The Cost of Power: How Soaring Electric Rates Are Deepening Energy Poverty in America

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NATIONAL ENERGY ASSISTANCE DIRECTORS ASSOCIATION

Introduction

Soaring electricity prices are rising nearly twice as fast as inflation, driving millions of Americans into energy poverty. Exposure to extreme heat intensifies health and financial risks. With federal aid shrinking and state shut-off protections uneven, families face mounting debt, higher shut-off rates, and dangerous trade-offs between cooling their homes and meeting basic needs.

This brief outlines the urgent policy actions needed to protect vulnerable households and ensure equitable access to essential utility services.

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Electric Prices Are Rising Outpacing Inflation

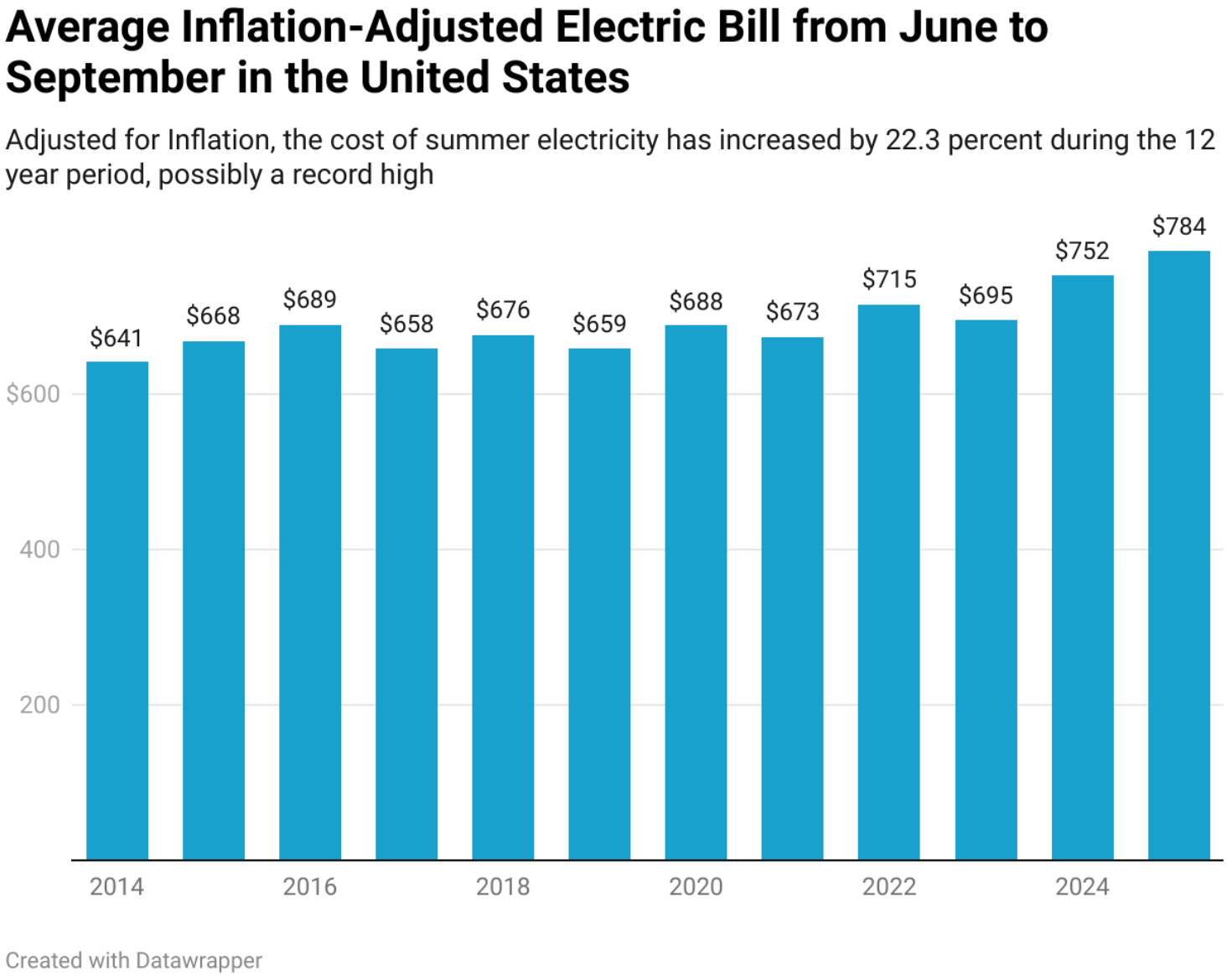
Electricity prices are rising sharply and outpacing inflation and driving millions of low-income households into energy poverty. As utility bills surge alongside sweltering temperatures, families are forced to spend more to stay cool, deepening financial distress and increasing the risk of debt or disconnection.

Electricity Prices Surge Beyond Inflation: New figures from the Consumer Price Index (CPI) show electricity prices rose by 5.7% over the 12 months ending June 30—nearly double the overall inflation rate of 2.8%. The strain is most acute during the summer, when demand for air conditioning spikes and energy costs soar.

Energy Poverty: A Chronic and Worsening Crisis

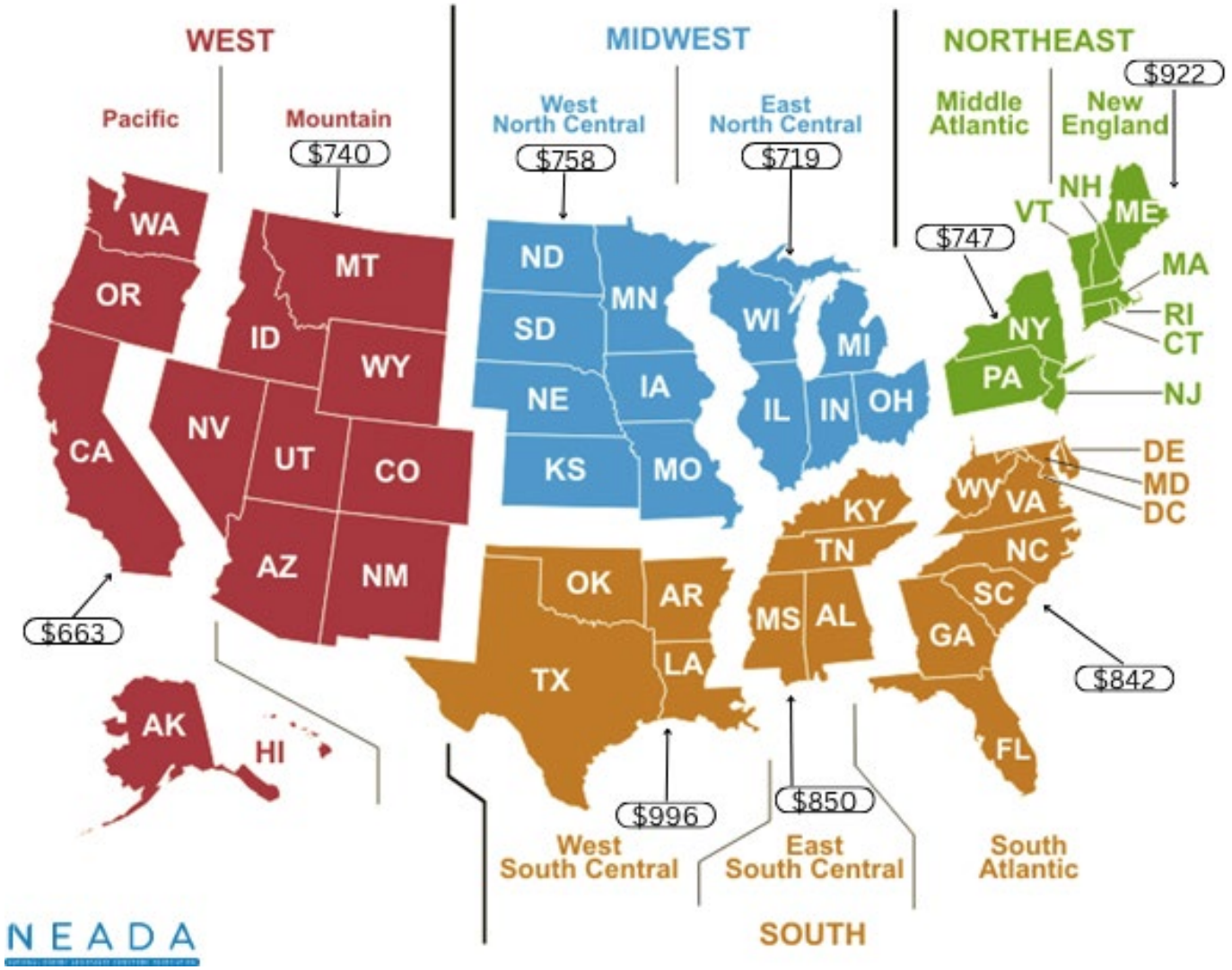
NEADA estimates that the average household electric bill during the summer months, when cooling drives up usage, will reach $784 in 2025—a 4.2% increase from $752 last year. This is the highest recorded in at least 12 years, underscoring the growing burden on low-income Americans.

Why Are Electricity Rates Rising?
The reasons behind rising electricity prices are complex and interlinked. Utilities point to several drivers: grid upgrades, price hikes in fuels used for electricity generation such as natural gas, higher wages and material costs, data center growth, the shift toward electric vehicles, industrial electrification, and building decarbonization.



High Summer Cooling Costs

Cooling costs are projected to increase on average by 6.2% (4.2% adjusted for inflation) as compared to last summer. The most significant price increases are expected in the New England states due to their high cost of electricity and projected higher summer temperatures.



Billions in Rate Hike Requests

Billions in Rate Hike Requests: An increasing number of utilities have already submitted multibillion-dollar rate increase proposals to cover infrastructure improvements and expanding demand. These costs will ultimately be passed on to ratepayers regardless of their ability to pay. Recent examples include: Florida Power & Light $10 billion, Southern California Edison $3.27 billion, PG&E $3.1 billion, Con Ed $2 billion, CenterPoint Energy $1.3 billion and DTE Energy $574 million.

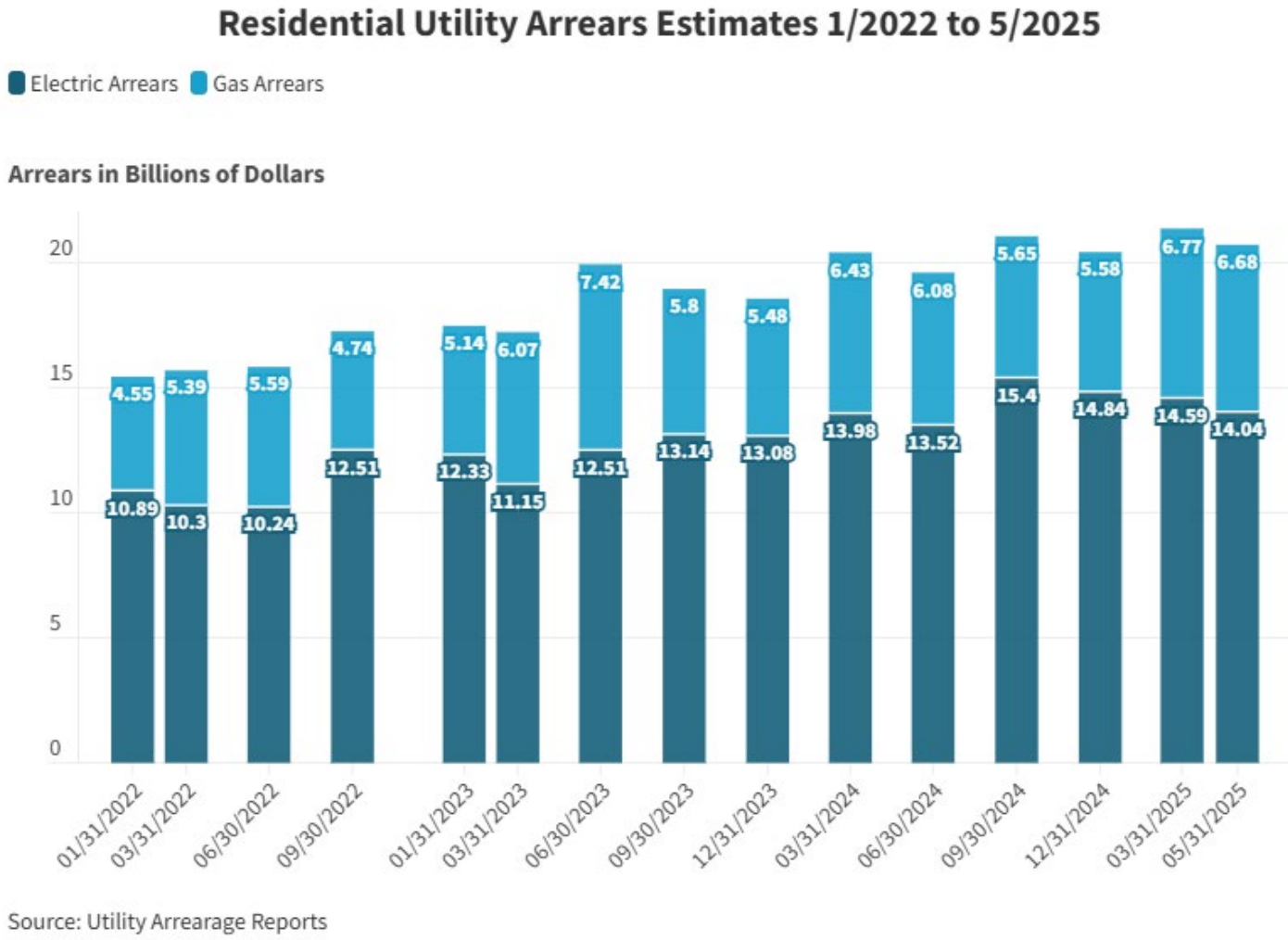
While long-term investment in the grid is essential, the current trajectory of rate increases signals that electricity prices will likely continue outpacing inflation, raising alarms about equity and access. If low-income families are left to shoulder the financial burden, utility arrears and shut-offs will inevitably rise.

Utility Debt and Shut-Offs Have Reached Crisis Levels

About 21.5 million U.S. households—roughly 1 in 6—are behind on their energy bills. These numbers are expected to worsen as families face the double impact of costly winter heating and summer cooling. Household utility debt is reaching crisis levels.

Outstanding utility debt jumped from $17.5 billion in January 2023 to $21 billion in June 2025 and could reach at high of $25 billion by the end of the 2025. Utility shut-offs are also increasing from about 3.3 million in 2023 to about 3.5 million in 2024 and could reach as high as 4.0 million by the end of 2025.

Sources: Select publicly-available state and utility arrearage data



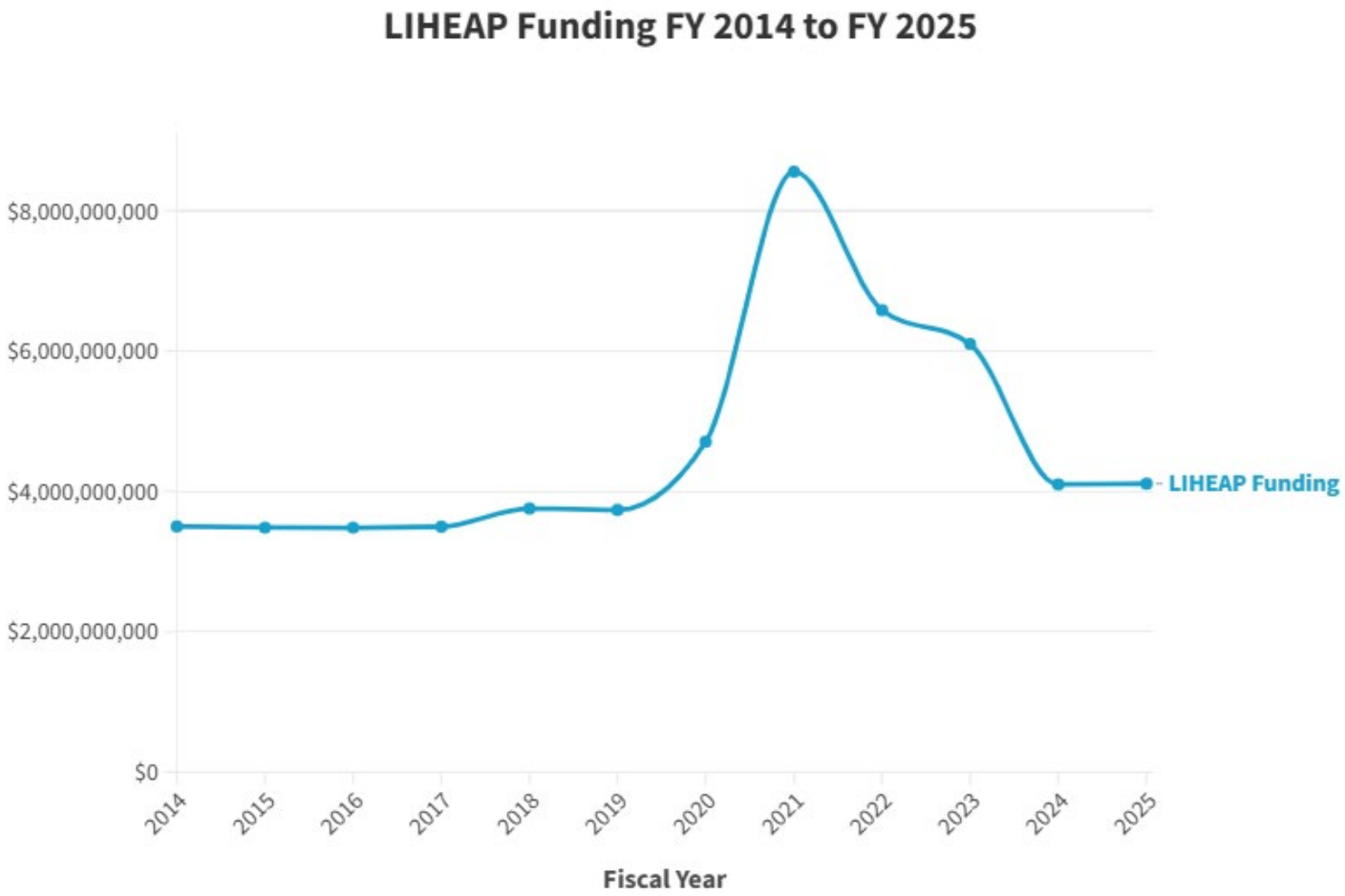
Source: Utility Arrearage Reports

Federal Support is Shrinking

The Low Income Home Energy Assistance Program (LIHEAP), the primary federal program to help families pay their energy bills, is a vital lifeline, yet funding fell from $6.1 billion in FY2023 to $4.0 billion in FY2024 and remains flat for FY2025.

Cooling assistance is also uneven: in summer 2025, only 26 states and the District of Columbia offered dedicated programs, leaving families in 24 states without protection during dangerous heatwaves.

States are urging Congress to restore LIHEAP to $6 billion for FY2026 and add $1 billion in contingency funds to respond to fuel price spikes and climate emergencies.

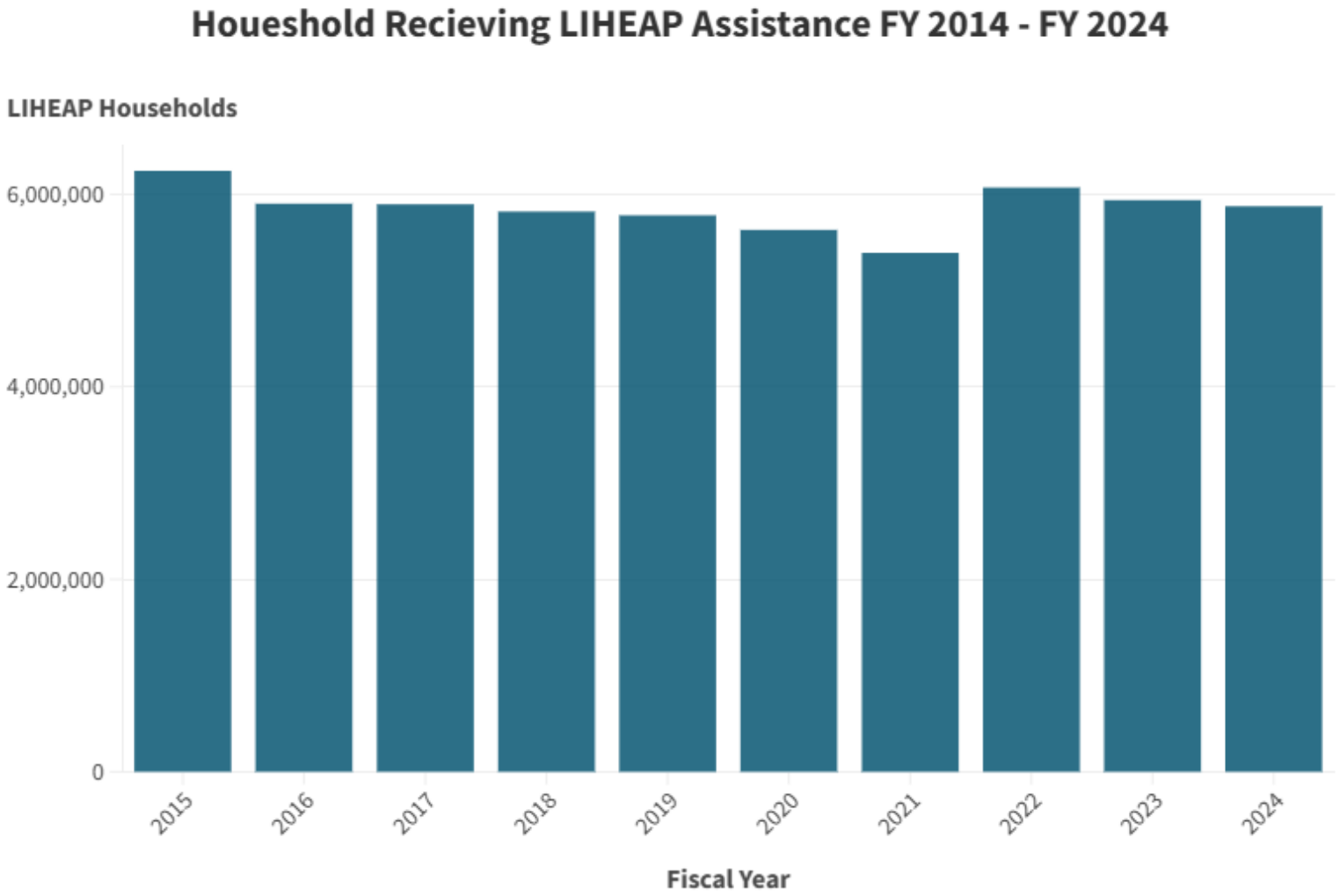


Source: HHS ACF

Funding Reductions Harm Families

Close to one million fewer households have had access to LIHEAP assistance because of the cutback in program funding.

States have reported that they have:
a) reduced crisis assistance to families to help with outstanding winter heating and summer cooling bills;
b) Reduced funding for weatherization assistance;
c) reduced or eliminated cooling programs.



Source: HHS OCS •

Affordability Programs Must Be Part of the Solution

As rates continue to climb, utility companies must take responsibility for affordability. Low- and moderate-income families should not be expected to subsidize the cost of grid modernization or data center expansion.

Utilities should implement affordability safeguards including:

- Capping household electricity costs at set percentage of income, which aligns with what the average U.S. household pays for home energy,
- Providing discounted rates,
- Offering forgiveness programs for families that fall behind on their bills. Without such programs, already struggling families will fall deeper into crisis, providing discounted rates, and
- Providing comprehensive shut-off protections for those who are unable to pay their utility bills.

Without such measures, millions risk falling deeper into financial distress.

Families Struggle to Pay their Home Energy Bills

The Census Bureau's Pulse Survey reported 23.4% of households could not pay their energy bill for at least one month in the last year, an increase from 22.0% in 2023.

Of even greater concern, for low income households, those earning less than $50k, during this same period, the percent of households that could not pay their utility increased from 35.5% to 37.4%.

Percent of Households Unable to Pay Energy Bill, by Survey Period

Household was unable to pay an energy bill or unable to pay the full bill amount, at least one month in the last year

Time Period	National Average	Low- and Moderate-Income (<$50k)	Households with Children	Households of Color
8/20/2024 - 9/16/2024	23.4%	37.4%	31.9%	31.2%
8/23/2023 - 9/4/2023	22.0%	35.5%	30.3%	29.8%

Table: NEADA • Source: Census Pulse Survey July 2024 • Created with Datawrapper

The Census Pulse Survey also reported that more than one out of three households (34.2%) reduced or forewent basic household expenses at least once during the previous year in order to pay their home energy bills.

Percent of Households Foregoing Basic Necessities to Pay Energy Bills, by Survey Period

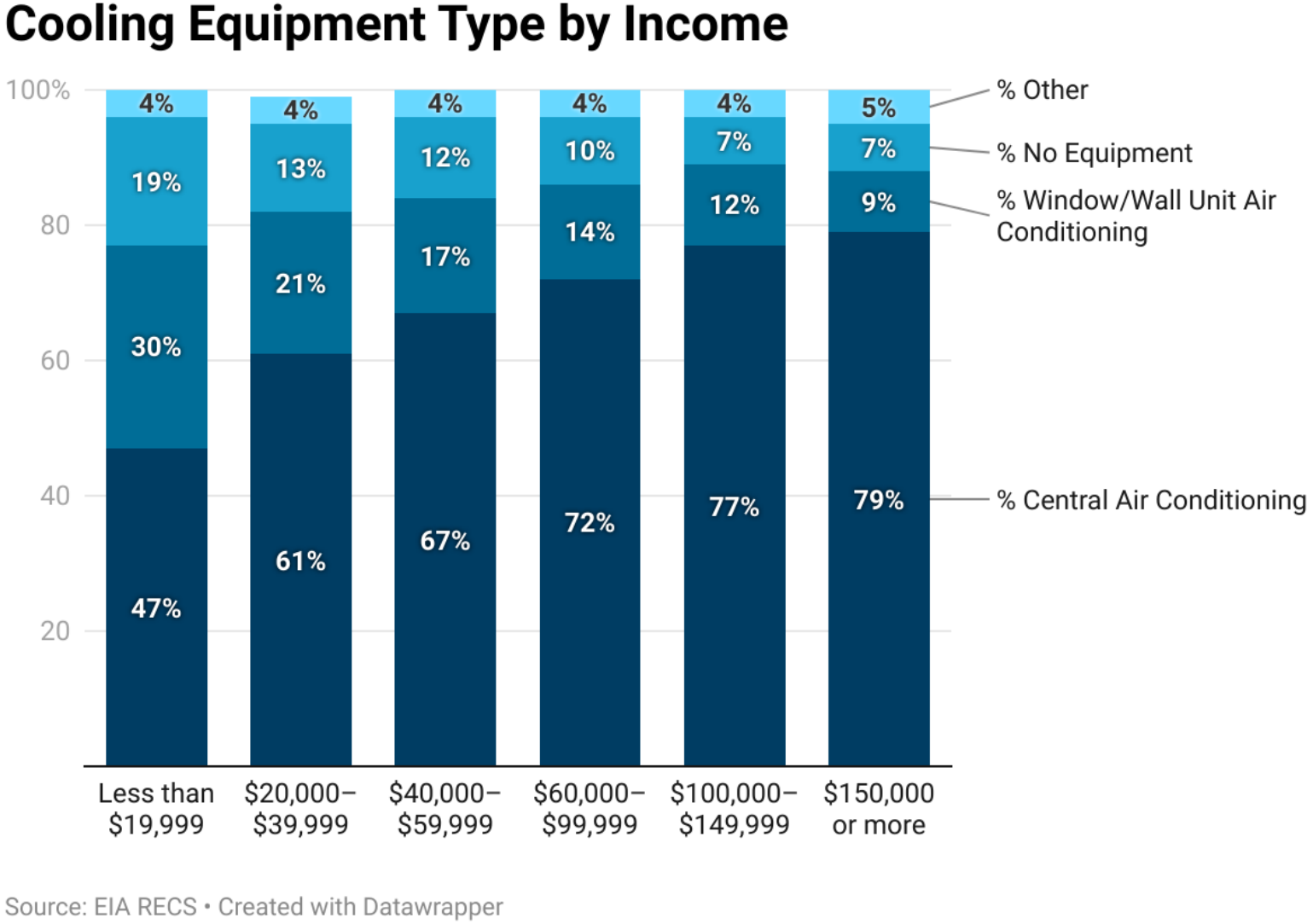
Household reduced or forewent expenses for basic household necessities, such as medicine or food, in order to pay an energy bill, at least one month in the last year

Time Period	National Average	Low- and Moderate-Income (<$50k)	Households with Children	Households of Color
8/20/2024 - 9/16/2024	34.3%	51.0%	40.9%	42.2%
8/23/2023 - 9/4/2023	34.1%	50.1%	40.6%	42.9%

Table: NEADA • Source: Census Pulse Survey July 2024 • Created with Datawrapper

Low-Income Families Are Less Likely to Cooling in the Home

Access to effective home cooling is limited by income. Nearly 20% of low-income households do not have cooling in their homes, and 30 percent rely solely on window units.



Energy consumption does not increase proportionally with income. Families with low incomes spend a higher percentage of their income on energy.

For the lowest income families, average expenditures increased from 7.5% on income in 2021 to 8% in 2023 while for all consumers, the average expenditures average about 2%.

Electric Expenditure for the Bottom 2 Income Quintiles and Average Consumers

Yearly electric expenditure compared to income

Bottom 20%

Year	Electric	Income	% Income on Electric
2023	$1,295	$16,171	8.0%
2022	$1,205	$16,337	7.4%
2021	$1,201	$15,909	7.5%
Second 20%			
Year	Electric	Income	% Income on Electric
2023	$1,607	$40,621	4.0%
2022	$1,527	$39,300	3.9%
2021	$1,391	$37,504	3.7%
All Consumers			
Year	Electric	Income	% Income on Electric
2023	$1,763	$87,869	2.0%
2022	$1,683	$83,195	2.0%
2021	$1,551	$78,743	2.0%

Source: Consumer Expenditure Survey Bureau of Labor Statistics • Created with Datawrapper

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