Energy Association OF PENNSYLVANIA

The Voice of the Electric & Natural Gas Utility Industries in Pennsylvania

Utility Perspective on Data Center Policy in Pennsylvania

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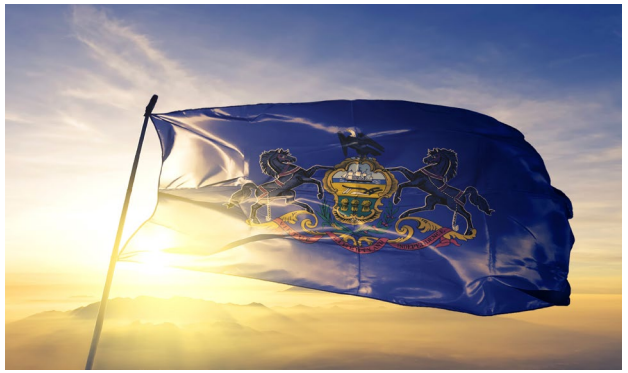
EAP & Pennsylvania's Energy Landscape

- ✓ A trade association that represents and promotes the interests of regulated electric and natural gas distribution companies operating in Pennsylvania.
- ✓ Collectively, EAP's members deliver energy to nearly 9 million residential, commercial and industrial customers.
- ✓ Critical infrastructure companies that serve to meet current and future energy needs for PA customers
- ✓ EAP is the voice of Pennsylvania's electric & natural gas utilities.



The Data Center Opportunity

Economic & Strategic Benefits:

- Job creation and economic development
- Technological advancement and innovation
- National security infrastructure
- Tax base expansion

The Challenge:

- Unprecedented energy demand (50-500+ MW per facility)
- Infrastructure investment requirements
- Timeline pressures ("speed to market")
- Grid reliability and resource adequacy implications of rapid load growth

Protecting Existing Ratepayers: Core Principle

EAP supports:

- New large loads should be matched by new generation resources — data centers should not rely solely on existing grid capacity.
- Data centers pay for data centers. Ensure residential customers do not inappropriately pay for costs directly attributable to data centers.
  - ➢ Cost causation principle: customers pay for costs they impose
  - ➢ No subsidization of large load infrastructure by residential/commercial customers
- Energy affordability already a significant concern for PA households
- Finding a structural solution to ensure Pennsylvania continues to have adequate electricity supply to meet our growing electricity demand, including new generation, not just grid management.

Jurisdictional Complexity: State vs. Federal

Distribution (PUC Jurisdiction):

- Local infrastructure and service
- Rate design and cost allocation
- Customer interconnection agreements

Transmission (FERC Jurisdiction):

- Regional grid impacts (PJM)
- Network upgrade costs and allocation
- Capacity market and resource adequacy

Challenge: Most significant costs occur at transmission level, outside state regulatory control

Legislative & Regulatory Policy on Data Centers

HB 1834 – The Data Center Act

- Recognition of financial security needs
- Protection for existing ratepayers
- Load ramping schedule requirements
- Curtailment provisions for emergencies

PUC Model Tariff Proceeding

- Comprehensive framework for large load interconnection
- Universal service contribution requirements; mechanism warrants further process
- Recognize the need for flexibility for utility-specific approach

Climate & Resource Adequacy Considerations

Generation Capacity Challenge:

- Rapid load growth must be matched by new generation
- PJM regional capacity market concerns
- Risk of capacity shortfalls and price increases

Renewable Energy Requirements:

- HB 1834's 25% renewable mandate faces implementation challenges
- EDCs don't control generation supply in restructured market
- Most large customers purchase from competitive suppliers (EGS)

Balanced Solution Needed:

- PJM-level market reforms
- State mechanisms where appropriate within jurisdiction
- Coordination between state and federal frameworks

EAP Data Center Collaborative Solutions

Framework Principles:

1. Clear jurisdictional boundaries - Respect state/federal authority division
2. Flexibility over mandates - Allow utility-specific approaches within PUC principles
3. Cost causation consistency - Large loads pay for infrastructure they drive
4. Generation resource adequacy - Address supply side, not just demand management
5. Coordinated approach - Align PUC, FERC, and PJM frameworks

Immediate Actions:

- Refine HB 1834 with jurisdictional clarity
- Finalize PUC model tariff with appropriate flexibility
- Coordinate with FERC large load proceeding

Long-Term Framework:

- Need to balance support for economic growth and customer rate protection
- Support clean energy growth while ensuring sufficient dispatchable generation to meet reliability demands of large loads

Questions?