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Fitch Ratings Revises North American Utilities & Power Outlook to Deteriorating.

Fitch Ratings-New York/Toronto-12 June 2026: Fitch Ratings has revised its mid-year 2026 sector outlook for North American utilities and power to ‘deteriorating’ from ‘neutral’, reflecting rising affordability concerns that are increasing political and regulatory risk for the sector. While our 2026 outlook issued in December 2025 identified regulatory resistance to rate increases as a key watchpoint, developments in 1H26 confirm that this risk is materializing faster and more broadly than anticipated.

Sector fundamentals remain supportive. Electricity demand is expected to grow 2.0%–2.5% annually through 2030, driven by data center expansion, electrification, and industrial reshoring. However, the operating backdrop has become more challenging as customer bills continue to rise. With 36 states holding gubernatorial elections in November 2026, utility bills are emerging as a front-an--center campaign issue.

U.S. residential electricity prices have continued to increase. According to the U.S. Energy Information Administration, the average residential electricity price reached 18.8 cents/kWh in March 2026, up 10.2% from 17.1 cents/kWh a year earlier. This pressure comes as utilities plan record capital spending of around $240 billion in 2026 to support load growth and improve system reliability and resilience. We expect annual sector capex to rise by a low- to mid-teens percentage rate during 2026 – 2030, adding to pressure on customer bills. These investments support credit quality over the longer term, but rising bills may make timely rate recovery more difficult.

The PJM Interconnection region remains the clearest example of these pressures. Data center-driven demand growth has pushed capacity auction clearing prices to more than $329/MW-day for the 2026/2027 delivery year from about $29/MW-day for 2024/2025. This increased total regional capacity costs to more than $16 billion from $2.2 billion. Political and regulatory resistance has grown as these costs flow through to customers. Governors and state lawmakers have called for reforms to limit the impact on retail ratepayers.

Strong data center demand remains a structural positive for the sector and could help utilities spread fixed costs across a larger customer base, benefiting residential customers. Early signs have emerged as some utilities have pointed to potential rate relief tied to large-load growth. Utilities are also seeking separate tariffs for data center customers to require them to bear the incremental cost of new infrastructure and prevent cost shifts to retail customers. However, these benefits are likely to emerge only over time and may not fully offset near-term bill pressure from elevated capital spending.

The revised outlook to ‘deteriorating’ reflects a more difficult political and regulatory environment for cost recovery, rather than weaker demand fundamentals. A return to ‘neutral’ would require evidence that affordability pressures are easing and that utilities can continue to recover rising investment needs without materially increasing regulatory lag or weakening credit profiles.

As of June 2026, 87% of Fitch’s North American Utilities, Power & Gas ratings have Stable Rating Outlooks. The median senior unsecured rating is ‘A-‘ for utility operating subsidiaries and ‘BBB’ for parent holding companies.

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