LEAGUE OF WOMEN VOTERS® OF SOUTH CAROLINA

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LWVSC Testimony, S.902, Data Center Siting Act, S.724 Commercial Data Center Water Usage Report

The League of Women Voters of South Carolina appreciates the interest in appropriate development of data centers represented by S.902 and S.724. We will consider them together. In South Carolina, as in the rest of the nation, it is crucial to move now to ensure that data centers are not just contributors to county tax rolls and providers of a few well-paid jobs, but good neighbors that neither burden others with their costs or damage South Carolina's natural environment.

We will not rehash the familiar economic basics. We all know that county budgets can benefit from property taxes that reflect the high capital value of data center properties, but in most cases very few jobs are created. Energy and water demands can be very high relative to economic benefits. Spin-off businesses are usually few compared with those created by many other industries. Data centers must pay their own way.

Ratemaking and Efficiency

We strongly support the requirement in S.902 that data center operators bear "reasonable infrastructure costs to ensure that the directly attributable cost of providing electrical service to data centers is not borne by non-participating customers." However, we are concerned that ratemaking standards in this bill are very broad. Flexibility is important, but so are strong guardrails.

We have heard claims that data centers can offer energy use efficiencies because they are not subject to the cycling peaks and troughs of residential demand, efficiencies that should be reflected in their rates. We appreciate that S.902 encourages these possible efficiencies, including "demand response" agreements and load flexibility. This is a very important positive feature of the bill. However, we wish to remind everyone that these measures only very partially offset potential cost impacts on other users when new infrastructure is required, as is now the case nationally and very much in South Carolina, with 70% of the demand for the new Canadys plant attributed to data center demand.

National analysts who have considered the issue have repeatedly concluded that despite their efficiencies, residential users are heavily subsidizing data center energy needs. From academic studies like one by MIT in May 2025[1] to investment analysts' reports like that from Goldman Sachs in February[2] there is a strong consensus that subsidy of energy represents a significant wealth transfer from

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[1] James O'Donnell and Casey Crownhart, We did the math on AI's energy footprint. Here's the story you haven't heard. *MIT Technology Review*, 20 May 2025. https://www.technologyreview.com/2025/05/20/1116327/ai-energy-usage-climate-footprint-big-tech/

[2] Sasha Rogelberg, Middle class Americans are paying for the data center and AI boom in higher electric bills and even food costs, Goldman Sachs warns. Fortune, 13 Feb 2026. https://fortune.com/2026/02/13/middle-class-americans-paying-for-data-center-ai-boom-higher-electric-bills-food-costs-goldman-sachs/?fbclid=Iwc3NjcAQDJSRleHRuA2FlbQIxMQBzcnRjBmFwcF9pZA8xNzM4NDc2NDI2NzAzNzAAAR7913erprAqgRE9nzzil9DRzTiKg3XQ2jPK3ej-i7aJ0a-2eCG5u_k-m0Gu0g_aem_TSOos_6XhvBKfPvIcAnaVg

residential and small business users to the corporations creating these facilities. (See Appendix A for some specifics.)

Self-Generation

This bill provides an opportunity for self-generation, which under the right circumstances can by-pass the risk of cost shifting to other users. This can be promising to explore but requires caution for two reasons. True self-generation should not depend on grid support that would require public utilities to maintain capacity to serve them if their own power sources falter, again raising the potential for cost shifting to other ratepayers.

Further, environmental damages may be significant if these self-generating facilities are not adequately regulated. This is illustrated by Elon Musk's Colossus xAI's in Memphis, TN.[3] Colossus argues that their methane gas generators are exempt from clean air regulations.[4] People where the facilities are situated are suffering from health-damaging emissions. Any legislation enacted in South Carolina should ensure that this is not replicated here. Data centers generating their own power must be held to strong environmental standards.

Regulatory Authority

Our greatest disagreement with the terms of S.902 relates to regulatory authority as it applies to siting and environmental evaluations. S.902 assigns all major responsibility to the PSC giving only limited advisory input to the Department of Environmental Services (DES). We believe that the PSC should oversee ratemaking but should not be responsible for evaluating and regulating siting and environmental impacts. S.867, in contrast, establishes a Data Center Development Office within DES to implement the siting requirements of the statute and provide a central point of coordination, while leaving ratemaking authority with the Public Service Commission (PSC). We believe that DES is better prepared to ensure a smoothly functioning regulatory system that fully assesses siting and related environmental issues. This is especially important in the case of self-generating installations. Not just the centers themselves but the generating facilities that support them must be designed for minimal environmental impact.

We further recommend that whole categories of previously developed sites should not be identified as "presumptively suitable for data center development," as they are in S.902. It is quite possible that the original use of those properties was not appropriate and that further use would expand on previous harms. A stronger role for the DES would benefit this evaluation.

In this connection, we note that we also support the provisions of S.724 that require reporting water usage to DES. Regular water use reporting should be incorporated into any bill that attempts to become a vehicle for regulation of data centers.

Summary

We recognize that this is a very complex issue, but it is one that requires a response from our General Assembly to ensure that South Carolinians benefit from data centers without damage to either

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[3] Dara Kerr, "Elon Musk's xAI datacenter generating extra electricity illegally, regulator rules," The Guardian, 15 Jan 2026, https://www.theguardian.com/technology/2026/jan/15/elon-musk-xai-datacenter-memphis.

[4] Will McCurdy, "Updated EPA Rules Pub xAI's 'Colossus' AI Data Center in Legal Limbo," PCMag, 17 Jan 2026, https://www.pcmag.com/news/xais-data-center-may-have-acted-illegally-as-epa-clarifies-turbine-loophole.

their pocketbooks or their environment. We support the goals of this bill while believing that there could be useful amendments around agency siting and ratemaking responsibilities and methods.

Getting this right is in the interests of all concerned because at present the public has become aware of the dangers posed by these developments and are successfully lobbying to kill siting in their areas. Major developments like that in Marion County are evading public concerns by maintaining a wall of secrecy as they negotiate with county governments, creating even more public distrust, leading inevitably to more public backlash against the industry.

The public would be far more confident that their interests are protected, and more willing to welcome these developments in their areas, if the General Assembly moves to responsibly regulate this industry.

Appendix A

It was reported in *MIT Technology Review* on 20 May 2025 that average residential ratepayers in Virginia were paying about an extra $37.50 every month in data center energy use costs.[5] In February Goldman Sachs analysts have sounded an alarm about the impact that the data center boom will have on rates for residential and small business users.[6] The analysts further noted that rising energy cost has a general inflationary impact since consumers will be charged higher prices by small businesses that are themselves paying more for energy. Goldman Sachs analysts added that they expect that energy prices will continue to rise through the decade and will drag down consumer spending, slowing economic growth. They observe that households in regions with more data centers will take a bigger hit. *Monitoring Analytics* has described this as "a massive wealth transfer." Those on the negative side of this wealth transfer are understandably concerned.

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[5] James O'Donnell and Casey Crownhart, We did the math on AI's energy footprint. Here's the story you haven't heard. *MIT Technology Review*, 20 May 2025. https://www.technologyreview.com/2025/05/20/1116327/ai-energy-usage-climate-footprint-big-tech/

[6] Sasha Rogelberg, Middle class Americans are paying for the data center and AI boom in higher electric bills and even food costs, Goldman Sachs warns. Fortune, 13 Feb 2026. https://fortune.com/2026/02/13/middle-class-americans-paying-for-data-center-ai-boom-higher-electric-bills-food-costs-goldman-sachs/?fbclid=Iwc3NjcAQDJSRleHRuA2FlbQIxMQBzcnRjBmFwcF9pZA8xNzM4NDc2NDI2NzAzNzAAAR7913erprAqgRE9nzzil9DRzTiKg3XQ2jPK3ej-i7aJ0a-2eCG5u_k-m0Gu0g_aem_TSOos_6XhvBKfPvIcAnaVg