
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2383 (Zbur) - Electricity: data centers

Version: July 2, 2026

Urgency: No

Hearing Date: August 3, 2026

Policy Vote: E., U. & C. 13 - 4

Mandate: Yes

Consultant: Ashley Ames

Bill Summary: This bill would require the California Public Utilities Commission (CPUC) to establish a new electricity rate class for data centers by January 1, 2028. This bill would require electrical corporations to file separate tariffs for transmission and distribution services and for generation services provided to data centers that enter into a new interconnection agreement to receive retail electrical service at the transmission level on or after January 1, 2027. This bill would also require electric service providers (ESPs) and community choice aggregators (CCAs) to adopt generation tariffs that meet this bill's requirements.

Fiscal Impact:

- Ongoing costs, likely in the high hundreds of thousands of dollars annually (ratepayer funds), for the CPUC to open or expand a proceeding creating a new classification and rate schedule for data centers, evaluate cost allocation, stranded-cost, and cost-shift issues associated with those customers, develop minimum contract requirements between data centers and load-serving entities including contract duration, early termination fees, minimum payment requirements, and onsite-generation reporting, ensure consistency of those requirements across LSEs, and provide associated legal, policy, administrative, and Administrative Law Judge support — among other things.
- To the extent that this bill impacts electricity rates, it could result in costs or savings to the state as an electric utility ratepayer. The State of California is an electricity customer, purchasing roughly one percent of the state's electricity. As such, the state incurs costs when rates increase, and realizes cost savings if rates go down (various funds).

Background:

Data center growth has triggered electric rate concerns and new utility procurement needs. Data centers in California vary in purpose and size, and many facilities meeting the definition of a data center do not primarily support generative artificial intelligence (AI). Even those data centers that do support generative AI can provide services for a wide variety of clients, including national defense installations, research universities and labs, government agencies, and telecommunications systems. While this bill broadly applies to all large energy consumers, data centers have been the primary focus of recent ratepayer concerns regarding cost shifts from the commercial and industrial sectors. According to a May 2024 report from the CEC, data centers comprise approximately two percent of the state's total annual electricity demand. The CEC anticipates that data centers' electricity consumption may double in the next 10 years without implementation of any additional energy efficiency measures. Load growth from

data centers has been substantially higher in other states. Pennsylvania – New Jersey – Maryland Interconnection (PJM) operates the largest regional grid in the United States. In January 2026, data from PJM indicated that 40% of its expected increased electricity demand will come from data centers. With this increase in electricity demands, PJM has seen record high costs for electricity to meet future reliability needs in addition to new transmission costs. Consumers in four states within PJM territory paid over \$4 billion in 2024 alone for transmission projects serving data centers. California has not experienced the level of data center growth seen in some other states; however, a number of California's utilities are projecting substantial data center load growth in the next four years.

In forecasts focusing on near term demand, the CEC has shown that the California Independent System Operator may experience a 1.8 gigawatt (GW) load growth from data centers by 2030. However, the CEC's energy demand forecast covering 2025 through 2045 indicates that vehicle electrification will be the largest driver of peak electricity demand in the state by 2045. While data centers are expected to increase peak electricity demand by 4.7 GW by 2045, electric vehicles may contribute approximately 8.2 GW to peak demand. Regardless of the sector contributing to the largest share of future energy costs, serving these future loads will necessarily require additional resources. To address these needs, the CPUC has ordered utilities under its jurisdiction to collectively procure six GW of new zero emissions energy resources by 2032. This six GW procurement is intended to cover near-term load growth and account for delays in delivering previously planned renewable resources, including offshore wind resources.

Bill overlaps with ongoing CPUC proceedings. In addition to ordering new procurements to serve future load growth, the CPUC is also considering new tariffs and rate structures to prevent large loads from unduly burdening other ratepayers. In November 2024, Pacific Gas & Electric (PG&E) filed an application at the CPUC to establish a new electric rule for retail electricity customers seeking interconnection at the transmission level (Application 24-11-007). According to PG&E's filings, data centers were 67% of the 34 transmission interconnection applications that PG&E received between 2023 and November 2024. In July 2025, the CPUC issued an initial decision (D. 25-07-039) that approved an interim PG&E electric rule for data centers that pre-pay the cost of interconnection. On April 9, 2026, the CPUC started the process to open a rulemaking on the California Advanced Electric Rate Design (R. 26-04-009). As part of this proceeding the CPUC intends to explore opportunities to address affordability challenges associated with wildfire costs and rapid load growth, including load from data centers. The CPUC's order opening this rulemaking indicates that the CPUC intends to publish a staff proposal on rate reforms as part of this proceeding in the 3rd Quarter of 2026. Since this bill would establish requirements for rate classes and tariffs that impact issues the CPUC intends to explore in its ongoing rate reform proceeding, this bill may require the CPUC to modify its ongoing rulemaking.

Proposed Law: This bill would:

1. Define terms, including "costs of serving," "data center," and "retail electricity consumer."

- a. Specify that "data center" does not include a publicly funded research facility, public safety facility, publicly funded national security facility, publicly owned facility, or utility facility.
 - b. Specify that "costs of serving" does not include upgrades to the electrical transmission system or electrical distribution system necessary to energize a data center.
2. Require the CPUC, on or before January 1, 2028, in a new or existing proceeding, to provide for a classification of retail electricity consumers that are data centers, separate and distinct from classifications for other commercial or industrial consumers and with its own tariff.
3. Clarify that an electrical corporation and a data center would not be required to use the classification if the CPUC has not approved the electrical corporation's tariff for that classification.
4. Require the CPUC to direct each electrical corporation to file a transmission and distribution tariff that does at least all of the following:
 - a. Allocates the costs of serving the class of data centers in a manner that ensures incremental costs for serving the class are not borne by other electrical rate classes.
 - b. Does not result in, or have the potential to result in, increased costs to other retail electricity consumers.
 - c. Ensures that a data center interconnected at the transmission level pays a reasonable share of the costs relating to wildfire mitigation, wildfire liability, electrification and environmental programs, and other societal cost obligations typically collected from distribution-level ratepayers.
 - d. Encourages the development of data centers that bring high-wage and high-skilled jobs to California.
 - e. Requires a data center seeking a new transmission interconnection to enter into a contract with the electrical corporation to prepay those interconnection costs and any distribution costs necessitated by the transmission interconnection, with a minimum contract duration of 10 years and early termination fees sufficient to ensure investment costs are covered.
 - f. Requires the data center to certify to the CPUC that its facility meets the requirements of Public Resources Code §§25545.3.3 and 25545.3.5.
5. Require the CPUC to direct each electrical corporation to file a generation service tariff that does at least all of the following:
 - a. Allocates the costs of serving the class of data centers in a manner that ensures incremental costs are not borne by other electrical rate classes.

- b. Supports the clean energy targets in §§399.15 and 454.52 and other applicable state clean energy policies by facilitating procurement of, or contracts for, generation necessary to serve data centers using resources meeting those requirements, as determined by the CPUC.
 - c. Allows for procurement of, or contracts for, generation resources that support the load-serving entity's ability to meet those clean energy targets.
 - d. Ensures that tariffed data centers provide equitable contributions to reliability and other programs funded through charges generally collected through the generation component of a customer's bill.
 - e. Does not result in, or have the potential to result in, increased costs to other retail electricity consumers.
 - f. Requires a data center to enter into a contract with the electrical corporation to prepay incremental generation cost increases resulting from the data center's load, with a minimum duration of 10 years and early termination fees sufficient to ensure the costs of serving are covered.
 - g. Requires the data center to pay a minimum amount or percentage based on its projected electricity usage for the duration of a contract.
 - h. Requires the data center to report to the electrical corporation the expected investments in onsite generation throughout the duration of service before entering into an interconnection agreement.
 - i. Ensures that a data center does not receive compensation for onsite generation in a manner that would result in cost shifts to other retail electricity consumers.
- 6. Authorize an electrical corporation to submit an exceptional case filing to approve a contract with a data center seeking service at the transmission level after January 1, 2027 but before the CPUC has approved a tariff, provided the contract is consistent with the article's requirements.
 - 7. Require each CCA and ESP to adopt a generation service tariff meeting requirements substantially parallel to those for electrical corporations, including cost allocation, clean energy support, equitable program contributions, a 10-year minimum contract with early termination fees, minimum payment based on projected usage, onsite generation reporting, and no compensation for onsite generation that would shift costs.
 - 8. Specify that the article does not authorize the CPUC to regulate the rates or terms and conditions of service offered by a CCA or an ESP.
 - 9. Specify that the article does not expand the amount of retail load eligible to participate in direct access transactions, and would apply only to a data center that enters into a new interconnection agreement to receive retail electrical service at the transmission level on or after January 1, 2027.

Related Legislation:

SB 886 (Padilla, 2026) would establish requirements for a special rate structure for large data centers. The bill would require the CPUC to adopt a tariff for these data centers that prevents other customers from paying for certain electrical infrastructure and load costs for large, transmission-interconnected data centers.

SB 887 (Padilla, 2026) would establish certain permitting permissions for data centers that meet specified criteria. These criteria include provisions similar to the requirements for the tariff specified in this bill.

SB 978 (Pérez, 2026) would have required the CPUC to create a special rate structure for large data centers to prevent cost shifts to other customers. The bill would have established labor requirements for the construction of facilities subject to the bill. The bill would have expanded existing CPUC reporting requirements to include a specified assessment about data center impacts to renewable procurement goals. The bill died in this committee.

AB 1577 (Bauer-Kahan, 2026) would require the owner of a data center to submit specified information regarding the data center's energy consumption to the CEC and local agencies permitting the construction of the data center. The bill would also set limitations on the ability of the CEC and local agencies to disclose information submitted by data centers and would require the CEC to report on load impacts of data centers in the Integrated Energy Policy Report.

SB 57 (Padilla, 2025) authorized the CPUC to assess the extent to which electrical corporation costs for new loads from data centers result in cost shifts to other electrical corporation customers. The bill also required the CPUC to publish and submit a report regarding its assessment to the relevant legislative policy committees by January 1, 2027.

AB 222 (Bauer-Kahan, 2025) would have required the CPUC to assess the extent to which electrical corporation costs for serving data centers result in cost shifts to other customers. The bill also would have required the CEC to establish a process for data centers to submit specified energy efficiency data to the CEC, and to assess data centers' energy consumption. Certain provisions of the bill were substantially similar to provisions in this bill. The bill died in this committee.

SB 1298 (Cortese, 2024) would have increased the amount of thermal generation a data center could use as backup power from 100 MW to 150 MW without triggering the CEC's power plant siting process. The bill would have also created conditions for data centers to use this exemption. The bill died in the Assembly.

Staff Comments: To the extent that this bill prevents cost shifts to other rate classes, it could result in cost savings to the state as a ratepayer. Because the bill's definition of "data center" excludes publicly owned facilities, the state would not be in the new rate class and would be among the customers the bill's cost-shift protections are intended to benefit.

Alternatively, should this bill impose costs on electric utilities that are recoverable from ratepayers, the state could incur costs.

-- END --