

THIRD READING

Bill No: AB 2383
Author: Zbur (D), et al.
Amended: 8/28/26 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 electrical corporation tariffs by January 1, 2028, for transmission and distribution and generation services for certain data centers. This bill specifies requirements these tariffs must meet, including, but not limited to, establishing requirements for data centers to pay for certain utility costs resulting from their interconnection in a manner that prevents an electrical corporation from assessing these costs on other ratepayers. This bill also requires Community Choice Aggregators (CCAs) to adopt generation tariffs for data centers that provide protections similar to those required in this bill for electrical corporation tariffs.

Senate Floor Amendments of 8/28/26 remove provisions of this bill related to transmission interconnection, make various clarifications, and modify this bill's prepayment requirements to instead require a payment mechanism that meets specified cost-recovery requirements, including the provision of pre-payment or

collateral sufficient to cover an electrical corporation's long-term generation contracting costs incurred to serve a tariffed data center.

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) Establishes various definitions for the purposes of this bill, including defining a data center as a facility, or a part of a facility, housing computing infrastructure, including graphics and central processing units, servers, storage devices, networking equipment, and associated power and cooling systems, primarily for the purpose of storing, or distributing electronic data. This bill also defines a “participating customer” as a data center subject to a tariff established by this bill.
- 2) Requires the CPUC, to the extent permissible under federal law, to direct each electrical corporation to file a transmission and distribution service tariff that does all the following:
 - a) Ensures that all 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.
 - b) Prevents stranded costs for, or cost shifts to electrical corporation customers that are not subject to the tariff.

- c) Ensures that charges generally included in the generation component of a customer's bill can be assessed as a separate line item for unbundled customers that do not receive transmission, distribution, and generation services from the same utility.
- 3) Requires the CPUC to direct each electrical corporation to file a generation service tariff that does all the following:
- a) Ensures the procurement of generation resources supporting utilities' ability to meet RPS and zero-carbon procurement goals.
 - b) 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.
 - c) Requires the tariffed customer to report expected on-site generation located in front of the customer's meter.
 - d) 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.
 - e) Establishes a payment mechanism to ensure that a tariffed data center pays for utility costs resulting from utility procurements necessary to serve the data center's incremental new load. This mechanism must prevent non-tariffed customers from incurring stranded asset costs resulting from procurement for tariffed data centers. This bill specifies that the payment mechanism established to ensure that tariffed data centers pay for incremental generation costs must be 10 years in duration, include early termination fees, facilitate pre-payment or upfront collateral to pay for generation costs, and ensure that the data center pays a minimum percentage of its expected load, as specified. This bill requires procurements to comply with state climate goals and authorizes a tariffed data center to offset the obligation to pay for utility incremental generation costs by installing zero-emissions resources behind-the-meter. Any reduction in generation payment obligations must be relative to the amount of zero-emissions resources installed behind the customer's meter.
- 4) Specifies that the generation tariff established by this bill shall not apply to the following types of data centers:
- a) A publicly funded research facility.
 - b) A public safety facility.
 - c) A publicly funded national security facility, as identified by the commission.

- d) A publicly owned facility.
 - e) A utility facility, including, but not limited to, a facility operated for the purpose of providing telecommunications services to the public by a terrestrial facilities-based telecommunications provider.
- 5) Requires the CPUC to establish a minimum load threshold for the purpose of applying this bill's generation tariff to a data center with a load above that threshold. This bill specifies that the CPUC may not set this minimum threshold above 25 megawatts (MW).
- 6) Requires CCAs and ESPs to establish data center generation tariffs that are consistent with this bill's requirements for IOU data center generation 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.

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.

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.

The CPUC is in the process of modifying rate structures to address potential cost shifts from new large loads, including data centers. 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.

Bill may prevent other ratepayers from incurring costs associated with stranded generation costs. As data center loads increase, utilities must procure electricity to meet these new loads. In order to ensure sufficient generation resources and meet existing long-term procurement obligations, IOUs may enter into long-term contracts to develop new incremental generation resources to serve growing data center demands. Increasingly, consumer groups have expressed concern that a financial bubble in data center and AI investment may ultimately collapse, leading to the sale of a large number of data centers and potentially, the liquidation of other facilities. To the extent that IOUs have entered into long-term contracts to serve facilities that cease operations in their service territories before the IOUs can fully recoup the costs for those contracts, other ratepayers may be left paying any costs that remain when a data center ceases electricity service. This bill's generation tariff requires the CPUC to establish cost recovery mechanisms to ensure that IOUs can continue to enter into long-term contracts (10 years in duration) without facing the risk that unpaid generation costs would be shifted to other ratepayers when a data center ceases operations before those contracts are fully paid.

Bill's transmission service tariff requirements may depend on federal rules.

Existing law's boundaries between federal and state jurisdiction over transmission rates generally reflect an electricity landscape in which transmission-interconnected facilities are primarily electricity generators receiving wholesale transmission service. Recently, large load electrical customers have been requesting transmission level interconnection to receive retail electric service at transmission-level voltages. This bill requires the CPUC to establish a transmission and distribution service tariff that ensures that transmission and distribution service costs are not shifted to other ratepayers. Since transmission is generally considered an interstate service, transmission rates largely fall under federal jurisdiction. Under the Federal Power Act, the Federal Energy Regulatory Commission (FERC) sets formulas for utilities to calculate their transmission costs of service, which are used to calculate transmission rates. The CPUC represents California electricity customers in FERC transmission rate proceedings; however, the CPUC does not directly regulate the transmission rate formulas administered by FERC. Since FERC retains authority over transmission rates, the CPUC may be limited in its ability to regulate transmission service rates under this bill; however, the CPUC retains the authority to regulate utility costs associated with the electric distribution system. Consequently, this bill requirements for transmission and distribution

service tariffs may largely impact the CPUC's obligations when ratemaking on distribution services.

Bill is linked SB 886 (Padilla) of the current legislative session. Both this bill and SB 886 require the CPUC to establish tariffs to address utility costs associated with data centers. This bill requires the CPUC to establish a transmission and distribution service tariff as well as a generation tariff for data centers. This bill also sets requirements for CCA and ESP generation tariffs. SB 886 requires the CPUC to establish a transmission interconnection tariff and authorizes the establishment of a demand response program for data centers. SB 886 also sets CPUC duties when establishing all of these data center tariffs, including those tariffs contained in this bill. While these bills are not expressly contingent upon each other, the bills' requirements do not conflict with each other. Together, SB 886 and AB 2383 establish the *California Technology Innovation and Ratepayer Protection Act* as a single article in the Public Utilities Code.

Related/Prior Legislation

SB 886 (Padilla, 2026) requires the CPUC to ensure that electric corporation costs to serve data centers are not shifted to other ratepayers when adopting tariffs for data centers. The bill requires the CPUC to adopt a transmission interconnection tariff transmission-interconnected data centers that ensures that utility costs associated with interconnecting those data centers are paid for by the data centers and are not shifted to other ratepayers. The bill also authorizes tariffed data centers to participate in a demand response program established by the CPUC and specifies that this demand response program may not result in any net costs for other ratepayers. The bill is pending in the Assembly.

SB 887 (Padilla, 2026) establishes 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. The bill is pending concurrence in the Senate.

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 was held by the Senate Appropriations Committee.

AB 1577 (Bauer-Kahan, 2026) requires 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 also sets limitations on the ability of the CEC and local agencies to disclose information submitted by data centers and requires the CEC report on load impacts of data centers in the Integrated Energy Policy Report. The bill is headed to the Governor.

SB 57 (Padilla, Chapter 647, Statutes of 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 it required the CEC to assess data centers' energy consumption. Certain provisions of the bill were substantially similar to provisions in this bill. The bill was held by the Senate Appropriations 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.

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 8/31/26)

AARP

Bay Area Council

California Environmental Voters

California State Association of Electrical Workers

California State Pipe Trades Council

Climate Action California

Climate Action Campaign

Coalition of California Utility Employees

E2

Engineers and Scientists of California, Local 20

International Brotherhood of Electrical Workers

League of Women Voters of California

Little Hoover Commission

NAACP California-Hawaii State Conference

National Diversity Coalition

Natural Resources Defense Council

Net-Zero California

SEIU California

The Utility Reform Network

Union of Concerned Scientists

Western States Council Sheet Metal, Air, Rail and Transportation

OPPOSITION: (Verified 8/31/26)

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 Manufacturers and Technology Association

Data Center Coalition

NAIOP California
TechCA
TechNet

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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