Oregon Citizens' Utility Board

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March 7th, 2025

To: Chair Lively, Vice-Chairs Levy and Gamba, and members of the House Committee on Climate, Energy and Environment

From: Sarah Wochele, Equity Analyst & Advocate, Oregon Citizens' Utility Board (CUB)

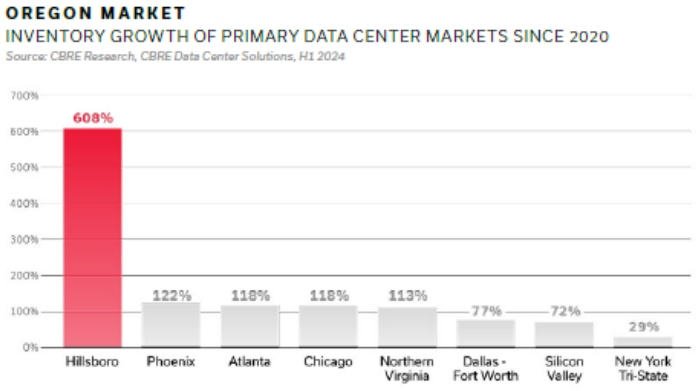
Re: Support for HB 3546 - Protecting Oregonians with Energy Responsibility (POWER Act)

CUB is a membership-based 501(c)3 nonprofit consumer advocacy organization that represents the interests of utility consumers, including energy and telecommunications customers, before legislative, administrative and judicial bodies. **We ask for your support for HB 3546. This testimony describes the problem that the POWER Act is trying to solve, and why the solution offered is the best solution to this immediate problem. Please note that the data center sector has been at the table for months on this bill. CUB has met with Google, Meta, and Amazon, together and separately on numerous occasions.**

Residential households, small businesses and other industrial customers on the electric grid are currently unfairly subsidizing the costs of data centers, which are hooking up to Oregon's electric Investor Owned Utility (IOU) grids.[1] In other words, **through our electricity rates, we are unfairly funding discounts for the data center sector**. Note that this sector is already receiving subsidies through Oregon business tax incentives. This unfair subsidization is growing increasingly concerning for at least a few reasons:

(1) **The majority of Oregonians experienced nearly 50% increases to their energy bills in the last four years**–household disconnection data in 2024 corroborates that these impacts are being felt;

(2) **Data center growth in Oregon is skyrocketing**, we are in both the primary and secondary markets for this sector;

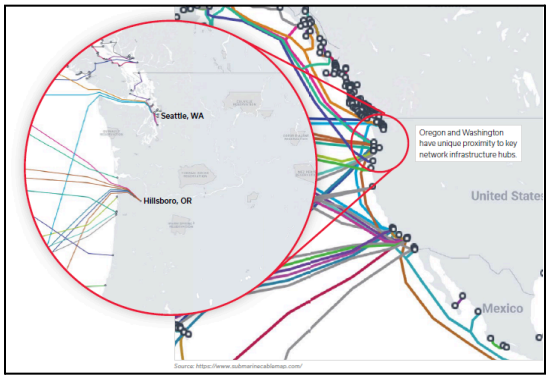


(3) **Data centers are extremely unique and unlike any energy customers we've seen before, making the traditional model of**

[1] Portland General Electric (PGE), Pacific Power, and Idaho Power are Oregon's electric for-profit utilities

assigning energy infrastructure costs to all grid customers outdated to meet this unprecedented moment.

Data center growth is expanding at a quickening rate worldwide. **By now Hillsboro, Oregon is established as a primary data center market, far outpacing Northern Virginia in growth since 2020,** while Eastern Oregon grows in the secondary market.[2]



Indeed, our state is very attractive to data centers, and not because we subsidize their energy infrastructure costs–which is not unique at all to Oregon. Oregon's location along the Pacific allows for a unique proximity to crucial network infrastructure hubs.[3] Compared to cost considerations related to things like electricity, tax breaks, and construction, *this proximity is a far greater priority for data center build out.* Also of greater priority than these costs is access to reliable and available power, making proximity to our abundant hydro system extremely attractive.

A <u>single</u> 30 MW data center uses more power than the City of Ashland. When we talk about an influx of data centers in this context, we are focused on the fact that with any <u>single</u> data center, comes an extremely large energy load that has to somehow be accommodated by the grid. With just one data center, utilities are expected to accommodate an almost overnight pop up of the energy needs of an entire new city. The energy needs of a single data center are also growing as AI development and use increases. Generative AI adoption is far outpacing historical adoption of the internet and personal computers.[4] Soon, *single* data centers in Oregon will come online with the energy demand akin to that of the City of Eugene. Keep in mind also that data centers are often built out in complexes or campuses, built in clusters. Therefore, the massive growth in the *number* of data centers needing extreme amounts of energy worsens this problem of unfair subsidization tremendously.

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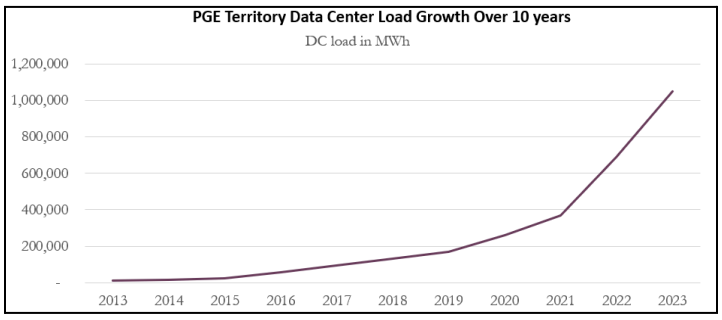
[2] *The Energy & Water Use Impacts of Building System Design for Data Centers - Design Considerations for Oregon & Washington,* by PAE on behalf of Confederated Tribes of the Umatilla Indian Reservation & Columbia RiverInter-Tribal Fish Commission, February 15, 2025, page 3.
[3] *Id.*
[4] International Energy Agency (IEA)
https://www.iea.org/commentaries/what-the-data-centre-and-ai-boom-could-mean-for-the-energy-sector

To accommodate these new large loads from data centers, the utility in that territory will need to make infrastructure investments to meet that data center's energy demands. We–meaning households, businesses, and non-data center industry– currently pay for those investments. Historically, sharing these costs across customer classes made sense because each customer class was growing at a similar rate. This is no longer the case at all.

In the last 10 years, the energy demand on Portland General Electric's (PGE) system would have *shrunk* if it were not specifically for data center energy needs on its system.[5] This new large energy load from data centers is **greater than *all* energy load growth on PGE's grid**. Indeed, as we have seen Hillsboro become a primary data center market in the world, we have watched PGE's grid transform.[6] PGE supplied more than 1 million megawatt-hours of power to data center customers in 2023, which is more than double what it supplied them just two years earlier. Unfortunately, all of PGE's customers are paying for this transformation by way of their energy bills, even though it does not benefit them at all.



For example, it has cost $210 million dollars to build out just *local* transmission in Washington County to serve new large loads in PGE territory – even though this infrastructure does not necessarily benefit other customers. It was only built for serving data centers' high energy needs. From 2019-2024, while PGE's data center load growth skyrocketed, equivalent to adding 162,400 customers to the grid, the residential customer class only grew by 24,300 households. This is a seven fold difference in customer class growth.

Directing the OPUC to create a new customer class specific to data centers would re-establish the cost allocation system to ensure it is working fairly for all customers again.

Tens of thousands of families had their power shut off in 2024 because they could not afford to pay their energy utility bills–more than any other year since reporting began in 2018.

[5] This shrinking would have occurred due to advancements in energy efficiency.
[6] This problem is not specific to PGE, we are seeing data centers in Pacific Power's territory as well, and in Idaho Power's Idaho territory over the border.

Oregonians should not pay higher energy bills so that the data center sector gets a discount, especially at a time when we are also experiencing a crisis of energy unaffordability. While this unfair subsidization is *contributing* to the increase in energy bills, CUB has identified multiple other factors contributing to these increases.[7] We are not blaming the whole of these rate increases on the energy discounts we are providing to data centers, that would be dishonest. **However, the scale of the problem, if left unaddressed, will certainly ensure that data center energy subsidization becomes a leading cause of rate increases for residential customers in the near future.** In fact, a December 2024 report published by Synapse Energy Economics for Sierra Club, which looked at data center rapid growth risks in PJM's (an eastern US Regional Transmission Operator) system, found that this rapid data center growth increases overall energy system costs by 30%, while driving up residential bills by 10% over the entire 13 state region.[8] For perspective, PGE's 2025 residential rate increase was 5.4% and followed 2024's 18% increase. Pacific Power's 2025 residential rate increase was 9.5%.

When a data center hooks up to an IOU grid in Oregon its energy demand must be met according to Oregon's renewable energy mandates. Representatives from Google shared with us at the 3/6/2025 HB 3546 hearing that Google is unique at the corporate level for its decarbonization goals. Oregon also is a leader in its own right for such goals. While we appear to be aligned on this shared value, we somehow are not aligned on the unfairness of subsidizing the infrastructure they alone require to meet their unprecedented demand. **A key piece of combating climate change is ensuring energy affordability–something Oregon acknowledged through HB 2475 in 2021. A shared commitment from the data center sector to decarbonizing in the face of climate change, only goes so far without a shared commitment to following a just energy transition pathway to meet those goals.**

Indeed, the problem–which will worsen if unaddressed by the legislature in a timely manner–is clear and well-defined. To solve it, we need a data center rate class because these unique energy customers are putting distinctive and significant costs on our shared electric system.

Oregon has never had a single set of customers account for all energy load growth on the grid. We have never had a set of customers put this amount of costs on the system this quickly.

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[7] *Myth Busting: Why Clean Energy Is Not Making Energy More Expensive,* Oregon Citizens' Utility Board, April 23, 2024: oregoncub.org/news/blog/myth-busting-why-is-clean-energy-is-not-making-energy-more-expensive/2981/

[8] Jeremy Fisher for Sierra Club, testimony in support of OR HB 3546: https://olis.oregonlegislature.gov/liz/2025R1/Downloads/PublicTestimonyDocument/146176

Data centers alone are responsible for this novelty. In addition to this unusualness, they are also unique in their inflexible load shape, meaning they are *essentially always at peak*, adding risk to our shared system. Adding to all of this, is the fact that data centers are built at a rapid pace, in as little as 18 months to two years–forcing our energy system to rapidly respond.

Data centers are also unique because of their spatial concentration–we see data centers being built as complexes or campuses in primary markets like Hillsboro and Northern Virginia. **This spatial concentration is especially important to consider because each single data center uses the amount of power of one small city, on one shared utility grid.** For example, while one data center can have the power demand equivalent to that of a steel plant, multiple steel plants are not clustered side by side, which results in more manageable energy needs on a utility grid.

We have not seen all of these unique and unprecedented factors together from other historical industrial customers, nor to-date from advanced manufacturing industrial customers, both which share the industrial customer class with data centers.

Advanced manufacturing is NOT currently a part of this problem we are trying to solve in Oregon. Data centers alone are currently responsible. This is an urgent problem and we must act before it worsens. Rocky Mountain Institute (RMI) has suggested that if we can figure out how to deal with the challenges and opportunities that data centers bring, this actually paves the way for addressing the other large energy loads to come: *"Data centers, due to their growing power demand, can set a precedent for how to handle load growth in a way that supports the grid and ensures reliable, resilient, carbon-free electricity."*[9] In fact, in RMI's recommendations in this briefing, the first one is: "Ensure equitable cost allocation, so that those receiving the benefits of grid upgrades to interconnect these new loads and generation undertake the financial responsibility and risks."[10]

With a data center specific customer class, in instances where a data center's energy infrastructure also benefits other customers, costs will be allocated to reflect these shared benefits. Creating a customer class specific to data centers will result in data centers only paying for their fair share–it would not put costs onto data centers that are not by and for them.

[9] Rocky Mountain Institute (RMI): https://rmi.org/how-data-centers-can-set-the-stage-for-larger-loads-to-come/
[10] *Id.*

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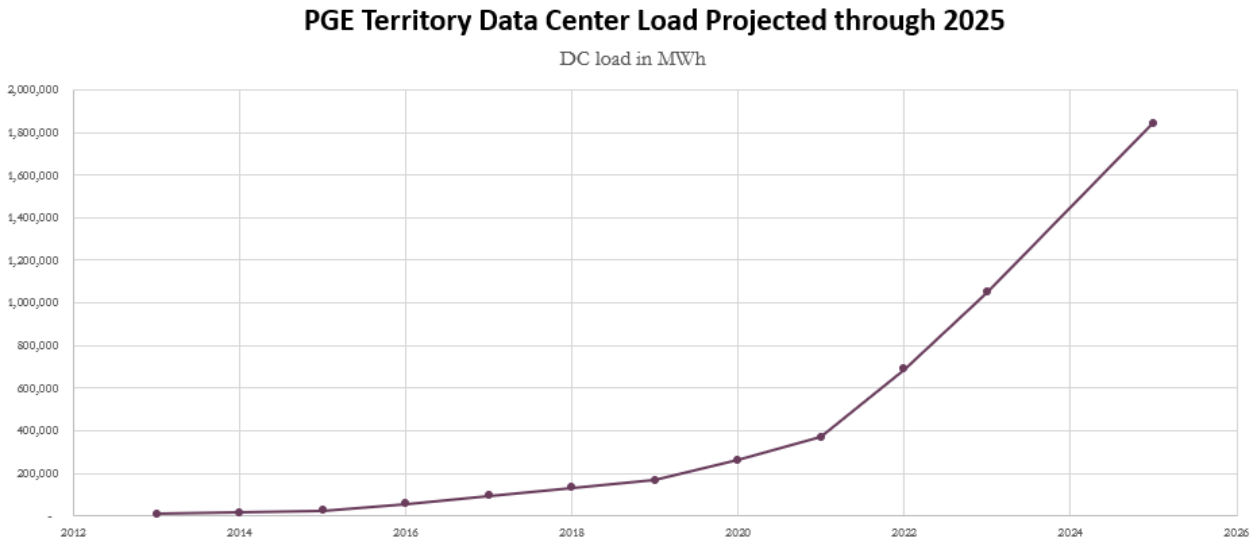

As the Data Center Coalition states in their testimony, the OPUC has the "authority, expertise, experience, and processes in place to ensure that cost allocation and rate design are fair and reasonable for all customers." **What the Coalition does not acknowledge however, is the slow pace of current OPUC processes to meet the urgency and scale of this problem, that these processes are happening in a piecemeal fashion, and that they remain largely unsolved to-date to the detriment of all other customers.**[11] By the time the PUC processes fully addresses the problem, which could take 2-3 more years, we will be facing the huge AI data centers that are larger than the City of Eugene, putting at least 2-3 years worth of rapid data center expansion costs onto all other customers. **A clear directive to OPUC from the legislature would immediately provide the necessary tool to solve this rapidly growing problem.** It is worth noting that both PGE and Pacific Power filed supportive testimony for this bill.

Creating a customer class that is specific to a certain type of energy user is NOT new. We already have an irrigator customer class and a street lighting customer class, both of which were created with the acknowledgement that these customers are extremely unique, warranting their own class.

Without a data center specific rate class, we cannot assign all data center costs to data centers. Google wants a rate class that is more than just data centers. It wants other large loads,

[11] Please see Cole Souder from Green Energy Institute's testimony on this bill for more on this layer of the problem.

like Intel included. But Intel has been part of PGE's system since the 1970s. Its load has grown up over decades and its rates have helped fund much of the current utility infrastructure. And when Intel brings on new facilities, those facilities take years of planning and engineering to develop. Intel's cost impact on PGE's system is different. Google's proposal would have Intel help fund some of the cost incurred to serve data centers. The best way to allocate the cost of data centers to data centers, is to isolate data centers as a class.

In conclusion, this bill, like other bills CUB is working on with energy affordability legislative champions this session, is fundamentally about fairness and accountability, and updating outdated systems that cannot meet the moment.

Thank you for your time and consideration,

Sarah Wochele, Equity Analyst & Advocate