Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 1168 (McNerney) – As Amended June 15, 2026

Policy Committee: Utilities and Energy Vote: 18 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill directs the California Public Utilities Commission (CPUC) to assess opportunities for rate structures applicable to data centers.

Specifically, this bill directs the CPUC to assess rate structures that (a) ensure data centers pay their reasonable share of costs associated with transmission and distribution needs, regardless of whether the data centers interconnect at the transmission level or distribution level, (b) ensure data centers pay for their proportionate share of electrical load increases and procurements needed to reliably serve their loads while maintaining consistency with the applicable resource procurement plans requirements and (c) alleviate cost pressures on residential ratepayers.

FISCAL EFFECT:

The CPUC will incur significant costs to assess opportunities for rate structures applicable to data centers. The CPUC estimates costs of $224,000 (Public Utilities Commission Utilities Reimbursement Account) annually for a regulatory analyst to conduct this work. The bill's requirement is finite—when CPUC has completed its assessment, it will have complied with the work the bill explicitly requires. Nonetheless, the CPUC contends the analyst needs be a permanent position and describes the following as ongoing work as a result of this bill: coordination with procurement planning teams to ensure data center interconnection and tariff structure design are consistent with applicable procurement requirements and evaluation of data center tariff cost and rate impacts to ensure they continue to meet statutory goals and adjust them, if needed.

COMMENTS:

Data centers—facilities that house servers, storage devices and other computer-related infrastructure—are, by their nature, energy intensive: it takes a great deal of electricity to power such large concentrations of electronic equipment. California is home to many data centers, especially in and near the Silicon Valley region of Santa Clara County. Many expect data center development, and the associated demand for electricity, to continue and accelerate as the AI industry grows.

This bill directs the CPUC to assess opportunities for rate structures applicable to data centers. Under existing practice, the CPUC generally considers costs for serving new large loads (such as factories, office buildings and housing developments) under "tariffs," specifically "Electric Rule 15" and "Electric Rule 16," where the requesting customer typically pays the incremental costs of interconnection. As part of this consideration, the CPUC generally seeks to minimize the shifting of costs from the requesting customer to other customers or customer classes, though the law does not explicitly require that the CPUC do so.

Historically, these CPUC rules have governed interconnection of customers at the distribution level, that is, at level that draws relatively less electricity than that carried by electricity transmission lines. Many utilities, including and especially Pacific Gas and Electric (PG&E), report an increase in requests for new service at the transmission level.

The CPUC recently and only partially approved, on an interim basis, a proposal by PG&E for any customer seeking transmission-level services, provided the customer agrees to pay for necessary transmission infrastructure work upfront. The CPUC further reports it will determine terms and cost allocation in a future decision.

More recently, in April of this year, the CPUC opened a rulemaking on the California Advanced Electric Rate Design to explore opportunities to address affordability challenges associated with wildfire costs and rapid load growth, including load from data centers. The proceeding, along 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.

Despite these ongoing efforts, the author contends state law must "task the CPUC with assessing methods to ensure data centers pay their fair share."

The Legislature is considering, or has considered, several bills related to data centers. Bills actively under consideration in the current legislative session include AB 1577 (Bauer-Kahan), AB 2383 (Zbur), AB (Papan) and AB 2619 (Papan), each of which is pending consideration in the Senate Committee on Appropriations, and SB 887 (Padilla), which is pending consideration in this committee.

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