

THIRD READING

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Bill No: SB 886  
Author: Padilla (D), et al.  
Amended: 5/14/26  
Vote: 21

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SENATE ENERGY, U. & C. COMMITTEE: 12-4, 3/17/26  
AYES: Allen, Archuleta, Arreguín, Becker, Gonzalez, Hurtado, McNerney,  
Reyes, Richardson, Rubio, Stern, Wahab  
NOES: Ochoa Bogh, Dahle, Grove, Strickland  
NO VOTE RECORDED: Caballero

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/14/26  
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab  
NOES: Seyarto, Dahle

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**SUBJECT:** California Technology Innovation and Ratepayer Protection Act

**SOURCE:** Net-Zero California  
The Utility Reform Network

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**DIGEST:** This bill requires the California Public Utilities Commission (CPUC) to establish an electrical corporation tariff that addresses utility costs for serving data centers that interconnect at the transmission level and have peak electricity demands of at least 25 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 “data center” as a facility that primarily contains electronic equipment used to process, store, and transmit digital information. Data centers may be individual buildings or facilities within buildings that use environmental control equipment to maintain the proper conditions for the operation of electronic equipment.
- 2) Clarifies that the following types of facilities are exempt from this bill’s requirements: publicly funded research facilities, public safety facilities, national security facilities, publicly owned facilities, and other utility facilities, including, but not limited to, assets of facilities-based telecommunications providers.
- 3) Requires the CPUC to establish a rate structure by July 1, 2027, that includes an electrical corporation tariff addressing utility costs associated with providing electrical service to data centers taking electrical service at the transmission level with an estimated peak load of at least 25 MW. This bill specifies that interconnection components of a tariff shall only apply to data center facilities for which a new transmission interconnection agreement is established on or after the adoption of the tariff and associated rate structure required by this bill.
- 4) Requires the CPUC to do all the following in establishing the data center tariff:
  - a) Establish eligibility criteria for data center 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.
  - d) Ensure that costs generally included in the generation component of a customer's bill are assessed separate from charges generally included in the transmission and distribution components of the bill.
- 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 data center to pre-fund a 15-year contract for the installation of new, incremental, zero-carbon resources sufficient to provide at least 50% of the facility's hourly energy needs and provide dispatchable reliability assets within the facility's utility service territory. A data center may meet this requirement by installing similar zero-emission resources behind the meter.
  - d) Require a data center to participate in a new demand response program that does not result in net costs to other ratepayers.
  - e) Require a data center submitting an interconnection application to disclose each instance in which the data center has submitted an application for that facility in other electrical corporation service territories or jurisdictions.
  - f) Assign cost responsibility for all transmission facility upgrades triggered by a facility interconnection to the data center. To the extent permitted under federal law, these costs should include shared transmission grid network upgrades needed to accommodate the interconnection of the data center or increase the flow of electricity across the electrical grid.
  - g) Allow a tariffed data center 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.
  - h) Include an early termination fee to be assessed against any tariffed data center 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.

- 6) Requires each electrical corporation to publish and update maps showing locations where data centers customers can interconnect without the need for significant, costly, and time-consuming transmission upgrades.
- 7) Requires every tariffed data center to certify that it meets specified labor requirements generally applied to certain non-fossil fueled power facilities, including prevailing wage and skilled and trained workforce requirements.

## **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. 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 proceedings.* 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 bill's 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. On April 9, 2026, the CPUC started the process to open a rulemaking (R.26-04-009) on the California Advanced Electric Rate Design. As part of this proceeding the CPUC intends to explore opportunities to address affordability challenges associated with rapid load growth, including load from data centers. The CPUC intends to explore rate designs and tariffs for data center customers to address affordability issues in this proceeding. The CPUC intends to publish a staff proposal on rate reform as part of this proceeding in the 3<sup>rd</sup> Quarter of 2026. To the extent that the CPUC adopts decisions in the ongoing proceeding that conflict with this bill, this bill may require the CPUC to revise its decisions.

*Data centers are growing in California, but other facilities may have larger electricity impacts over time.* California has experienced load growth associated with data center expansion; however, this growth has been more gradual than the increased demand experienced by some other states. The CEC, CPUC and California Independent System Operator (CAISO) have all projected varying increases in load from data centers. In forecasts focusing on near term demand, the CEC has shown that CAISO may experience a 1.8 gigawatt (GW) load growth from data centers by 2030. However, the CEC's energy demand forecast covering 2025 through 2045 indicates that vehicle electrification will be the largest driver of peak electricity demand in the state by 2045. While data centers are expected to increase peak electricity demand by 4.7 GW by 2045, electric vehicles (EVs) may

contribute approximately 8.2 GW to peak demand. Regardless of the sector contributing to the largest share of future energy costs, serving these future loads will necessarily require additional resources. To address these needs, the CPUC has ordered utilities under its jurisdiction to collectively procure 6 GW of new zero emissions energy resources by 2032. This 6 GW procurement is intended to cover near-term load growth and account for delays in delivering previously planned renewable resources, including off-shore wind resources. While the CPUC's California Advanced Electric Rate Design proceeding will address cost drivers across multiple sectors that include businesses with large energy demands, this bill focuses on establishing a rate structure to specifically address costs associated with data centers that interconnect at the transmission level.

*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. 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, and CCAs do not file tariffs with the CPUC. For those data centers that are unbundled customers of CCA, it is unclear how a single tariff filed by an IOU can effectively govern costs associated with generation services arranged through a CCA. This bill requires the tariff to ensure that generation elements of a customer's bill can be assessed separately from costs generally included in the transmission and distribution costs. However, this bill applies the interconnection provisions of the tariff to only those facilities with at least 25 MW of peak electricity demand that interconnect at the transmission level. Not all data centers with 25 MW of load will interconnect at the transmission level and a substantial number of large data centers are not IOU customers. While this bill's provisions related to transmission costs may only apply to larger data centers that establish new transmission interconnections, other provisions of this bill may apply to any data center, including existing data centers that are not seeking any upgrades or changes to electrical facilities or services.

### **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.

SB 978 (Pérez) of 2026, would have required the CPUC to create a special rate structure for large data centers prevent cost shifts to other customers. The bill would have established labor requirements for the construction of facilities subject to the bill. The bill would have expanded existing CPUC reporting requirements to include a specified assessment about data center impacts to renewable procurement goals. The bill was held by the Senate Appropriations 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

According to the Senate Appropriations Committee:

- 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 facilities, this bill could result in cost shifts to those ratepayers.

**SUPPORT:** (Verified 5/14/26)

Net-Zero California (Co-source)

The Utility Reform Network (Co-source)

AARP

Brawley Chamber of Commerce

Brightline Defense

California Environmental Voters

California State Association of Electrical Workers

California State Pipe Trades Council

Center for Biological Diversity

City of Buena Park

City of Imperial

City of Monterey Park

Climate Action California

Coalition of California Utility Employees

Comité de Acción del Valle Inc.

E2

Earthjustice

Herber Public Utility District

Imperial Valley Equity & Justice

International Brotherhood of Electrical Workers, Local Union 569

Kapor Center Advocacy

Kuhn Hay, Inc.

Leadership Council for Justice and Accountability

Little Hoover Commission

Los Amigos de la Comunidad, Inc.

Natural Resources Defense Council

NRDC Action Fund

Sierra Club California

Sustainable Rossmoor

Victoria Homes

Western States Council Sheet Metal, Air, Rail and Transportation

**OPPOSITION:** (Verified 5/14/26)

Bay Area Council  
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  
California Manufacturers and Technology Association  
Data Center Coalition  
Enchanted Rock  
Mainspring Energy  
Pacific Gas & Electric Company  
San Diego Gas & Electric  
Silicon Valley Leadership Group  
TechCa  
TechNet  
Western States Petroleum Association

**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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5/18/26 15:03:41

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