

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

En banc Hearing Concerning Interconnection)
and Tariffs for Large Load Customers)

M-2025-3054271

**TESTIMONY OF LUCAS FYKES ON BEHALF OF
THE DATA CENTER COALITION**

Chairman DeFrank, Vice Chair Barrow, and Commissioners, thank you for this opportunity to present testimony regarding large load customer model tariffs for electric distribution companies. I commend the Commission for holding this *en banc* hearing and for seeking expertise from stakeholders before the electric distribution companies make proposals to address large load customer growth.

My name is Lucas Fykes, and I am the Director of Energy Policy for the Data Center Coalition. The Data Center Coalition or DCC is the national membership association for the data center industry. DCC represents and advances the interests of the data center industry, aggregates industry expertise, and offers thought leadership and collaboration with utilities, policymakers, regulatory bodies, and other stakeholders. DCC’s membership includes 36 leading data center owners and operators, as well as companies that lease large amounts of data center capacity. Our membership includes both enterprise companies building data centers to support their own operations, as well as companies building or leasing space in data centers commonly known as “multitenant” or “build-to-suit” facilities.

Today, there is unprecedented demand for the digital services that have become central to our daily lives and modern economy – everything from the way we work and learn to how we buy groceries, bank, and even access medical care now occurs online. With an average of 21 connected

devices per household in the U.S.,¹ the role of data centers is expected to grow as consumers and businesses generate twice as much data in the next five years as they did in the past decade.² This growth is driven by the widespread adoption of cloud services, the proliferation of connected devices, and the rapid scaling of advanced technologies like generative AI, which alone could create between \$2.6 trillion and \$4.4 trillion in economic value globally by 2030.³

The importance of data centers is difficult to overstate, in part because nearly every sector of the modern American economy relies on cloud computing—a service facilitated by data centers—in some way. The importance of data centers can be measured financially, however. DCC commissioned a PwC 2025 impact study that shows the data-center sector is a major economic force.⁴ In 2023, it supported 4.7 million U.S. jobs, including 603,900 direct jobs—up 51% since 2017. Those roles generated 404 billion in wages, a 93% jump over the same period. Direct contributions added 231 billion to GDP. Total annual contributions to U.S. GDP in 2023, including direct, indirect, and induced effects totaled 727 billion. Each data-center job now underpins more than six additional jobs across the economy. The industry also delivered 162.7 billion in federal, state, and local tax revenue in 2023, 146 % above 2017, highlighting its growing fiscal value.

After nearly two decades of relatively flat electricity consumption, the U.S. is experiencing a significant increase in power demand driven by several economic growth trends, including the onshoring of new manufacturing, widespread electrification of buildings, industry and

¹ Deloitte, *Consumers embrace connected devices and virtual experiences for the long term* (September 5, 2023), <https://www2.deloitte.com/us/en/insights/industry/telecommunications/connectivity-mobile-trends-survey/2023/connectivity-mobile-trends-survey-full-report.html>.

² JLL, *Data Centers 2024 Global Outlook*, <https://www.us.jll.com/content/dam/jll-com/documents/pdf/research/global/jll-data-center-outlook-global-2024.pdf>.

³ McKinsey, *How data centers and the energy sector can sate AI's hunger for power* (September 2024), <https://www.mckinsey.com/industries/private-capital/our-insights/how-data-centers-and-the-energy-sector-can-sate-ais-hunger-for-power>.

⁴ PwC, *Economic contributions of U.S. data centers, 2017-2023* (February 2025), <https://www.centerofyourdigitalworld.org/2025-impact-study>.

electrification, hydrogen fuel production, and growth in demand for data center services. As noted by Lawrence Berkeley National Laboratory in the 2024 U.S. Data Center Energy Usage Report, “This surge in data center electricity demand...should be understood in the context of the much larger electricity demand that is expected to occur over the next few decades from a combination of electric vehicle adoption, onshoring of manufacturing, hydrogen utilization, and the electrification of industry and buildings.”⁵ Supporting growing electricity demand through timely and prudent investments in new generation, transmission, and distribution infrastructure – along with investments in energy efficiency, grid enhancing technologies, and other innovative strategies – is essential to the nation’s economic growth, global competitiveness, and national security.

As you are likely well-aware, utilities and regulators across the country are actively evaluating an array of approaches and provisions aimed at managing the challenges associated with load growth. DCC has been involved in, and is currently actively participating in, several regulatory proceedings in jurisdictions across the United States addressing large load tariffs. Those jurisdictions include Virginia, Ohio, Indiana, Michigan, Kansas, Missouri, and Oregon, and that list continues to grow by the week. In those proceedings, DCC has advocated for a set of “best practices” with respect to large load tariffs and has observed electric distribution companies begin to converge on some of those “best practices” as well.

While each of the sub-issues on which the Commission seeks testimony and comment are important to DCC and its membership, given today’s time constraints, I will focus on addressing three issues for the Commission’s consideration. First, I will address minimum contract terms and

⁵ Lawrence Berkeley National Laboratory, *2024 United States Data Center Energy Usage Report* (December 2024), <https://eta-publications.lbl.gov/sites/default/files/2024-12/lbnl-2024-united-states-data-center-energy-usage-report.pdf>.

exit fee provisions. Second, I will address load ramping schedules. And third and finally, I will address financial security and collateral.

Let me preface my comments about those three tariff-related issues by noting that DCC supports tariffs that standardize several of the terms that have traditionally been a component of contracts between utilities and large customers but were bilaterally negotiated. However, you will hear me emphasize three themes as I discuss best practices on large load tariff design. The first is transparency. Tariff requirements, and the bases for those requirements, should be easily understood by customers and avoid leaving excessive discretion with the utility. The second is flexibility. While it is reasonable to require long-term commitments from large load customers, it is also reasonable to expect that businesses will change their operations and needs over the course of those long terms, and tariff requirements should reflect that reality. The third is diversity. The national data center market includes a diversity of companies, business models, and operations, and tariff terms that accommodate that diversity can help de-risk the utility.

Turning now to the first specific issue I would like to discuss: minimum contract terms and exit fee provisions. Minimum contract terms and exit fee provisions work hand in hand to create a measure of certainty for the utility, the large load customer and all other customers. These provisions can mitigate stranded asset risk by keeping the customer “on the hook” far longer than is typically required under most existing large customer tariffs. There is no “one size fits all” on minimum contracts—each utility service territory and jurisdiction is different. From DCC’s standpoint, it is important to tailor contract terms and exit fees such that those provisions reasonably reflect the investments the utility will have to make to serve large load customers. It is also critical that exit fee provisions encourage the efficient re-allocation of capacity: from a customer whose plans have changed to another customer waiting in the queue.

Turning now to the second issue, load ramping schedules. Load ramps help both the utility and the customer—they allow both parties the flexibility to ramp up their respective activities. To put a finer point on this dynamic, utilities will often require several years of lead time to build the generation and transmission infrastructure necessary to serve the full contract capacities of large load customers, and large load customers may require several years of lead time to ramp up operations to reach or near their full contract capacities. DCC supports tariffs that allow load ramps over a reasonable, even if limited, multi-year period, and allow contracting parties the flexibility to negotiate the specific terms of that load ramp.

And turning finally to the third and final issue I will address today, and that is financial security and collateral. The basic function of a collateral requirement is to mitigate the risk that a large load customer does not make payments or does not materialize, and as a general matter, incorporating such a mechanism into a utility large load tariff makes good sense. However, the details matter. DCC strongly believes that financial security provisions should be designed to avoid promoting homogeneity in the market. To better achieve diversity, customers should have the flexibility to post collateral through a variety of forms, including parental guarantees, letters of credit, surety bonds, and cash. And utilities must allow data center customers a realistic timeline to sign tenants and post collateral. Finally, tariffs should include structured collateral phase out schedules as utility risk decreases over time, such that the customer can manage long-term capital planning.

Again, Commissioners, I would like to thank you for your time and for the opportunity to speak directly to you on the subject of model large load tariffs. DCC and its member companies fully recognize the challenges associated with load growth and are committed to working collaboratively with the Commission, utilities, and other key stakeholders to develop solutions that

advance an affordable, reliable, and resilient electricity grid for Pennsylvania. I look forward to answering your questions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lucas Fykes". The signature is fluid and cursive, with a large loop at the beginning and a trailing flourish at the end.

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