

ENCLOSED

E-File

April 23, 2025

Matthew Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17120-3265

Re: En Banc Hearing on Interconnection and Tariffs for Large Load
Customers
Docket No. M-2025-3054271

Dear Secretary Homsher:

Enclosed for filing on behalf of Vantage Data Centers, please find the testimony of Shawn Smith to be presented at the April 24, 2025 En Banc Hearing on Interconnection and Tariffs for Large Load Customers. If you have any questions regarding the information contained in this filing, please feel free to contact me.

Respectfully submitted,
s/ Shawn Smith
Shawn Smith
Vice President of Energy for Utilities and Regulatory
Vantage Data Centers

on how interconnection and tariffs can be modernized to better serve large load customers—while protecting the interests of all ratepayers and ensuring system reliability.

Today, I'd like to offer four recommendations for your consideration, based on our real-world experience navigating large load interconnections and co-located generation in Pennsylvania and across North America. These ideas focus on encouraging generation co-location, aligning financial requirements with project risk, applying consistent credit standards, specific contract terms that align with risk utilities and large load customers are taking, and tariff provisions that balance the needs of all parties.

1. Recognize and Reward Generation in the Load Interconnection Queue

First, we encourage the Commission to recognize the systemic benefits when customers bring their own new generation alongside new load. When a large load customer and/or developer co-locates with new generation, they are not simply adding demand. In reality, they are helping offset their own load, improving system resilience, and reducing net stress on the grid.

We encourage the Commission to consider policy tools that could prioritize such projects in the load and generation interconnection queue. This could include explicit scoring advantages, creating a separate queue track, for new load that brings new generation, and earlier access to system impact studies. Doing so would send the right market signals: that if a customer helps solve the grid problem, rather than contribute to it, they deserve a faster path forward.

This is especially important in constrained areas where large load interconnections are highly competitive. By prioritizing the interconnection of large loads that also brings new generation resources to the grid, it will maximize the ability to grow new load while minimizing stress on the power grid and avoiding any impact to ratepayers. The Commission has a timely opportunity to shape proactive policy in this space, encourage innovation and champion customers who are taking proactive steps to support reliability by giving those projects priority in the queue.

2. Deposits or Financial Security from Large Load Customers

Financial assurance requirements for large new loads must be fair, proportional, and grounded in actual risk. A one-size-fits-all approach fails to reflect the diversity of data center business models, credit profiles, and risk mitigation strategies already in place. For example, exempting large hyperscalers from collateral requirements while applying them

to third-party providers leasing to those same companies creates an uneven playing field and undermines healthy competition. We recommend a flexible framework that reflects utility risk and recognizes customer investments, as follows:

- A. **Timing of collateral requirements.** Collateral should be required only when the utility's financial exposure is at its peak—typically within the year preceding energization. Requiring collateral earlier not only misaligns with the actual timing of risk but also unfairly strands significant customer capital—often hundreds of millions of dollars—well before the customer is expected to receive service. When a project remains several years from coming online, the utility retains ample opportunity to mitigate potential exposure. Further, collateral structures should align with the phased nature of large-load projects and should reduce over time as risk declines. Once a large load customer is taking service, there should no longer be a need to maintain as high an amount of collateral. Any tariffs related to a customer's collateral obligation should also include a schedule for how the collateral will be reduced overtime which is critical for customer capital planning. Utilities must also return collateral in a timely and transparent manner.
- B. **Amount of collateral.** Collateral amounts should correspond to the utility's actual at-risk investments. Requirements should be based on a realistic assessment of potential loss, including the utility's ability to repurpose infrastructure, and a holistic approach to customer risk evaluation. Factors such as a customer's operational history, performance on prior projects, and the strength of equity backers provide meaningful insight. Additionally, if a data center developer has a lease signed with a creditworthy tenant (such as a well-known hyperscaler) the creditworthiness of the tenant should be the basis for setting the amount of collateral obligation. Failing to account for these relationships unfairly penalizes third-party operators. Utilities should have the discretion to grant exemptions where warranted by these broader indicators of creditworthiness.
- C. **Form of collateral.** The form of collateral accepted must also be flexible. Customers should be able to meet obligations through a range of instruments—such as parental guarantees, letters of credit, surety bonds, or cash.
- D. **Performance by the Utility.** By providing collateral, large load customers are significantly de-risking utility investment. Equally important, if customers are required to post collateral, utilities should commit to performance. Financial guarantees should be mutual. Utilities must provide firm commitments on

energization dates and ramp schedules, enabling customers to invest with confidence. Without these assurances, one-sided collateral obligations expose customers to undue risk and will limit private sector investors appetite to invest. Utilities should be held to enforceable delivery timelines or face consequences for delays. Contracting provisions need to have similar binding financial requirements on the utilities to meet their proposed energization timelines as the utilities put on customers to meet their requested in-service date.

3. Minimum Charges and Contract Terms

Vantage Data Centers secures long-term leases with hyperscale companies. It is important to have power certainty during the term of the lease while having options to continue the power at the conclusion of the contract period with automatic extension. Minimum contract terms should be in the eight to ten-year range assuming extension provisions are built into the contract terms.

We recommend demand charges not to exceed 75%, with ramping provisions in place, and implementation beginning no earlier than six to twelve months after energization. We have seen minimum demand charges in other jurisdictions, and they can be appropriate—provided they include ramping provisions that account for the phased buildout of data center campuses over multiple years. Vantage works closely with the utility and our customers on accurate load ramps. While demand charges are reasonable, we do not believe a minimum energy or consumption charge is necessary. Utilities must plan for adequate capacity to serve large loads, but actual energy consumption risk can be managed through energy market transactions based on real usage.

4. Tariff Provisions and Appropriate MW Size Designations for Large Load Tariffs.

Large loads should be classified based on their power demand, not industry type or sector, as their impact on the grid is determined by load size. Given the rising power demand across several industries—including manufacturing, mining, hydrogen production, and data centers—a minimum threshold of 50 MW is an appropriate and reasonable criterion for eligibility under the large load tariff.

Large load customers should be allowed to develop substation, distribution, and transmission upgrades. In many cases we have the same vendor to do these upgrades as utilities hire. Having appropriate tariff subcategories to accommodate such options will allow for faster deployment of resources without sacrificing reliability and safety. Additionally, large loads should be incentivized with expedited load interconnections to develop these resources.

Distinctions in tariff designs for firm service versus interruptible large load customers. We have participated in interruptible load programs in other service territories, and they can be successful. You will want to simplify the process and be able to assist the grid during high demand events. For example, structures that require utility customers to export energy to the grid and become a FERC Generator Operator are unnecessarily complex and may limit the participation of programs intended to provide stability to the grid. This program should also be incentivized with expedited load interconnections to develop these resources.

The tariff load interconnections should also have provisions that have transparency built into the rules. Similar to generation interconnection, queues should be published with amounts and timing of requested power. However, they should still keep the names of the entities and locations private to allow businesses to succeed. Further, the tariff needs provisions that have timelines for both study timeline requirements from the utility and large load customer progression to a project that is pulling power from the grid. The number of load studies should be done in three to six months depending on the number of studies in the queue. Once a study is complete there should be set progression milestones large load customers are needed to meet.

Your honor, commissioners, and staff, thank you again for the opportunity to testify today on these important topics for the state of Pennsylvania that can have significant economic benefits and serve the national security interest. By encouraging new generation co-location, aligning financial requirements with project risk, applying consistent credit standards, setting minimum contract terms that align with the risk utilities and large load customers are taking, and establishing tariff provisions that balance the needs of all parties, we can grow the grid in a safe, sustainable, and reliable way to meet the opportunities for your state. I look forward to your questions.