SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 886 (Padilla) - California Technology Innovation and Ratepayer Protection Act

Version: March 25, 2026
Urgency: No
Hearing Date: April 13, 2026
Policy Vote: E., U. & C. 12 - 4
Mandate: Yes
Consultant: Ashley Ames

Bill Summary: This bill would require the California Public Utilities Commission (CPUC) to establish an electrical corporation tariff that addresses costs associated with transmission, distribution, and generation services for "participating customers," as defined, and would require a participating customer to prefund a contract of at least 15 years in duration for the installation of new, incremental, zero-carbon energy resources, and to participate in a new demand response program, as provided. It would also encourage local publicly owned electrical utilities (POUs) to adopt similar tariffs.

Fiscal Impact:
- The CPUC estimates one-time costs likely between $750,000 and $2 million spread over two years as well as ongoing costs ranging from approximately $500,000 to $1.2 million annually (ratepayer funds) for additional staff and administrative resources needed to establish and implement a new tariff and regulatory framework.
- To the extent that this bill increases electricity costs for ratepayer-funded and publicly funded facilities, this bill could result in cost shifts to those ratepayers and public programs.

Background: 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 POUs 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.

Proposed Law: This bill would require the CPUC to establish an electrical corporation tariff that addresses costs associated with transmission, distribution, and generation services for participating customers, among other things. Specifically, this bill would:

1. Require the CPUC, on or before July 1, 2027, to establish a rate structure that includes an electrical corporation tariff for the interconnection of the participating customer facilities and the provision of transmission, distribution, and generation services to participating customers, as specified.

2. Require the CPUC, as part of establishing the electrical corporation tariff, to, at a minimum, establish eligibility criteria for participating customers and facilities, as defined; evaluate the risks and benefits of the electrical corporation tariff to nonparticipating customers; and ensure that the electrical corporation tariff prevents the creation of stranded costs for, or cost shifts to nonparticipating customers, and, for unbundled customers, ensure that charges generally included in the generation component of their bills are assessed separately from charges generally included in the transmission and distribution components of their bills.

3. Require that the electrical corporation tariff require a participating customer that submits an application for interconnection of a facility to an electrical corporation to disclose whether an application for the same facility has been submitted in other electrical corporation service territories or other jurisdictions and to disclose each instance in which an application for the same facility has been submitted.

4. Require that the electrical corporation tariff, among other things, assign cost responsibility for all transmission facility upgrades triggered by a new facility interconnection to the applicable participating customer and require an early termination fee to be assessed against a participating customer under specified circumstances.

5. Require a participating customer to prefund a contract of at least 15 years in duration through the electrical corporation, community choice aggregator, or electric service provider for the installation of new, incremental, zero-carbon energy resources, and to participate in a new demand response program authorized by the commission, as provided.

6. Require each electrical corporation to publish and update maps showing locations where large load participating customers can interconnect without the need for significant, costly, and time-consuming transmission upgrades.

7. Encourage each local publicly owned electric utility to develop a tariff that is similar to the electrical corporation tariff described above and ensures, among other things, that costs are not shifted from a customer that is not subject to that tariff to a customer that is subject to that tariff, and that the costs of investments

in infrastructure made by a customer that is subject to that tariff are not recoverable from other customers that are not subject to that tariff.

8. Provide that under existing law, a violation of any order, decision, rule, direction, demand, or requirement of the commission is a crime. State that because a violation of a commission action implementing this bill's requirements would be a crime, the bill would impose a state-mandated local program.

Related Legislation:

SB 887 (Padilla) of 2026, would establish 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.

SB 978 (Pérez) of 2026, would require 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.

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.

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