

# HOUSE BILL REPORT

## HB 2515

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**As Reported by House Committee On:**

Environment & Energy  
Appropriations

**Title:** An act relating to addressing emerging large energy use facilities.

**Brief Description:** Addressing emerging large energy use facilities.

**Sponsors:** Representatives Doglio, Ramel, Wylie, Stearns, Duerr, Parshley, Ryu, Simmons, Kloba, Berry, Scott, Fosse, Pollet, Macri, Street and Reed.

**Brief History:**

**Committee Activity:**

Environment & Energy: 1/22/26, 2/2/26 [DPS];

Appropriations: 2/7/26, 2/9/26 [DP2S(w/o sub ENVI)].

**Brief Summary of Second Substitute Bill**

- Requires emerging large energy use facilities (ELEUFs) to: operate under an ELEUF tariff or policy with their electric utility, report on their use of water and energy, disclose similar interconnection requests, meet certain labor standards for work on behind the meter facilities they own, and, for new or expanded ELEUFs, to use electricity from new renewable resources or nonemitting electric generation for 80 percent of their needs by 2030 and renewable or nonemitting electricity for 100 percent of their needs by 2045.
- Establishes requirements for electric utilities, the Utilities and Transportation Commission, and the Department of Commerce related to ELEUFs.
- Prohibits the Department of Ecology from distributing no-cost allowances under the Cap-and-Invest Program to electric utilities to mitigate the cost burden of the Cap-and-Invest Program on ELEUFs.

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## HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Doglio, Chair; Hall, Vice Chair; Berry, Duerr, Fey, Kloba, Mena, Ramel, Stearns, Street and Wylie.

**Minority Report:** Do not pass. Signed by 9 members: Representatives Dye, Ranking Minority Member; Klicker, Assistant Ranking Member; Abbarno, Abell, Barnard, Ley, Mendoza, Stuebe and Ybarra.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Hackney.

**Staff:** Megan McPhaden (786-7114).

### **Background:**

#### North American Industry Classification System Code 518210.

The North American Industry Classification System (NAICS) code is the standard used by federal statistical agencies to classify businesses to analyze and publish data related to the country's business economy, according to the United States Census Bureau. The 518210 code in the most recent 2022 revision includes establishments primarily engaged in providing computing information, data processing services, web hosting services, related streaming support services, and includes virtual currency mining.

#### Electric Utility Rate Oversight.

The Utilities and Transportation Commission (UTC) regulates the rates charged to electricity customers by investor-owned utilities (IOUs), which are companies owned by investors that distribute electricity to one or more retail electric customers in the state. An IOU proposing to change a rate or charge must file a tariff schedule of proposed changes with the UTC for review, and the UTC must review whether rates are just and reasonable. Under UTC rules, a tariff is defined as a document that sets forth terms and conditions of regulated service, including rates, charges, tolls, rentals, rules, and equipment and facilities, and the manner in which rates and charges are assessed for regulated services provided to customers, and rules and conditions associated with offering service.

The governing bodies of electric consumer-owned utilities (COUs) have the authority to set and approve rates for these utilities. A COU is a municipal electric utility, public utility district, irrigation district, cooperative, or mutual corporation or association that is engaged in the business of distributing electricity to more than one retail electric customer in Washington.

#### Demand Response.

Demand response means changes in electric usage by demand-side resources from their

normal consumption patterns in response to changes in the price of electricity, or to incentive payments designed to induce lower electricity use, at times of high wholesale market prices or when system reliability is jeopardized. Demand response may include measures to increase or decrease electricity production on the customer's side of the meter in response to incentive payments.

#### Renewable and Nonemitting Electricity Standards Under the Clean Energy Transformation Act.

The Clean Energy Transformation Act (CETA) requires that the electricity that electric utilities deliver to their Washington retail customers is 80 percent generated from renewable resources or nonemitting electric generation by 2030, and 100 percent by 2045. Affected market customers must also comply with these CETA standards. An affected market customer is a nonresidential customer of an electric utility that, as of May 8, 2019, either purchases electricity from an entity that is not its interconnected electric utility or generates electricity to meet 100 percent of its needs.

Under CETA, a renewable resource means: water; wind; solar energy; geothermal energy; renewable natural gas; renewable hydrogen; wave, ocean, or tidal power; biodiesel fuel that is not derived from crops raised on land cleared from old growth or first growth forest; or biomass energy. Additionally, under CETA, nonemitting electric generation means electricity from a generating facility or a resource that provides electric energy, capacity, or ancillary services to an electric utility and that does not emit greenhouse gases (GHG) as a by-product of energy generation.

#### No-Cost Allowances for Electric Utilities Under the Cap-and-Invest Program.

Under the Climate Commitment Act, in order to ensure that GHG emissions are reduced consistent with the state's 2030, 2040, and 2050 emissions limits, the Department of Ecology (Ecology) must implement a cap on GHG emissions from covered entities and a program to track, verify, and enforce compliance through the use of compliance instruments, which include allowances or eligible offset credits (Cap-and-Invest Program). Covered entities must either reduce their emissions or obtain allowances to cover any remaining emissions. An allowance is an authorization to emit up to 1 metric ton of carbon dioxide equivalent. The total number of allowances decreases over time to meet statutory limits. Allowances can be obtained through quarterly auctions or bought and sold on a secondary market.

The Legislature intends to allow electric utilities subject to CETA to be eligible for no-cost allowances to mitigate the cost burden of the Cap-and-Invest Program on electricity customers. Ecology must adopt allocation schedules to provide no-cost allowances to electric utilities, consistent with a forecast of each electric utility's supply and demand, and the cost burden resulting from the inclusion of the covered entities in each compliance period, as follows: (1) by October 1, 2022, for the first compliance period; (2) by October 1, 2026, for the second compliance period; and (3) by October 1, 2028, for the compliance periods between 2031 and 2045.

During the first compliance period, allowances allocated at no cost to electric utilities may be consigned to auction for the benefit of ratepayers, deposited for compliance, or a combination of both. For the second compliance period, Ecology must adopt rules by October 1, 2026, governing the amount of allowances allocated at no cost to electric utilities that must be consigned to auction, and this allowance allocation must reflect an increased scope of coverage in the electricity sector. The benefits of all allowances consigned to auction by electric utilities must be used for the benefit of ratepayers, with the first priority being the mitigation of any rate impacts to low-income customers.

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### **Summary of Substitute Bill:**

#### Emerging Large Energy Use Facilities.

An emerging large energy use facility (ELEUF) is a facility that has a maximum aggregate contract demand of 20 megawatts or more, is primarily engaged in providing a service described in the 2022 NAICS code 518210, and is located on one or more contiguous or adjacent properties in physical contact or separated only by a public right-of-way and under common ownership or control.

#### Emerging Large Energy Use Facility Tariff or Policy.

An ELEUF tariff or policy (tariff or policy) sets the rates, terms, and conditions for an electric utility providing electricity service to an ELEUF.

#### *Timelines for Implementation.*

Each electric utility with an ELEUF in its service territory must develop a tariff or policy as follows:

- All IOUs must submit the tariff or policy to the UTC by October 1, 2026, and then the UTC has 10 months to review and approve, disapprove, or approve with modifications the tariff or policy.
- All COUs must submit the tariff or policy to their governing bodies, and the governing bodies must approve the tariff or policy within 10 months. The governing body of a COU may approve an existing tariff or policy that meets the standards of an ELEUF tariff or policy.
- A COU may refuse to provide electric service to an ELEUF if the electric utility determines it would adversely affect the reliability or affordability of electric service to its other ratepayers, violate the reliability standards established by the North American Electric Reliability Corporation or the Western Electricity Coordinating Council, or if the electric utility has another reason in accordance with state or federal law and consistent with the electric utility's authority and obligations.

An electric utility without an ELEUF in its service territory does not have to develop a tariff or policy until the electric utility plans to serve a new ELEUF, and an electric utility must have adopted an ELEUF tariff or policy prior to providing electricity service to an ELEUF.

An ELEUF that commences operation on or after August 1, 2027, must agree to an electric utility's approved tariff or policy before receiving, or to maintain, electricity service.

An ELEUF that commenced operation prior to August 1, 2027, may continue operating under an existing contract until January 1, 2028, but is subject to an electric utility's approved ELEUF tariff or policy by January 1, 2028, if it is not already operating under a contract with the electric utility. If it is already operating under a contract with its electric utility before August 1, 2027, the ELEUF may continue operating under that contract until the later of January 1, 2028, or the renegotiation or expiration of the contract. An electric utility may require renegotiation or updating such a contract if the electric utility determines it is not recovering the full costs of serving the ELEUF.

*Purpose and Elements.*

All tariff or policy submissions must be designed to avoid immediate and long-term risks to customers including, but not limited to, shifts of costs from ELEUFs to other customers, stranded electric utility assets, and any other increased costs for customers resulting from serving an ELEUF.

Unless an electric utility can explain in writing, to the UTC for IOUs and to its governing body for COUs, that one of the following elements, in part or in whole, does not avoid the risk of increasing costs to its customers, the electric utility must include in its tariff or policy each of the following elements:

- at least 10-year contractual commitments that include: (1) collateral requirements; (2) charges designed to, at a minimum, recover infrastructure costs incurred to serve the ELEUF; (3) exit fees sufficient to cover electric utility costs associated with the ELEUF in the event of an early contract exit, default, or a permanent closure; and (4) other provisions to hold the electric utility and ratepayers harmless if the ELEUF were to substantially change its operations;
- charges that, at a minimum, cover the full costs of serving the ELEUF, including: (1) the direct costs for the electric utility to interconnect the ELEUF to the grid; (2) the costs of providing electricity to the ELEUF, including, as applicable, energy generation, transmission, distribution, and capacity and ancillary services; and (3) the compliance and allowance costs under the Cap-and-Invest Program associated with providing service to the ELEUF;
- a requirement that the ELEUF provide, when requested by the electric utility, certain specific and verifiable information necessary for the electric utility to assess system impacts, cost recovery, and how to condition service;
- provisions requiring the ELEUF to curtail or reduce electricity use during an energy emergency event at the request of the electric utility as informed by applicable laws, rules, or policies, or the Bonneville Power Administration under commitments in the Columbia River System Water Management Plan;
- pricing structures that reflect cost causation and other system conditions, which may include real-time pricing or other dynamic pricing mechanisms; and

- provisions demonstrating that at least 2 percent of the ELEUF's maximum aggregate contract demand amount (marginal load) is under a contract with the electric utility where:
  - the marginal load participates in the Demand Response Program or Interruptible Load Program of the electric utility; or
  - the ELEUF pays the costs of providing peak demand reductions at least equal to the ELEUF's marginal load for an electric utility's Demand Response Program serving other electric customers; and
  - diesel generator use by permitted and unpermitted sources is not increased under these provisions.

*Application to Other Contracts.*

Any other contract between an electric utility and an ELEUF must conform to the ELEUF tariff or policy purpose and elements, consistent with the approved tariff or policy.

The powers and authority in the ELEUF tariff or policy section of the bill must be construed as in addition to any powers or authority conferred by any other law, and nothing about this section must be construed as limiting any other powers or authority granted to an electric utility of such governmental agencies.

Reporting.

*Sustainability Report.*

The owner of an ELEUF must publish a sustainability report demonstrating how the ELEUF will address and balance energy, water, and computing performance to maximize energy efficiency, water efficiency, and overall sustainability of the ELEUF's operations. This report must include projected annual energy and water consumption, the source of the energy and water, and evidence that the ELEUF has access to an adequate water supply through an existing or third-party water system or state-issued water right, as applicable. For existing ELEUFs, this report is first due January 1, 2027, and then every three years after. For proposed ELEUFs, the report is due before or when filing any state or local permit application. The owner must post the report electronically and must submit the report to the Department of Commerce (Commerce), Ecology, and its local jurisdiction.

*Annual Use Report.*

The owner of an ELEUF must also annually report to Ecology, and make the report publicly available. The report must include the ELEUF's:

- annual water consumption and water quality permits, including daily water quantities, total and peak uses, any discharged effluents, and any existing or new water quality permits;
- server cooling technology and associated use of regulated refrigerants and substitutes, including refrigerant type, full charge size, monthly and annual quantities, amounts leaked, and amounts recovered for disposal outside the ELEUF and the entity receiving the material;

- annual energy consumption, including the source of the energy, annual and monthly use, and peak demands, and if an owner so chooses, context by comparing the ELEUF's water and energy use to other users; and
- annual criteria and toxic air pollutants regulated under the state and federal Clean Air Acts, and any existing and new air permits.

Resource Forecasting Work Group and Interconnection Disclosures.

The UTC and Commerce must collaborate to improve resource forecasting, which must include facilitating an electric utility work group to establish best practices for commercial readiness criteria for ELEUFs to enter interconnection queues.

When requesting interconnection with an electric utility, an ELEUF must disclose to the electric utility and to Commerce whether the customer is pursuing a substantially similar request for electric service in another balancing authority, the approval of which would result in the customer materially changing, delaying, or withdrawing the interconnection request.

Requirement for Renewable Resources and Nonemitting Electricity Generation.

The owner of an ELEUF that commences operation after July 1, 2026, or that, on or after July 1, 2026, expands its ELEUF by at least 20,000 square feet or increases its maximum aggregate contract demand by at least 20 megawatts, must certify to Commerce that for the prior year it used electricity from renewable resources or nonemitting electric generation to serve to load of the ELEUF in an amount that:

- beginning in 2031, meets or exceeds 80 percent of its annual energy and capacity requirements, where the generation is from a generating facility that commenced operation on or after January 1, 2026; and
- beginning in 2036, meets 100 percent of its annual energy and capacity requirements.

As part of demonstrating compliance, the ELEUF must acquire the electricity with the renewable energy credit (REC) in a single transaction through ownership or control of the generating facility or through a contract for purchase or exchange, and must only use the electricity for supplying the ELEUF. All ELEUFs using RECs must document that the REC represents the output of a renewable resource, the vintage of the REC is the compliance year, and the ELEUF retired the REC to a retirement subaccount within the Western Renewable Energy Information System designated by Commerce.

No-Cost Allowances for Electric Utilities under the Cap-and-Invest Program.

*No Distribution of No-Cost Allowances for Emerging Large Energy Use Facilities.*

For no-cost allowances distributed starting in 2026, Ecology may not provide no-cost allowances to electric utilities to mitigate the cost burden of the Cap-and-Invest Program on ELEUF customers. The benefits of allowances consigned to auction may not be used by electric utilities for the primary benefit of ELEUFs, starting for the 2027 no-cost allowances.

### *Electric Utility Reporting.*

By July 31 every year, starting in 2026, electric utilities must provide Ecology with a list of existing and forecasted ELEUF customers to enable Ecology to distribute no-cost allowances appropriately. For each ELEUF, electric utilities must indicate: (1) the forecast maximum delivery of power to the ELEUF for the next four years; (2) the forecast annual retail load for the next four years; (3) customer name; and (4) ELEUF type. Ecology may update these reporting requirements in rule.

### Emerging Large Energy Use Facility Fee and Account.

Beginning July 1, 2026, ELEUFs must pay a 0.5 cent per kilowatt hour fee annually to the Department of Revenue. Fee revenues must be deposited into a new account, the ELEUF Account, and spent only after appropriation. Sixty percent of the expenditures must be used for energy assistance, weatherization, low-income home electrification, and related readiness purposes, including specific listed programs administered by Commerce. Forty percent of the expenditures must be appropriated to the Washington Student Achievement Council to distribute to public higher education institutions for career services, quantum computing education, and artificial intelligence education for educators.

### Labor Requirements.

For any work associated with a behind the meter energy project owned by an ELEUF, the ELEUF must ensure the project is performed by a prime contractor and its subcontractors in a way that includes community workforce agreements or project labor agreements, the payment of area standard prevailing wages, and apprenticeship utilization requirements.

Community workforce agreements and project labor agreements are self-contained, stand-alone agreements, where the prime contractor and subcontractors are not obligated to sign any other local, area, or national agreement. These agreements are prehire collective bargaining agreements with one or more labor organizations that establish the terms and conditions of employment for a specific construction project, which are a single agreement covering all labor organizations representing the building and construction employees involved in the project and cover all contractors and subcontractors working on the project.

### Consumer-Owned Utilities.

The definition of COUs under the consumers of electricity chapter of state law is expanded to include port districts that distribute electricity and COUs with a single customer. All provisions under this chapter that apply to COUs apply to these new categories of COUs.

### **Substitute Bill Compared to Original Bill:**

Compared to the original bill, Substitute House Bill 2515:

- removes intent language that the Legislature recognizes that other industries may emerge in the future with facilities requiring similar policies;
- changes the ELEUFs "tariff or contract" to "tariff or policy";

- allows the governing body of a COU to approve an existing tariff or policy that meets the purposes and requirements for a new ELEUF tariff or policy;
- clarifies that an electric utility must have adopted an ELEUF tariff or policy prior to providing electricity service to a new ELEUF;
- modifies the requirement that a COU must limit electricity service to an ELEUF if it would adversely impact service to other ratepayers by allowing an electric utility to refuse to provide this service if it violates the reliability standards of the North American Electric Reliability Corporation or the Western Electricity Coordinating Council, or if the electric utility has another reason in accordance with state or federal law and consistent with the electric utility's authority and obligations;
- adds that all ELEUF tariff or policy submissions must avoid any other increased costs for customers resulting from serving an ELEUF;
- modifies the required elements for an ELEUF tariff or policy, including by removing certain details and making the requirements minimum requirements:
  - removes all examples for what might be required under the collateral requirement element but maintains that the tariff or policy includes collateral requirements;
  - replaces the specific requirement to charge 85 percent of projected electricity demand with a requirement that there be charges that are designed to recover infrastructure costs;
  - removes the five-year calculation for exit fees, and includes that exit fees must instead be sufficient to cover any electric utility costs associated with the ELEUF that remain in the event of an early contract exit, default, or permanent closure; and
  - specifies that the requirement for charges to cover the full costs of serving the ELEUF is a minimum;
- allows electric utilities to not include a certain element in developing tariffs or policies if the electric utility can explain that an element does not further the stated purposes of the tariffs or policies, and requires electric utilities to explain a decision to exclude an element in part or in whole to the UTC for investor-owned utilities and to Commerce for COUs;
- requires electric utilities to include charges in their tariffs or policies for ELEUFs to pay the compliance and allowance costs under the Climate Commitment Act associated with providing service to the ELEUF;
- changes the adequate power supply provision so that now an ELEUF must provide, upon request of the electric utility, timely, complete, and verifiable information related to power supply arrangements, load forecasts, operational flexibility, and other system-relevant characteristics, as necessary for the electric utility to assess system impacts, cost recovery, and how to condition service;
- changes the curtailment of electricity during an energy emergency event provision such that the tariff or policy must include provisions requiring curtailment or load reduction, specifies that such an electric utility request is informed by, but not limited to, applicable local, state, regional, and federal laws, rules, agreements, or policies, and allows the request now also to be from the Bonneville Power Administration

- under the interruptible power commitments in the emergency protocols attachment for the Columbia River System Water Management Plan;
- specifies that "energy emergency" means a situation in which the unavailability or disruption of the supply of energy poses a clear and foreseeable danger to the public health, safety, and general welfare as determined by relevant local, state, regional, or federal entities;
  - removes the requirement for ELEUFs to pay real-time wholesale electricity prices and replaces it with a requirement for pricing structures that reflect cost causation and system conditions, which may include real-time pricing or other dynamic pricing mechanisms;
  - requires that under the tariff or policy provisions for the demand response element, diesel generator use by permitted and unpermitted sources may not increase as a result of the demand response options;
  - authorizes an electric utility to require renegotiation or updating an ELEUF contract if the electric utility determines that it is not recovering the full costs of serving the ELEUF;
  - removes the requirement that the UTC and COU governing boards consider applying similar tariff or policy terms to similar future emerging large loads;
  - specifies that the powers and authority granted by the ELEUF tariff or policy section are supplemental to any other powers or authority conferred by any other law, and the tariff or policy section does not limit other powers or authorities granted to an electric utility of such governmental agencies;
  - adds to what ELEUFs must include in their reporting of water use to include water quality permit information, including existing and new permit applications through federal, state or local jurisdictions;
  - adds to what ELEUFs must include in their reporting of regulated refrigerants and substitutes such that they must also report refrigerant type, full charge size, and any quantities leaked;
  - requires that ELEUFs include in their annual report to the Ecology their annual emissions of criteria air pollutants and toxic air pollutants regulated under the state and federal Clean Air Acts, any existing and new air permits;
  - removes all requirements for the UTC, Commerce, ELEUFs, and electric utilities related to reporting standards to improve resource forecasting;
  - requires, rather than authorizes, the UTC and Commerce to facilitate a work group of electric utilities to establish commercial readiness criteria for ELEUFs to enter interconnection queues and specifies that this criteria should be best practices, rather than standardized;
  - changes what is required by an ELEUF when disclosing another interconnection request to an electric utility, by also requiring this disclosure to Commerce, by specifying that the approval of the substantially similar request would result in the customer materially changing, delaying, or withdrawing the interconnection request; and by removing the requirement to provide a certain report to the electric utility;
  - removes a provision allowing Ecology to adjust the definition of ELEUF when determining the new allocation of no-cost allowances; and

- restores current law language that requires no-cost allowances to reflect the increased scope of coverage in the electricity sector relative to the 2022 program budget of allowances.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 3, 2026.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) The 2021 State Energy Strategy didn't contemplate the growth of data centers, and many of the state's laws are based on that plan, but the landscape has changed. The Governor formed a Data Center Workgroup, which identified the need for legislation to put affordability and environmental protections in place and unanimously agreed to uphold the state's clean energy and climate goals. Data centers present specific challenges because their growth is expected to be exponential, they have energy demand similar to utilities, and there is also a lot of uncertainty around the growth, which presents risks of stranded utility infrastructure, and requires specific regulation.

This bill aims to protect ratepayers against rate hikes by ensuring data center growth fairly pays for growth; keep clean energy goals on track; set reasonable and achievable clean energy targets; ensure grid reliability; create clearer expectations and transparency for integrating data centers into the grid; increase transparency around water and energy use which is important given treaty obligations with tribes; and protect salmon, water, and clean air. Utilities and governments across the country are looking at similar policies, and this is not partisan. This gives the state a chance to get out ahead of a boom-and-bust cycle. The bill builds on the work being done by utilities in central Washington to ensure other communities receive the benefits of what has been learned.

There is a desire to clarify the pricing through a long-term power contracts provision. The reporting should also provide evidence that watershed conditions, including stream flows for species, temperature, pollution, and municipal water sources will not be affected, which must also account for existing over-allocation and climate change projections and cumulative impacts of all water use on treaty-protected fisheries. The bill provides guardrails to make sure ratepayers aren't subsidizing data center builds with their energy bills. Data centers should pay for their energy costs, including infrastructure. The energy use reporting and accurate resource forecasting helps understand how the grid is impacted so the state can stay on track with its clean energy goals.

This is an environmental community priority and is a comprehensive bill. This is a

reasonable way to protect electric utility customers from cost shifts and ensure new large loads have clear guidelines for interconnection. There is appreciation for the statewide standard while preserving discretion for utilities to design their own rates. The provisions related to flexibility and emergency curtailment help encourage innovation that will benefit the grid and help with resource adequacy.

The no-cost allowance provisions help protect the structure and market signals of the Cap-and-Invest Program. There is support for the new fee and account, which fund beneficial energy efficiency, and provide an essential, historic opportunity to expand access to affordable energy. The new account addresses a gap in utility energy assistance implementation and without safeguards, data center growth could impact the most vulnerable cost-burdened households the most. The fee revenues also ensure the workforce is educated on our new technological future.

(Opposed) The economic benefits of data centers are significant, and their growth shouldn't be discouraged as it is in this bill, especially as they provide so many jobs for the green economy, tax benefits, economic development, healthcare, and more. Data center tax revenues can dramatically increase a county's tax revenues and support local infrastructure and public services. Data centers can completely transform communities by, in one case, providing more than half the property tax base and supporting nearly half of the family wage jobs in the area. They use a small amount of the overall water supply.

This bill will make Washington less competitive for the digital economy. Instead, there should be more focus on increasing power generation. There is a desire to ensure this only captures data centers and not other facilities that are trying to decarbonize. There is concern that the provision requiring utilities to consider future similar policies could include decarbonization projects, which could result in these projects being put into rate structures that make the projects unfinanceable. There is concern that the changes to the no-cost allowances would impact the allowance allocation for existing facilities.

Some opposition is based on striking the important consumer protection clause in the Climate Commitment Act that allows allowances to reflect the increased scope of coverage in the electric sector relative to the allowances allocated in 2022; this language should be restored so electric utility customers don't face increased costs associated with utilities having to now buy allowances.

This bill would make Washington an outlier because utilities across the country are looking at large load policies for all sectors, not just one industry. This bill should apply to all large load growth. Data centers can't curtail their electricity and would have to use backup generators, which is not addressed in the bill. The reporting requirements are disparate, many are duplicative of what is already reported, and they would not inform overall energy and water use throughout the system. Many trades are experiencing significantly reduced work hours and available jobs right now, but data centers generate millions of hours of work in the broader building trades, and create high quality family-wage jobs that sustain the

economy.

Data centers are the only bright spot for the electrical industry so there is concern that this bill creates uncertainty and risks the data centers delaying projects or locating outside of the state. The reduction in operating engineer jobs is becoming a life-or-death situation, and east of the Cascades, data centers are the lifeline. There is a commitment to responsible data center growth that aligns with Washington's broader priorities. The tariff requirements are too prescriptive. The UTC already has the authority for a lot of the tariff changes in the bill, so the bill should be less prescriptive for the UTC. There is a concern that the fee sets a precedent for existing facilities or future Emissions-Intensive and Trade-Exposed Industries.

(Other) This bill addresses many of the risks that were raised in the Governor's Data Center Workgroup report, provides regulators and utilities with tools to address affordability risks to existing business and residences, and reasonably requires data centers to bring in new clean energy resources. The bill will help ensure no-cost allowances go toward protecting affordability for businesses and households and data centers pay their own share. The bill increases transparency which will help with accurately assessing large energy user power consumption to make more informed decisions. There is a concern that the requirements for interruptible service and demand response programs may unintentionally harm air quality and exceed pollution limits due to greater diesel generate use.

This bill would add ports to the CETA, and while ports have no intention of operating outside of CETA, there is a request for distinction between ports and COUs, recognizing that ports would not serve residential customers. Data centers support significant building and construction jobs so this policy shouldn't drive them to build out of the state. Ensuring data centers are stewarding our natural resources cannot come at the expense of our workers. The bill risks harming the economic vitality of central Washington. Data centers are one of the largest employers in a region of the state, and they balance utility infrastructure and subsidize the residential market to keep energy affordable for working families.

Data centers should be powered by clean electricity, and there should be incentives for responsible data center growth, but there is a need to remove barriers to utility-scale renewable energy projects and to streamline the permitting process. "Contracts" should be added back into the "tariffs or policy" provisions, which provides critical flexibility for investor-owned utilities (IOUs). It is helpful that the bill directs Climate Commitment Act costs to the data centers. There is a double-counting scenario with the clean energy requirements. This will have long-term impacts to the Cap-and-Invest Program. It is good the bill added "policy" along with "tariff." The substitute is moving in the right direction.

There are requested changes to timelines to align with rate cycles. The UTC should be encouraged do this for the IOUs, since IOUs are regulated by the UTC, and this would also result in more creative implementation. The bill is unnecessarily prescriptive regarding public power agreements with large load facilities. Some public utility districts have

already taken steps to avoid cost shifts and keep power reliable, and this local government flexibility should be preserved so utilities can tailor solutions to protect their customers. The bill is an important step towards addressing issues with increased costs, environmental impacts, challenges to the clean energy transition, and transparency, but needs to address permitting and siting to address impacts before development, specifically by including an assessment of cumulative impacts to vulnerable and overburdened communities into the reporting requirements. The bill is not strong enough; fixing the cost problem is not enough because data centers result in harmful and inappropriate content, kill jobs, use energy and drinking water, make a lot of noise, and are on the verge of an industry crash.

**Persons Testifying:** (In support) Representative Beth Doglio, prime sponsor; Jeff DeLuca, Washington State Community Action Partnership; Kirsten York, Multi-Service Center; Linda Garcia, Washington State Community Action Partnership; Christopher Rosenquist, Associated Students of Western Washington University; Ben Avery, Sierra Club; Mckenna Beck, NRDC (Natural Resources Defense Council); Council Jeremy Takala, Confederated Tribes and Bands of the Yakama Nation; Clifford Traisman, Washington Conservation Action; Zachariah Baker, NW Energy Coalition; Leah Missik, Climate Solutions; Emily Moore, Sightline Institute; Justin Allegro, The Nature Conservancy; and Logan Bahr, Tacoma Power and Tacoma Public Utilities.

(Opposed) Dan Diorio, Data Center Coalition; Jim Kuntz, Chelan Douglas Regional Port Authority; Patrick Boss, Port of Quincy; Nicolas Garcia, WPUDA; Neil Hartman, Washington State Association of UA Plumbers, Pipefitters and HVAC and R Mechanics; Thomas DuBeau, IUOE 302; Isaac Kastama, Clean and Prosperous Washington; Peter Godlewski, Association of Washington Business; Brandon Houskeeper, Alliance of Western Energy Consumers; Tom Pierson, Tacoma Pierce County Chamber; Brent Ludeman, National Electrical Contractors Association (NECA); and Patrick Haley, City of Quincy.

(Other) Emily Johnston; Heather Kurtenbach, Washington State Building and Construction Trades; Cameron Steinback, Front and Centered; Joel Creswell, Washington Department of Ecology; Josie Cummings, Avista Corp; Andy Wendell, Grant PUD; Cassie Bordelon, Climate Jobs WA; Matthew Hepner, Councilman City of East Wenatchee Position 7; Heather Kurtenbach, Washington State Building and Construction Trades Council; Austin Scharff, Washington State Department of Commerce; Ryan Collins, Snohomish PUD; Carly Michiels, Washington Public Ports Association; Dan Koch, Chelan County PUD; and Matt Miller, Puget Sound Energy.

**Persons Signed In To Testify But Not Testifying:** None.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Environment &

Energy. Signed by 16 members: Representatives Ormsby, Chair; Gregerson, Vice Chair; Macri, Vice Chair; Bergquist, Callan, Cortes, Doglio, Fitzgibbon, Leavitt, Lekanoff, Peterson, Pollet, Ryu, Stonier, Street and Thai.

**Minority Report:** Do not pass. Signed by 12 members: Representatives Couture, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Penner, Assistant Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Burnett, Corry, Dye, Keaton, Manjarrez, Marshall, Rude and Valdez.

**Minority Report:** Without recommendation. Signed by 2 members: Representatives Berg and Springer.

**Staff:** Kate Henry (786-7349).

### **Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Environment & Energy:**

As compared to the substitute bill from the Environment and Energy Committee, the second substitute bill extends the date by 10 years from 2035 to 2045, for when new and expanded emerging large energy use facilities must use electricity from renewable resources and nonemitting electric generation for 100 percent of their needs.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 3, 2026.

**Effective Date of Second Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

### **Staff Summary of Public Testimony:**

(In support) As data center growth occurs in the state in amounts greater than previously anticipated, this bill protects ratepayers, ensures grid reliability, counts on the state's union workforce, protects salmon, and makes water and energy use transparent. Transparency of water and energy use is especially important given treaty obligations to protect fish. The bill builds on the work of utilities that already host data centers to put statewide standards in place. As data centers bid up the price of electricity, sections 8 and 9 provide a reasonable and modest fee to address statewide energy burden and affordability. This is a priority for the environmental priorities coalition. These are reasonable costs, considering the affordability and consumer protection benefits, and the generation of funds for energy efficiency and higher education. Data centers require specific regulation. Other jurisdictions are taking action and the state should follow. This bill ensures large energy users have reasonable guidelines for interconnection and ensures that growth pays for growth. There is an appreciation for the clear requirement for a tariff while preserving discretion for utilities to design rates to allow them to adapt to rapidly evolving industry.

The protection of resources should be strengthened. The fee is not double-counting; data centers are increasing electricity prices in other ways, for example, by outbidding utilities for energy projects. Data centers already receive some of the biggest subsidies the state has ever provided. These types of facilities can use massive amounts of water and support generative artificial intelligence which does not have any public value. The electricity curtailment provision is especially valuable. Addressing water quality impacts should be considered.

(Opposed) There is support for the intent of protecting ratepayers, but by significantly impacting data centers this bill affects the state's economy and does not protect ratepayers from other load growth. The bill does not address the larger picture of environmental regulation, includes duplicative reporting, and does not acknowledge that the industry is already funding this through rates. The project labor agreement requirements in section 10 are inappropriate and unrelated to the bill's purpose, and there is opposition to the bill if this section remains. Project labor agreements raise the cost of construction and the fiscal note underestimates this. Union subcontractors will need to be imported, and local nonunion firms will not be able to even bid on the projects, which is contrary to stated goals. Using local workers would build good local will. The bill sets requirements above and beyond the Clean Energy Transformation Act (CETA), which is concerning. The changes to the Climate Commitment Act no-cost allowances are also concerning. Utilities already have the authority to set tariffs to ensure data centers pay their way, and they are already doing so. The bill sends a message that data centers are not welcome in the state, which would result in the loss of jobs, significant local economic revitalization especially in rural communities, and tax revenues. Data centers also help stabilize the grid, and everyone uses them. There is no evidence that ratepayers are affected by data centers; there is no reason for additional taxes. The bill could threaten the little employment that workers in the building trades currently have. The state needs faster permitting for more generation and transmission, and data centers could help with this, but not in this bill.

(Other) There is appreciation for the changes in the substitute. There is a desire for a public utility district to be able to continue existing relationships with data centers in their service territory, especially with regards to section 7, because utilities make long-term decisions when entering into contracts. Data centers pay more than their costs for electricity and pay for the costs of capital improvements which makes rates affordable for other customers.

**Persons Testifying:** (In support) Representative Beth Doglio, prime sponsor; Council Jeremy Takala, Confederated Tribes and Bands of the Yakama Nation; Logan Bahr, Tacoma Public Utilities and Tacoma Power; Emily Johnston; Noah Purcell; Zachariah Baker, NW Energy Coalition; Jeff DeLuca, Washington State Community Action Partnership; and Neal Anderson.

(Opposed) Dan Diorio, Data Center Coalition; Josie Cummings, Avista Corp.; Carolyn Logue, Associated Builders and Contractors Inland Pacific Chapter; Patrick Boss, Port of Quincy; Amy Harris, Washington Technology Industry Association; Jerry VanderWood,

Associated General Contractors (AGC); Matthew Hepner, IBEW and CEWW; and Peter Godlewski, Association of Washington Business .

(Other) Bill Clarke, Grant County Public Utility District.

**Persons Signed In To Testify But Not Testifying:** None.