OFFICE OF LEGISLATIVE RESEARCH
Objective Research for Connecticut's Legislature

Issue Brief

Data Centers and Energy Policy

What laws in Connecticut govern or incentivize data centers?

CGS § 32-286, as amended by PA 26-122, allows the Department of Economic and Community Development (DECD) to enter into agreements to provide tax incentives to qualified data centers that locate in the state and make a minimum investment. Agreements have 20- or 30-year terms, depending on the investment size and the center's location. To be eligible, data centers must agree to make a qualified investment of at least (1) $50 million if located in an enterprise zone or a federal opportunity zone or (2) $200 million if located elsewhere. Data centers must also enter into fee agreements with the host municipality that include provisions to recoup exempted property taxes if the center does not meet the agreement's terms. If DECD ends its agreement with a data center, the center may also have to pay back the exempted sales and use taxes.

How do these laws interact with energy policy?

Data centers use large amounts of electricity to operate and cool their equipment. While the Data Center Tax Incentive Program does not explicitly reference energy policy, grid operators and others monitor state incentives like these (and disincentives like bans and moratoria) to inform their energy forecasts.

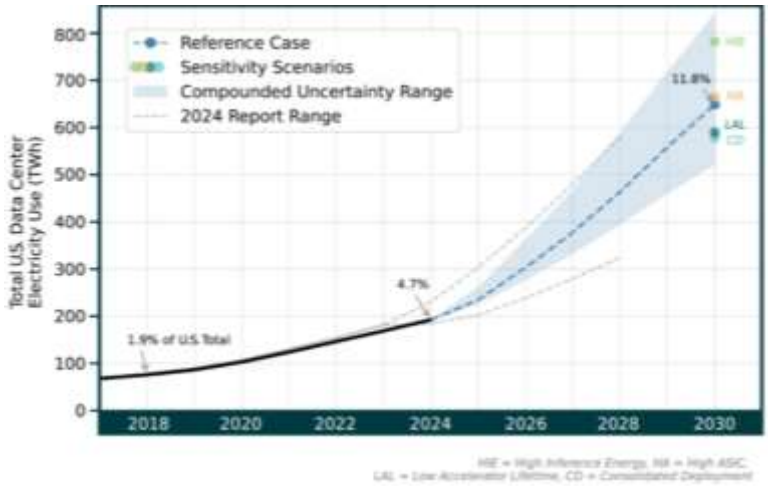
How do data centers impact energy reliability?

The North American Electric Reliability Corporation (NERC) states that large loads like data centers present unique challenges in grid planning and operations, both because of their rapid growth and less predictable electric behavior. In its Long-Term Reliability Assessment, NERC identifies reliability risks in each area of the country and advises regional grid operators to create uniform requirements to address reliability issues. New England has not experienced data center deployment to the same extent as other regions. ISO-New England incorporated large loads into its 10-year forecast, noting that large loads are projected to contribute minimally compared to other sources like electric vehicles and heat pumps. According to the Congressional Research Service (CRS), data centers do not appear to have caused blackouts to date, but large loads unexpectedly going offline may cause increased voltage and frequency levels on the grid.

How do data centers impact electricity rates?

Increased demand for electricity may require more investments in grid infrastructure, the cost of which is borne by ratepayers in transmission and distribution rates and remains even if data centers leave or close after investments are made. Increased demand can also increase generation prices, which, in New England, are determined in regional markets that generally dispatch lower cost generation sources before higher cost sources. However, increased demand can also lower electricity rates by spreading transmission and distribution costs over more sales. As described by a Lawrence Berkeley National Laboratory report, demand growth can increase or decrease prices, depending on factors including system utilization, system costs, and cost allocation and recovery. CRS notes that rate impacts could increase as the industry continues to grow.

Estimated Data Center Electricity Use Nationwide



Source: Lawrence Berkeley National Laboratory (2026)

How do data centers impact energy-related carbon emissions and other pollutants?

According to the U.S. Energy Information Administration, in 2025, nationwide CO_2 emissions from the electric power sector rose by 4%, partly due to growth in overall electricity generation caused by hot summer weather and growth in demand from data centers and manufacturing facilities. Local emissions have increased more in areas where data centers are locating. Broadly, future impacts will depend on how much energy is needed to meet growing demand for data centers and the resource mix used to meet that demand. When companies decide to bypass electric grids and build or purchase energy sources that are "behind-the meter," associated emissions depend on what sources they use. Furthermore, diesel generators providing backup power for data centers emit greenhouse gas as well as other pollutants locally.

Approved Large-Load Tariffs in Over 30 States

The Smart Electric Power Alliance and the North Carolina Clean Energy Technology Center have published a Database of Emerging Large-Load Tariffs (DELTa) to track utility large-load tariffs (rates and rules for utility sales to large-load customers). Tariffs may include:

- **Minimum Bill Provisions** that require the customer to pay for reserved capacity, even if unused
- **Other Financial Assurances and Contributions** from the large-load customer
- **Requiring Large-Load Customers to Pay Utility Study Costs**
- **Energy Transition Provisions**, including time-of-use pricing, interruptible service agreements, clean or renewable energy "riders," and other mechanisms

In Connecticut, HB 5469 (2026) would have established a framework for regulating the electric supply of certain large electric load customers. The Energy and Technology Committee favorably reported the bill to the House, which took no action.

Learn More

New England States Committee on Electricity, Data Centers and the Power System: A Primer (2024)

CRS, Data Centers and Their Energy Consumption (2026)

Colorado Legislative Council Staff, Data Center Impacts on the Environment, Public Health, and Energy Costs (2026)

OLR, Data Center Energy Impacts and State Responses (2025)

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