Prepared Testimony of

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Good morning Chairman Yaw, Vice Chairman Pashinski, and the Board of Directors of the Center for Rural Pennsylvania (the Center). My name is Stephen M. DeFrank, Chairman of the Pennsylvania Public Utility Commission (PUC or Commission). Thank you for the opportunity to testify today at Part I of the Center's Public Hearing Series on Data Centers.

Data center proliferation is a central topic of interest among many here in the Commonwealth, including at the PUC. The Commission has placed a strategic focus on this newly evolving commercial revolution and its ramifications on electric reliability and affordability. At the outset, I wish to highlight the fact that the Commission itself does not regulate or oversee data centers themselves in any capacity. However, the PUC does have direct quality-of-service, safety, and economic jurisdiction over many of the electric distribution companies (EDCs) that serve these customers. In this regard, our regulatory oversight plays a key role in determining the "rules of the road" for how these data centers interconnect to the grid as well as the rates they are charged. Given the advent of data centers, the Commission has placed a concerted effort to ensure such rules are appropriately updated in EDCs' tariffs. The PUC has exclusive jurisdiction over EDC tariffs, which are the documents outlining the terms of service and rates provided to all customers.

To that end, on April 24th, 2025, the Commission hosted an *en banc* hearing concerning interconnection and tariffs for large load customers. At the hearing the Commission heard testimony from participants representing EDCs, data centers, and various advocacy entities. The conversation focused on the impact of data center interconnection onto the electric grid as well as what rules and procedures should be put in place to effectively interconnect these facilities while protecting existing customers from undue risks and costs. The Commission also received comments from over forty interested parties. We took this input and on November 5th, 2025, the Commission issued a proposed model tariff for public comment. Some key parameters proposed in the model tariff include the following:

- *Megawatt (MW) Size* – 50 MW for individual customers and 100 MW for aggregated customer accounts at a site.
- *Contract Term* – no less than five years.
- *Load Ramp Term* – up to five years, where the contract term would commence at the conclusion of the load ramp.
- *Minimum Demand Charge* – data centers never pay less than 80% of their monthly demand charges, regardless of usage pattern.

- *Collateral Requirement* – data centers must provide a sufficient amount of collateral to fully cover network improvement costs and interconnection facility costs.
- *Contributions in Aid of Construction* – EDCs may recover costs from data centers for costs directly incurred for interconnection and network upgrade that solely benefit the customer.
- *Exit Fees* – Exit fees will be applied to ensure any stranded costs from EDC system upgrades are recovered directly from the data centers causing the costs.
- *Universal Service Fund Contribution* – Data centers contribute, based on their size, between $250,000 and $1,000,000 annually into the EDCs customer assistance programs.
- *Interruptible Service & On-Site Generation* - EDCs may offer lower minimum demand charges to data centers enrolling in interruptible service or bringing their own generation.
- *Infrastructure Upgrades by Data Centers* – EDC tariff provisions will allow data centers themselves to upgrade electric infrastructure so long as it is done at EDC specifications.
- *Public Interconnection Queue* – EDC requirement to make available on a public website a list of data center interconnection applications, their location, MW size, and stage in the interconnection study.

As I have stated before, I am guided by the overarching goal to protect ratepayers from shouldering the excessive burdens of grid upgrades necessary to interconnect data centers. Further, I continue to support policies that will insulate customers from any stranded costs that may be realized from data center buildout. Many of the provisions outlined above were proposed to address these very concerns. For instance, instilling collateral requirements along with permitting data centers to upgrade infrastructure directly at their own expense. The Commission has reviewed the comments provided in response to the model tariff and plans to issue a final order in the very near future.

Data centers also bring to question the future of our resource adequacy in the electricity market. While the PUC does not regulate electricity generation nor oversee integrated resource planning, we must still work to facilitate reliable electric service. This includes fostering a robust retail electricity market and

overseeing how EDCs procure electricity for those customers who do not enroll for retail service with an electric generation supplier. Further, this includes advocacy at the federal level to represent the interests of Pennsylvania's end-use customers.

PJM Interconnection LLC (PJM), a Federal Energy Regulatory Commission approved Regional Transmission Organization, directly oversees the planning for generation and transmission in Pennsylvania and the surrounding region. One of the biggest variables in PJM's management of this responsibility is its load forecast. PJM's load forecast is built upon many of the assumptions, inputs, and metrics provided to it by its constituent member utilities, including those regulated by the Commission. Given the significant MW size of data center additions, the viability of both the EDCs' and PJM's load forecast has become increasingly scrutinized. This is the case since over or under forecasting will have significant ramifications for reliability and costs, respectively. If the forecasts are below actual demand, we may not have enough power to serve the grid. Conversely, if the forecasts exceed actual demand, we will be sending market signals to build generation that is not necessary. Thankfully, new legislation has empowered the Commission to take necessary steps in evaluating the load projections at the center of this concern.

Act 45 of 2025 (Act 45 or the Act), signed into law by Governor Shapiro on November 12th, 2025, provides the Commission with a new responsibility regarding EDC load forecasting. In essence, the PUC is now given the express authority and responsibility to review and validate the load forecasts submitted by EDCs to PJM. This includes our ability to review the data assumptions utilized in effort to determine the accuracy, consistency, and transparency of these assumptions.

The Act further specifies our responsibility to review large load interconnection requests to ensure that only projects with a high likelihood of development are included in any forecasts. This requirement is in direct response to concerns of data centers 'shopping' multiple EDC interconnection queues. Often, a data center may have one project that it is considering for development in different EDC territories or even different states. The concern lies in duplicating the addition of this large load adjustment into the forecast. If duplication occurs, we will realize an artificial inflation of the load forecast to the detriment of all electric customers.

The Commission must catalogue its findings pursuant to Act 45 in an annual report provided to the General Assembly and provided publicly via the PUC's website. That report is due by June 30th of each year. We are presently working through our review of EDC load forecasts as required by the Act and will be filing our first report in June of this year.

Make no mistake, the large load additions to the electric grid represent a seismic shift in the energy landscape of the Commonwealth, PJM, and the country at large. With proper policy and oversight, we can ensure that data centers are integrated into the grid in a manner that respects the interest of localities, maintains grid reliability, and fosters affordability.

I thank the Center for hosting this hearing and welcome any questions the board members may have.