Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 57 (Padilla) – As Amended July 14, 2025

Policy Committee: Utilities and Energy Vote: 13 - 4

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

SUMMARY:

This bill requires the California Public Utilities Commission (CPUC) to establish or modify a special rule, known as a "tariff," governing provision of electrical service to a customer, such as a data center, that is estimated to have an especially large peak demand for electricity.

Specifically, this bill:

1) Regarding the establishment or modification of the tariff:

    a) Requires the CPUC, by December 31, 2026, establish or modify a special electrical corporation tariff for transmission and distribution service to an eligible customer that (a) ensures just and reasonable rates for customers of electrical corporations (also known as "investor-owned utilities" or "IOUs") and minimizes cost shifts to customers on other rate schedules, (b) promotes stable or reduced retail rates for electrical service, (c) ensures electrical grid investments to serve an eligible customer are fully recovered from the eligible customer in the event that the eligible customer ceases operations or uses less electricity than initially projected and (d) collects a reasonable share of the costs relating to wildfire mitigation, wildfire liability, electrification and environmental programs, and other societal cost obligations.

    b) Requires the CPUC consider opportunities to prioritize large load customer interconnections that lead to the development of new large load customers and that support clean energy and the state's climate goals while encouraging more efficient use of existing assets and the potential to lower costs to all customers.

    c) Defines an "eligible customer" as a customer newly connecting to electrical service of at least 50 kilovolts (kV) and with an estimated peak demand of at least 50 megawatts (MW), but does not include an existing customer whose increased demand is caused by fuel switching from a fossil fuel source to electricity or a new or existing customer whose increased electricity usage is predominantly for transportation electrification or greenhouse gas emission reductions.

2) Directs the CPUC to assess, according to specified criteria, the extent to which utility costs associated with new loads from data centers result in cost shifts to other utility customers.

FISCAL EFFECT:

This bill will require the CPUC to undertake substantial new analytical, regulatory and legal work. Costs will likely be in the hundreds of thousands of dollars for each year it takes the CPUC to establish the new tariff for each IOU. There may be ongoing CPUC workload, as well, at a somewhat lower annual cost, to oversee IOU implementation of the tariff, provide technical support and resolve disputes.

The CPUC estimates the bill will result in annual costs of $892,000 (Public Utilities Commission Utilities Reimbursement Account) for four positions: a senior analyst with substantial rate design training and experience, a junior or mid-level analyst, a utilities analyst and a staff services analyst. The CPUC identifies the following activities as a result of this bill: research, record development and ongoing evaluation of alternative revenue-neutral rate design proposals that both avoid cost-shifts and stranded assets and adhere to storage and backup power system requirements consistent with state decarbonization goals.

COMMENTS:

1) **Purpose.** The author is motivated by the current and expected growth in electricity demand, mainly resulting from the proliferation, or anticipated proliferation of data centers, and the potential effects of that growth on electric utility ratepayers. According to the author:

> Growing energy demand driven by data centers hold the potential, if done correctly, to lower existing ratepayer costs by more widely spreading costs. If done incorrectly, however, it could have significant ramifications for ordinary ratepayers in the form of expensive stranded assets. This measure is patterned off actions taken in several other states to support the industry while ensuring existing ratepayers are protected in this new and quickly expanding sector of our economy.

2) **Background.** 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 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 establish or modify a tariff governing provision of electrical service to a customer, such as a data center, that is estimated to have an especially large peak demand for electricity. 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 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 currently require that the CPUC do so.

   According to Pacific Gas and Electric (PG&E), electric rules 15 and 16 are designed to govern service interconnections at the distribution service level, that is, below 50 kV (kV) of service. PG&E reports that whenever a customer applies for a new service at transmission-

level voltage (50 kV or greater), PG&E must negotiate "unique interconnection terms," which PG&E describes as time consuming and resource intensive, and then make an "exceptional case filing" with the CPUC for consideration of the unique case. PG&E reports a "significant increase" in requests for new service from customers (mainly data centers) seeking to receive service at transmission-level voltage. For this reason, PG&E proposed to the CPUC a new transmission-level service request rule, "Electric Rule 30." (See PG&E's prepared testimony, "Application for Approval of Electric Rule No. 30 for Transmission-Level Retail Electric Service," filed with the CPUC on November 21, 2024.)

On July 24 of this year, the CPUC approved an interim electric rule to streamline and accelerate electric grid connections at the transmission level for high-energy users, such as artificial intelligence (AI) data centers and electric vehicle (EV) charging stations within the PG&E service territory. The CPUC describes its action on the interim electric rule as a partial approval of PG&E's proposed Electric Rule 30 that offers an "accelerated pathway" for customers seeking transmission-level services, provided the customer agrees to pay for necessary transmission infrastructure work upfront. The CPUC further reported it will determine terms and cost allocation in a future decision. It would seem, then, the CPUC's consideration of how to accommodate the growth in electrical demand resulting from a proliferation of data centers is well under way.

Perhaps for this reason, the CPUC describes the bill as "unnecessary and duplicative." The CPUC further warns this bill may "undermine or preempt existing regulatory proceedings, adds unneeded complexity to large-customer rate design and risks codifying a tariff model that has not been fully vetted for cost-shift or market distortion impacts."

3) **Support and Opposition**. This bill is supported by The Utility Reform Network (TURN), among others. TURN asserts the bill will "ensure a fair sharing of system costs to all customers, and promote greater use of clean energy and distributed resources by these facilities" and further writes:

> elements of SB 57 provide reasonable direction to the CPUC while allowing flexibility with respect to implementation of many details. TURN believes that this approach would allow for all customers to benefit from the downward pressure on rates attributable to new data center loads without being forced to absorb significant new costs necessary to serve these unique customers.

This bill is opposed jointly by the Data Center Coalition and the Silicon Valley Leadership Group, as well as PG&E and the California Chamber of Commerce, the latter of which describes the goal of SB 57 as ensuring that the costs of integrating new large-load electric customers are not shifted onto residential customers. According to the chamber, this goal is already being met:

> PG&E, the only investor-owned utility currently experiencing a significant spike in these requests, has an active application before the CPUC for a proposed Tariff Rule 30. That rule would standardize the interconnection process and directly prevent cost-shifting by requiring upfront customer funding of grid infrastructure, with reimbursement tied to actual delivered load.

Rather than building on this regulatory approach, SB 57 bypasses the CPUC's process and instead imposes rigid statutory requirements on a narrow subset of customers. It adds prescriptive new mandates and introduces project-level uncertainty that undermines California's ability to attract large-load operations such as data centers, advanced manufacturing, and other high-voltage, large load projects essential to economic and climate progress.

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