How Utility Profits Contribute to Rising Energy Bills

Fact Sheet

July 7, 2026

Acadia Center
Advancing the Clean Energy Future
207.236.6470 • info@acadiacenter.org

As energy bills continue to soar, so do utility earnings

The majority of New Englanders (71% of them) think utility profits are a major driver of increases in electric bills - and they might be right.[i] Below, Acadia Center examines the evidence to support this claim.

Rising utility profits are a symptom of the broader set of incentives and regulatory structures that govern the behavior and decision-making of investor-owned utilities across the region and the nation. In the largely restructured Northeast markets, electric transmission and distribution utilities and gas distribution companies operate in a cost-of-service regulatory environment that encourages investment in capital assets, as these expenditures support reliable earnings via Returns on Equity (ROE) established by regulators. In transmission, a major regulatory gap – the lack of oversight over rebuilds of existing transmission lines, known as asset condition projects (ACPs) – has also exacerbated rising costs over the last ten years or so. Unfortunately, in recent months, the region has seen major resistance by utilities to directives that would return money to ratepayers – including appeals to FERC-mandated refunds and state gas repair program reforms, as outlined further below. Here's what you need to know.

First: consumers' dollars don't go as far as they used to

- Between 2001 and 2024, median wages nationally– adjusted for a minimum quality of life – dropped over 5%, and spending power decreased even further.[ii] In Massachusetts, the income needed for a two-parent middle-class standard family with two school-age children to maintain their lifestyle jumped nearly 50% (from $117,000 to $174,000) in 5 years.[iii]

At the same time: Utility rates are rising rapidly, too

- Between 2022 and 2025 residential electricity rates in the Northeast increased roughly 17% on average.[iv]
- For most New England states, annual household electricity expenditures rose over $100 between 2024 and 2025, and as high as $250 in Massachusetts.[v]

The result: households are having a harder time keeping up with utility bills

- Between 2021 and 2024, the percentage of adults in households that were unable to pay an energy bill in full in the last 12 months rose from 19% to over 23% (see Fig.1).[vi]
- In total, roughly 1-in-6 households are behind on energy bills,[vii] with past due balances jumping almost 10% between 2024 and 2025.[viii]
- Gas utility costs are also rising - as of August 2025, gas utility rates were up 14% year-over-year.[ix]

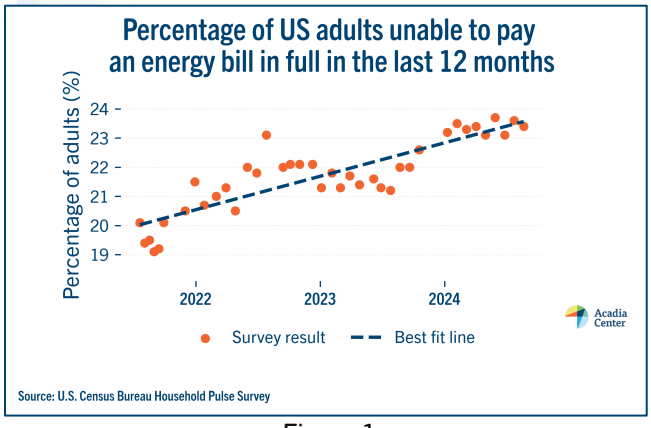


Figure 1

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Utilities are not feeling the same strain – profits continue to surge

The five major utility parent companies operating in the Northeast – Eversource, Avangrid, National Grid, PPL Corporation, and Unitil – have seen profits rise substantially in recent years (see Figure 2).[1] And these profits have grown across utility business segments; Figure 3 highlights just one utility example of this.

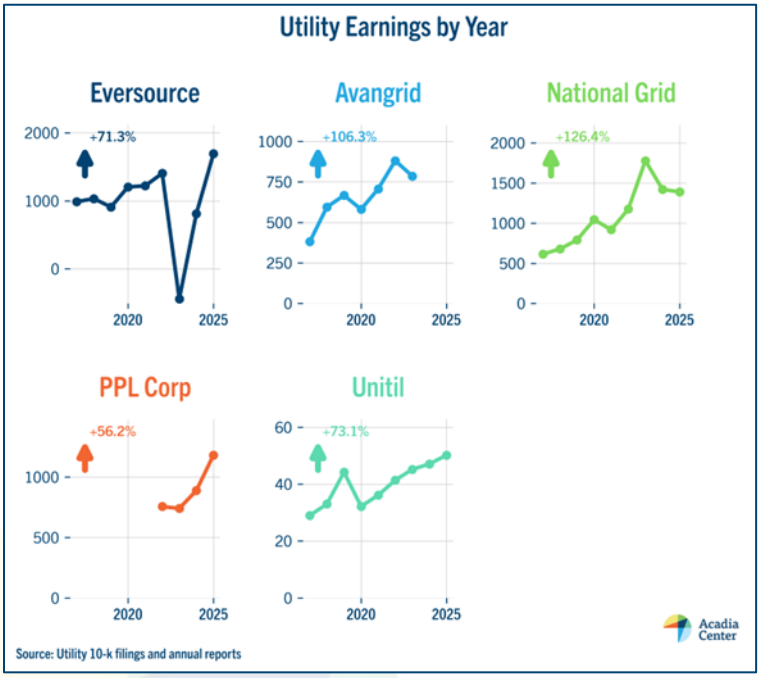


Figure 2

At a time when ratepayers are hurting amidst a crisis of affordability, these earnings should be considered part of the puzzle. While, in media, refrains can be heard casting blame on renewables for rising prices – the focus should remain squarely on the real cost drivers that are impacting electric prices around the region, such as:

- Fossil fuel overreliance
- Storms, trees, and aging infrastructure, and
- **Utility earnings**, business models, and oversight.[2]

As utility profits continue to grow, ratepayers are sometimes being overcharged by utilities. The Federal Energy Regulatory Commission recently ruled that utilities and other entities (collectively, transmission operators) in the Northeast have been collecting too high of a return on equity (ROE) for years on their transmission assets, and must return about $1.5 billion to ratepayers.[x, xi] Instead of willingly pay that money to ratepayers, the transmission operators asked the courts for an *even higher* ROE than what was rejected, which would allow them to burden ratepayers with surcharges to collect additional returns dating as far back as 2014.[xii] This is notable, as a study in New York found that lowering return on equity for distribution by 1% point could save customers $97 per year by 2030[xiii] - and there is a strong argument and growing body of evidence that utilities could have their ROE's lowered and still attract the necessary capital to run their businesses, which is the legal standard for setting ROE.[xiv, xv, xvi]

What is Return on Equity (ROE)?

ROE is the rate of profit regulators permit utilities to earn on capital investments.

There is a difference between allowed ROE and actual ROE: allowed ROE is used to set rates, while actual ROE is a matter of how allowed revenues compare to actual costs

The evidence also shows that investor-owned utilities, which have a fiduciary responsibility to maximize shareholders' profits – have more expensive rates than their publicly owned counterparts. In fact, investor-owned utilities saw their prices increase **49% more** than inflation between 2022 and 2024, while their publicly-owned counterparts saw prices increase **44% less** than inflation over the same time period.[xvii]

[1] PPL acquisition of Rhode Island Energy (RIE) was completed in May 2022. Avangrid was acquired by Iberdrola in 2024 (data wasn't available for 2024 and 2025). For National Grid, data used was for their US business and subsidiaries and excluded international business. The Eversource drops in earnings in 2023 and 2024 were due to losses from offshore wind and the sale of water company Aquarion. Their utility profits continued to grow during those years (see Figure 2). Percentage growth numbers represent the growth from the earliest to most recent year on each subplot.

[2] Read more about energy cost drivers from Acadia Center's fact sheets here.

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What can be done?

In New England, 75% of voters support setting a cap on the amount of profits utility companies can earn each year.[xviii] That is one solution, and when looking at the body evidence, a strong case can be made that utilities' profit/incentive structure is at least partially responsible for utility bill increases in the Northeast. However, to get real long-term affordability, more changes are needed. Fortunately, while there is no "silver bullet solution", there are many steps that can be taken to help control utility bills in the coming years and decades.

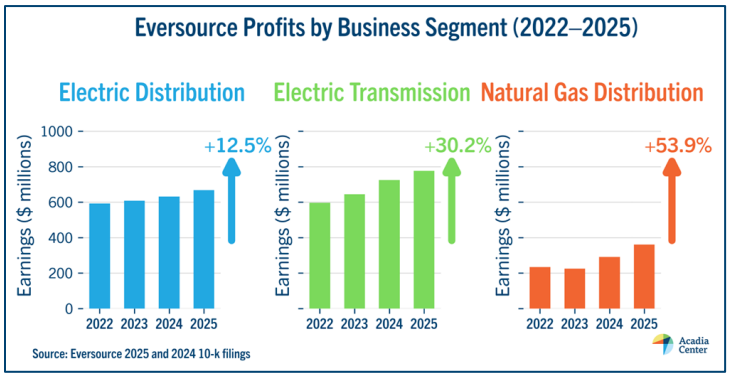


Figure 3

Below is an illustrative, non-comprehensive, sampling of changes that can help mitigate cost increases if Northeast states choose to implement them.

- **Reducing ROEs and equity ratios:** lowering ROEs reduces customer costs while still allowing company parents to obtain capital.[xix]
- **Implementing performance-based regulation (PBR):** PBR can shift utility financial incentives away from increasing capital spending and towards improved customer outcomes – including improved affordability.[xx]
- **Utilize holistic and integrated utility planning:** Utility planning that accounts for reliability and resilience needs, load forecasts, age and condition-based maintenance needs, and more (like a changing climate), can better ensure efficient capital expenditure and reduce the likelihood of stranded assets.
- **Additional transmission oversight:** Currently, money is pouring into transmission projects (see Fig. 3). In New England, asset condition project spending has increased from $58 million annually in 2016 to $1.2 billion in 2024. Additional independent oversight can scrutinize transmission projects and ensure they are correctly sized and optimized for actual grid needs.[xxi, xxii]
- **Shift to public-private financing:** Public financing mechanisms could reduce costs by 43% for new transmission projects and up to 34% for upgrades, delivering up to $9.5 billion in savings for customers while supporting a reliable and clean electricity system.[xxiii]
- **Deploy more clean energy and energy storage:** Clean energy is the most affordable energy available and can help reduce utility bills.[xxiv]
- **Other potential solutions to improve affordability include:** more widely implementing grid enhancing technologies, non-wires solutions and virtual power plants; expanding community choice aggregation and/or public ownership of utilities; reducing price hedges by energy suppliers[3], and more.

[3] This is not a solution that impacts utility profits, but can help reduce customer costs. Overcharged - Suppliers' Retail Premiums are Inflating Massachusetts Electric Bills | Synapse Energy

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The big takeaway

We are in a new age of energy, which coincides with an affordability crisis. However, we have the tools at our disposal to help control what our utility bills look like – solutions exist, they just need to be implemented. Now is the time to start moving into a new age of policies and processes that keep up with innovative, clean energy technology and improve quality of life across the region.

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[ii] Minimal Quality of Life | LISEP Ludwig Institute for Shared Economic Prosperity
[iii] Mass. Middle class worse off than inflation rate indicates | Boston Globe
[iv] How Rising Utility Bills Are Reshaping the US Economy | Morningstar
[v] State-by-State Data: Annual Electricity Bills Up $100 | Joint Economic Committee Minority
[vi] Household Pulse Survey | United States Census Bureau
[vii] Energy Hardship Project | NEADA.ORG
[viii] Nearly 6 million households have utility debt 'so severe' they'll soon be reported to collection agencies, analysis finds | Fortune
[ix] How Rising Utility Bills Are Reshaping the US Economy | Morningstar
[x] Utilities Oppose Billion-Dollar Customer Refund Order on Rates Deemed "Unjust" by FERC | Acadia Center
[xi] Eversource, Avangrid ask FERC to stay $1.5B refund decision | Utility Dive
[xii] New England TOs Ask FERC for a Major ROE Increase | RTO Insider
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[xiv] Are utilities making too much money? | David Roberts
[xv] What If Utilities Just Made Less Money? | Heatmap News
[xvi] Rebalancing "Return on Equity" to Accelerate an Affordable Clean Energy Future | RMI
[xvii] Rate of Return Equals Cost of Capital: A Simple, Fair Formula to Stop Investor-Owned Utilities From Overcharging the Public | American Economic Liberties Project
[xviii] Making the Affordability Case for Clean Energy | Barr Foundation & Hart Research
[xix] Return on Equity Reform | RMI Electricity Affordability Toolkit
[xx] Opinion: CT needs a business model for more affordable and reliable utility service | Acadia Center
[xxi] Opinion: An independent transmission monitor could cut ratepayer costs | Acadia Center
[xxii] Acadia Center Explains: The Need for an Independent Transmission Monitor (ITM) | Acadia Center
[xxiii] A Smarter Way to Pay: Public Financing for Affordable Transmission Development in New England | Acadia Center
[xxiv] Renewables Aren't Behind Energy Cost Increases | Acadia Center

acadiacenter.org • PO Box 583, Rockport, ME 04856 • info@acadiacenter.org • 207.236.6470 ext. 001
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