent less than they asked for, half (the ERCOT average), or a quarter, a stress case in which, during a downturn, data centers cut back first at public power systems, where their contracts run three years versus 10 to 20 years elsewhere (the "free option").

Even the mildest outcome is costly: if customers use 20 percent less than they asked for, residential bills rise **17 to 28 percent (Table 1)**. If they use half, as in ERCOT, bills rise **32 to 43 percent** and existing customers bear **\$9 billion to \$12 billion**. In the stress case, bills rise **54 to 80 percent**.

Table 1: Three-year contracts: residential bill increase/cost to existing customers (present value)

If customers, when contracts end...	5,000 MW (25%)	7,000 MW (35%)	9,000 MW (45%)
Renegotiate 20% lower	+17% / \$5.0B	+23% / \$6.6B	+28% / \$8.0B
Use half their request (ERCOT average) ²	+32% / \$9.2B	+38% / \$11.0B	+43% / \$12.3B
Use a quarter ("the free option")	+54% / \$15.9B	+68% / \$19.7B	+80% / \$22.7B

A long-term contract is the alternative to a three-year contract. Under a long-term contract, impermissible private business use begins the day the contract is signed. The utility must refinance part of its existing tax-exempt bonds at taxable rates and finance part of its ongoing capital program the same way. That extra interest is the penalty. In this system, the penalty is **\$1.1 billion to \$1.7 billion, about \$100 million for each 500 MW data center (Table 2)**, and it is a cost that is incurred the day contracts are signed, potentially years before the new customers take service. That is money that could otherwise go to the community, and in a less robust market it could decide whether a large-load customer comes to a public power community at all.

Table 2: Long-term contracts: the cost unique to public power

Long-term contract	5,000 MW (25%)	7,000 MW (35%)	9,000 MW (45%)
Existing bonds refinanced at taxable rates at signing	\$4.1B	\$4.9B	\$5.5B
Penalty (present value)	\$1.1B	\$1.4B	\$1.7B
Penalty for one 500 MW data center (present value)	\$114M	\$103M	\$92M

LPPC Members Facing the Most Demand

The 13 LPPC members facing the most demand report about **97 GW** of large-load requests; added to their 45 GW peak, enough to more than triple those systems. How much of that demand they can responsibly build for depends on the contracts Treasury’s regulations allow. Tables 3 and 4 apply the same model to these 13 members.³

Across the 13 members, three-year contracts expose existing customers to **\$23 billion to \$106 billion** of extra cost, depending on how much load is built and how much customers use, with bills at the hardest-hit systems rising **22 to 100 percent (Table 3)**. Those costs arise when large-load customers use less than they requested, as experience shows they often do.

Table 3: The 13 LPPC members, three-year contracts: residential bill increase at the hardest-hit systems / cost to existing customers (present value)

If customers, when contracts end...	24.3 GW (25%)	34.0 GW (35%)	43.7 GW (45%)
Renegotiate 20% lower	+22% / \$23B	+30% / \$30B	+37% / \$37B
Use half their request (ERCOT average) ²	+40% / \$43B	+46% / \$52B	+51% / \$58B
Use a quarter (“the free option”)	+71% / \$74B	+87% / \$91B	+100% / \$106B

Long-term contracts, while protecting existing customers, would instead mean refinancing **\$13 billion to \$18 billion** of bonds and **\$4.4 billion to \$6.4 billion** of remediation penalty (Table 4), to be paid by either existing customers or the new customers on top of their full cost of service.

Table 4: The 13 LPPC members, long-term contracts: the cost unique to public power

Long-term contract	24.3 GW (25%)	34.0 GW (35%)	43.7 GW (45%)
Existing bonds refinanced at taxable rates at signing	\$13B	\$16B	\$18B
Penalty (present value)	\$4.4B	\$5.5B	\$6.4B
Penalty for one 500 MW data center (present value)	\$90M	\$80M	\$73M

Method and Sources

¹ LPPC analysis of a large member’s data, scaled to 7,000 MW. Single-A tax-exempt and taxable rates as of October 16, 2026; five-year construction; generation \$2,940/kW (recent bids); fixed O&M 1.05% of capital a year (NREL 2025 Annual Technology Baseline); present values at contract signing; \$135 average monthly residential bill; residential bill increases include the debt service coverage rates must maintain; present values do not.

² ERCOT, 2025 Long-Term Load Forecast (April 8, 2025), p. 9: data centers placed in service 2022 to 2024 used 49.8 percent of their requested peak demand in their first three years.

³ LPPC estimates: the same model applied to each member, using each member’s own debt service schedule; EIA-861 (2024); LPPC member surveys (November 2025 and March 2026); member financial statements and official statements. The penalty excludes financing new plants at taxable rates (about \$3.6 billion for the 13 members at 25 percent). “About \$100 million per 500 MW data center” reflects the illustrative system (\$92 million to \$114 million); across the 13 members, the average is \$73 million to \$90 million. Figures rounded.