

INFO

RESPONSIBLE DATA CENTER GROWTH

POWERING THE DIGITAL WORLD WHILE PROTECTING OUR CUSTOMERS AND COMMUNITIES



As people and businesses use more digital tools, electricity demand from new data centers grows. In powering these projects, Xcel Energy is making sure data centers pay their own way, without adding costs for other customers. We also plan ahead to ensure we can continue to serve all our customers reliably.

With these protections in place for our existing customers, data centers deliver good jobs and local opportunities while supporting a resilient power grid and a sustainable energy future.

What is a data center?

Data centers are buildings that house technology to store and process digital information, and they are the backbone of today's digital economy. They support everyday services like streaming video, online banking, navigation apps and artificial intelligence. Virtually every online or digital activity we do in our daily lives is handled by a data center.

How data centers benefit communities



Local jobs and economic impact

Data centers create construction jobs and long-term technical careers that support local workers and businesses.

- Nationally, the number of people working in data centers increased by about 64%, to more than 500,000, between 2016 and 2023.*
- Each direct data center job supports multiple additional jobs in construction, manufacturing, utilities and local services.
- For example, Meta's data center project in Rosemount, Minnesota, supports 1,000 construction jobs and will have 100 permanent jobs once completed.
- In 2025, U.S. data center capital investments reached \$162.3 billion, up 30% from 2024.**



Strong local tax base

In addition to creating construction jobs and long-term tech careers, communities benefit from new development because data centers generate tax revenue that helps fund things like schools, public safety, emergency services and local infrastructure. A typical data center is estimated to pay \$2 million to \$16 million in property taxes each year, depending on the size and operations of the facility. Data centers also often provide payments to communities to support local priorities. For example, Google is contributing \$25 million to a community fund in Pine Island, Minnesota, where it plans to build a new data center.



Data centers pay for the infrastructure needed to serve them.

Data centers increase total electricity sales, allowing fixed system costs, like maintaining transmission poles and wires, to be spread across more customers.

Data centers provide steady, around-the-clock electric demand that makes the grid more efficient.

Scan the QR code to learn more.



Protecting our customers comes first



Data centers pay their own way

We require large electric customers like data centers to cover the cost of power lines, substations and other upgrades to the electric system needed to serve them. Our existing customers do not pay for this growth.

We do not connect large new customers to the power grid until needed upgrades to the system are built. This helps keep electric service safe and dependable for homes and small businesses.

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Supporting clean energy

Many data center companies invest in new wind, solar and other carbon-free energy projects. These investments help add new clean energy to the grid — supporting local jobs, long-term reliability and state clean energy goals.

- Xcel Energy's agreement with Google in Minnesota includes a mix of solar, wind and battery storage to power a proposed data center in Pine Island. The agreement will help ensure that the state of Minnesota is on track to meet its carbon reduction targets.
- Google is also partnering with other utilities to add large-scale solar, energy storage and other carbon-free resources specifically to support new data centers.
- Microsoft has contracted tens of gigawatts of wind and solar generation to match 100% of the electricity used by its data centers, helping bring new clean power online in multiple states.

How data centers can help keep electric bills in check



Adding data centers and other large customers to the power grid can help lower costs for other customers, helping keep bills down.

- Independent studies of large data centers in multiple states have found that these facilities cover the full cost of their electric service and, in many cases, generate surplus revenue that utilities can use to reduce costs for other customers.**
- A recent independent analysis found that a typical 100-megawatt facility can generate millions of dollars per year in revenue above the cost to serve it. In those cases, this helps put downward pressure on rates for other electric customers over time, without shifting costs to households or small businesses.***
- Across the country, utilities and regulators are updating planning processes and large customer tariffs, which put rules and requirements in place to ensure new data centers pay their fair share and do not shift costs onto other customers. Many states have strengthened these protections as data center demand grows.
- In March 2026, large data center owners such as Microsoft, Google, Meta, Amazon and others made a public agreement with the federal government promising to pay their own way and not pass data center costs on to other residential and business customers.

Minimizing water usage by data centers



Water is a critical local resource, and many communities are asking how new development — especially large facilities like data centers — will affect local water supplies.

- The data center industry is moving away from older designs that use a significant amount of water for cooling and incorporating new technologies that dramatically reduce, or even eliminate, ongoing water use.
- Newer facilities increasingly use closed-loop cooling systems. These work like a home air conditioner. Coolant circulates in a sealed system and is reused, rather than being consumed every day. Google's proposed data center in Pine Island, Minnesota, will use a system like this, eliminating the need for a constant supply of water.
- Many data centers now avoid pulling water from local drinking water supplies. Instead, they use recycled or reclaimed water that's already been treated and would otherwise be discharged.

These strategies demonstrate how developers are taking water concerns seriously. Through better technology, recycled water, closed-loop cooling and upfront planning, today's data centers are using water more responsibly than ever.

* 2025 data from the Bureau of Labor Statistics: <https://www.census.gov/library/stories/2025/01/data-centers.html>

** 2026 data from the U.S. Bureau of Economic Analysis: <https://www.industrialinfo.com/news/article/investment-in-us-data-centers-grows-but-more-slowly--355383>

*** E3 study: <https://www.ethree.com/ratepayer-study/>

