
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

**Senator Benjamin Allen, Chair
2025 - 2026 Regular**

Bill No:	SB 886	Hearing Date:	3/17/2026
Author:	Padilla		
Version:	3/5/2026 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Sarah Smith		

SUBJECT: California Technology Innovation and Ratepayer Protection Act

DIGEST: This bill requires the California Public Utilities Commission (CPUC) to establish an electrical corporation tariff that addresses costs associated with transmission, distribution, and generation services for new large electrical customers that interconnect at the transmission level and have peak electricity demands of at least 75 megawatts (MW). This bill specifies components that must be included in the tariff, and it encourages local publicly owned electrical utilities (POUs) to adopt similar tariffs.

ANALYSIS:

Existing law:

- 1) Authorizes the CPUC to supervise and regulate every public utility in the state and permits the CPUC to do anything that is necessary and convenient to exercise its power and jurisdiction. (Public Utilities Code §701)
- 2) Authorizes the CPUC to set rates for public utilities and specifies that every cost charged by utilities to customers must be just and reasonable. (Public Utilities Code §451)
- 3) 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)
- 4) Defines a “retail seller” as an entity engaged in the retail sale of electricity to end-use customers located within the state. This definition expressly includes investor-owned utilities (IOUs), community choice aggregators (CCAs), and energy service providers (ESPs); however, this definition does not include the

Department of Water Resources (DWR), POU, or co-generation facilities.
(Public Utilities Code §399.12(j))

- 5) Creates the Renewables Portfolio Standard (RPS) by establishing a state goal of procuring at least 60% of total retail sales of electricity from renewable energy resources by December 31, 2030, with specified benchmarks up to that date. Existing law requires the CPUC to oversee electrical corporations' compliance with renewable energy procurement mandates and requires the California Energy Commission (CEC) to oversee POU renewable energy procurement compliance. (Public Utilities Code §399.11 et. seq.)
- 6) Establishes a policy to source 100% of all in-state retail electricity sales from zero-carbon 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. Existing law specifies that this assessment must be published by January 1, 2027, and it must include the following:
 - a) An analysis of potential electrical corporation costs associated with utility procurement for data center electricity consumption.
 - b) An analysis of potential electrical corporation costs associated with new transmission and distribution assets to serve new data centers or expansions of existing data centers, as specified.
 - c) Identification of opportunities to address any substantial cost shifts. (Public Utilities Code §913.22)
- 8) Establishes an opt-in permitting process at the CEC for certain non-fossil fueled power generation facilities. Existing law specifies certain criteria a facility must meet in order to qualify for this opt-in certification. These criteria include, but are not limited to, meeting certain labor standards for the construction of the facility seeking certification. Existing law specifies requirements regarding the use of a prevailing wage and skilled and trained workforce for opt-in permitting eligibility. (Public Resource Code §25545 et. seq.)

This bill:

- 1) Defines a "large load customer" as a customer connecting at the transmission level with an estimated peak demand of at least 75 MW. This definition

excludes an existing customer that adds load as a result of switching from fossil fuels to renewable fuels or transportation electrification activities.

- 2) Requires the CPUC to establish an electrical corporation tariff for large load customers seeking transmission interconnection.
- 3) Requires this tariff to govern large load customers' transmission, distribution, and generation services.
- 4) Requires the CPUC to do all the following in establishing the large load customer tariff:
 - a) Establish eligibility criteria for large load customers and facilities.
 - b) Evaluate the risks and benefits of this tariff to nonparticipating ratepayers.
 - c) Ensure that the tariff prevents the creation of stranded costs for, or cost shifts to, nonparticipating ratepayers.
- 5) Requires the tariff established by the CPUC to do all the following:
 - a) For customers taking generation services from the electrical corporation, assign to a tariffed customer any unique wholesale energy cost, including ancillary and reliability services costs attributable to rapid fluctuations in demand by the participating customer.
 - b) Include a reasonable share of costs typically collected from distribution customers, including costs for wildfire mitigation, wildfire liability, electrification and environmental programs, and other societal cost obligations generally collected through distribution rates.
 - c) Require a large load customer submitting an interconnection application to disclose each instance in which the customer has submitted an application for that facility in other electrical corporation service territories or jurisdictions.
 - d) Assign cost responsibility for all transmission facility upgrades triggered by a facility interconnection to the tariffed customer. To the extent permitted under federal law, these costs should include shared transmission grid network upgrades needed to accommodate the interconnection of the participating customer's facility or increase the flow of electricity across the electrical grid.
 - e) Allow a participating customer to receive refunds of a portion of its initial nominal dollar contributions to interconnection costs only to the extent that actual annual net revenues cover the costs of energization, the costs of providing electric service, and other costs allocated by the CPUC to the

- tariffed customer. This bill caps refunds to no more than 75% of the annual net revenue received by the electrical corporation from the tariffed customer.
- f) Require an early termination fee to be assessed against any tariffed customer that departs the electrical system within 15 years of the initial interconnection of the facility or fails to achieve full load ramp up. The early termination fee should not be less than the revenue gap associated with the originally projected demand and energy consumption of the facility over the minimum 15-year term.
 - g) Each tariffed customer shall be required to install onsite zero-carbon energy storage with at least four hours of capacity at no less than 50% of forecasted peak demand. Storage capacity shall be dispatchable by the electrical corporation or California Independent System Operator (CAISO) to address emergency conditions on the electrical grid.
 - h) Each tariffed customer shall participate in demand response programs as determined by the CPUC.
 - i) Each electrical corporation shall be required to publish and update maps showing locations where large load customers can interconnect without the need for significant, costly, and time-consuming transmission upgrades.
- 6) Requires every tariffed facility to certify that it meets specified labor requirements generally applied to non-fossil fueled power plants certified by the CEC, including prevailing wage and skilled and trained workforce requirements.
- 7) Encourages POUs to develop a tariff that ensures that costs associated with new large loads are not shifted on to other non-tariffed customers.

Background

Rapid data center growth has been linked to ratepayer concerns in a number of states. The growth of data centers – particularly those data centers that support generative artificial intelligence (AI) – is leading to increased energy costs in many US states. This growth is expected to accelerate in the near future. According to a May 2024 report from the CEC, data centers comprise approximately two percent of the state’s total annual electricity demand. The CEC anticipates that data centers’ electricity consumption may double in the next 10 years without implementation of any additional energy efficiency measures. In December 2024, the United States Department of Energy released a report by the Lawrence Berkeley National Laboratory on data centers’ energy use. The report shows that data centers’ electricity use comprised approximately 4.4% of the United States’ total electricity consumption in 2024. The report also estimates that data centers may comprise between 6.7% to 12% of national electricity consumption by 2028.

As electricity demands from data centers increase, grid and utility costs are also increasing. 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 electricity demands, PJM has seen record high costs for electricity to meet future reliability needs in addition to new transmission costs. Consumers in four states within PJM territory paid over \$4 billion in 2024 alone for transmission projects serving data centers. California has not experienced the level of data center growth seen in some other states; however, a number of California’s utilities are projecting substantial data center load growth in the next four years. Currently, the majority of California’s data center load growth has occurred in service territories of local POU’s and those of CCAs. However, the IOUs have also seen a recent increase in load growth from data centers and a substantial increase in applications for transmission-level interconnection.

Bill overlaps with ongoing CPUC proceeding on Pacific Gas & Electric’s (PG&E’s) Rule 30 application. 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. In February 2026, the CPUC issued a schedule for the next phase of the proceeding to consider additional electric rule requirements for transmission interconnection, including mechanisms for covering utility costs. Certain provisions of this bill overlap with issues that are currently included in the ongoing Rule 30 proceeding. Some provisions also mirror certain provisions of prior CPUC resolutions regarding specific transmission interconnection advice letters. For example, this bill caps at 75% the annual amount that an IOU can re-pay a large-load customer for any advance loan that the customer provides to the IOU to cover costs for the transmission and distribution interconnection. This limit on repayments is identical to a limit included in a CPUC resolution (E-5420) approving and modifying an advice letter (AL 7569-E) submitted by PG&E regarding the transmission interconnection of a 90 MW data center in San Jose. To the extent that the CPUC adopts decisions in the ongoing Rule 30 proceeding that conflict with this bill, this bill may require the CPUC to revise its decisions and extend the Rule 30 proceeding.

One tariff does not necessarily fit all. This bill is aimed at establishing a mechanism to prevent utility costs triggered by interconnecting and serving data

centers from impacting the utility bills of other customers. While this bill only impacts certain large-load customers receiving transmission-level service, this bill requires the tariff to encompass costs beyond those typically recovered in transmission and distribution rates. For example, this bill requires the transmission interconnection provisions of the tariff to include early termination fees that cover revenue gaps associated with 15-year electric generation procurement contracts. For bundled customers of an IOU that receive transmission, distribution, and retail electric service from the IOU, it is possible that a tariff could address all the IOU costs associated with serving that customer; however, for unbundled customers receiving retail service from a CCA, the CCA would be responsible for procuring electric generation resources to serve the tariffed customer. While IOUs own transmission and distribution facilities, CCAs do not currently own these facilities. As a result, a transmission interconnection tariff cannot effectively include costs for retail electric service provided by a CCA.

What types of utility customers are impacted by this bill? This bill's tariff would apply to large-load customers across a variety of sectors. While the majority of large-load customers requesting new transmission interconnections have been data centers, this bill does not solely apply to data centers. Facilities covered by this bill may include a number of commercial and industrial facilities in the state, including some local utility facilities such as water treatment plants and waste management operations. Additionally, this bill applies to all large-load facilities that meet the definition of a data center, including telecommunications facilities that comprise the state's telecommunications network, state-owned and operated facilities, research institutions, and public safety and national security facilities. This bill requires the CPUC to establish eligibility criteria for the tariff; however, it is not clear whether the CPUC would exclude additional facilities from the tariff. To the extent that this bill increases electricity costs for ratepayer-funded and publicly funded facilities, this bill may result in cost shifts to those ratepayers and public programs.

Balancing emissions reduction goals with protecting ratepayer interests. This bill's tariff would apply to facilities that have a capacity of at least 75 MW and interconnect at transmission voltages. This bill's definition of a large-load customer subject to this bill's tariff explicitly excludes existing utility customers whose load increases as a result of transportation electrification or decarbonization activities that increase the use of renewable energy to replace fossil fuels. To the extent that this bill would increase electrical costs for a customer covered by this bill's tariff, this bill could serve as a disincentive to electrification for large commercial and industrial facilities that take transmission-level electric service. Under California's emissions reduction policies, including Cap-and-Invest policies overseen by CARB, existing commercial and industrial facilities producing

emissions may use a variety of mechanisms to reduce emissions to progressively lower limits. Certain commercial and industrial facilities may choose to electrify activities that are currently using fossil fuels in order to reduce their emissions. For example, facilities with high-heat processes may switch from burning fossil fuels to using electricity to generate heat. These fuel-switching activities may substantially increase electrical loads and may require transmission upgrades to facilitate the use of higher voltages. By excluding existing commercial and industrial customers that increase electricity use for decarbonization activities, this bill will allow existing facilities that are already customers of the electrical corporation to electrify without potentially paying higher electric bills that may be required of customers subject to the tariff. While this bill supports electrification for existing utility customers, this bill's tariff would still apply to new utility customers. As a result, new large-load facilities that on-shore certain manufacturing processes or establish new large electric vehicle (EV) charging depots would be subject to the tariff unless exempted by the CPUC.

Trigger for applying the tariff is unclear. This bill requires the CPUC to establish a tariff for certain large-load customers interconnecting to transmission. This bill expressly requires the large-load customer to pay for transmission infrastructure costs, including upgrade costs, triggered by the interconnection; however, it is unclear if only customers requesting new transmission interconnections will trigger this bill's tariff. Some transmission upgrades occur as a result of an existing transmission-interconnected customer increasing the voltage at which a facility receives power. A number of other transmission upgrades, including certain wildfire safety upgrades, occur at the initiative of the utility – not the customer.

Bill's behind-the-meter generation siting requirements may be infeasible on a statewide basis. This bill requires customers subject to its tariff to install behind-the-meter zero-carbon energy storage with at least four hours of capacity for at least 50% of the facility's peak electricity demand needs. This bill also requires this storage to be dispatchable by the utility or CAISO to serve as an emergency reliability grid asset. To provide this amount of behind-the-meter energy storage for a facility of 75 MW or more, a customer would likely need a parcel of at least several acres in order to site the energy storage and its associated business operations. Such large parcels are likely unavailable in certain parts of the state, which may discourage data center construction in-state or increase the likelihood that data centers will only locate in areas of the state where large parcels of land may be purchased.

Need for Amendments. As currently drafted, this bill would require IOUs to file tariffs that encompass costs and services generally included in CCA rates for unbundled customers. It is also unclear whether this bill applies when a new

interconnection agreement is executed or when upgrades are made. This bill requires tariffed customers to participate in existing demand response programs; however, it is unclear if these existing demand response programs are structured to meet the requirements of these large load customers while providing ratepayer benefits. Additionally, this bill's behind-the-meter energy storage requirements may be infeasible in portions of the state. This bill's tariff may apply to other utility and public institutions in a manner that may increase costs for certain public programs and shift costs to other utility customers. *For these reasons, the author and committee may wish to amend this bill to do the following:*

- *Narrow this bill to only apply to large load data centers.*
- *Recast this bill's tariff requirements to instead require the CPUC to include a transmission and distribution tariff as part of a rate structure that addresses the potential cost shift posed by new large-load data centers taking transmission-level service.*
- *Clarify that this bill applies only to those facilities for which a new transmission interconnection agreement is established after the adoption of the rate structure created pursuant to this bill or on a later date specified by the CPUC.*
- *Remove provisions related to generation components of a customer bill from the items that must be included in a transmission tariff and instead require the CPUC to ensure that costs assigned to transmission services can be tariffed separately from items generally included in the generation component of a customer's bill.*
- *Replace this bill's behind-the-meter energy storage requirement with a requirement that the CPUC establish a process by which a customer covered by this bill can pre-fund a 15-year contract for new, incremental, zero-carbon energy resources to function as dispatchable reliability assets within the utility service territory.*
- *Replace the requirement that data centers participate in existing demand response programs with a requirement that the CPUC consider requiring tariffed facilities to participate in demand response programs if the CPUC determines that such requirements are in the best interest of ratepayers.*
- *Exempt publicly-funded research facilities, public safety facilities, national security facilities, publicly owned facilities, and other utility facilities – including facilities-based telecommunications assets from the bill.*

Prior/Related Legislation

SB 887 (Padilla) of 2026, establishes certain permitting permissions for data centers that meet specified criteria. These criteria include provisions similar to the requirements for the tariff specified in this bill. The bill is pending in the Senate Environmental Quality Committee.

SB 978 (Pérez) of 2026, requires 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. The bill is pending in the Senate Energy, Utilities, and Communications Committee.

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 the Senate Appropriations Committee.

SB 1298 (Cortese) of 2024, would have increased the amount of thermal generation a data center could use as backup power from 100 MW to 150 MW without triggering the CEC's power plant siting process. The bill would have also created conditions for data centers to use this exemption. The bill died in the Assembly.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

Net-Zero California (Co-sponsor)
The Utility Reform Network (Co-sponsor)
Brawley Chamber of Commerce
Brightline Defense, if amended
California Environmental Voters, if amended
Center for Biological Diversity, if amended
City of Imperial
City of Monterey Park
Climate Action California
Comité de Acción del Valle Inc.

E2

Earthjustice, if amended

International Brotherhood of Electrical Workers, Local Union 569

Kapor Center Advocacy

Kuhn Hay, Inc.

Leadership Council for Justice and Accountability, if amended

Los Amigos de la Comunidad, Inc.

Natural Resources Defense Council

NRDC Action Fund

Sierra Club California, if amended

Victoria Homes

OPPOSITION:

Bay Area Council, unless amended

Bloom Energy

CalAsian Chamber of Commerce

California African American Chamber of Commerce

California Chamber of Commerce

California Hispanic Chamber of Commerce

California Large Energy Consumers Association, unless amended

California Manufacturers and Technology Association

Data Center Coalition

Enchanted Rock

Mainspring Energy

Pacific Gas and Electric Company

Silicon Valley Leadership Group

TechCa

TechNet

Western States Petroleum Association, unless amended

ARGUMENTS IN SUPPORT: According to the Author:

Multiple studies have found data centers increase costs for ordinary ratepayers as they drive skyrocketing demand without corresponding growth in supply. Moreover, these high intensity energy users require expensive infrastructure upgrades that ordinary ratepayers are paying for. Without taking steps to mitigate these cost shifts, rates are estimated to go up 8%. Microsoft, Meta, and Anthropic have stated they will pay for the cost of interconnection to their data centers, and this bill puts these commitments into law.

ARGUMENTS IN OPPOSITION: A coalition of technology, manufacturing, and business associations oppose this bill, arguing that the bill is unnecessary, may negatively impact economic development and decarbonization goals, and would conflict with the CPUC's ongoing rulemaking regarding PG&E's Rule 30 application. In opposition, the California Chamber of Commerce states:

California is competing with other states to attract advanced manufacturing, data centers, and other electricity-intensive industries that support economic growth and technological innovation. Policies that impose unusually burdensome infrastructure requirements while also limiting operational control over privately financed energy assets risk discouraging the development of these facilities in California. Grid flexibility and reliability are important goals, but they should be pursued through voluntary programs and market incentives rather than mandates that deter new investment in the state's electricity system. For these reasons, the California Chamber of Commerce respectfully urges the Legislature to reject SB 886.

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