

DATA CENTERS

Data Centers in Virginia, 2024

RECOMMENDATIONS

Clarifying utilities' authority to delay adding customers until generation and transmission capacity is sufficient ► The General Assembly may wish to consider amending the Code of Virginia to clarify that electric utilities have the authority to delay, but not deny, service to customers when the addition of customer load cannot be supported by the transmission system or available generation capacity. (Recommendation 2)

Allowing large energy users to claim partial credit for energy purchases from battery energy storage systems ► The General Assembly may wish to consider amending the Code of Virginia to expand the Accelerated Renewable Buyers program, which allows large customers of energy utilities to claim credit for purchases of solar and wind energy to offset certain utility charges, to also allow customers to claim partial credit for purchases of capacity from battery energy storage systems based on the current PJM electric load carrying capacity rating. (Recommendation 3)

Requiring utilities establish demand response program that data centers must participate in ► The General Assembly may wish to consider amending the Code of Virginia to require that utilities establish a demand response program for large data center customers and to require that these customers participate in the program. (Recommendation 4)

Requiring Dominion Energy to develop a plan to address risks of large customers leaving ► The General Assembly may wish to consider amending the Code of Virginia to direct Dominion Energy to develop a plan for addressing the risk of generation and transmission infrastructure costs being stranded with existing customers and file that plan with the State Corporation Commission as part of its biennial rate review filing or as a separate filing. (Recommendation 5)

Authorizing localities to require data center proposals to submit water use estimates and to use these estimates in land development decisions ► The General Assembly may wish to consider amending the Code of Virginia to expressly authorize local governments to (i) require proposed data center developments to submit water use estimates and (ii) consider water use when making rezoning and special use permit decisions related to data center development. (Recommendation 6)

Authorizing localities to require data center proposals submit sound modeling studies

► The General Assembly may wish to consider amending the Code of Virginia to expressly authorize local governments to require sound modeling studies for data center development projects prior to project approval. (Recommendation 7)

Authorizing localities to establish allowable sound levels from data centers

► The General Assembly may wish to consider amending the Code of Virginia to expressly authorize local governments to establish and enforce maximum allowable sound levels for data center facilities, including (i) using alternative low frequency noise metrics and (ii) setting noise rules and enforcement mechanisms in their zoning ordinances, separate from existing noise ordinances. (Recommendation 8)

POLICY OPTIONS

Requiring data centers to meet energy management standard to receive sales tax exemption

► The General Assembly could consider amending the Code of Virginia to require that, as a condition of receiving the sales tax exemption, data center companies meet and certify to an energy management standard, such as the International Organization for Standardization's 50001 standard for energy management. (Option 1)

Allowing co-ops to create for-profit subsidiaries to serve large energy customers

► The General Assembly could consider amending the Code of Virginia to allow electric cooperatives to create for-profit subsidiary companies that could fulfill their legal obligation to provide energy services (retail sales) to customers with load capacity of over 90 MW. (Option 2)

Capping participation in retail choice to protect other ratepayers

► The General Assembly could consider amending the Code of Virginia to require that electric utilities establish caps on participation in retail choice that protect ratepayers from undue costs, and that such caps be approved by the State Corporation Commission through a formal case process. (Option 3)

Requiring new Northern Virginia data centers to use low-emission generators to receive sales tax exemption

► The General Assembly could amend the Code of Virginia to require that, as a condition of receiving the data center sales and use tax exemption, all new data center developments in the Northern Virginia Ozone Nonattainment Area use only Tier 4 generators, Tier 2 generators with selective catalytic reduction systems, or generators with equivalent or lower emission rates. (Option 4)

Requiring data centers to meet environmental management standard to receive tax exemption ► The General Assembly could amend the Code of Virginia to require that, as a condition of receiving the sales and use tax exemption, data center companies meet and certify to an environmental management standard, such as the International Organization for Standardization's 14001 standard for Environmental Management Systems. (Option 5)

Requiring data centers to conduct Phase 1 historic resource study to receive tax exemption ► The General Assembly could amend the Code of Virginia to require that, as a condition for receiving the sales and use tax exemption, data center companies conduct a Phase I historic resource study of a proposed development site, as well as a viewshed analysis when a proposed site is located within a certain distance of a registered historic site, and report the study findings to the appropriate locality prior to development. (Option 6)

Requiring data center developments to conduct sound modeling to receive exemption ► The General Assembly could amend the Code of Virginia to require that, as a condition for receiving the sales and use tax exemption, data center companies conduct a sound modeling study prior to the development of a proposed data center that is to be located within a certain distance of a residential development or area zoned for residential development and provide the study findings to the appropriate locality. (Option 7)

Extending expiration date of data center tax exemption to 2050 ► The General Assembly could amend the Code of Virginia to extend the expiration date for the state's sales and use tax exemption for data centers from 2035 to 2050. (Option 8)

Allowing data center tax exemption to expire in 2035 ► The General Assembly could allow the sales and use tax exemption for data centers to expire in 2035. (Option 9)

Extending partial data center sales tax ► The General Assembly could amend the Code of Virginia to extend a partial sales and use tax exemption for data centers from 2035 to 2050. (Option 10)