Data Centers in Kentucky

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This document is based on *EPIC Report No. 2026-001: Data Centers in Kentucky - Policy Analysis for the General Assembly*, available at caer.uky.edu/epic. State and local officials across Kentucky are fielding calls about data center projects. The questions coming from citizens, developers, and utilities are legitimate, and the answers are not always straightforward. This guide explains what data centers are, what they mean for your community, and what to ask before making any decisions. **The central point: data centers are neither automatically good nor automatically bad. The key is asking the right questions before your community makes any commitments.**

WHAT IS A DATA CENTER?

A data center is a large building filled with computer servers that store and process data. They are the physical backbone behind cloud storage, streaming video, artificial intelligence tools, and online banking. The largest facilities can use as much electricity as a small city. A 100-megawatt data center draws roughly the same electricity as 80,000 homes, around the clock, every day of the year.

WHY ARE COMPANIES LOOKING AT KENTUCKY?

Kentucky offers several things these companies need: low electricity rates, available land, water for cooling, a growing fiber internet network, and a state tax incentive program created by the General Assembly in 2024. One Kentucky utility alone reported nearly 30 potential data center projects under consideration as of early 2026.

WILL DATA CENTERS RAISE ELECTRIC BILLS?

This is the most common question. The honest answer: it depends on whether the right rules are in place before the project is built.

When a utility has to build a new substation, power lines, or generating capacity to serve a data center, those costs must be recovered from someone. If rules require the data center to pay for the infrastructure it specifically needs, existing customers are protected. If those rules are weak or absent, the costs get spread across every home, farm, and business on the system.

Virginia did not have adequate cost-protection rules when its data center boom began. By the time the state tried to act, the infrastructure was already built and already in customers' rates. Projected residential electric bill increases of $14 to $37 per month by 2040 were the result. Kentucky has tools to avoid that outcome, but only if they are applied to every project, at every utility, before construction begins.

WHO SHOULD PAY FOR NEW POWER INFRASTRUCTURE?

The principle is simple: if a data center causes a utility to build something new, the data center should pay for it - not existing customers. This protection comes through contracts requiring the developer to pay engineering fees, post financial guarantees, and commit to long-term agreements before the utility begins building. These requirements also filter out developers who are not serious. A company with no real intention of building will often walk away once it must put real money on the table.

HOW DO YOU TELL A SERIOUS PROJECT FROM A SPECULATIVE ONE?

Data center developers routinely submit inquiries in multiple states at once while deciding where to actually build. A community may receive considerable attention from a company that never breaks ground. Signs of a more serious project: the developer has paid engineering study fees to the utility, controls the site through ownership or a firm purchase option, has started local permitting work, and has a signed service agreement with the utility. Signs of a speculative project: broad expressions of interest with no financial commitments, no site control, and requests for public incentives before any utility agreement is in place.

About EPIC

The Kentucky Energy Planning and Inventory Commission (EPIC) is an independent state agency established by the General Assembly under KRS 164.2807 and administratively attached to the University of Kentucky. EPIC provides nonpartisan analysis of Kentucky's electric power system - including supply adequacy, infrastructure planning, and rate policy, and reports its findings directly to the General Assembly.

FIVE QUESTIONS EVERY OFFICIAL SHOULD ASK

Question 1: Who pays for new power infrastructure?

Ask the utility and the developer directly: is there a signed agreement requiring the data center to pay for any new substations, power lines, or generation built specifically for this project? If no agreement exists, that needs to be resolved before any public commitments are made.

Question 2: Is this project real?

Has the developer paid engineering study fees to the utility? Has it secured the land? Has it applied for permits? A developer serious about your community will have taken concrete steps. A letter of interest is not a commitment.

Question 3: What will the community actually receive?

Get specific numbers on property tax revenue, permanent jobs (not construction jobs), and community infrastructure improvements. Those commitments should be in writing -- in a development agreement, not a sales presentation.

Question 4: Can local roads, water, and services handle this?

Data centers require large amounts of water for cooling and heavy truck traffic during construction. Ask what the developer is committing to pay for beyond the electric connection, and whether those commitments are legally enforceable.

Question 5: What happens if plans change?

What financial penalties apply if the developer scales back or cancels after infrastructure has been built? Are those penalties large enough to protect existing customers and the community from being left with the costs? Get the answer in writing before supporting the project publicly.

WHAT HAS KENTUCKY LEARNED FROM OTHER STATES?

- Virginia moved fast without cost-protection rules in place. By the time the state tried to fix the problem, the infrastructure was already built and already in customers' rates. The legislature introduced roughly 30 bills in 2025 to address it, nearly all failed.
- Ohio's largest utility had to impose a temporary freeze on new data center connections while it developed proper rules. That pause cost the state economic development opportunities and created uncertainty for developers who had been acting in good faith.
- States that established clear rules before major development arrived attracted serious investment while keeping costs off residential and small business electric bills.

Kentucky has done meaningful work to avoid Virginia's outcome, but the rules are not uniform across every utility in the state, and the pipeline of proposed projects is growing rapidly. These conversations need to happen before ground is broken, not after.

Data center development can be a genuine opportunity for Kentucky communities. The experience of other states shows that the difference between a good outcome and a costly one comes down to whether the right questions were asked before commitments were made. EPIC is available to brief legislative committees, fiscal courts, planning commissions, and chambers of commerce. Contact information and the full report are available at epicenergy.ky.gov.

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