Powering the Region's Data Center Growth

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(featuring **Justine Kasznica**)

Guiding hyperscale and modular projects across Pennsylvania and West Virginia, Babst Calland is helping shape the power-secure future of this mission-critical infrastructure.

The rapid growth of data centers – driven by cloud computing, artificial intelligence, and the need for low-latency digital infrastructure – has transformed what were once primarily real estate projects into some of the most complex developments in the energy and infrastructure sectors in our region.

At the core of modern data center development is power. Securing sufficient, reliable, and resilient electricity has become one of the defining challenges for developers, particularly as grid congestion, interconnection delays, and regulatory scrutiny increase. Many projects now require sophisticated power purchase agreements (PPAs), power generation agreements (PGAs), and on-site or co-located generation solutions to meet capacity and uptime requirements.

Today's data center projects sit at the intersection of power generation, environmental regulation, land use, construction, and technology governance, requiring coordinated legal strategies across multiple disciplines. Babst Calland's legal team has become increasingly involved from the earliest stages of development on projects – advising on site acquisition and control, evaluating water and energy access, and assessing regulatory and permitting risks across state and federal jurisdictions, and land use and zoning approvals, including variances and conditional use permits, often require public hearings and coordination with local governments, which often add another layer of complexity and potential delay.

Behind-the-Meter Power and Islanded Systems Gain Momentum

Grounded in active, large-scale work, Babst Calland is currently guiding the development of well over 3,000 megawatts of new power generation capacity tied to data center projects across Pennsylvania and West Virginia. These projects range from hyperscale campuses to smaller modular facilities encompassing the design, permitting, interconnection, and financing of both behind-the-meter generation assets, such as natural gas turbines and solar paired with battery storage, as well as fully islanded power systems.

These islanded systems are designed to provide baseload power, redundancy, and resiliency, supporting mission-critical workloads that cannot tolerate downtime. By considering both conventional and emerging energy solutions, companies are now navigating the technical and legal complexities of meeting power demand while maintaining operational flexibility.

Attorney **Justine Kasznica**, team leader of Babst Calland's data center development practice, outlined the various near-term challenges and opportunities facing the industry.

Site Selection & Development

Data Center companies look for large-scale sites with an emphasis on water and energy access, infrastructure alignment, regulatory compliance, and risk analysis on co-located energy infrastructure, including gas pipelines, electric transmission, solar generation, and battery energy storage systems (BESS). Companies also need to be concerned about land use and zoning matters, variances, conditional use approvals, and public hearings when developing new or expanded facilities.

Contracts Drive Risk Allocation and Performance

Contracting has become a central risk-management tool in data center development. Engineering, Procurement and Construction (EPC), design-build, and modular construction contracts must address accelerated schedules, supply-chain constraints, and performance guarantees tied to uptime and efficiency. On the operational side, agreements governing power supply, cooling systems, and maintenance increasingly focus on redundancy, preventative maintenance, and vendor accountability.

Leasing and colocation agreements must also address power allocation, connectivity, shared infrastructure, and scalability. For operators and tenants alike, service-level agreements (SLAs) and enterprise technology contracts—covering SaaS, IaaS, and software licensing—are critical to ensuring performance standards are met as infrastructure becomes more virtualized and cloud-based.

Energy-related contracting continues to evolve as well. Solar PPAs, BESS service agreements, and SREC contracts now routinely include detailed provisions governing pricing mechanisms, dispatch rights, performance guarantees, and risk allocation among developers, operators, utilities, and investors.

Permitting, Regulatory Compliance, and Workforce Considerations

Beyond construction and power, data center development raises broader compliance issues. Environmental permitting at the federal, state, and local levels remains a key consideration, particularly for projects involving on-site generation or significant land disturbance. At the same time, operators must navigate data privacy, cybersecurity, and cross-border compliance requirements – especially when structuring public, private, or hybrid cloud environments.

Workforce issues are also gaining attention. Skilled labor shortages, safety compliance, and employment regulations affect both construction and long-term operations, making workforce planning an increasingly important component of development strategy.

When disputes arise, they often span multiple areas of law, including commercial contracts, zoning and environmental compliance, and cybersecurity or data-privacy incidents – underscoring the interconnected nature of today's data center projects.

A Rapidly Evolving Sector

As data centers grow in scale and strategic importance, development has become less about standalone facilities and more about integrated infrastructure ecosystems. Power generation, land use, technology, and regulatory compliance are no longer parallel tracks – they are deeply interdependent.

The result is a shift toward multidisciplinary legal and advisory models that mirror the complexity of the projects themselves. For developers, investors, and operators, success increasingly depends on addressing these issues holistically, from site selection and power strategy through long-term operation and eventual decommissioning.

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