

Date of Hearing: June 24, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

SB 1168 (McNerney) – As Amended June 15, 2026

SENATE VOTE: 30-9

SUBJECT: Data centers: rate structures

SUMMARY: Requires the California Public Utilities Commission (CPUC) to assess opportunities for rate structures to address specified rate impacts associated with data centers, including paying a reasonable share of costs associated with transmission and distribution needs, paying for a proportionate share of load increases and procurement needs, and alleviating cost pressures on residential ratepayers.

EXISTING LAW:

- 1) Requires that all rates for any service or product charged by an electrical corporation be just and reasonable. (Public Utilities Code § 451)
- 2) Requires the CPUC to ensure that rates are sufficient to enable IOUs to recover a just and reasonable amount of revenue from residential customers as a class, while observing the principle that electricity and gas services are necessities, for which a low, affordable rate is desirable, and while observing the principle that conservation is desirable in order to maintain an affordable bill. (Public Utilities Code § 739)
- 3) Requires the CPUC to establish rates using cost allocation principles that fairly and reasonably assign to different customer classes the costs of providing service to those customer classes, consistent with the policies of affordability and conservation. (Public Utilities Code § 739.6)
- 4) Authorizes the CPUC to require a public utility to correct any rates, practices, equipment, or behavior that is unjust, unreasonable, unsafe, improper, inadequate, or insufficient. (Public Utilities Code § 761)
- 5) 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)
- 6) Establishes a policy to source 100% of all in-state retail electricity sales from zero-carbon and renewable 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. (Public Utilities Code § 913.22)

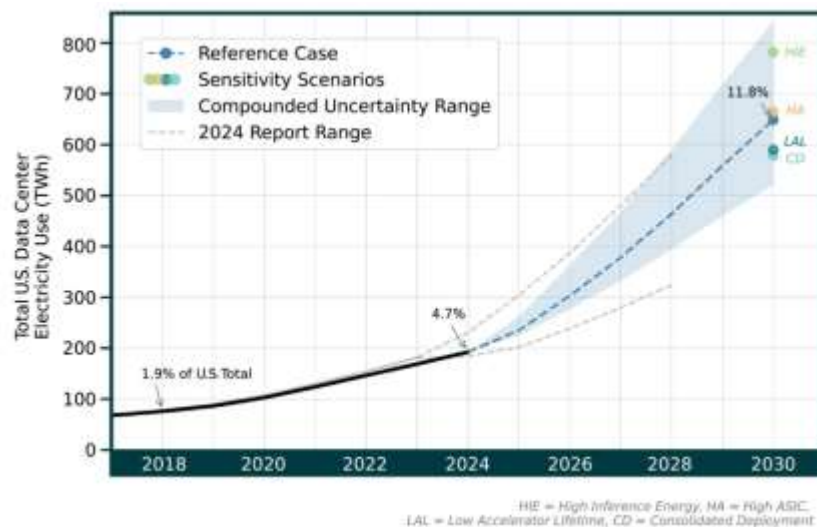
- 8) Requires the CPUC to establish and maintain a program to provide discounted electrical and gas corporation rates for households with incomes up to 200% of the federal poverty level (FPL). Existing law specifies that this program shall be named the California Alternate Rates for Energy (CARE) program. (Public Utilities Code § 739.1)
- 9) Requires the CPUC to establish and maintain a program to provide discounted electrical rates for households with incomes between 200% and 250% of the FPL. Existing law specifies that this program shall be named the Family Electric Rate Assistance (FERA) program. (Public Utilities Code § 739.12)

FISCAL EFFECT: According to the Senate Appropriations Committee, the CPUC estimates ongoing costs between \$536,000 and \$754,000 annually to conduct the assessments required in the bill.

BACKGROUND:

Data center growth – In 2025, global data generation surpassed 175 zettabytes (trillions of gigabytes).¹ This scale of data reflects the rapid growth of connected devices, AI-driven queries, and cloud-based services that depend on data centers for real-time processing and storage.

As shown in Figure 1,² U.S. data center annual energy use prior to 2016 was relatively stable at about 60 TWh. Despite the construction of new data centers to serve the rise of cloud-based online services, such as Netflix, increases in efficiency kept this growth consumption relatively flat. However, starting in 2017, electricity consumption accelerated nationwide primarily due to AI computing. By 2024, data centers were 4.7% of total U.S. energy consumption. By 2030, data centers are predicted to use 11.8% of forecasted U.S. electricity.³



¹ Armstrong, Global Data Creation is About to Explode, Statista, <https://www.statista.com/chart/17727/global-data-creation-forecasts/>

² Smith, Sarah et al. "United States Data Center Energy Usage Report: 2025 Update." June 2026, Lawrence Berkeley National Laboratory, Berkeley, California. <https://escholarship.org/uc/item/33m6w3x0>

³ Smith, Sarah, et al. *Ibid.*

The rapid expansion of data centers has introduced a fast-growing and geographically concentrated source of electricity demand in California.⁴ Data centers are characterized by high, sometimes continuous (24/7) loads with often relatively limited demand flexibility, placing sustained pressure on transmission and distribution infrastructure. Recent analyses by the CEC indicate that data center electricity consumption is increasing, with projections suggesting significant growth in demand over the next decade.⁵ This growth may require large-scale infrastructure upgrades. In the 2024-2025 Draft Transmission Plan, the California Independent System Operator (CAISO) identified billions of dollars in transmission upgrades needed over the next decade to serve anticipated load growth,⁶ in part driven by new data centers. Particularly, the clustering of data centers in specific regions (like the Bay Area⁷) can strain local transmission capacity and necessitate costly upgrades for new service lines. Just how utilities, regulators, and tech companies will meet this unsatiated demand is uncertain. New resources must be procured, and new transmission is likely needed to serve this load, all at cost to either ratepayers or the tech companies themselves.

The CPUC is in the process of considering rate changes to address costs of new electrical loads, including data centers. On April 9, 2026, the CPUC opened a rulemaking on the California Advanced Electric Rate Design.⁸ 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. Specifically, this proceeding, in coordination with the assessment required by SB 57 (Padilla, Chapter 647, Statutes of 2025), will consider issues such as stranded costs and cost shifts for new and emerging large loads with a focus on data centers. The order instituting rulemaking 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.

In June 2026, FERC ordered all six regional grid operators⁹ to justify or reform tariffs for data centers and other large energy users as they relate to interconnection and transmission costs.¹⁰ Under the orders, each operator and its transmission owners have 60 days to either justify why their current tariffs remain just and reasonable, or to file tariff changes that address the issues identified by FERC, including the following:

- Develop efficient transmission service applications and study processes, including consideration of alternative transmission technologies.
- Prevent cost shifting and require transparency into transmission costs.
- Accommodate co-location agreements and behind-the-meter generation.
- Provide new transmission services for flexible large loads.
- Develop a process to study generating facilities that serve electrically proximate large loads and co-located loads.

⁴ Smith, et al. *Ibid*

⁵ Slide 8-9: Data Center Demand Growth, from CEC 2025 IEPR Forecast, https://www.energy.ca.gov/sites/default/files/2026-01/2026-01-05_DAWG_Mtg_Slides-Combined_ada.pdf

⁶ 2024-2025 Transmission Plan, CAISO

⁷ Slide 20: Data Center Projection Pipeline, from PG&E 2024 Investor Update, https://s21.q4cdn.com/673114418/files/doc_events/2024/06/1/2024-Investor-Update-Presentation_Final.pdf

⁸ R 26-04-009

⁹ PJM Interconnection, Midcontinent Independent System Operator, Southwest Power Pool, California Independent System Operator, ISO New England, New York Independent System Operator

¹⁰ FERC Launches Aggressive Targeted Action to Speed Large Load Integration, <https://www.ferc.gov/news-events/news/ferc-launches-aggressive-targeted-action-speed-large-load-integration>

This order represents the first significant federal regulatory response to the concerns from data center load growth. The timelines put in place by the order are quick – 60 days for justification or filing of tariffs and just 30 days to submit an information report. Therefore, within the coming months there is likely to be a flurry of new information on how entities across the U.S. are responding to the challenges posed by data center energy demand.

COMMENTS:

- 1) *Author's statement.* According to the author, “Californians pay the second-highest utility prices in the country, and rates are expected to soar even higher because of the rapid growth of data centers around the state. Data center owners and their customers should bear the high costs associated with data centers, not California ratepayers. SB 1168 will task the CPUC with assessing methods to ensure data centers pay their fair share for interconnection, excess usage, and new loads required to serve their demands.”
- 2) *Purpose of the bill.* The goal of this bill is to ensure that the CPUC is considering the impact of data centers on electric rates and ultimately trying to achieve a promised, but potentially uncertain, downward pressure on rates from these large, energy intensive customers. The emergence of extensive data center electricity load marks a rare opportunity for the CPUC to reassess existing rate design and customer protections. The promise of data center energy consumption is alluring: that increased electricity sales from data centers will cover all the new costs to serve those data centers and may even offset existing system costs to the benefit of existing customers. As previously mentioned, the work of assessing this possibility is already underway at the CPUC,¹¹ which will partly be addressed by the forthcoming SB 57 (Padilla, Chapter 647, Statutes of 2025) report at the start of next year.

However, there are already emerging, supported paths (or opportunities) available to help fairly allocate the costs of serving data centers. This includes recommendations from the California Public Advocate's Office (PAO) to ensure data centers pay the cost of interconnection, pay minimum demand charges, and be faced with early termination fees to protect against stranded assets.¹² These principles were also echoed in a recent report from the Little Hoover Commission¹³ and Lawrence Berkeley National Laboratory.¹⁴ Therefore, it is likely that these options need to be implemented in rate structures for data centers, and then potentially, further assessed to ensure the desired outcome has been achieved. This bill largely directs the CPUC to examine topics already extensively discussed as it relates to data center rate structures and ratepayer protections.

¹¹ R 26-04-009

¹² Hieta, K. and Rodriquez, E., How Will Data Center Growth Impact California Ratepayers?, 2025, <https://www.publicadvocates.cpuc.ca.gov/press-room/commentary/251027-how-will-data-center-growth-impact-california-ratepayers>

¹³ Data Centers and California Electricity Policy, Little Hoover Commission, 2026, <https://lhc.ca.gov/report/data-centers-and-california-electricity-costs/>

¹⁴ Satchwell et al., Electricity Rate Designs for Large Loads: Evolving Practices and Opportunities, 2025, <https://emp.lbl.gov/publications/electricity-rate-designs-large-loads>

3) *Related Legislation.*

AB 1577 (Bauer-Kahan) requires data centers to report monthly energy usage and efficiency information to the California Energy Commission (CEC). The CEC must integrate this data into the 2029 Integrated Energy Policy Report (IEPR) and annually publish the data in an anonymized and aggregated format for the public. Additionally, data centers must submit similar energy and efficiency information to local agencies when requesting authorization to construct or operate a data center. Status: set for hearing in the Senate Energy, Utilities, and Communications Committee on June 24th.

AB 2383 (Zbur) requires the CPUC to establish a retail electricity classification for large energy use facilities, defined as facilities connected under a retail transmission tariff and broadly meet the definition of a data center. Additionally, electrical corporations must submit to the CPUC for approval a tariff that covers the provisions of transmission, distribution, and generation, as applicable for large energy use facilities. Load serving entities providing generation service must all meet the same tariff requirements. Status: set for hearing in the Senate Energy, Utilities, and Communications Committee on June 30th.

AB 2469 (Papan) prohibits a local agency from approving construction of a new, or expansion of an existing, data center unless an applicant for a data center project provides the local agency with detailed information regarding the data center's water use and meets other requirements related to workforce and infrastructure for the data center. Status: set for hearing in the Senate Natural Resources and Water Committee on June 23rd.

AB 2619 (Papan) requires data center developers to provide information on water use to water suppliers and local governments prior to being issued a business license and upon renewal of a business license, and requires urban water suppliers to consider data center demand in water shortage planning. Status: set for hearing in the Senate Natural Resources and Water Committee on June 23rd.

SB 886 (Padilla) requires the CPUC to establish an electrical corporation tariff that addresses costs associated with interconnection, transmission and distribution, and generation services for data center customers that interconnect at the transmission level and have peak electricity demands of at least 25 MW. Status: set for hearing in this Committee on June 24th.

SB 887 (Padilla) provides that the California Environmental Quality Act (CEQA) applies to data center projects, as defined. Adds data center projects meeting specified conditions and geothermal projects to existing streamlining provisions for Environmental Leadership Development Projects (ELDPs). Status: set for hearing in this committee on June 24th.

SB 978 (Pérez) requires the CPUC to establish a special rate structure for data centers taking transmission level electrical service with an estimated peak demand of at least 75 megawatts, as specified. This bill requires a contractor who enters a contract to perform work on a data center facility to abide by specified public works requirements and use a skilled and trained workforce. Status: held in the Senate Appropriations Committee.

4) *Prior Legislation.*

AB 222 (Bauer-Kahan, 2025) required the CEC to collect and analyze data center energy consumption trends and include those findings in the 2027 IEPR. This bill also required the CPUC to determine if data center loads resulted in cost shifts to other customers and to submit an assessment to the Legislature. Status: Held in the Senate Appropriations Committee.

AB 93 (Papan, 2025) required a data center operator to provide its estimated or actual water use to its water supplier as a condition of obtaining or renewing a business license issued by a city or county. Status: Vetoed

SB 57 (Padilla) authorizes the CPUC to assess the extent to which utility costs associated with new loads from data centers result in cost shifts to other utility customers and generate a report to the Legislature by January 1, 2027. This assessment may include costs associated with growing load demand, consideration of stranded asset costs, and mechanisms to prevent or mitigate cost shifts to ratepayers. Status: Chapter 647, Statutes of 2025.

REGISTERED SUPPORT / OPPOSITION:

Support

Ava Community Energy
Union of Concerned Scientists

Opposition

None on file.

Other

California Chamber of Commerce
Edison International and Affiliates, Including Southern California Edison
Pacific Gas and Electric Company
San Diego Gas and Electric Company
Silicon Valley Leadership Group (SVLG)
Southern California Gas Company

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