
THIRD READING

Bill No: AB 2383
Author: Zbur (D), et al.
Amended: 8/13/26 in Senate
Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 13-4, 6/30/26

AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Caballero, Gonzalez, Hurtado, McNERNEY, Reyes, Richardson, Stern, Wahab

NOES: Ochoa Bogh, Dahle, Grove, Strickland

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/13/26

AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab

NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 69-3, 5/27/26 - See last page for vote

SUBJECT: Electricity: data centers

SOURCE: Author

DIGEST: This bill requires the California Public Utilities Commission (CPUC) to establish a new rate class for data centers by January 1, 2028, and requires the CPUC to direct electrical corporations to file separate tariffs for transmission and distribution and generation services for data centers in the new rate class. This bill prohibits cost-shifts between the data center rate class and other electrical rate classes. This bill specifies requirements these tariffs must meet, including, but not limited to, establishing requirements for data centers to pre-pay for certain utility costs resulting from their interconnection. This bill also requires Community Choice Aggregators (CCAs) to adopt generation tariffs for data centers that provide certain protections similar to those required in this bill for electrical corporation tariffs.

ANALYSIS:

Existing law:

- 1) Authorizes the CPUC to supervise and regulate every public utility in the state and permits the CPUC to do anything that is necessary and convenient to exercise its power and jurisdiction. (Public Utilities Code §701)
- 2) Authorizes the CPUC to set rates for public utilities and specifies that every cost charged by utilities to customers must be just and reasonable. (Public Utilities Code §451)
- 3) Defines an electrical corporation as every corporation or person owning, controlling, operating, or managing any electric plant for compensation within this state, except where electricity is generated on or distributed by the producer through private property solely for its own use or the use of its tenants and not for sale or transmission to others. (Public Utilities Code §218)
- 4) Defines a load-serving entity (LSE) as an electrical corporation, Energy Service Provider (ESP), or CCA. Existing law specifies that a LSE does not include a local publicly owned electric utility (POU) or the State Water Project. (Public Utilities Code §380)
- 5) Creates the Renewables Portfolio Standard (RPS) by establishing a state goal of procuring at least 60% of total retail sales of electricity from renewable energy resources by December 31, 2030, with specified benchmarks up to that date. Existing law requires the CPUC to oversee electrical corporations' compliance with renewable energy procurement mandates and requires the California Energy Commission (CEC) to oversee POU renewable energy procurement compliance. (Public Utilities Code §399.11 et. seq.)
- 6) Establishes a policy to source 100% of all in-state retail electricity sales from zero-carbon resources by December 31, 2045. Existing law requires the CPUC, CEC and the California Air Resources Board (CARB) to incorporate this policy into all relevant plans. (Public Utilities Code §454.53)
- 7) Authorizes 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. Existing law specifies that this assessment must be published by January 1, 2027, and it must include the following:
 - a) An analysis of potential electrical corporation costs associated with utility procurement for data center electricity consumption.

- b) An analysis of potential electrical corporation costs associated with new transmission and distribution assets to serve new data centers or expansions of existing data centers, as specified.
 - c) Identification of opportunities to address any substantial cost shifts. (Public Utilities Code §913.22)
- 8) Establishes an opt-in permitting process at the CEC for certain non-fossil fueled power generation facilities. Existing law specifies certain criteria a facility must meet in order to qualify for this opt-in certification. These criteria include, but are not limited to, meeting certain labor standards for the construction of the facility seeking certification. Existing law specifies requirements regarding the use of a prevailing wage and skilled and trained workforce for opt-in permitting eligibility. (Public Resource Code §25545 et. seq.)

This bill:

- 1) Defines a “data center” as a structure that primarily contains electronic equipment used to process, store, and transmit digital information, using environmental control equipment to maintain the proper conditions for the operation of electronic equipment. The bill specifies that this definition does not include the following: a publicly funded research facility, public safety facility, publicly funded national security facility, publicly owned facility, or utility facility.
- 2) Requires the CPUC to establish a separate electric rate class for data centers by January 1, 2028. This bill specifies that this rate class must have its own tariff.
- 3) Requires the CPUC to direct each electrical corporation to file a transmission and distribution tariff does all the following:
 - a) Allocates the cost for serving the data center rate class in a manner that ensures that incremental utility costs for serving the class are not borne by other electrical rate classes.
 - b) Does not increase costs for other retail electricity consumers.
 - c) Ensures that transmission-interconnected data centers pay a reasonable share of costs relating to wildfire mitigation, wildfire liability, electrification and environmental programs, and other costs 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 to enter into a contract with a minimum duration of 10 years to pre-pay interconnection costs and associated distribution costs. This bill requires these contracts to include early termination fees at levels sufficient to ensure that costs are covered.
 - f) Requires a data center to certify to the CPUC that the electric customer meets labor requirements generally applied to non-fossil power generation facilities seeking opt-in permitting from the CEC.
- 4) Requires the CPUC to direct each electrical corporation to file a generation service tariff that does all the following:
- a) Allocates the costs of serving the class of data centers in a manner that ensures that incremental costs for serving the class are not borne by other electrical rate classes.
 - b) Enables contracts for generation resources supporting utilities' ability to meet RPS and zero-carbon procurement goals.
 - c) Ensures that data centers provide equitable contributions to reliability and other programs funded through charges generally collected through the generation component of a customer's bill.
 - d) Does not increase costs for other retail electricity consumers.
 - e) Requires a data center to enter into a contract with the electrical corporation to prepay those incremental generation cost increases resulting from the data center's load. These contracts must be at least 10 years in duration and must include early termination fees sufficient to ensure the costs of serving the data center are covered.
 - f) Requires the data center to pay a minimum amount or percentage based on the data center's projected electricity usage for the duration of a generation service contract.
 - g) Requires the tariffed customer to report expected on-site generation located in front of the customer's meter.

- h) Ensures that a tariffed data center does not receive compensation for onsite generation in a manner that would result in cost shifts to other retail electricity consumers.
- 5) Authorizes an electrical corporation to submit an exceptional case filing to obtain CPUC approval for a transmission interconnection agreement or generation contract with a data center if the CPUC has not yet adopted a tariff for these services pursuant to this bill. Any transmission interconnection agreement or generation contract with a data center established on or after January 1, 2027, must comply with this bill's requirements.
- 6) Requires a CCA to adopt a generation service tariff for data centers and establishes requirements for a CCA tariff that are similar to those required for electrical corporation tariffs.
- 7) Specifies that this bill's generation tariff requirements to not authorize the CPUC to regulate the rates, terms, or condition of electrical service provided by a CCA or ESP.
- 8) Clarifies that this bill does not expand the Direct Access program and specifies that this bill applies only to a data center that enters into a new transmission interconnection agreement on or after January 1, 2027.
- 9) Specifies that this bill will only become effective if Senate Bill 886 (Padilla) of the current legislative session is also enacted and becomes effective on January 1, 2026.

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 2% 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.

Data centers are not the only source of projected significant load growth. 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 and associated charging infrastructure 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 requires procurements for data centers to support clean energy goals, but emissions guarantees are not explicit. This bill requires data centers to enter into 10-year contracts to fund their incremental contribution to a utility's electricity demand. While this bill requires an electrical corporation to establish a tariff that enables procurement of resources that support the utility's ability to meet clean energy procurement goals, this bill does not expressly require data centers and electrical corporations to enter into contracts for non-emitting resources. The absence of explicit requirements regarding the types of resources that must be procured to meet data center load provides the CPUC with wide discretion about what types of resources are eligible for these 10-year contracts when approving electrical corporations' tariff filings.

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.

Getting the most from large megawatts (MW). A number of stakeholders, including utilities and research institutions, are identifying and developing mechanisms to support more demand responsive large loads that can respond to grid conditions and lower procurement costs. On June 22, 2026, the CEC approved grants for more than \$21 million from the Electric Program Investment Charge to fund projects – including a project to develop of a flexible data center load capacity tool – to support beneficial electrification while increasing grid capacity and flexibility. Beneficial electrification can occur with large loads interconnecting in locations where excess capacity exists on the grid. Increasingly policymakers are seeking mechanisms to use large MW procurements for these beneficial electrification projects to lower overall electricity rates. The CPUC's Public Advocate's Office states the following regarding beneficial electrification's potential for ratepayer benefits:

Expanding electrification can lower the average cost of electricity, provided it does not strain the system in ways that compromise reliability or require expensive upgrades. Policies should promote “beneficial electrification,” by considering when and where energy is used to maintain safety, system reliability, control costs, and prevent inequities.

Beneficial electrification necessarily requires a large load to interconnect and take service at a specific location in coordination with the electric utility. Large loads that interconnect in locations that do not have excess capacity can exacerbate rate impacts by straining already limited resources. Data centers' need for a continuous electricity supply poses unique challenges to creating tariffs that encourage large load flexibility. To the extent that data centers locate in areas without excess capacity, this continuous demand can increase net peak load when electricity costs are highest, a larger mix of the supply is generated from fossil fuels, and where shortages are most likely to occur. Other large loads may be able to more readily adopt demand response technologies to the extent that they do not need a similar continuous supply of electricity from the grid.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- 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).

SUPPORT: (Verified 8/13/26)

Bay Area Council

California State Association of Electrical Workers

California State Pipe Trades Council

E2

Engineers and Scientists of California, Local 20

Little Hoover Commission
NAACP California-Hawaii State Conference
National Diversity Coalition
Natural Resources Defense Council
SEIU California
Western States Council Sheet Metal, Air, Rail and Transportation

OPPOSITION: (Verified 8/13/26)

Building Owners and Managers Association of California
CalAsian Chamber of Commerce
California African American Chamber of Commerce
California Business Properties Association
California Chamber of Commerce
California Hispanic Chamber of Commerce
California Large Energy Consumers Association
California Manufacturers and Technology Association
Climate Action Campaign
Data Center Coalition
Forefront Power, LLC
NAIOP California
Net-Zero California
TechCA
TechNet
The Utility Reform Network
Western States Petroleum Association

ARGUMENTS IN SUPPORT: According to the author:

California is recognized globally as a premier hub for the innovation economy, and specifically, with a leading footprint in advanced technologies such as artificial intelligence. With the rapid growth of these technologies, the state must grapple with the associated development of large load data centers. AB 2383 advances affordability for electricity ratepayers by ensuring that data centers pay their fair share and that costs of providing service to these facilities are not borne by other ratepayers. This bill will ensure timely and efficient planning as the state prepares for the emergence of unprecedented demand on the electrical grid, and will be critical in protecting ratepayers and advancing system-wide reliability.

ARGUMENTS IN OPPOSITION: Opponents argue that this bill is unnecessary and could limit the growth of technology infrastructure. In opposition, the California Chamber of Commerce states:

Unfortunately, the bill's structure provides a rigid statutory framework that could complicate project development, discourage investment in digital infrastructure, and constrain the CPUC's ability to tailor ratepayer protections to actual costs and system conditions. AB 2383 seeks to ensure that the costs of serving new data center loads are not shifted onto other ratepayers. That objective is appropriate, but it is already being addressed through existing utility tariffs, interconnection agreements, and ongoing CPUC proceedings. Rather than letting the CPUC develop a record, the bill dictates terms for transmission and distribution service, generation service, and tariffs offered by community choice aggregators and electric service providers.

ASSEMBLY FLOOR: 69-3, 5/27/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, Elhawary, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NOES: DeMaio, Ellis, Hadwick

NO VOTE RECORDED: Castillo, Chen, Dixon, Johnson, Lackey, Macedo, Celeste Rodriguez, Ta

Prepared by: Sarah Smith / E., U. & C. / (916) 651-4107
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