Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 886 (Padilla) – As Amended July 2, 2026

Policy Committee: Utilities and Energy Vote: 14 - 0

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

SUMMARY:

This bill requires the California Public Utilities Commission (CPUC) to establish pricing and rules (tariffs) applicable to the provision of electrical service to data centers.

Specifically, this bill:

1) Defines a data center subject to the tariffs ("participating customer") as one with a minimum peak demand as determined by the CPUC, but no more than 25 megawatts and in consideration of the data center's material impact on electrical corporation costs.

2) Requires the CPUC, by July 1, 2027, to establish a tariff for each of the following: (a) interconnection of a data center to the electrical grid, (b) procurement of electricity generation resources to serve a data center's demand for electricity ("load") and (c) the transmission and distribution infrastructure used to deliver electricity to a data center.

3) Regarding establishment of any of the data center-specific tariffs, requires the CPUC to (a) evaluate the risks and benefits of the separate tariffs to "nonparticipating customers"(customers other than data center customers subject to the tariffs), (b) ensure the separate tariffs prevent the creation of stranded costs for, or cost shifts to, nonparticipating customers, and (c) for a customer that receives electrical generation service and electrical transmission and distribution service from different entities ("unbundled customer"), ensure that charges generally included in the generation component of the unbundled customer's consolidated bill are assessed as a separate line item on the unbundled customer's bill.

4) Regarding establishment of the interconnection tariff, requires the CPUC, among other things, to assign cost responsibility for all transmission facility upgrades triggered by a new facility interconnection to the applicable participating data center customer.

5) Regarding establishment of the generation tariff, requires the CPUC to, among other things, (a) ensure data center procurement of generation resources support achievement of CPUC procurement requirements and the state's clean energy targets and policies and (b) require a data center to prefund a contract of at least 10 years with the load-serving entity (LSE), such as the utility or community choice aggregator (CCA), to cover the costs of serving the data center.

6) Regarding establishment of the transmission and distribution tariffs, requires the CPUC to ensure a participating data center pays a reasonable share of the costs relating to wildfire

mitigation, wildfire liability, electrification and environmental programs, and other societal cost obligations typically collected from distribution-level ratepayers.

7) Directs the CPUC to require each electrical corporation (also known as an investor-owned utility (IOU)) to publish and update maps showing locations where participating data centers can interconnect without the need for significant, costly and time-consuming transmission upgrades.

8) Requires a participating data center take part in a new demand response program authorized by the CPUC that does not result in any net costs to a nonparticipating customer and supports various demand management and clean energy objectives.

FISCAL EFFECT:

This bill creates significant new analytical, regulatory and legal work of the CPUC to develop the data center-specific tariff. The CPUC estimates costs of approximately $1 million annually (Public Utilities Commission Utilities Reimbursement Account) for five positions—four regulatory analysts ($190,000 to $240,000 each, depending on experience and expertise) and one attorney ($267,000)—and roughly $40,000 in training and travel expenses.

COMMENTS:

1) **Background.** Data centers—facilities that house servers, storage devices and other computer-related infrastructure—are generally, 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 and near 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 artificial intelligence (AI) industry grows.

   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 explicitly require that the CPUC do so.

   Historically, these CPUC rules have governed interconnection of customers at the distribution level, that is, at level that draws relatively less electricity than that carried by electricity transmission lines. Many utilities, including and especially Pacific Gas and Electric (PG&E), report an increase in requests for new service at the transmission level, that is, in the case of PG&E, service that would draw 50 kilovoltz or more of electricity. For this reason, PG&E proposed to the CPUC a new transmission-level service request rule, "Electric Rule 30."

   Last year, the CPUC approved interim implementation of Electric Rule 30, applicable to PG&E only, to streamline and accelerate electric grid connections at the transmission level for high-energy users, such as 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 a customer seeking transmission-level services, provided the customer agrees to pay for necessary transmission infrastructure work upfront. The CPUC further reports it will determine terms and cost allocation in a future decision.

More recently, in April of this year, the CPUC opened a rulemaking on the California Advanced Electric Rate Design to explore opportunities to address affordability challenges associated with wildfire costs and rapid load growth, including load from data centers. The proceeding, along with the assessment required by (Padilla), Chapter 647, Statutes of 2025, will consider issues such as stranded costs and cost shifts for new and emerging large loads with a focus on data centers.

Despite these ongoing efforts, the author contends state law must be explicit in requiring data centers and other very large electricity users to cover cost of providing them with electric service.

2) **Support and Opposition.** Several organizations representing labor, environmental advocacy and other interests echo the author's arguments. In addition, the Little Hoover Commission, expresses support for the bill, describing it carrying out recommendations from its 2026 report, "Data Centers and California Electricity Policy."

   A coalition of technology, industry and business organizations—including the Bay Area Council, the Silicon Valley Leadership Group and TechNet—sees the issue differently, critiquing SB 886 as introducing "ambiguity" that "could hamper efforts to ensure costs are appropriately allocated." Instead of this bill, the opponents advocate letting the CPUC sort the matter, asserting, "We believe the CPUC, in its regulatory role, is most appropriately suited to ensure appropriate cost allocation through public proceedings that are evidence-based, transparent, carefully considered, and open to stakeholder participation."

3) **Related Legislation**. The Legislature is considering, or has considered, several bills related to data centers. Bills actively under consideration in the current legislative session include AB 1577 (Bauer-Kahan), AB 2383 (Zbur), AB (Papan) and AB 2619 (Papan), each of which is pending consideration in the Senate Committee on Appropriations, and SB 887 (Padilla) and SB 1168 (McNerney), both of which are pending consideration in this committee.

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