

Tax Revenue & Economic Development Subgroup: Draft Recommendations for Public Comment

Please note: The recommendations below are drafts for [public comment](#), are not final, and have not yet been considered by the full Data Center Workgroup.

Draft Recommendation T1

Washington's data center tax incentives currently have some requirements, but more need to be added to address potential impacts of data centers and ensure maximum benefit.

Additional requirements should aim to:

- Protect and further Washington's climate and clean energy goals
- Protect non-data center utility customers from financial and reliability impacts of data center energy use and potential stranded assets (utility-connected or data center-owned)
- Maximize data center energy and water efficiency
- Minimize negative impacts to communities
- Maximize benefits to communities

Potential additional requirements consistent with the ideas above are being discussed in the Energy and Resource Impacts Subgroup. To fully address the items above, policy changes beyond additional tax incentive requirements will also likely be needed, but are not addressed here to keep the focus on the tax incentives for this Subgroup. Many of those ideas are being discussed in the Energy and Resource Impacts Subgroup.

Draft Recommendation T2

Washington should preserve the successful tax exemption program that has resulted in significant capital investment, thousands of jobs created, millions of dollars of state and local tax revenue and contributed to Washington's economic growth, while keeping the state competitive with the 36 other states that have similar programs.

Draft Recommendation T3

Modify the data center sales/use tax exemption tax preference to remove the geographic restrictions and add a requirement that data centers bring a certain percentage of behind the meter clean power to qualify for the incentive. This percentage could start low and increase over time.

Energy & Resource Impacts Subgroup: Draft Recommendations for Public Comment

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Draft Recommendation E1. Assess Washington’s clean energy and climate policies

- Ensure Washington’s Climate Commitment Act and Clean Energy Transformation Act operate as envisioned to cover any fossil or unspecified power sources used by large data centers.
- Maintain flexibility in state policy implementation and adopt a forward-looking strategy that supports both near-term reliability and long-term innovation. Adjust policies to reflect data: While remaining committed to a clean energy future, the state should remain open to reassessing carbon reduction timelines when new data or reliability analyses suggest potential grid risks.

Draft Recommendation E2. Improve resource forecasting

- Direct agencies to identify consistent methodologies for data center expansions. Be reasonable, consistent, transparent, and mitigate peak load expansions. If additional authority is needed, recommendations for legislation.
- Require large load applicants to disclose duplicative interconnection requests across balancing authorities. Modeled on Texas law.
- Statewide data base of anonymized data to help utilities, balancing authorities, and large load applications align loads with available power supply, transmission infrastructure, and optimal land siting.
- Improve Load Forecasting through new transparency requirements, commercial readiness criteria for loads greater than 50MW, and standardization across utilities.

Draft Recommendation E3. Enhance transmission capacity

- Create a state transmission authority
- Enhance capacity on existing transmission lines

Draft Recommendation E4. Streamline siting and permitting of transmission resources

- Coordinate planning and engagement at the regional, state, and local level to identify opportunities and risks which can help in project site selection and permitting.
- Direct agencies and local governments to streamline processes for development of transmission resources and reliably serve new loads for data centers and infrastructure for clean energy consistent with sustainability commitments of companies and state requirements.
- Engage Lower River Treaty Tribes as experts on data center impacts to natural resources and how impacts could be avoided.

- Develop a timely comprehensive plan for siting renewable resources and transmission lines that builds on efforts currently being developed in the West.
- Establish clean energy acceleration areas in WA, modeled on, but more expansive than the EU's Renewable Energy Acceleration Areas, to drive permitting benefits specific geographic areas.

Draft Recommendation E5. Load flexibility and energy efficiency requirements

- Direct agencies to find ways to identify and incentivize load flexibility and bring those benefits to the state
- Require the Energy Policy Office to conduct a study at least every two years on the potential for on-site energy generation or storage, load management, and demand response by data centers, including any program or policy changes that may be needed to achieve the potential.
- Require data centers conduct annual energy audits to identify opportunities for reducing energy consumption, improving efficiency, and minimizing peak loads.

Draft Recommendation E6. Strengthen ratepayer protections

- Direct agencies with ratemaking authority to ensure data centers are paying their fair share, potential focus on stranded costs and all other costs associated with the state. Identify if additional legislation is needed.
- Increase frequency of cost-of-service studies to ensure rates are designed to only recover the costs caused by each customer class.
- Require data centers to enter into long-term, binding contracts to cover generation, transmission, and distribution costs, with provisions for exit fees and insurance bonds to mitigate the financial risks if they cease operations or underutilize investments that were made to serve them.
- Require large load applicants to demonstrate commitment by providing proof of intent to proceed and/or paying a portion of projected grid upgrade costs upfront (as implemented in Texas and Ohio).
- Regulators should use existing regulatory tools to accommodate large loads and protect residential ratepayers.
- State utility commissions and public utilities should ensure that the cost causer pays the cost of services provided and load growth due to data center development should be attributed to data centers when making rates to ensure equity and fairness to existing consumers.

Draft Recommendation E7. Data center tax exemptions

- Washington should preserve the successful tax exemption program that has resulted in significant capital investment, thousands of jobs created, millions of dollars of state and local tax revenue and contributed to Washington's economic

growth, while keeping the state competitive with the 36 other states that have similar programs.

Draft Recommendation E8. Accelerate the deployment of existing and emerging technologies

- Create a direct access program in WA with a high cap to allow customers to source their own power.
- Remove caps and redesign green tariffs to take advantage of the ability of large data center companies to invest in innovative higher-cost clean energy resources, such as long-duration battery storage.
- Support and plan for development of firm resources, such as geothermal energy, green hydrogen, biofuels, carbon capture, nuclear fission and fusion, and other emerging technologies to address potential impacts and risks early.
- Support the development of distributed generation resources, including fuel cells, net-metered small renewable resources, and small wind farms
- Encourage the development of renewable resources next to existing transmission
- Direct the UTC to evaluate utility plans to serve data centers to ensure they fully comply with state climate and energy goals and policies.
- EFSEC permitting processes should facilitate faster grid buildout and deployment of clean firm generating resources. Permit application processing should take no longer than 18 months.

Draft Recommendation E9. Protect water resources

- Consider the water use of a facility and choose sites with available water to avoid impacts to water resources and local communities
- Data centers should report water use to the Washington State Department of Ecology. The reporting should include daily quantities (total and peak uses), any effluents that are discharged outside the data center, any impacts on existing water systems (for example, data center discharges that cause a municipal water system to exceed its capacity resulting in untreated water entering streams or rivers, or adverse impacts on ground water).
- Maximize water efficiencies and water quality standards, utilizing all known, available, and reasonable methods of prevention, control and treatment, including considering closed loop systems and water reuse in the project design to reduce water usage and water quality impacts.

Draft Recommendation E10. Protect fish and tribal resources

- The NPPC should incorporate the anadromous fish managers recommendations on the spill and reservoir operations at the dams into the Columbia Basin Fish and Wildlife Program. The NPPC would then incorporate those operations in the development of the next Pacific Northwest Conservation and Electric Power Plan.

- BPA and grid operators should assess the reliability risks associated with the growth in data center loads.

Draft Recommendation E11. Protect air resources

- Consider the air emissions for the area and choose sites to reduce direct and cumulative impacts to air resources and local communities.
- Use natural refrigerant systems, for example ammonia, CO₂, and propane, to the maximum extent possible to reduce greenhouse gas emissions.

Draft Recommendation E12. Utilize available tools to reduce data center permit timelines

- Design projects to be able to utilize the general order for emergency engine operations and general permits for wastewater discharges to the maximum extent. This includes considering the required criteria and requirements as well as engaging with agencies early to understand what is required to use them.
- Eliminate or minimize the need for an individualized permit, such as a National Pollutant Discharge Elimination System (NPDES) or State Waste Discharge permit. If an individual permit is required, work with agencies to understand the process and applicable state regulations.

Draft Recommendation E13. Regular Review and Backcasting Analysis

- The UTC and public utilities should conduct annual assessments comparing past forecasts to actual outcomes (backcasting) to identify sources of error and improve future performance. These assessments should be shared with stakeholders and posted for public review.