SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1168 (McNerney) - Data centers: rate structures

Version: April 22, 2026
Urgency: No
Hearing Date: May 11, 2026

Policy Vote: E., U. & C. 13 - 4
Mandate: No
Consultant: Ashley Ames

Bill Summary: This bill would require the California Public Utilities Commission (CPUC) to assess opportunities for rate structures to (1) ensure data centers pay a reasonable share of their costs associated with transmission and distribution needs, (2) identify mechanisms to ensure that data centers pay for their proportionate share of load increases and procurements needed to reliably serve their loads using non-emitting resources, and (3) structure rates to alleviate cost pressures on residential ratepayers.

Fiscal Impact:
- The CPUC estimates ongoing costs of between $536,000 and $754,000 annually (ratepayer funds) to assess, as part of a new or existing proceeding, opportunities for rate structures applicable to data centers.

Background:

Unmanaged data center growth in other states has led to concerns about their energy impacts. Data centers have long existed in California to store and transport data necessary for a variety of internet-based services, including telecommunications systems, cloud computing, streaming video, software development, and electronic file storage. The rapid growth of certain services, including cloud-based computing and artificial intelligence has led to substantial data center growth. Certain states have experienced an unusual amount of this growth without a regulatory framework in place to ensure that costs associated with building new transmission and distribution, adding new generation, and securing sufficient reliability resources do not impact other ratepayers. 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 load, PJM has seen record high costs in certain electricity markets, substantial new transmission costs, and challenges in procuring adequate resources to ensure that it can reliably meet peak electricity demands. Consumers in four states within PJM territory paid over $4 billion in 2024 alone for transmission projects serving data centers.

California has experienced load growth associated with data center expansion; however, this growth has been more gradual than the increased demand experienced by some other states. The CEC, CPUC and California Independent System Operator (CAISO) have all projected varying increases in load from data centers. In forecasts focusing on near term demand, the CEC has shown that CAISO 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 (EVs) 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 6 GW of new zero emissions energy resources by 2032. This 6 GW procurement is intended to cover near-term load growth and account for delays in delivering previously planned renewable resources, including off-shore wind resources.

The CPUC is in the process of considering proposals to address rate impacts from utility costs, including those associated with data centers and wildfires. 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, 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. 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 proposed decision indicates that the CPUC intends to publish a staff proposal on residential rate reform as part of this proceeding in the 3rd Quarter of 2026.

Proposed Law: This bill would require the CPUC, as part of a new or existing proceeding, to assess opportunities for rate structures to do the following:

- Ensure that data centers pay a reasonable share of costs associated with transmission and distribution costs, regardless of whether they are interconnected at the transmission or distribution level.

- Identify mechanisms to ensure that data centers pay for their proportionate share of load increases and procurements needed to reliably serve those loads with non-emitting resources.

- Structure rates to alleviate cost pressures on residential ratepayers, including customers enrolled in the California Alternate Rates for Energy (CARE) or Family Electric Rate Assistance (FERA) programs.

Related Legislation:

SB 886 (Padilla) of 2026 would require the CPUC to establish a specified electrical corporation tariff that addresses costs associated with transmission, distribution, and generation services for data centers with a peak capacity of 25 MW or greater that request a new transmission interconnection. The bill would require this tariff to include a reasonable share of the costs relating to wildfire mitigation, wildfire liability, electrification and environmental programs, and other costs typically collected from distribution-level ratepayers.

SB 887 (Padilla) of 2026 would establish certain permitting permissions for data centers that meet specified criteria.

SB 978 (Pérez) of 2026 would require the CPUC to create a special rate structure for certain large energy users with capacities of at least 75 MW to prevent cost shifts to other customers. The bill would also establish labor requirements for the construction of facilities subject to the bill. The bill would expand existing CPUC reporting requirements about large loads to include a specified assessment about increased load impacts to renewable procurement goals.

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) of 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 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. The bill was held by on suspense in this committee.

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