ENERGY IQ

Energy Market Brief | January 2026

Did You Know?

Electricity rates are increasing, **shifting a 2-decade trend.** Utilities are experiencing unprecedented spending surges with all-time-high capital spending plans.

Regional Divide

The story varies dramatically by region. Northeast states are seeing some of the country's steepest rate increases due to pipeline constraints and natural gas dependence. Meanwhile, Great Plains states with strong load growth are seeing rates decrease as fixed costs spread over greater demand.

The Utility Spending Surge

Utilities are projecting massive capital spending over the next 5-10 years, driven by data centers and AI demand. As electricity consumption rises for the first time since the mid-2000s, who pays for grid upgrades will determine future rate trajectories.

BY THE NUMBERS

Natural Gas Prices[1] (C&I)

- ↓ 26% 2023-2024
- ↑ 31% SEP 2024-2025

Electricity Rates[2]

- ↑ 4.0% COMMERCIAL OCT 2024-2025
- ↑ 6.7% INDUSTRIAL OCT 2024-2025
- ↑ 5.2% RESIDENTIAL OCT 2024-2025

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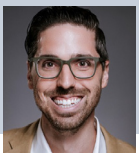
From the Team

Energy price inflation isn't a new phenomenon; it's something we've talked about with our clients for years and built into models as a financial justification for energy savings projects. What is new is that it's becoming both a 'dinner table' and 'C-Suite' topic and with that, new opportunities are presenting themselves to really land the value messaging of energy-driven solutions.

Trevor Joelson, Commercial & Industrial Account Executive on the Energy Services Team



Watts Happening in the Media?

Why Electric Bills Are So High

NY Times and WSJ explore how data centers, extreme weather, and grid infrastructure costs are driving up electricity bills nationwide.

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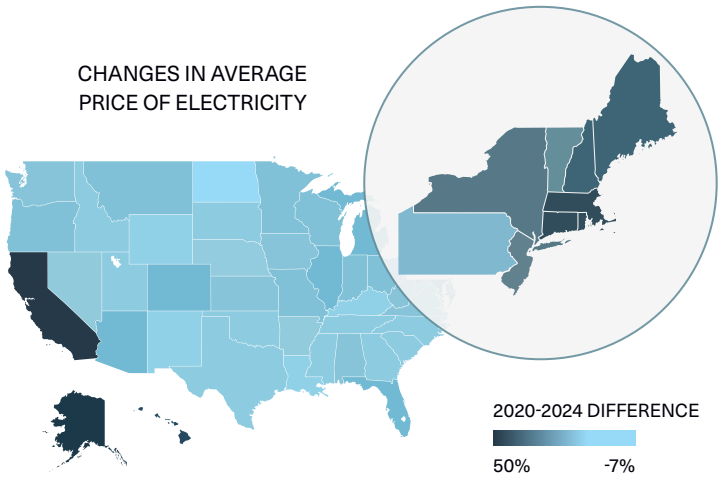
Understanding National Rate Trends

Northeast: Pipeline Constraints Drive Prices Up

Northeast states experienced some of the country's steepest rate increases over five years. Over 50% of the region's electricity comes from natural gas, where prices run significantly higher than other regions. In June 2025, Connecticut and Massachusetts Citygate* prices were $9.04 and $15.99 per thousand cubic feet, respectively, while prices in Oregon and Idaho were $5.74 and $2.90.[2]

The Northeast suffers from insufficient pipelines, creating price spikes during peak demand. When capacity maxes out, states turn to liquefied natural gas (LNG) which is consistently more expensive than piped gas. States like Vermont, which utilize hydropower, have maintained lower prices through reduced gas exposure.

*Citygate refers to the point in which natural gas is transferred from transmission pipelines to local distribution networks and serves as a critical indicator of natural gas prices in a state.



Great Plains: Load Growth Reduces Rates

Between 2019 and 2024, states with the most load growth saw electricity rates decrease. North Dakota, with nearly 40% load growth, experienced a 7% rate decrease. New Mexico's 20%+ load growth brought a 2% decrease, while Nebraska's 15% growth resulted in just 1% price increase.[3] Load growth spreads fixed costs over greater demand, reducing per-unit costs, but only where supply is adequate and major infrastructure investment isn't required.[3] As large customers like data centers grow, proper regulation ensuring they pay their fair share of infrastructure costs will be critical.[4] With appropriate oversight and low-cost energy development, load growth and economies of scale can reduce fixed costs and bring down electricity prices long-term.

The Capital Spending Boom

Electricity consumption is projected to rise in 2025 and 2026, continuing the upward trend from 2022-2024. This marks a departure from flat demand between the mid-2000s and early 2020s. Nominal electricity prices stayed relatively flat over the past decade, though ticking upward recently. Studies show 17 states, including California and the Northeast, see real (inflation-adjusted) price increases, while 31 states see real declines from 2019-2024.[2]

Utilities project large capital spending over the next 5-10 years driven by data centers and high-load customers.[5] As noted, regulation of these customers to pay their fair share of grid upgrades based on demand needs will be important to keep rate-increases in check.

How Trane is Powering Progress

With transmission, distribution costs, and volatile gas prices driving rates up, Trane's energy-efficient products and demand-side management help save customers money while enhancing grid resilience. As load-growth states show decreasing rates, Trane enables electrification strategies for long-term solutions. Distributed energy incentives and low-cost generation can mitigate large-load challenges, demonstrating how economies of scale can help to reduce costs over time.

Sources: 1. U.S. Natural Gas Prices - U.S. EIA 2. U.S. Electricity Data - U.S. EIA 3. Annual Electric Power Industry Report, Form EIA-861 detailed data files (U.S. EIA) 4. Presentation Retail Price Trends Driver 5. US electric utilities entering investment 'super-cycle,' says Morningstar DBRS | Utility Dive

Market Watch

Media Headline	Summary	Why Do We Care?
Opinion: A Simple Fix to America's Soaring Electricity Prices November 4, 2025 Source: The New York Times	This opinion analyzes the relationship between electricity prices and high-load users such as data centers. While load growth is often equated with higher electricity prices, the report we explored above has shown that states that experienced highest load growth have seen electricity rates come down. A key component of efficiently adding data center power needs to the grid is flexibility in data center power use when the other demand on the grid is high.	Demand side management working in combination with highly efficient electric solutions can bring lower costs, lower emissions, and ensure resilience for our customers.
Australia mandates three-hour free solar electricity for households from 2026 November 4, 2025 Source: PV Tech	The Australian government has introduced the Solar Sharer program which mandates energy retailers to provide free solar electricity to households for at least three hours during peak daytime generation periods, starting in 2026. This initiative aims to utilize surplus solar energy, reduce economic pressures on the distributed solar sector, and promote lower energy costs by encouraging households with smart meters to shift their electricity consumption to midday hours when it is cheaper to produce.	Programs like the Solar Sharer initiative highlight the importance of Trane-provided solutions such as smart meters and energy management systems, which enable households to utilize electricity when it is cheapest to produce. This trend underscores the growing prevalence globally of time-of-use rates to ensure grid reliability and reduce electricity prices, presenting significant opportunities for HVAC providers to offer energy-efficient and cost-effective solutions.
Residential electricity prices continue to rise 7.4% in September: EIA November 26, 2025 Source: Utility Dive	Commercial and industrial (C&I) electricity prices saw notable increases, with industrial prices rising by 6.7% and commercial prices by 6.3% between September 2024-2025. These price hikes are closely tied to natural gas prices, which increased by 31% over the past year, reflecting broader market volatility and capacity constraints.	The trend of electricity prices increasing since the early 2020s disrupts the previous two-decade trend of stable rates. Understanding why rates are rising is crucial to our business, as it enables us to deliver future-proofed customer outcomes focused on efficiency and cost reductions, as outlined in this brief.
Be prepared to keep paying more for electricity December 29, 2025 Source: WSJ	The WSJ explores 2024 electricity prices, noting that while some states experienced flat or falling prices from 2019 to 2024 when adjusted for inflation, rising costs due to factors like rooftop solar panels, natural disasters, and infrastructure investments have led to increased electricity bills. Further hikes are expected, making it a significant political issue ahead of the 2026 midterm elections.	With increasing headlines about rising electricity prices, it is important to understand the technical reasons behind these increases, how they differ among states, and effective price mitigation strategies, enabling us to provide the most cost-effective and future-proof solutions for our customers.

We Want to Hear From You

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The Energy Market Brief is published quarterly by the Regulatory Center of Excellence team to keep you informed on trends shaping our industry.