SENATE BILL NO. 4293
(Second Reprint)

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 4293 (Second Reprint) with my recommendations for reconsideration.

Senate Bill No. 4923 (Second Reprint) would create a new requirement for data centers in New Jersey to report information quarterly about their energy and water usage to the Board of Public Utilities ("BPU"), to be published on BPU's website. Among other things, this information would include energy consumed by the data center overall and by certain types of equipment on the premises, the data center's source of water and total amount of water input, the data center's performance and sustainability indicators, details about its on-site power supplies, and measurements of waste heat. Currently, N.J.S.A.48:3-87.10 requires commercial buildings over 25,000 square feet to report energy and water usage data to BPU through a federal portal, but data centers do not typically fall into the category of buildings required to do this reporting. Therefore, Senate Bill No. 4923 would largely establish the first reporting requirements for data centers with respect to energy and water usage.

I commend the sponsors for seeking to better understand the impacts of data centers on our energy and water supply. Generative artificial intelligence is a fast-developing industry, and while that development brings exciting possibilities to our State, we must always take seriously our responsibility to manage our resources to support a sustainable and affordable future.

Earlier this year, I signed into law P.L.2025, c.98, which directs BPU to study the impacts of data centers on electricity costs in New Jersey. I believe that law presents a suitable framework for the energy and water usage metrics that this bill

seeks to gather. Given that P.L.2025, c.98 initiates a study about the energy impacts of data centers, amending that existing law to incorporate the specific aspects of energy and water usage in this bill is a natural fit. Therefore, I am recommending revisions to BPU's study and reporting requirements under P.L.2025, c.98 to include the same data sought to be collected in this bill as passed.

In addition to directing BPU to collect and report on both energy and water usage, my revisions to P.L.2025, c.98 make several other changes. First, my revisions direct BPU to determine whether data centers should have regular energy and water reporting requirements moving forward, similar to commercial buildings larger than 25,000 square feet under N.J.S.A.48:3-87.10. Second, my recommendations direct BPU and the Economic Development Authority to consider the benefits of data centers, including economic, fiscal, technological, and employment factors. Third, my revisions protect potentially proprietary information and address security concerns by ensuring that the information BPU collects from data centers will be considered confidential and not subject to disclosure, except to the extent it is anonymized and submitted in BPU's report to the Legislature. Finally, in light of these modifications to BPU's study, my amendments provide additional time for the collection of data and publication of the report.

These changes are designed to streamline related efforts to evaluate the impacts of data centers on State and regional resources, and to create an initial assessment after which future reporting requirements may be considered based upon the information gathered. It is to this end, alongside the important goal of safeguarding our security interests, that I am proposing my changes today.

Therefore, I herewith return Senate Bill No. 4293 (Second Reprint) and recommend that it be amended as follows:

Page 2, Title, Line 2: Delete "supplementing Title 48 of the Revised Statutes" and insert "amending P.L.2025, c.98"

Page 2, Section 1, Line 7: Delete "a. As used in this section:" and insert "Section 1 of P.L.2025, c.98 is amended to read as follows:

1. a. As used in this section:

"Board" means the Board of Public Utilities.

"Data center" means a facility in the region where PJM operates: (1) whose primary services are the storage, management, and processing of digital data; and (2) that is used to house computer and network systems, including associated components such as servers, network equipment and appliances, telecommunications, and data storage systems, systems for monitoring and managing infrastructure performance, Internet-related equipment and services, data communications connections, environmental controls, fire protection systems, and security systems and services.

"Electric public utility" means the same as the term is defined in section 3 of P.L.1999, c.23 (C.48:3-51).

"Energy reuse factor" means a calculation of waste heat reused divided by total energy consumption.

"PJM Interconnection, L.L.C." or "PJM" shall have the same meaning as provided in section 3 of P.L.1999, c.23 (C.48:3-51).

"Power usage effectiveness" means a calculation of a data center's total energy consumption divided by the total energy consumption of the data center's information technology equipment.

"Renewable energy factor" means a calculation of a data center's total renewable energy consumption divided by

the data center's total energy consumption.

"Waste heat reused" means any heat that is used or reused outside the boundary of a data center and that replaces, partly or entirely, energy needed outside the boundary of the data center.

"Water usage effectiveness" means a calculation of a data center's total water input divided by the total energy consumption of the data center's information technology equipment.

b. No later than [one year] 18 months after the effective date of this section, the board shall carry out a study on the effect of electricity usage by data centers on electricity costs in the State and, in consultation with the Department of Environmental Protection, on the impact of water usage by data centers in this State on water resources. The board shall:

(1) determine if the current allocation of costs among different customer classifications of electric public utilities in the State requires New Jersey customers that are not data centers to unreasonably subsidize the costs of customers that are data centers;

(2) determine whether New Jersey ratepayers incur unreasonable rate increases to support new transmission, distribution, or generation facilities that are needed solely or primarily to serve customers that are data centers;

(3) estimate the total current portion of the average residential water and electricity [rate] rates in New Jersey that is attributable to the demand imposed by data centers;

(4) estimate the portion of the average residential water and electricity [rate] rates in New Jersey that will be attributable to the demand imposed by data centers in the next 20 years, assuming a range of likely scenarios concerning the number of data centers; [and]

(5) assess various policy alternatives, including the use of a special tariff to be applied to data centers within the State, that could be used to mitigate or avoid rate increases in New Jersey caused by increased electricity demand by data centers;

(6) whether data centers in this State should be required to comply with section 4 of P.L.2018, c.17 (C.48:3-87.10), which requires the owner or operator of each commercial building over 25,000 square feet in the State to benchmark energy and water use for the prior calendar year using the United States Environmental Protection Agency's Portfolio Manager tool, or with some other reporting requirement; and

(7) in consultation with the New Jersey Economic Development Authority and one or more industry stakeholders, consider any benefits of data centers to this State, including economic, fiscal, technological, employment, and any other factors deemed appropriate by the board.

c. (1) No later than the first day of the 12th month following the effective date of this section, the owner or operator of a data center in this State shall prepare and submit a water and energy usage report to the Board of Public Utilities, in a form and manner and encompassing a duration prescribed by the board, that contains the following information, at a minimum:

(a) basic information relating to the data center, including:

(i) the name of the data center;

(ii) the owner or operator of the data center;

(iii) the address of the data center;

(iv) the nature or purpose of the data center; and

(v) the month and year that the data center commenced operation;

(b) information related to energy and water usage at the data center, including:

(i) the total energy consumption in kilowatt hours, including the use of electricity, fuels, and other energy sources used for cooling;

(ii) the name of the electric utility serving the data center and any electric service agreements between the electric utility and the data center;

(iii) all on-site power supplies, including any primary power on site and emergency backup power supply and any permit information such as permit numbers, capacity, tier level, fuel type, total permitted emissions for the data center, and any other relevant information;

(iv) the total energy consumption of information technology equipment in kilowatt hours measured as the value of the combined annual energy consumption at every uninterruptible power system connected to information technology equipment;

(v) the total water input in cubic meters that includes all water volumes that enter the data center that are used for the functions of the data center, including information technology, security, power, and environment; and

(vi) the source of water for the data center including a municipal water supply, groundwater, surface water, and whether water from such sources is potable or reclaimed. If a data center utilizes more than one water source, the data center shall provide information regarding water usage from each source as a percentage of total water usage;

(c) performance calculations and indicators for the data center, including the energy reuse factor, power usage effectiveness, renewable energy factor, and water usage effectiveness;

(d) sustainability indicators for the data center, including:

(i) the average set point information technology equipment intake air temperature in degrees Fahrenheit, which shall be measured as the average set point temperature in all of the data center's computer rooms over a 12-month period;

(ii) the average waste heat temperature in degrees Fahrenheit, which shall be measured as the temperature of the fluid used to cool any information and communication technology equipment, averaged over a 12-month period and across every measurement point. Individual waste heat temperature readings shall be measured at the point where heated fluid enters a heat exchanger in the data center's computer rooms;

(iii) the amount of electricity derived from renewable energy in kilowatt hours; and

(iv) the amount of waste heat reused in kilowatt hours; and

(e) any other information determined by the board to be necessary.

(2) Information submitted to the board pursuant to this subsection shall be confidential and shall not be subject to disclosure under the P.L.1963, c.73 (C.47:1A-1 et seq.), or the common law right of access to a public record, except that such information as anonymized and aggregated from at least five facilities shall be included in the report.

d. No later than **[**15**]** 21 months after the effective date of this section, the board shall submit to the Governor, and to the Legislature pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), a report that presents the findings of the study.

2. Section 2 of P.L.2025, c.98 is amended to read as follows:

2. This act shall take effect **[**immediately**]** January 1, 2026, and shall expire 30 days after

	the Board of Public Utilities submits the report required pursuant to subsection **[**c.**]** d. of section 1 of this act.
Page 2, Section 1, Lines 8-44:	Delete in their entirety
Page 3, Section 1, Lines 1-48:	Delete in their entirety
Page 4, Section 1, Lines 1-18:	Delete in their entirety
Page 4, Section 2, Line 20:	Delete “2.” and insert “3.”

[seal]

Respectfully,

/s/ Philip D. Murphy

Governor

Attest:

/s/ Kate E. McDonnell

Chief Counsel to the Governor