



## Comments on Senate Bill 250: Utility Services for Data Centers in Alaska

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### Overview

This document provides initial feedback on *Senate Bill 250, “An Act relating to data centers; and relating to utility services for data centers.”* It does not propose specific amendments, but instead offers high-level considerations for bill sponsors and other interested legislators. The analysis focuses on a central question: What specific risks are not clearly addressed under existing Regulatory Commission of Alaska (RCA) authority? It examines both the potential intended and unintended consequences of the legislation and identifies areas where additional clarification or policy refinement may help mitigate unintended impacts while preserving ratepayer protections.

### National Policy Landscape and Regulatory Context

Nationally, states are grappling with how to respond to rapid data center load growth while maintaining grid reliability and protecting existing customers. In some jurisdictions, regulators have required enhanced interconnection studies, large-load tariffs, or special contracts to ensure that new infrastructure costs are appropriately allocated and that risks are not shifted to residential and small business customers.

At the same time, other regions are actively courting data centers as anchor customers capable of supporting large-scale generation and transmission investments that might otherwise be uneconomic. Unlike traditional industrial loads, however, data centers are often highly energy-intensive relative to their direct local employment footprint. This distinction can affect how policymakers weigh potential system benefits against the concentration of infrastructure and reliability risk.

The central policy tension is not whether data centers should pay their own way (they should) but how to structure regulatory frameworks that safeguard ratepayers while preserving the opportunity to leverage new loads for broader system efficiencies and investment. For Alaska, with its relatively small and isolated electric systems, this balance is particularly important.

## Senate Bill 250

Senate Bill 250 establishes a specialized regulatory framework for large data centers intended to ensure that the infrastructure, fuel, and reliability costs required to serve them are borne by the data center and not shifted to other utility customers. The bill 1.) requires commission-approved contracts that assign generation, transmission, and variable costs to the data center, 2.) limits the initial socialization of transmission infrastructure, and 3.) mandates community benefit agreements and end-of-life decommissioning plans. In effect, the legislation creates a cost-isolation structure designed to protect existing ratepayers in the context of high-load data center development.

In plain terms, SB 250 seeks to ensure that costs attributable to a data center are not embedded in general rates paid by other customers, either directly or indirectly through future infrastructure recovery. However, while the bill clearly prioritizes protection against cost shifting, its current structure may also constrain opportunities for broader system efficiencies and economies of scale that large anchor loads can sometimes enable.

### Specific comments on SB 250:

#### *1. Potential duplication with existing cost-causation principles*

It is important to clearly identify the problem this bill is intended to solve. Alaska already operates under established cost-causation principles in regulation. Under [3 AAC 48.510](#), a primary pricing objective is that the “cost causer should be the cost payer.” Rates are based primarily on embedded or fully distributed costs, and the RCA may also consider incremental or marginal costs when appropriate.

These principles provide the Commission with existing authority to address cost shifting concerns. The RCA already does review and approve special contracts, may require cost-of-service studies, and can reject arrangements that would harm other ratepayers. Large industrial or high-load customers are typically addressed through this framework.

To the extent SB 250 restates or prescribes similar cost-causation requirements, there may be overlap with existing regulatory authority. A key policy question is whether current tools

are insufficient or whether the bill would duplicate authority the RCA already possesses. The RCA may be in the best position to provide insight into these questions.

## ***2. Senate Bill 250 creates a strong incentive for data centers to self-generate***

While SB 250 does not require data centers to self-generate, it creates a strong incentive for arrangements in which the data center cleanly carries its own generation, transmission, and backup costs, and other customers are insulated from risk. Combined with the prescriptive backup power requirements included in the bill, these provisions tilt toward “separable” solutions — projects that are electrically and financially isolated from the broader system. Over time, this could result in parallel infrastructure development — generation and transmission assets built solely for individual facilities — rather than integrated system expansion.

This approach does create additional belt-and-suspenders protection of existing consumers. However, it may also limit opportunities to scale infrastructure in ways that could benefit the system as a whole. Large anchor loads can sometimes justify new generation or transmission that improves reliability, reduces average costs, or enables economies of scale<sup>1</sup>. A framework that assumes separation from the outset may constrain those shared gains.

## ***3. Small project threshold***

The current threshold — defined as 20 percent of a utility’s sales — may capture relatively modest facilities in smaller or isolated systems and subject them to the full statutory framework. In Alaska’s small and non-contiguous electric systems, even moderate loads can represent a large percentage of sales, while in larger systems the same facility may have far less relative impact.

Policymakers may wish to consider whether a single percentage-based threshold appropriately distinguishes between hyperscale data centers and moderate-scale facilities in smaller utilities. A framework tied more directly to system impact — such as capital investment required, percentage increase in peak demand, or alignment with existing 15 MW integrated resource planning triggers — may better reflect actual ratepayer risk.

A tiered or proportional structure could preserve protections against stranded cost exposure and cost shifting while avoiding unintended barriers to rural or moderate-scale digital infrastructure development.

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<sup>1</sup> For example, Iceland’s comparatively low electricity prices are closely linked to its high production volumes, particularly from large commercial and industrial customers. Today, more than 75% of Iceland’s electricity production serves the C&I sector, supporting significant economies of scale in both generation and delivery. Today, residential electricity rates in Iceland are approximately 11–12 cents per kWh. For more information see ACEP articles [Cheaper by the Dozen: Reducing Alaska’s Electricity Costs](#) and [Insights Into the Icelandic Energy Market](#).

#### ***4. Restrictions to backup power***

While prioritizing renewable resources is consistent with state energy goals, backup power by definition must be firm and capable of sustained operation independent of grid conditions. Clear performance standards may provide greater certainty than fuel-specific language.

## **Conclusion**

Senate Bill 250 reflects a clear and understandable objective: protecting existing utility customers from cost shifting associated with large data center development. That principle is sound. The policy challenge is how to preserve that protection while also maintaining flexibility to capture system-wide benefits that large anchor loads can enable under the right conditions. As Alaska considers its long-term energy trajectory, the question is not simply whether new loads should pay their own way, but how to design a framework that balances ratepayer protection, infrastructure scalability, and strategic economic development. Clarifying how cost isolation interacts with broader system planning tools may help ensure that the state does not inadvertently foreclose opportunities for shared gains.