TESTIMONY OF JIGAR SHAH

Before the Vermont Senate Committee on Finance / Natural Resources & Energy
Regarding Vermont's Data Center Legislation • May 1, 2026

Introduction

Thank you, Senator Watson, and members of the committee. My name is Jigar Shah. I've spent my career working at the intersection of energy, finance, and infrastructure—as founder of SunEdison, as a clean energy investor and entrepreneur, and as a policy advocate. I appreciate the opportunity to speak with you today about Vermont's data center legislation, because I believe Vermont has a genuine opportunity to chart a smarter path than most states have taken—and to do so in a way that protects ratepayers, supports the grid, and advances your clean energy goals.

The rapid growth of data centers across the country is real, and it is accelerating. These facilities consume enormous and growing amounts of electricity. The question before this committee is not whether to welcome that investment, but how to structure the terms so that Vermont and its residents come out ahead. The good news is that other states are already moving in this direction, and Vermont's legislature is well-positioned to lead.

The Challenge: What's Gone Wrong in Other States

In state after state, data centers have arrived with promises of jobs and economic growth—and then were used by Electric Utilities to build enormous new infrastructure which shifted costs onto ordinary ratepayers. The pattern is consistent: utilities build new generation and transmission capacity to serve these hyperscale customers, the data centers agree to pay for all of the costs, and residential and small commercial customers still end up with higher bills. In some cases, ratepayers have seen rate increases of 10-20% tied directly to data center load growth.

There's also a grid reliability problem. Data centers often deploy large amounts of fossil-fueled backup generation—diesel generators that run not just during emergencies, but routinely to maintain power quality and avoid demand charges. This has real air quality consequences for communities near these facilities, and it undermines the clean energy commitments that Vermont has made.

Vermont has the advantage of learning from these experiences before they arrive on your doorstep. The tools exist. Other states are beginning to use them. The question is whether Vermont will put them in place proactively.

The Tools Vermont Should Deploy

1. Tight Ratepayer Protections and Cost Allocation

The most important structural protection is ensuring that data centers sign interruptible tariffs which means they use the existing infrastructure more efficiently and add a small amount of additional infrastructure like long-duration energy storage which they fully pay for to accommodate their load. Vermont should establish clear cost causation principles in any contract framework, so that ratepayers are not building any purpose built new infrastructure that wouldn't also be useful in the case that the data centers leave.

2. On-Site Energy Storage and Virtual Power Plants (VPPs)

One of the most powerful and underutilized tools available to address peak demand is on circuit energy storage. Data centers are actually well-suited to deploy battery storage, given their reliable power needs and significant capital resources. Vermont should consider requiring—or creating strong incentives for storage built on the same circuit as a condition of large interconnection agreements.

Beyond individual facilities, I want to briefly define a concept that I'd encourage the committee to consider: Virtual Power Plants, or VPPs. A VPP is not a single physical facility. It is a network of distributed energy resources—batteries, demand response assets, rooftop solar, controllable loads—that are coordinated through software to function like a traditional power plant. Virginia's recent legislation recognized VPPs as a form of demand-side management, and it is a model worth examining closely.

For data centers, VPP participation can allow customers on the same circuit to have batteries deployed for their use and help reduce the strain the data centers cause on the grid for up to 200 hours per year, providing value back to the system. This is far preferable to the alternative: building new peaking capacity that sits idle most of the year and raises costs for everyone.

3. Load Shedding Requirements

Vermont's bill should require that data centers participate in load shedding programs as a condition of their interconnection agreements. When the grid is stressed—during extreme weather events, supply disruptions, or demand spikes—data centers should be part of the solution, not part of the problem. They have the technical capacity to curtail non-critical workloads on short notice, and the grid benefits from that flexibility.

Importantly, load shedding requirements should be clearly distinguished from emergency backup generation. A data center should not be permitted to run its backup diesel generators in response to a required load-shedding event. Those generators exist

for genuine emergencies—power failures and interruptions—not as a workaround to avoid demand management obligations.

4. Restricting the Use of Fossil Backup Generation

This brings me to one of the most important provisions I'd encourage the committee to strengthen. The "24/7 jet engine" scenario is real: in many jurisdictions, backup diesel generators at data centers run frequently, creating significant emissions and undermining local air quality standards. Vermont should establish clear rules that backup generation is backup—used only during genuine interruptions of service—and that it may not be used to satisfy demand management or load-shedding requirements.

A reasonable starting point would be requiring data centers to rely on renewable sources for demand management, and non-renewable backup should be available only during unexpected supply interruptions. Tying this to Vermont's Renewable Energy Standard obligations (30 VSA 8004 and 8005) is also a sensible mechanism, ensuring that any backup generation is counted against the relevant retail provider's RES obligations.

Precedent: Other States Are Moving

I want to briefly normalize what Vermont is considering here, because there is sometimes a concern that these requirements will drive investment elsewhere. The data does not support that concern. Data centers are being built in states with strong regulatory frameworks. What sophisticated data center operators actually want is regulatory clarity—they want to know the rules of the road before they invest. Strong, clear, fair requirements are not a deterrent; they are often preferable to uncertainty.

Virginia, which hosts more data center capacity than any other state, has enacted legislation that includes VPP requirements and demand-side management provisions. Texas has required many of the ideas above as well. Vermont would not be an outlier—it would be part of a growing national trend toward smarter data center regulation.

Conclusion

Vermont has a narrow window to get this right. The investment decisions being made today will shape the grid, the rate base, and the air quality of Vermont communities for decades. The tools I've described—cost allocation, minimum charges, on-site storage, VPPs, load shedding requirements, and restrictions on fossil backup—are practical, precedented, and protective of Vermont ratepayers.

I am happy to answer any questions the committee has, and I look forward to continuing to work with Senator Watson and her colleagues as this legislation moves forward. Thank you.

Jigar Shah

May 1, 2026