WESTERN STATES WATER

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Addressing water needs and strategies for a sustainable future.

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ADMINISTRATION/WATER QUALITY

EPA/PFAS

On May 18, 2026, the Environmental Protection Agency (EPA) announced two proposed rules designed to modify the 2024 national drinking water standards and compliance schedule promulgated for per- and polyfluoroalkyl substances (PFAS) (2024 PFAS Rule, 89 FR 32532).[1] Public comments on both rules are due July 20, 2026. EPA will also hold a virtual public hearing on July 7, 2026. Registration is required to attend or provide oral comment during the hearing. The last day to pre-register to provide oral comment is July 1, 2026. Please visit epa.gov/sdwa/proposed-pfoa-and-pfos-compliance-extension-rule for more information.

The "Proposed PFAS Rescission Rule" (91 FR 29413)[2] would rescind the MCLs for PFHxS, PFNA, and HFPO-DA and the Hazard Index MCL. EPA stated that it should not have proposed and finalized regulatory determinations and regulations for those PFAS compounds "simultaneously and in tandem" because such action is "not authorized . . . under the best reading of the Safe Drinking Water Act [SDWA]."

Rather than providing an automatic extension on compliance deadline, the "Proposed PFOA and PFOS Compliance Extension Rule" (91 FR 29425) would establish a Federal Exemption Framework, allowing public water supplies the option to request up to two additional years (until 2031) to meet the MCLs for PFOA and PFOS. During the extended period, exempted drinking water systems must monitor and report according to the timeframes under the 2024 PFAS Rule. EPA will continue to offer outreach and support. EPA decided against an automatic extension so as not to slow down public water systems that are on track to meet the original 2029 compliance deadline.

EPA specifically seeks public input on certain aspects of the proposed rule, including the agency's legal justification for extension of compliance deadlines, what criteria the agency should use when reviewing extension requests, whether the risk to human health from exposure to PFOA and PFOS from water systems that receive extensions is unreasonable, and more.

EPA also announced nearly $1B in new grant funding to states to address PFAS and other emerging contaminants in drinking water through the Emerging Contaminants in Small or Disadvantaged Communities Grant.[3] With this new funding, EPA has made $5B available through this program over the last five years.

LITIGATION/WATER RESOURCES

Texas v. New Mexico and Colorado

On May 26, the U.S. Supreme Court approved a settlement agreement resolving *Texas v. New Mexico and Colorado* (#22O141, U.S. Supreme Court),[4] as recommended by the Special Master Judge D. Brooks Smith in February.[5] The case centered on claims from Texas that New Mexico's use of groundwater was impacting surface flows in the Rio Grande, impacting water deliveries under the Rio Grande Compact. The Supreme Court rejected an earlier consent decree between the three states[6], agreeing with the United States that the agreement would impermissibly dispose of the federal government's claims without its consent. The parties returned to negotiations and filed a revised agreement in August 2025, the Effective El Paso Index (EEPI) Decree[7], which addressed the Court's concerns by committing New Mexico to reduce groundwater pumping, establishing enforceable hydrologic conditions, and creating a modified allocation formula and legal framework for water transfers.

Governor Michelle Lujan Grisham (D-NM) said: "Water is the foundation of New Mexico's agricultural economy and the lifeblood of communities across the southern part of our state. This settlement means farmers in the Lower Rio Grande can plan for the future, communities have certainty about their water supply and New Mexicans aren't on the hook for a liability that could have cost billions."[8]

New Mexico State Engineer Elizabeth Anderson said: "This agreement gives New

Mexico the tools, flexibility, and time needed to meet our legal obligations while continuing to support agriculture, economic activity, and responsible water management across the region."

WESTERN GOVERNORS/WATER RESOURCES

Utah/ Data Centers

On May 29, Governor Spencer Cox (R-UT) issued an executive order titled "Establishing a Higher Bar for Data Center Development in Utah." The order recognizes Utahn's concerns about the "potential impacts of large data centers on water resources, air quality, utility rates, local communities, and quality of life," and affirms the state's commitment to transparency, ratepayer protection, saving the Great Salt Lake, and balancing economic and environmental goals.

The order establishes a Data Center Framework requiring state agencies to: (1) protect the Great Salt Lake and water resources; (2) protect air quality; (3) promote rural economic growth; (4) mitigate wildlife impacts; (5) protect utility ratepayers; (6) expand energy capacity consistent with the Framework's other principles; (7) lead on pro-human AI development; and (8) ensure meaningful public comment opportunities.

The order follows significant citizen response to county approval of the proposed "Stratos Project," a data center and energy campus slated for construction in unincorporated Box Elder County. The project's long-term scope with a 40,000-acres approved project area and 9 Giga-Watt (GW) power estimate elicited nearly 4,000 formal administrative protests against its initial water rights application (which was subsequently withdrawn for revision), a 6,000-signature petition requesting gubernatorial intervention, and a local referendum initiative. In an earlier response to the community feedback, Governor Cox announced a phased infrastructure approach, capping the initial deployment at 1.5 GW. Any future expansions would be strictly contingent upon meeting rigorous environmental and operational benchmarks during the initial phase.

Governor Cox said: "Utahns deserve confidence that water resources, air quality, utility rates, wildlife, and quality of life will be protected. This framework helps ensure that data center development aligns with Utah's long-term interests and reflects Utah values. In Utah, environmental stewardship and economic opportunity go hand in hand."[9]

PEOPLE

On July 3, 2026 **Karla Nemeth** will step down as Director of the California Department of Water Resources to lead the Association of California Water Agencies (ACWA) as Executive Director effective September 1. Nemeth has served as DWR director since her appointment in 2018 by Governor Jerry Brown and was reappointed by Governor Gavin Newsom the following year.

Jeanine Jones, Interstate Resources Manager for the California Department of Water Resources, is retiring after nearly 30 years of service to California water management and to the WSWC, where she served as a member and former Chair.

During her tenure, Jeanine has been a leading voice for advancing sub-seasonal to seasonal (S2S) water supply forecasting, among many important western water advances. On behalf of the Council, she has organized workshops, authored reports, and testified before Congress, urging the federal government to prioritize research on water supply and drought prediction.

"Jeanine served on the Council back when I represented Oklahoma from 2009-2016," recalled now WSWC Executive Director J.D. Strong, "and I have always appreciated her professionalism, candor, sharp wit, and willingness to say exactly what needed to be said on behalf of California. She leaves behind an incredible and indelible mark on the Council, California water management, and the western water landscape more broadly, and I know Jeanine will be sorely missed within our ranks."

MEETINGS

EPA Tools & Resources Webinar

EPA will hold a Practical Tools to Advance Water Reuse webinar On Wednesday, June 17th from 3-4 PM ET. In this informational webinar with EPA's Water Reuse Program, presenters will address the latest developments of EPA's Water Reuse Action Plan 2.0 initiative and will highlight the EPA's priorities for advancing water reuse in key industrial sectors, such as manufacturing and AI. Presenters will also provide a live walkthrough of the REUSExplorer[10], a searchable tool for navigating summaries of state reuse regulations. Register for the Practical Tools to Advance Water Reuse webinar.

WESTERN STATES/WATER RESOURCES

Topical Report: State Legislative Approaches to Data Centers

The rapid rise of hyperscale computing and artificial intelligence has driven an unprecedented surge in data center construction across the Western United States. While these facilities offer real economic benefits they also place significant demands on local electricity grids and water supplies. Under current regulatory frameworks, local municipalities and counties often retain the authority to approve zoning changes and building permits, but they are rarely equipped or legally empowered to regulate the broader regional impacts. Consequently, large-scale projects are frequently advanced at the local level without sufficient early coordination with state water management or utility agencies. State governments are increasingly challenged to balance economic growth and local autonomy with managing resource demands that often extend beyond the host community.

State legislators are looking to both attract data center developers and meet concerns about water consumption, grid stability, and ratepayer protection. Measures include mandated closed-loop cooling systems, usage transparency requirements, upfront payment requirements and long-term usage contracts. While some legislatures have explored aggressive policy interventions like temporary building moratoriums or rigid consumption caps, these sweeping measures have consistently stalled or failed to advance. While the below analysis primarily focuses on water resource protection measures across Western states, it also includes grid and ratepayer safeguards due to the water-energy nexus, alongside the role of tax exemptions in attracting data centers.

OVERVIEW OF LEGISLATIVE APPROACHES

Water Resource Protection and Transparency

States have taken varied approaches to increase transparency on data center water use. These include permitting disclosures, cumulative watershed impact reviews, utility notification requirements, and public database reporting. Beyond transparency, several states have moved to directly constrain water consumption by data centers.

Utah (HB 76, enacted) and Nebraska (LB 1010, enacted) established strict public reporting mandates requiring developers to disclose consumption estimates and reuse intentions. Several states are commissioning or conducting targeted technical studies to better understand data center impacts including California (SB 57, enacted), Oklahoma[11],Utah[12], and Washington[13].

Going beyond transparency, Oklahoma's SB 259 (enacted) significantly expands the Oklahoma Water Resources Board's (OWRB) authority to investigate and curb groundwater depletion, explicitly classifying the use of groundwater for traditional, high-consumption evaporative cooling at data centers as statutory "waste" and effectively mandating the adoption of closed-loop or equivalent low-consumption technologies. Idaho's HB 895 (enacted) requires that future data centers use either closed-loop cooling systems or draw water from existing municipal or district water systems.

Lawmakers have been reluctant to pass more extreme prohibitions; rigid consumption caps in Arizona (HB 2467, failed; HB 2820, failed) and drought-based geographic bans in Kansas (SB 531, failed) failed to advance out of committee. Moratoriums have been proposed in 14 states, including Oklahoma (SB 1488, failed) and South Dakota (HB 1301, failed), though these efforts have generally stalled, with some municipalities approving their own.

Ratepayer Protection

In parallel to water conservation, states are enacting cost-allocation frameworks that require large-load customers to bear the full cost of grid infrastructure rather than passing those expenses onto residential ratepayers. Oklahoma (HB 2992, enacted), Oregon (HB 3546, enacted), and South Dakota (SB 135, enacted) have each established dedicated tariff schedules or cost-recovery laws that force data center operators to pay 100% of their dedicated grid expansion costs. Nebraska (LB 1010) established similar stringent interconnection standards, requiring developers to financially guarantee their infrastructure upgrades. California is actively exploring similar pathways, advancing dedicated tariff requirements (SB 886, active).

Economic Incentives

To manage the massive energy and water

demands of hyperscale computing without killing economic growth, some western state legislatures are shifting away from offering blanket, unconditional economic incentives. Several states are actively clawing back historic incentives; Nebraska (LB 901, enacted) and Washington (SB 6231, enacted) both repealed significant sales and use tax exemptions for data center equipment, while Orego (HB 4084, enacted) instituted a temporary pause on enterprise zone exemptions. Where incentives o remain, states are pairing them with strict compliance metrics. Kansas (SB 98, enacted) tied its exemptions to strict job creation and capital investment minimums, while California (SB 887, active) is advancing legislation that would offer environmental fast-tracking only to developers who utilize zero-use water recycling and net-zero emissions technologies.

STATE-BY-STATE SUMMARY

Arizona

Efforts to mandate comprehensive annual operational audits (HB 2738, failed) and impose strict cooling-water consumption caps (HB 2467, failed; HB 2820, failed) were withdrawn or stalled in committee after facing heavy criticism that rigid water metrics failed to account for Arizona's extreme seasonal heat spikes. Ratepayer protection measures (SB 1380, failed; HB 2949, failed) similarly failed to advance. Attempts to either completely repeal the state's data center tax relief program (HB 2631, failed; SB 1463, failed; SB 1467, failed) or dramatically accelerate its sunset date from 2033 to 2026 (SB 1799/HB 2119, failed) also died.

California

AB 2469 (active) would prohibit local governments from approving permits that increase peak water use without strict supply assessments. It would also ban data centers in critically overdrafted basins unless developers can prove a "zero net-impact" on the local water supply. AB 2619 (active) would require data centers to report estimated and actual water usage to local districts. It would direct state agencies to establish resource-efficiency guidelines and provide local governments with frameworks to assess cumulative impacts. The bill integrates data center demand into water suppliers' mandatory annual supply and shortage contingency plans.

While California lawmakers have introduced a broad suite of bills designed to shield residential utility customers from the massive electrical grid and infrastructure costs of new data centers (SB 57, SB 886, SB 978, active; SB 1168, active), a few of these measures contain direct mandates for water management. Specifically, AB 1577 (active) and AB 222 (active) would require developers to report ongoing water consumption metrics alongside their energy data to the California Energy Commission. SB 887 (active) offers CEQA environmental fast-tracking to tech developers, but strictly conditions this regulatory shortcut on facilities achieving "Environmental Leadership" status, which explicitly requires the implementation of zero-use water recycling systems.

Colorado

HB 1030 (failed) and SB 102 (failed) were competing bills that highlighted the tensions between economic incentives and protecting water resources. HB 1030 proposed a 100% state sales tax exemption but strictly tied eligibility to "water stewardship standards," requiring developers to utilize low-consumption closed-loop cooling systems and formally consult with the Department of Natural Resources. In contrast, SB 102 would have omitted tax perks and required large-load data centers to publicly report annual water consumption and complete cumulative environmental impact analyses before building in disproportionately impacted communities. Both bills died in committee. A final measure, HB 1246 (failed), attempted to exempt private data center microgrids from public utility commission oversight.

Idaho

On April 2, 2026, Governor Brad Little signed HB 895 into law, establishing strict statutory limitations on the water volume data centers can drain for cooling. By formally defining data center cooling as a "consumptive use" under state law, the legislation prevents tech companies from utilizing standard commercial water permits. This forces the tech industry to invest in alternative, zero-water cooling technologies like closed-loop or direct-to-chip air systems, or utilize municipal water.

HB 609 (failed), HB 820 (failed), and a compromise measure, HB 897 (failed)–which collectively attempted to sunset data center tax exemptions, prevent incentive stacking, mandate ratepayer protections, and require localized water transparency–all stalled in committee, leaving Idaho's tax incentives fully intact.

Kansas

Kansas's SB 98 provides a 20-year sales tax exemption for data center equipment and construction if the developer commits to a minimum capital investment of $250M within five years, creates 20 new local jobs within two years, and agrees to purchase electricity at full utility rates (prohibiting utility discounts).

SB 400 (failed) would have mandated closed-loop cooling for all Kansas data centers, while SB 531 proposed banning new large facilities (10 MW or more) in counties with a drought emergency declaration within the preceding three years. Both water conservation measures died without traction, alongside HB 2664 (failed), which attempted to exempt private data center microgrids from public utility regulations.

Nebraska

Nebraska's LB 1010 established interconnection standards for "large load customers," defined as facilities requesting connections exceeding 20 MW. To get connected, developers must pay for grid-impact studies, prove they legally control the project site, disclose if they are simultaneously requesting power from other utilities, and financially guarantee they will cover the cost of their own infrastructure upgrades. The law also authorizes public utilities to create specialized rates so residential customers are not forced to subsidize these massive power draws.

For data centers specifically (defined as 10 MW or more), the law mandates annual reporting to the Nebraska Power Review Board. Operators must detail their ongoing water and electricity consumption, claimed tax exemptions, and energy efficiency efforts. The bill addresses backup energy storage facilities by taxing them based on their maximum potential power output (rather than standard property taxes) and legally barring developers from using eminent domain to force landowners to sell property for storage projects.

LB 901 (enacted), an omnibus revenue bill, eliminated the state's sales, use, and personal property tax exemptions for data centers.

New Mexico

New Mexico introduced HM 6 (failed), a memorial requesting that the Legislative Finance Committee study private equity ownership of utilities, analyzing impacts of large-load data centers on the state's transmission and water networks, and evaluating costs to ratepayers. While HM 6 died in committee, Governor Michelle Lujan Grisham subsequently issued Executive Order 2026-023, creating a dedicated council to manage grid reliability and protect ratepayers from the infrastructure costs of rapid data center expansion.

Oklahoma

SB 259 significantly expands the OWRB's authority to investigate and curb groundwater depletion. The law explicitly classifies the use of groundwater for data center cooling as statutory "waste" unless the facility utilizes low-consumptive, closed-loop technologies. Lawmakers rejected SB 1928 (failed), which would have outright prohibited the OWRB from issuing groundwater permits to any facility utilizing open-air evaporative cooling systems. HB 3394 (failed) was a transparency measure that would have established a statewide directory to track and publicly report data center water usage metrics.

The Data Center Consumer Ratepayer Protection Act of 2026 (HB 2992) mandates that electric suppliers establish separate terms, conditions, and tariffs for large-load customers (new data centers of 75 MW or more) to ensure they cover 100% of their allocated costs, shielding residential ratepayers from bearing grid expansion or stranded asset risks.

The legislature heavily truncated or rejected proposals regarding a temporary building moratorium on facilities of 100 MW or more (SB 1488, failed), utility impact studies (HB 3392, failed), separate power rate structures (HB 3397, failed), mandatory decommissioning bonds (HB 4194, failed), and clawbacks on property tax exemptions (HB 4424, failed).

Oregon

HB 4084 creates a Joint Permitting Council to fast-track permits for advanced technology projects. However, the law restricts data centers from utilizing the municipal enterprise zone program, instituting a temporary pause on all new enterprise zone tax exemptions for data center projects until the summer of 2027 to allow the state to study their impacts.

HB 3698 (failed) attempted to mandate quarterly water and electricity reporting for data centers to track resource strain, but the measure died in

committee. The state is implementing the POWER Act (HB 3546, enacted), which shields residential ratepayers from tech expansion costs by establishing a dedicated utility rate class for data centers over 20 MW and forcing developers to pay 100% of their own grid upgrade expenses.

South Dakota

Two failed incentive bills attempted to leverage tax breaks to force water transparency: HB 1005 (failed) offered a 50-year sales tax exemption, and SB 234 (failed) offered an IT equipment exemption, but both strictly required developers to provide formal notice to local water providers proving their server-cooling demands would not deplete local aquifers or municipal systems. Both measures were defeated amid concerns over public resource strain and preferential corporate tax treatment.
The Data Center Bill of Rights for Citizens (SB 135) blocks utilities from shifting data center grid infrastructure or generation upgrade costs onto residential ratepayers. Finally, the legislature rejected HB 1301, a proposed temporary building moratorium on facilities of 20 MW or more, and mandatory decommissioning bonds.

Utah

HB 76 establishes strict state oversight for data centers consuming at least 75 acre-feet of water annually or occupying over 10,000 square feet. Local authorities must notify state water divisions before approving land-use permits, and operators must submit consumption estimates, discharge plans, and reuse intentions 90 days before construction. Once operational, facilities must file annual reports on actual water withdrawals, conservation metrics, and quality protections, which the state publishes every September 1 under a non-compliance penalty of $100 per day.

HB 507 (enacted) authorizes counties to levy an energy excise tax on data centers in unincorporated areas and prohibits local governments from offering financial incentives unless a facility is located within a highly regulated Regionally Significant Development Zone.
Washington

HB 2515 (failed) would have mandated data centers pulling 20 MW or more to publish sustainability reports every three years detailing their water, electricity, and refrigerant consumption. It would have required tech companies to pay the full upfront cost of grid expansions, mandated that facilities source 100% clean energy by 2045, and sought to levy a half-cent per-kilowatt-hour fee on data center power usage to fund local low-income utility assistance. However, despite passing the House, HB 2515 stalled in the Senate.

SB 6231 (enacted) repeals the state's sales and use tax exemption on replacement server equipment in data centers.

Wyoming

Wyoming rejected a proposed $500,000 appropriation to the state engineer to study the consumptive water use impacts of data centers and carbon capture (HB 90, failed).

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