

SENATE THIRD READING
SB 57 (Padilla)
As Amended September 02, 2025
Majority vote

SUMMARY

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 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.

Major Provisions

COMMENTS

The AI industry is growing rapidly, and the demand to train new AI models is accelerating, resulting in data center development and construction. As the demand for compute grows, the need for larger data centers and the requirement for more energy grows as well. California has more than 270 data centers, concentrated largely around Santa Clara, close to the headquarters of Alphabet, Apple, and Meta. Data centers are already the single largest load for the municipal utility, Silicon Valley Power. Pacific Gas and Electric (PG&E), who provides distribution service in Santa Clara County, is expected to add 3.5 GW of new load attributed to data centers in the next four years, equivalent to adding ~2-3 million new homes on to the grid. As of 2023, 4.4% of *all* energy used in the United States is consumed by data centers. A study from Lawrence Berkeley National Laboratory predicted that by 2028, data centers would use between 6.7 and 12% of the country's electricity.

Increased demand is leading to continued investment in brown energy and reinvestment in nuclear energy. On September 20, 2024, Constellation Energy announced it will reopen Three Mile Island nuclear power plant, the site of the worst commercial nuclear accident in U.S. history, in a deal with Microsoft to power its cloud computing and artificial intelligence program. Meta is building a \$5 billion dollar data center project in Louisiana that will require a 2,300 MW expansion in natural gas power. Southern Company, a major U.S. utility plans to extend the life of three coal-fired power plants in Mississippi and Georgia in order to meet increased data center growth. Researchers at Caltech and UC Riverside assessed the public health impact as a result of AI energy usage and found by 2030, data centers could contribute to 1,300 premature deaths in California, carry \$20 billion in health care costs, and rival the greenhouse gas emissions of every car in California on a health cost basis.

With the remarkable boom in AI and data center development, there is has been increased scrutiny on who is paying for this growth. Consumer advocates, regulators, ratepayers and even utility companies across the country are starting to spotlight problems in the existing system to manage large load customers. For example, in the mid-Atlantic region, the regional power grid has experienced a huge amount of new data center growth in the state of Virginia. PJM Interconnect, the grid operator, needed to secure additional power during periods of extreme weather in the region. The exorbitant expense of this additional power is causing a rise in consumer bills by 20% in five states by 2025. Many blame the sudden growth of additional power demand, leading to shortages and increased cost. Similar concerns have been voiced in Oregon as well. In addition to

this supply squeeze, consumer advocates are also concerned about the discounts that data centers receive for their utility rates. For example, Google negotiated \$0.06 per kilowatt-hours for their energy from Dominion Energy in South Carolina. This is less than half of the residential rate. Consumer advocates argue that these rate discounts are compensated by the rest of the residential and small business ratepayer base. PG&E and other utilities push back on these assertions, suggesting that improvements and growth to the grid will lead to cheaper utility bills for all customers. Beyond increasing demand and paying discounted rates, the final cost shift concern from regulators and consumer advocates is the increasing need for infrastructure and investment in the grid to accommodate new load.

As infrastructure needs rise parallel to growth of data center demand, communities are asking who is going to pay for it. The cost of new infrastructure for large industrial customers is generally borne by the utility and ultimately paid for by the ratepayers. However, there has never been an equivalent predicted growth in energy load attributed to a single industrial customer base in this short time frame. In addition, without some protections, data centers and data center customers may have incentive to shop rates for electricity across the country, potentially leaving expensive new infrastructure stranded. This concern is reflected in recent generation of large load tariffs requiring five year upfront payments and 20 year commitments for new data centers in Kentucky, as well as American Electric Power in Ohio requiring payment for 85% of projected energy use each month for its large load customers, even if the customer uses less, to cover infrastructure costs.

In November 2024, PG&E filed an application at the CPUC to establish a new Electric Rule 30 (Application 24-11-007). PG&E's filing seeks to establish rules for interconnecting non-residential retail electric customers at transmission level voltages (this would include data centers). PG&E's Rule 30 application notes that applications for transmission-level interconnections have accelerated in recent years. Between 2014 and 2022, PG&E had a total of 16 retail customers interconnected with the transmission grid. Since 2023, PG&E has received 34 applications for transmission-level service from entities with an electrical demand of at least four megawatts (MW). According to PG&E's filings, data centers comprise 67% of the 34 transmission interconnection applications that PG&E has received since 2023. In the absence of an electric rule for these interconnections, PG&E has increased its use of the "exceptional case" filing process at the CPUC, which is reserved for those circumstances when adhering to existing rules are not feasible, and a party requests a solution that is not authorized under existing CPUC rules and regulations. Negotiating each interconnection on a case-by-case basis can lead to differing obligations included in each agreement and unpredictable ratepayer costs from those differing obligations. PG&E's Rule 30 application seeks to create standardized requirements for these interconnections.

On June 20, 2025 the CPUC released a Proposed Decision partly granting PG&E's motion for interim implementation of Electric Rule 30. The decision requires new transmission-level customers seeking retail services to be responsible for the initial costs of all transmission facilities rather than those costs being borne by ratepayers. The decision designates four types of transmission level facilities. These four facility types include Transmission Service Facilities (Type 1), Transmission Interconnection Upgrades (Type 2), Transmission Interconnection Network Upgrades (Type 3), and Transmission Network Upgrades (Type 4). The Commission supports PG&E's proposal to require invoicing transmission level-customers for Facility Types 1-3. The Commission also supports PG&E proposal to provide the option for transmission level customers to pre-fund Type 4 Facilities via loan, because Type 4 Facilities benefit all customers.

The interim Proposed Decision does not authorize recovery of costs through ratepayers but this could change in the Commission's final decision.

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."

Arguments in Support

This bill is supported by several environmental advocacy organizations such as the Natural Resources Defense Council and consumer advocacy organizations including The Utility Reform Network. They argue that the measure would encourage large load customers to take an active role in zero carbon investments and protect ratepayers from absorbing costs for infrastructure specifically to serve an influx of this customer class. However, the scope of the bill has significantly changed, and is now limited to a study, which may change the position of these groups.

Arguments in Opposition

This bill is opposed by a coalition of industry representatives, including the California Chamber of Commerce and the Data Center Coalition, arguing that the bill is redundant with ongoing proceedings at the CPUC and may impose potentially conflicting requirements on large load energy customers, which are currently regulated by existing law. They also argue it may discourage large load industry growth. However, the scope of the bill has significantly changed, with many of the opposition's comments no longer relevant.

FISCAL COMMENTS

The Assembly Committee on Appropriations estimates that this bill will require the CPUC to undertake substantial new analytical work. Costs will likely be in the low hundreds of thousands of dollars, one time (Public Utilities Commission Utilities Reimbursement Account).

VOTES

SENATE FLOOR: 25-9-6

YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Cervantes, Durazo, Gonzalez, Hurtado, Laird, McGuire, McNeerney, Menjivar, Padilla, Pérez, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener

NO: Alvarado-Gil, Choi, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares

ABS, ABST OR NV: Caballero, Cortese, Dahle, Grayson, Limón, Reyes

ASM UTILITIES AND ENERGY: 13-4-1

YES: Petrie-Norris, Boerner, Calderon, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz, Zbur

NO: Patterson, Davies, Ta, Wallis

ABS, ABST OR NV: Chen

ASM APPROPRIATIONS: 10-4-1

YES: Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Ahrens, Pellerin, Solache

NO: Sanchez, Dixon, Ta, Tangipa

ABS, ABST OR NV: Pacheco

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