

Why Double-Digit Electric Rate Hikes Are Coming to Our Region

For consumers and businesses managing their finances, their monthly electricity bill is always a matter of concern. But due to new federally approved rules, double-digit rate electric rate hikes are now expected Southeastern Pennsylvania starting in 2025.

These price increases are related to a power supply auction run by a little-known group, the PJM Interconnection, which maintains the electricity grid for 13 states and the District of Columbia. PJM is regulated by a federal government agency, the Federal Energy Regulatory Commission (FERC).

A July 2024 auction at PJM to buy power capacity for extreme weather conditions starting in June 2025 came at \$14.7 billion, or 568% higher than the prior auction. The FERC had approved the auction guidelines. That price increase will be passed on directly to the 65 million customers in the PJM grid system, or 20% of all Americans.

PECO [said in August](#) it expects a 10% consumer billing increase for new PJM charges in 2025. PPL says average consumer bills will go up by \$10 to \$15 monthly next year to pay PJM fees. First Energy, which serves customers from New Jersey to Indiana, [told the FERC in October](#) the PJM capacity price increase will raise customer bills from 11% to 19% starting in June 2025. The Natural Resources Defense Council, a nonprofit that advocates for renewable energy, puts the [total eventual price hike even higher](#), at 29%.

In Perkasio Borough, we have discussed our options at public meetings since August. Perkasio is one of 35 local governments in the state that owns its electricity distribution system. We buy power using a wholesale broker and use the proceeds to pay for police services, pave roads, maintain parks, and help our volunteer fire department. We expect price hikes in line with PECO and PPL once our budget process concludes in December.

These federally approved utility charges could be devastating to our local economy and businesses. Because the hikes come from out of state, the Pennsylvania Public Utilities Commission can't regulate them. Our fellow public power neighbors in Quakertown, Lansdale, and Hatfield boroughs face similar challenges.

One question we have raised at public meetings is how this situation has come to be? This is the same question asked by the Independent Market Monitor (IMM), a group legally assigned as a watchdog over PJM. During hearings in October 2023, PJM presented expert testimony that the worst-case scenario was a \$5.1 billion annual cost to stabilize the grid, starting in June 2025. Instead, the price tag was \$14.7 billion, and it came as a great shock to the Independent Market Monitor and other experts.

The IMM and the state utility commissions of 10 states, including Pennsylvania, have filed complaints at the FERC about the July 2024 auction amid forecasts about the next capacity auction, which could result in another \$30 billion in consumer electric charges starting in June 2026.

At Perkasio Borough, we inquired about these price hikes in Washington through the offices of Rep. Brian Fitzpatrick, who has filed our comments with the FERC and expressed his concerns about the hikes' impact on families and small businesses. Pennsylvania Gov. Josh Shapiro and four other governors raised the same concerns expressed by Perkasio Borough and Rep. Fitzpatrick with PJM.

PJM has pointed to several factors for the fee increases, including generator retirements, usage from artificial intelligence and Bitcoin data centers, and the FERC-approved rules that discount the ability of green-energy companies to help the grid in emergencies. The IMM believes the FERC-approved rules used in July 2024 added an unneeded \$7.6 billion in costs to consumers.

While this dispute is settled in Washington, we hope our state and federal elected officials remember that for all consumers, especially people and families on fixed incomes, the capacity charges are a real-life budget issue. And for small businesses with tight margins, the capacity charges could be damaging.

But for now, consumers can only hope that the path considered by the FERC will stabilize prices and include federal funds to lessen the costs to everyday folks in towns like Perkasio. In our borough, local taxpayers are paying for a federally regulated electrical grid across 13 states maintained by privately owned companies. Perhaps that system could be improved to more equally shoulder the financial burden going forward.

Scott Bomboy serves on Perkasio Borough council, and he chairs its Financial Committee. This editorial first appeared in the Perkasio News Herald.