WYOMING OUTDOOR COUNCIL

DATA CENTER POLICY IN WYOMING: NEEDS AND CONSIDERATIONS FOR RESPONSIBLE DEVELOPMENT

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November 2025

I. Introduction

As primary markets in states like Virginia and Arizona reach data center saturation, Wyoming has emerged as a promising locale for new data center construction. With its abundant land, limited regulatory burden, reliable energy and fiber availability, and sales tax incentives, Wyoming is an increasingly attractive option for the development of large data centers (also known as hyperscale data centers). With projections that the country's data center load growth could double or triple within a decade, companies such as Microsoft and Meta are expanding their footprints in the state, setting Wyoming on a path to become a major hub for hyperscale data centers while raising questions about energy infrastructure, sustainability, and community impacts.

With this surge in interest comes a pressing need for regulatory clarity and more intentional planning processes to safeguard Wyoming's natural resources and communities. Experts across government, academia, and industry agree that Wyoming's primary challenges in this space will stem from aligning energy supply, regulatory oversight, and infrastructure planning to manage this growth without compromising environmental or community resilience.[1]

Of note, although water availability is an important concern in an arid state like Wyoming, many new data centers are constructed with closed-loop water cooling or air-cooling systems that reduce water consumption. While water use for these facilities should be monitored, energy generation and grid capacity have emerged as some of the most dominant natural resource concerns driving the need for regulatory action in Wyoming.

Many states across the country have begun to respond to the various challenges posed by data center expansion. Some, like Nevada and Illinois, have introduced mandatory reporting and energy planning for its data centers, while Texas, with its mostly deregulated market, has struggled to balance private power generation with grid reliability. States like New York have integrated climate goals with its industrial permitting process, aligning new industrial development with climate and infrastructure goals. Taking examples like these into consideration, Wyoming must now chart its own path forward—a path that will ideally allow it to maintain its business ideals while proactively managing the energy, water, and governance demands of the new data center economy.

[1] Prior to the publication of this report, the Wyoming Outdoor Council conducted a stakeholder review for internal use in November 2025. For more information, please contact John Burrows.

II. Context: The Current Regulatory Landscape

As AI use and cloud computing become increasingly ubiquitous and drive exponential growth in data processing, hyperscale data centers are increasing energy demand across the country. Many states have seen rapid buildouts of data center facilities over the past few years, and Wyoming, with its low energy prices, large land base, and pro-business climate, is now attracting similar investment. While Wyoming continues to attract these projects, it has minimal statewide checks on large-scale data center development, which leaves oversight uneven and largely dependent on local authorities.

Perhaps the most important of the few tools in Wyoming's regulatory "toolbox" for data centers is the state's Industrial Siting Act (ISA). Passed in 1975, this act authorizes the Wyoming Industrial Siting Council to review large-scale industrial projects and ensure that these projects have minimal negative socio-economic and environmental impacts. A drawback of this regulation, however, is that it can be inconsistently applied to data center projects. Developers can work around the ISA permitting process by siting data center facilities within county-designated industrial parks; circumventing the ISA allows for increased speed-to-market for these hyperscalers. Hyperscale data centers are under pressure to be operational as quickly as possible, and the ISA's permitting process is relatively slow– while the process has a statutory deadline of 135 days, it can sometimes take up to 18 months to fully complete. By siting facilities within county-designated industrial parks, developers can sidestep the lengthy state-level review, shifting would-be oversight from the Industrial Siting Council to local governments that may not have the staffing or technical expertise to fully evaluate the complex environmental and social impacts that these facilities can have. This approach may accelerate construction timelines for developers but leaves the communities in which these facilities are built vulnerable to a host of potential negative impacts.

III. The Power Problem: Energy Demand, Mix, and Market Stability

Energy demand is the largest constraint—and potential opportunity—for Wyoming during this period of data center expansion. Power availability, not land or permitting, will be the primary factor in determining whether the state can sustain growth without undermining its resources or the trust of the public.

A. Increasing Demand and Grid Pressure

The energy needs of hyperscale data centers are staggering, with a single facility able to use as much energy as an entire state, such as Wyoming, consumes in a year. With national data center demand for electricity anticipated to triple by 2030, demand may outpace generation capacity in Western states. Utah and Nevada are grappling with how to allocate generation between residential and industrial users. In Utah, recent legislation now requires utilities to separately account for the costs of serving large-scale loads such as data centers and prohibits shifting those costs onto residential ratepayers. This regulation ensures that growing corporate demand does not raise household electricity bills.

In 2025, Wyoming legislators drafted (but did not introduce) the "Extremely Large Electrical Loads" bill, which would require Public Service Commission review of new projects exceeding 75 megawatts and establish oversight to ensure that the costs of serving such large loads (e.g. data centers) are not shouldered by residential ratepayers. Despite the lack of concrete legislation on this issue, regulated utilities in Wyoming such

as Black Hills Energy have created special large-load tariffs to protect ratepayers from subsidizing data center growth.

B. Energy Mix

Many Wyoming data centers, such as the Tallgrass and Crusoe project breaking ground outside of Cheyenne, currently rely on a mix of energy sources, including natural gas, to power their facilities. While renewables are often dismissed as not being able to provide reliable enough power for such high-demand operations, projects like Portugal's Sines 4.0 data center and Apple's all-renewable facilities demonstrate that well-designed combinations of wind, solar, and storage can reliably and cost-effectively power large-scale data centers. Regarding nuclear energy, small modular reactors (SMRs) are promising technologies but are not feasible options at hyperscale. The new TerraPower SMR in Kemmerer, WY, for example, is a 345 MW facility. If even a relatively small hyperscale data center were to use exclusively nuclear-generated power, it would have to stack several of these SMRs, each costing several billion dollars and requiring the construction of new infrastructure. The scale and capital requirement of an undertaking like this makes nuclear energy economically and logistically impractical for use in the hyperscale context at this point in time.

Recent federal actions have also sparked renewed interest in Wyoming's coal sector, positioning it as a potential near-term energy source for data center development. The Trump administration's plan to strengthen America's coal industry is poised to improve the competitiveness of Wyoming coal in national markets. With lower tax and royalty burdens, coal generation may remain a cost-effective and dispatchable component of the state's energy mix, particularly as electricity demand surges from data centers, AI, and advanced manufacturing. In the longer term, however, the sustainability of coal as a power source will largely depend on the pace of mining infrastructure revitalization.

C. Overbuilding and Market Risk

The extreme energy need posed by data centers comes with a potential risk of overbuilding energy infrastructure, creating an electricity bubble within the energy sector. Some industry analysts warn that if current construction trends continue unchecked, the U.S. could risk tens of gigawatts of excess capacity in the next few decades. And while having more power may seem like a positive, this excess power could in fact contribute to problems such as grid stress and stranded assets.

Much of this new capacity is created by "behind-the-grid" power generation—private energy plants built directly to serve data centers. These facilities can reduce transmission losses and provide increased power reliability for the data centers they serve, but they also contribute to a phenomenon called "islanding," in which large loads operate outside of the oversight and regulations of utilities. Too many of these isolated power facilities can lead to a destabilized, fragmented grid with limited system flexibility, higher costs, and reduced transparency for regulators who need accurate information to forecast demand and engage in efficient infrastructure investments.

In Oregon, rapid growth of large data center loads has outpaced the build-out of supporting generation and transmission infrastructure. To address this issue, state legislators in Oregon have passed the POWER Act (HB 3546), mandating that large energy users, such as data centers, commit to long-term contracts or pay infrastructure costs. As part of this legislation, utilities may protect other ratepayers by penalizing large-load customers whose consumption falls substantially below forecast.

The state's lack of an integrated planning framework, however, leaves some major blind spots in Wyoming's energy infrastructure. With data center developers often bypassing utility coordination entirely in favor of speed-to-market, their creation of private generation facilities weakens grid integration and complicated long-term infrastructure planning. Without stronger alignment between private projects, utility resource planning, and statewide energy strategy, Wyoming risks a patchwork buildout that increases economic and environmental inefficiencies.

IV. Environmental Considerations

A. Water Scarcity

Given Wyoming's arid climate, water availability remains one of the state's most pressing environmental concerns– especially for industries with high consumption levels. Data centers, long known for their heavy water use to cool server hardware, have drawn scrutiny in other western states facing similar pressures. However, emerging technologies are beginning to change this dynamic. Hyperscale data centers, and especially those in water-conscious regions like the western U.S., are transitioning to closed-loop cooling systems. These systems purport to not waste any water, and in fact may recycle it, but initial water draw and thermal discharge may still pose challenges.

Mandatory water reporting, paired with these water-neutral design standards, could serve to enhance public trust in data center operations while incentivizing water efficiency. Several states have begun moving in this direction; Illinois, for example, has introduced a bill that, if passed, would require data centers to annually report water and energy use, and California has recently approved similar legislation aimed at increasing transparency regarding water consumption by data centers. In Wyoming, adopting comparable reporting requirements, along with coordination with the Wyoming Game and Fish Department to safeguard aquatic ecosystems, could help ensure that data center expansion aligns with long-term water resource stewardship.

B. Air Quality

Backup diesel generation contributes to local air quality degradation and remains a somewhat overlooked environmental issue in data center development. Some data centers, like Microsoft's facility outside Cheyenne, rely on fleets of standby diesel generators to ensure uninterrupted power during outages. Although these systems are not consistently in use, they can, during activation and testing phases, emit pollutants such as nitrogen oxides and sulfur oxides, in addition to particulate matter. These emissions contribute to local air pollution—the effects of multiple hyperscale data centers employing hundreds of diesel generators throughout an area has the potential to severely impact local air quality, especially where there are already industrial emissions from other kinds of facilities. Developing policies that incentivize cleaner standby power for data centers and coordinating permitting for backup power across sites could help Wyoming avoid future air quality issues as data center expansion continues in the state.

C. Habitat Corridors and Aquatic Ecosystems

Uncoordinated siting has the potential to fragment wildlife habitat and stress aquatic ecosystems, especially where transmission lines, new roads, or industrial parks themselves cut across migration routes and riparian corridors. Piecemeal review of data center projects (i.e. for those that forgo the state's Industrial Siting

permitting process) reduces the ability to evaluate cumulative impacts on habitat connectivity or riparian networks, which makes it more difficult to prioritize avoidance or mitigation strategies.

V. Governance and Public Engagement

The loopholes present in Wyoming's ISA that allow for decentralized data center permitting can result in uneven community engagement across the state. Industrial siting in county industrial parks bypasses the Industrial Siting permitting process, leaving many communities without the opportunity to give structured input to hyperscalers. Additionally, in bypassing the ISA, data centers forego providing formal impact assistance to the communities in which they build. While hyperscaler companies often promise benefits to their communities, such as increased tree planting or implementing job skills programs, these are not necessarily formalized agreements and do not bring with them the surety or the flexibility of impact assistance funds.

At a local level, the Cheyenne LEADS office offers a promising process model in which they serve as a one-stop liaison between data center companies and local and state agencies. Using this process, developers can navigate permitting, site selection, and community assistance. Additionally, by communicating early with utilities and with the City of Cheyenne, LEADS ensures that projects align with community goals, available resources, and infrastructure capacity.

Wyoming could build on the LEADS model to create a statewide coordination agency responsible for linking local economic development offices, utilities, and permitting processes under a single review structure. A state office, working together with local organizations like Cheyenne LEADS, could coordinate interagency review and incorporate community consultation during the initial phases of data center projects. A program like this would allow citizens across the state, from residents to Tribal nations and local governments, to raise concerns before major investments are locked in, improving social and environmental outcomes.

VI. Policy Implications

With the expansion of hyperscale development in Wyoming, data centers require policies that balance economic opportunity with grid reliability, environmental protections, and community interests. The following ten recommendations draw from emerging practices in other states and are tailored to Wyoming's unique regulatory, ecological, and social context. This section also includes a table summarizing relevant data center policies from other states (including those not referenced in the below recommendations) to provide insight into regulatory approaches across the country.

A. Policy Recommendations for Wyoming

Transparency and Accountability

1. Create large load cost allocation and infrastructure contribution rules to establish mechanisms that ensure data center developers, not residential ratepayers, bear the financial burden of grid or infrastructure updates. See Utah's "Electric Utility Amendments" bill (SB132).
2. Implement an "Extremely Large Electrical Loads" review pathway, creating a formal review process for projects above a defined threshold and mandating that the WY Public Service Commission assess grid reliability and fiscal responsibility before approval. See Oregon's POWER Act (HB3546).

3. Mandate public energy and water use reporting to allow regulators and communities to assess impacts of data centers and track progress toward efficiency or sustainability goals. See Illinois's Data Center Energy and Water Reporting Act (SB2181).

Infrastructure Planning

4. Create an integrated siting and statewide coordination office to coordinate permitting, grid planning, and community consultation. See California's Integrated Resource Planning process.
5. Introduce conditional approvals tied to grid integration, offering expedited permitting or other incentives to projects that demonstrate integration with utility resource plans and commit to (non-islanding) operations that support the grid. See Maryland's Power Service Commission fast-track projects that support grid reliability under the Next Generation Energy Act.
6. Codify self- and third-party generation rules, ensuring consistent oversight of islanded systems. See Utah's "Electric Utility Amendments" bill (SB132).
7. Encourage or incentivize hybrid energy portfolios that combine natural gas with renewables. This could be accomplished with tax incentives tied to emissions and efficiency minimums. See Kansas's SB98.

Resource Stewardship

8. Establish standby and backup power emissions standards to minimize negative air quality impacts from backup power generation. See California's South Coast AQMD Rule 1470.
9. Mandate water-sensitive site standards and water-neutral design to ensure that data center facilities do not overdraw Wyoming's water resources. See Colorado's proposed Data Center Development and Grid Modernization Act (SB25-280).

Community Engagement

10. Create structured community engagement and benefit-sharing requirements that necessitate early and ongoing consultation with communities during the siting and permitting process. See Colorado's proposed Data Center Development and Grid Modernization Act (SB25-280).

B. State Policy Synthesis

State Example	Policy Target	Brief Description
Utah — SB 132 (2025)	Large-load cost allocation & private/behind-meter generation rules	Amends utility/ procurement statutes in Utah to address large customers, cost-allocation, and generation use.
Oregon — HB 3546 (2025 "POWER Act")	Rules for extremely large energy users	Imposes obligations on users ≥ 20 MW (large energy users) in Oregon.
Colorado — SB 25-280 (2025 Data Center Development &	Energy & water efficiency; community benefit certification for	Creates a certification program and tax incentives for data centers that meet energy efficiency, water conservation, and community benefit criteria. Failed bill.

Grid Modernization Act)	data centers	
Illinois — SB 2181 (2025 Data Center Energy & Water Reporting Act)	Energy & water use transparency for data centers	Requires annual public reporting of data center energy consumption, source mix, and water use to improve accountability and resource planning. Bill introduced; not yet passed.
California — CPUC Integrated Resource Planning (2015) and SCAQMD Rule 1470	Grid integration & emissions standards for backup generation	Coordinates long-term electricity planning for major loads and imposes emissions and testing limits on diesel backup generators used by large facilities.
Maryland — PSC fast-track for dispatchable generation (2025)	Grid reliability & conditional approvals tied to dispatchable loads	Offers expedited permitting for projects that support reliability through dispatchable generation or demand-response participation.
New York — 6 NYCRR Part 222: Distributed Generation Sources (2019)	Air quality standards for backup generation/large loads	Restricts emissions from small-scale fossil-fuel generation and limits operating hours for backup diesel units commonly used by data centers.
Texas — SB 6 (2025)	Regulation of large loads, interconnection standards, cost sharing, & curtailment authority	Allows large load customers to develop private generation; recent policy discussions focus on ensuring grid reliability amid increasing industrial and data center growth.
Virginia — SJ 240 Data center development (2023)	Land use, emissions & transmission planning	A joint resolution directing state agencies to assess the effects of data-center growth on electricity demand, land conversion, and environmental compliance and siting. Failed bill.
Kansas — SB98 (2025)	Incentives & utility-purchase commitment (large loads)	Creates a 20-year sales and use tax exemption for qualified data centers investing at least $250M and creating a minimum amount of new jobs; also requires a 10-year electricity purchase commitment from the public utility and water conservation commitments.

VII. Conclusion

Wyoming stands at a pivotal moment as it emerges as a national hub for hyperscale data centers. As the state is poised to accept an influx of these facilities, it must lay the groundwork for data centers to be sufficiently regulated so that the wellbeing of Wyoming's natural resources and communities are safeguarded. Without proactive planning, uncoordinated and unregulated development risks creating significant environmental, social, and infrastructural challenges for Wyoming such as overtaxed energy systems, grid fragmentation, impacts to water and air, and lack of community engagement.

Responsible data center growth in Wyoming could be achievable, but it will require deliberate governance, in addition to strategic energy planning and a concerted commitment to balancing technological expansion with the stewardship of natural and social resources. Should Wyoming take these proactive steps now, the state can set a precedent for sustainable industrial growth while protecting the resources and communities that make the state so attractive to hyperscale development.