



**CREC Colorado Hyperscale Data Centers
Policy Position Statement
December 10, 2024**

- **Oppose existing, and any further, subsidies to hyperscale data centers (HDCs);**
- **Favor requirements that HDCs secure renewable energy sources to match or exceed their energy use;**
- **Require HDCs to pay upfront for any additional renewable energy generation and related transmission on the power system caused by their energy use;**
- **Ensure that Colorado ratepayers are protected by requiring HDCs make an up-front termination liability payment, and a decommissioning bond, should they experience a downturn.**

Artificial intelligence is rapidly seeping into our everyday lives with a hidden, but enormous energy cost. For example, every time an internet search uses Chat GPT, about ten to fifteen times as much electricity is used as a standard Google search. CREC recognizes that large “hyperscale” data centers (HDCs) – not legally defined as such, but typically in a range of requiring a minimum of 25 to 50 megawatts of power – will be built. The cumulative impacts of profit-driven technology are escalating demand on the power grid. The growth in new electric loads could upend Colorado’s long-fought efforts to address our severe air pollution problems, and to rapidly reduce greenhouse gas emissions that are heating the earth to dangerous levels. We urge Colorado legislators to work with regulators to craft a policy framework that protects taxpayers and ratepayers from carrying any financial and environmental burdens from additional HDCs that wish to locate in the state.

CREC believes that Colorado’s HDC policy should be based on two primary principles:

1. Colorado should not continue to subsidize HDCs either through discounted power rates, or through rebates on state sales and use taxes, and
2. HDCs must pay upfront for their full impact on load through policies that require them to provide renewable energy equal to, or in excess of, their use of energy and capacity, and to cover future liability in case of potential failure.

CREC is concerned that more energy-hungry data centers on Colorado’s grid may result in policymakers delaying implementation of the state’s plan to close our remaining polluting coal plants by the end of 2030. Another risk of increased loads is that the Colorado Public Utilities Commission (“the PUC”) may have no choice, for resource adequacy reasons, than to approve placing more climate-harming methane-fired power plants on the grid. In addition, HDCs require vast amounts of water used for cooling- either directly on site, or water required to cool if using thermal power plants that feed into the grid, and that would further stress this limited resource in Colorado.

Despite these issues, Colorado law currently encourages HDCs to be built in the state. That is because a misguided 2018 legislative requirement (HB18-1271) mandated that the PUC give a confidential special economic development rate (EDR) to HDCs and other large electricity users.

In a June 2024 decision, the PUC followed the 2018 law and approved a well-below-market confidential rate for an expandable HDC – the Blackstone-owned QTS data center in Aurora. With an initial load of 177 megawatts, the \$1 billion building will only employ 80 workers, but will be by far the biggest single electricity user on Xcel’s Colorado system. It will initially consume an amount of power roughly equivalent to that used by about 32,000 residences, but can potentially expand to use hundreds of megawatts. This is the opposite of demand-side management, a key energy-conservation policy pursued by state leaders for years.

In addition, HDC backers proposed bills in the 2023 and 2024 legislative sessions that would have exempted the centers from paying state sales tax. Although those efforts died, they may return in 2025.

Investor-owned electric utilities have an economic incentive to favor adding large loads to their system. That is because serving large loads requires new investments in infrastructure on which the utilities receive a near-guaranteed annual rate of return. Xcel, for example, receives a near-guaranteed 9.3% rate of return on equity on such investments. Large financial returns come to HDCs, utilities, and developers of new generation and transmission, while consumers may experience new financial burdens if forced to pay higher utility bills, and to cover any government tax incentives that may be provided. This would be unfair, requiring new policies to protect captive customers from these burdens.

CRES urges state decision-makers to take early action to avoid the serious stress that a surge of HDCs may pose to our state’s efforts to achieve stabilization of rates, along with reductions in greenhouse gas emissions, air pollution, and water consumption.

Accordingly, CRES urges the legislature to take these actions:

1. Colorado must prevent further HDC subsidies by:
 - a) Repealing the misguided 2018 law (HB18-1271) that offers HDCs economic development rates, and
 - b) Rejecting, as was done in 2023 and 2024, any further attempt to give lucrative equipment and property tax rebate incentives to HDCs.

2. Require, as a condition for doing business in Colorado, that HDCs work within an “additionality” legal framework that ensures that HDC loads do not negatively affect Colorado's decarbonization goals. This would be accomplished either by HDCs providing their own “behind the meter” renewable energy or paying for new additional renewable energy generation, transmission, and storage that at least matches their loads and load profile’s impact on the grid.

HDCs would meet the “additionality” requirement by either:

 - a) Building new renewable energy and storage to power their operations directly. Given the HDCs’ need for 24/7/365 power, this may be unlikely.
 - b) Partnering with a utility to pay a specified rate up-front to ensure that HDCs will cover the full cost of additional new grid-connected renewable energy generation and storage driven by their load.

3. Protect Colorado ratepayers by requiring HDCs to make an up-front termination liability payment, and a decommissioning bond, should they experience a “dot-com”-type bust.

About CRES:

CRES is a Colorado nonprofit corporation established in 1996. CRES creates environmental, social, and economic benefits for Colorado by promoting energy efficiency and renewable energy of all types. CRES advocates for a carbon-neutral Colorado powered by 100% renewable energy, and is engaged in promoting energy efficiency, demand side management, beneficial electrification, and the full breadth of renewable energy development in Colorado's communities. CRES also advocates for ways to achieve Colorado's emissions reduction targets.

CRES educates and assists the state's consumers, businesses and communities to advance renewable energy and energy efficiency in a manner that supports the economy and the environment.

CRES membership includes approximately 350 individual and business members interested in renewable energy and energy efficiency. The organization reaches more than 6,000 email subscribers and sponsors educational programs attended by hundreds.

CRES works on behalf of consumers, small businesses, and communities throughout the state to promote the expeditious transition from fossil fuels to renewable energy.

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