

## Economy

# Is the AI revolution raising consumers' utility bills?

17 October 2025

### Key takeaways

- In Bank of America deposit data, the average utility payment for electricity and gas increased 3.6% year-over-year in the third quarter (3Q) of 2025. Rising consumer prices for electricity and gas suggest bill pressure could intensify in the coming months, depending on how the winter weather shapes up.
- More broadly, the rising demand for electricity generation capacity and grid investments, due in part to the build-out of data centers, appears to be placing more upward pressure on bills. BofA Global Research points to big increases in prices at auctions of electricity capacity as one sign.
- The pressure on peak electricity demand capacity will likely persist, potentially meaning unyielding pressure on customer utility bills. This impacts lower-income households disproportionately and is another headwind at a time of weakening wage growth for this cohort.

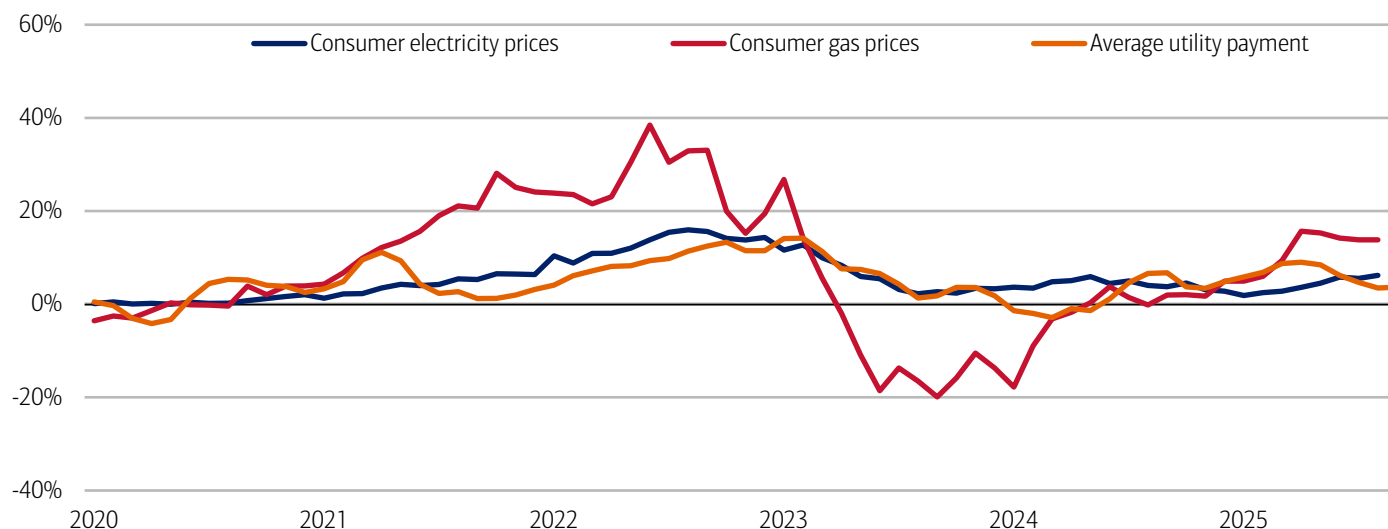
### Electricity and gas prices suggest consumer utility bill pressure emerging

The average utility payment for electricity and gas rose 3.6% year-over-year (YoY) in 3Q 2025, according to Bank of America internal deposit data. This was down from a peak rise of nearly 10% YoY in the spring, providing some respite to consumers perhaps.

However, it's likely that this reprieve is due partly to relatively soft electricity demand over the summer rather than energy prices. In fact, electricity and gas prices, as measured by the Bureau of Labor Statistics' (BLS) consumer price index, show YoY price increases of 6% and 14%, respectively, in August. So, in our view, consumers may again feel the pressure on their utility bills in the coming months, particularly if the winter is a cold one.

#### Exhibit 1: Average utility payments rose 3.6% YoY over in 3Q 2025, but consumer prices suggest upside pressure

Consumer prices for electricity and piped gas (% YoY) and average monthly overall utility payments per customer based on Bank of America internal deposit data (three-month moving average, % YoY)



Source: Haver Analytics, Bank of America internal data

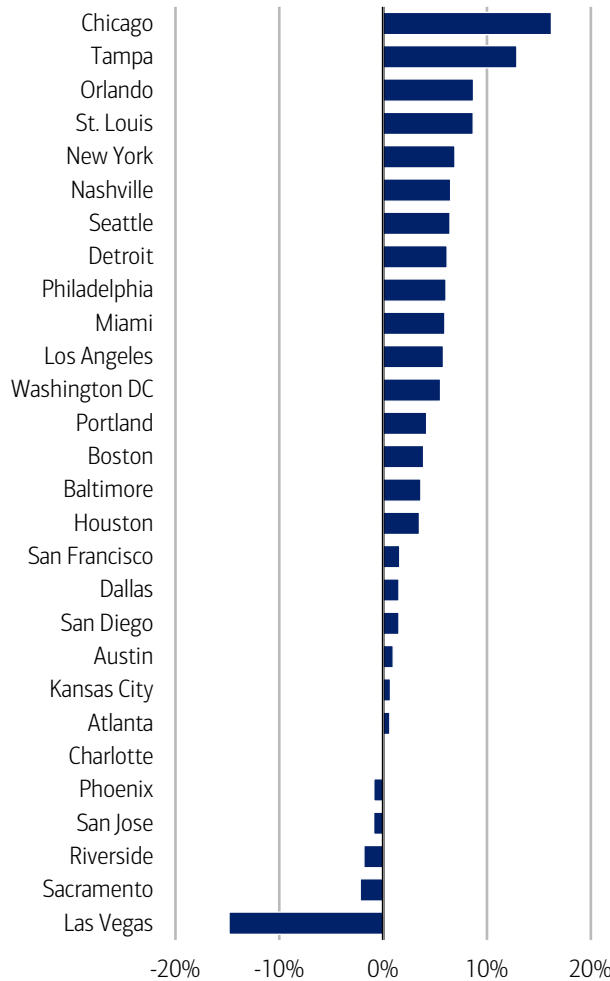
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Looking at major cities across the country, there is a relatively wide dispersion of consumer experiences. Average utility payments in Bank of America deposit data over the summer period rose by double-digit rates in Chicago and Tampa, for example, but fell by over 10% in Las Vegas (Exhibit 2). The majority of cities have, however, seen YoY increases.

Looking deeper, we find the average utility payment in these cities was still below the US average, even though payments rose a lot in Chicago. On the other hand, some cities in the South and West had payments well above the US average.

**Exhibit 2: There is a fairly wide dispersion of experience across the country in utility bill growth...**

Average monthly overall utility payments per customer by Core Based Statistical Area (3Q 2025 compared to 3Q 2024, % YoY)

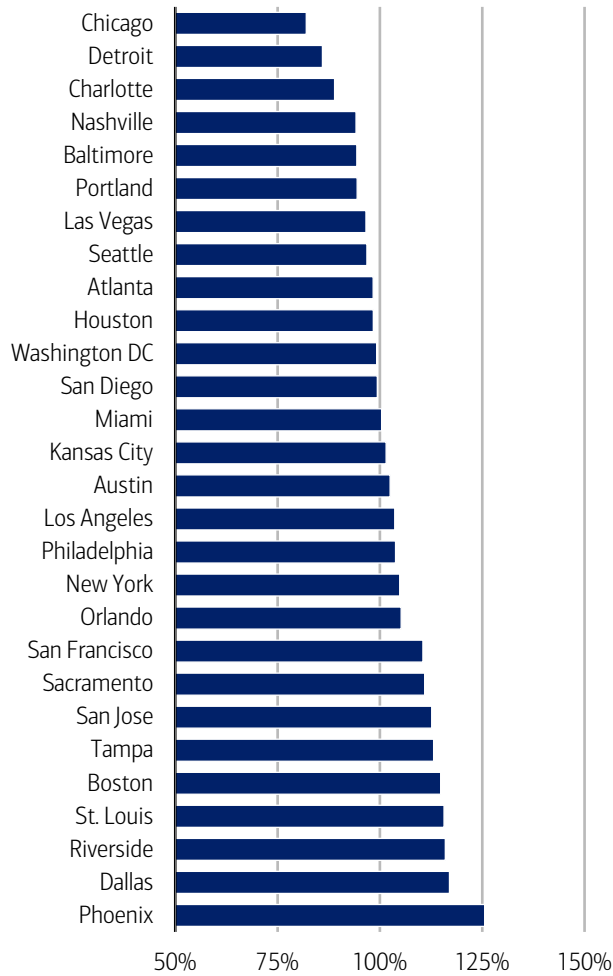


Source: Bank of America internal data

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**Exhibit 3: ...as well as in bills compared to the US average**

Average monthly overall utility payments per customer relative to US average (3Q, %)



Source: Bank of America internal data

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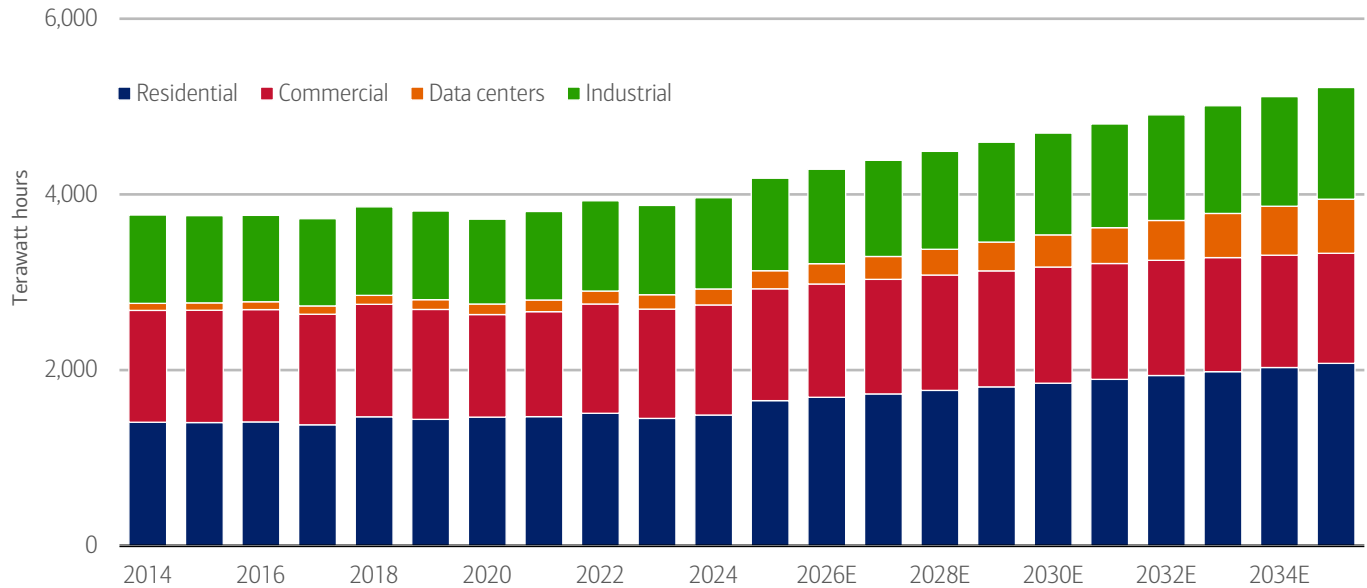
## Are data centers leading to higher utility bills for customers?

It’s likely that different utility payment experiences across the US over the third quarter reflect, in part, variations in demand for energy over the summer (it was notably hot in parts of the country, such as Phoenix, boosting cooling demand), as well as different regulatory structures governing utility supply across the country.

But an important question both for understanding current utility bills and how they will evolve is whether energy demand – most obviously electricity – from the explosive growth in AI and the associated build-out of data centers is also pressuring residential bills? Indeed, BofA Global Research sees manufacturing and data centers as important drivers of electricity demand over the next 10 years (Exhibit 4). Also worth noting – increasingly residential electrification including in vehicles is also pushing electricity demand up.

#### Exhibit 4: BofA Global Research expects US electrical demand to increase at a 2.5% compound annual growth rate (CAGR) over 2024-35E

US electrical demand (in terawatt hours per year) 2014-2035E (estimates/forecast from 2025)



Source: BofA Global Research estimates, US Energy Information Administration

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BofA Global Research argues that rising demand for electricity from both data center development and manufacturing growth is *already* being reflected in residential customer rates.

The impact runs through the spending on enhancements to the transmission and distribution grid required for data center build-outs, which is incorporated into the tariffs of all the ratepayers (residential, commercial and industrial) on the system, and then into both higher energy and capacity pricing.

Capacity prices are charged to ensure future electricity demand will be reliably met and BofA Research points to capacity auctions in the Pennsylvania-New Jersey-Maryland Interconnection (PJM) region as an example of rising cost pressure. PJM is a regional transmission organization (RTO) covering around 65 million customers in the eastern US. It hosts an open and competitive auction process to set the price for capacity in the 13 states where it is responsible for electricity dispatch and system reliability.

PJM's capacity auctions have seen five-fold increases in prices: the auctions for delivery in June through May rose from \$34/MegaWatt (MW)-day in 2023/24, to \$269/MW-day in 2025/26. For the 2026/2027 delivery year auction, capacity prices cleared at \$329/MW-day reflecting a cap that was agreed to by the Governor of Pennsylvania and PJM. Pricing would have been \$388/MW-day without that cap.

These rising capacity rates impact residential customers because, although the rates that utilities charge customers are regulated, utilities are entitled to fully recover some expenses – capacity prices and the price of power are chief among them.

### Consumers not done with utility price increases yet

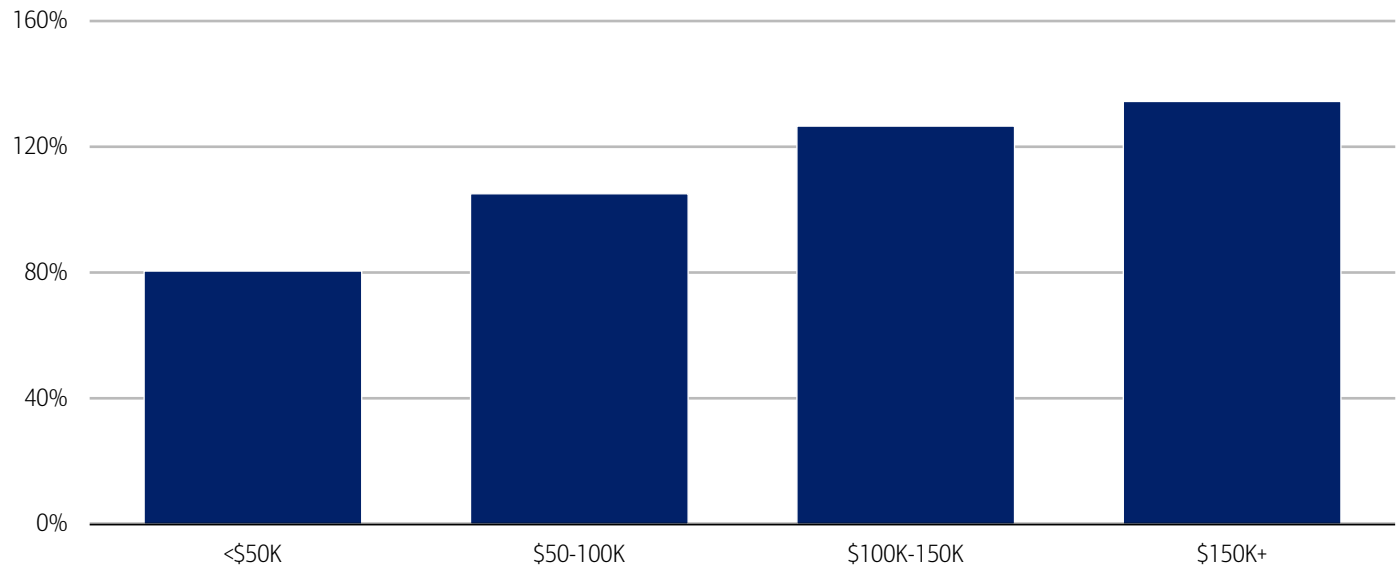
How will the growth in electricity demand impact consumer bills from here? In BofA Global Research's view, there is likely further upside ahead. They point to the fact that electricity supply is still struggling to catch up with the rapid increases in demand because of the capital intensity and regulatory requirements around building more generation and transmission capacity.

It is peak demand where the supply-demand picture is really tightening. One issue is that the speed at which new supply can be built is also being limited by supply chain pressures, for example in very large turbines. And, while some of peak demand can be met in the short term with solar and storage, there is also regulatory uncertainty around the supply chain in these areas too. So, for now, it appears that these pressures are not over.

For consumers, this is, of course, not welcome news. Higher utility payments tend to disproportionately impact lower-income households more than others. While lower-income households with incomes below \$50K have average utility bills around 80% of the US average, households with incomes above \$150K have bills around 134% of the US average. So, while higher-income households pay more for utilities, the rise is not proportional to their income (Exhibit 5). Moreover, relative to their total consumer spending, Bureau of Labor Statistics (BLS) data suggests electricity and gas represented around 4.5% of lower income households' spending in 2023, compared to 3% across all households.

At a time when lower-income households are already under pressure from slowing wage growth (see: [Consumer Checkpoint: The tale of two wallets](#)), rising electricity and gas bills would be another headwind. But, more broadly, rising utility bills could be a headwind to overall consumer discretionary spending if rises are significant and persistent.

**Exhibit 5: Higher utility bills tend to hit lower-income households proportionately harder**  
Average monthly overall utility payments per customer relative to US average by income (3Q 2025, %)



Source: Bank of America internal data

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## Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under \$5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

The differences between the total and per household card spending growth rate (if discussed) can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.
2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.
3. Overall total card spending includes small business card spending while per household card spending does not.
4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).
5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

We consider a measure of services necessity spending that includes but is not limited to childcare, rent, insurance, insurance, public transportation, and tax payments. Discretionary services includes but is not limited to charitable donations, leisure travel, entertainment, and professional/consumer services. Holiday spending is defined as items in which spending in the November-December period is usually at least 20% of total annual spending on the category.

For analysis looking at higher value transactions (including durables), we consider a value per transaction threshold estimated with reference to the top 30% of transactions by value in 2024. The share of higher value transactions is then the number of transactions above this threshold as a percentage of total transactions over time.

Lower, middle and higher household income cuts in Bank of America credit and debit card spending per household, and consumer deposit account data are based on quantitative estimates of each households' income. These quantitative estimates are bucketed according to terciles, with a third of households placed in each tercile periodically. The lowest tercile represents 'lower income', the middle tercile represents 'middle income' and the highest tercile 'higher income'. The income thresholds between these terciles will move over time, reflecting any number of factors that impact income, including general wage inflation,

changes in social security payments and individual households' income. The income and tercile in which a household is categorised are periodically re-assessed.

Major grocery categories include sugar and sweets, juices and other non-alcoholic beverages, bakery products, processed fruits and vegetables, fresh fruit and vegetables, coffee and tea, fats and oils, milk, cereal and cereal products, other, cheese, and meats, poultry and fish, Other includes soups, snacks, frozen and freeze-dried prepared foods, and spices, seasonings, and condiments.

Generations, if discussed, are defined as follows:

1. Gen Z, born after 1995
2. Younger Millennials: born between 1989-1995
3. Older Millennials: born between 1978-1988
4. Gen Xers: born between 1965-1977
5. Baby Boomer: 1946-1964
6. Traditionalists: pre-1946

**Census Bureau Regions are defined as follows:**

Northeast: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, New Jersey, New York, Pennsylvania.

West: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming, Alaska, California, Hawaii, Oregon, Washington.

Midwest: Illinois, Indiana, Michigan, Ohio, Wisconsin, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.

South: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia, Alabama, Kentucky, Mississippi, Tennessee, Arkansas, Louisiana, Oklahoma, Texas.

**BEA regions are defined as follows:**

New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Mideast: Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania

Great Lakes: Illinois, Indiana, Michigan, Ohio, and Wisconsin

Plains: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Southeast: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia

Southwest: Arizona, New Mexico, Oklahoma, Texas

Rocky Mountain: Colorado, Idaho, Montana, Utah, Wyoming

Far West: Alaska, California, Hawaii, Nevada, Oregon, Washington

Any reference to card spending per household on gasoline includes all purchases at gasoline stations and might include purchases of non-gas items.

Additional information about the methodology used to aggregate the data is available upon request.

## Contributors

### David Michael Tinsley

Senior Economist, Bank of America Institute

## Sources

### Jon Kaplan

Senior Vice President, Analytics, Modeling and Insights

### Ross Fowler

BofA Global Research

### Paul Cole

BofA Global Research

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