

UNFINISHED BUSINESS

Bill No: SB 886
Author: Padilla (D) and McNerney (D), et al.
Amended: 8/28/26
Vote: 21

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

SENATE FLOOR: 28-8, 5/26/26

AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon,
Caballero, Cervantes, Durazo, Grayson, Hurtado, Laird, Limón, McGuire,
McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-
Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener

NOES: Alvarado-Gil, Choi, Grove, Jones, Ochoa Bogh, Seyarto, Strickland,
Valladares

NO VOTE RECORDED: Cortese, Dahle, Gonzalez, Niello

ASSEMBLY FLOOR: Passed, 8/31/26

SUBJECT: California Technology Innovation and Ratepayer Protection Act

SOURCE: Net-Zero California
The Utility Reform Network

DIGEST: This bill requires the California Public Utilities Commission (CPUC) to adopt new tariffs and update existing electric rules to ensure that utility costs for serving data centers are not shifted to other ratepayers. This bill requires the CPUC to adopt a transmission interconnection tariff for data centers seeking retail electric

service at the transmission level and specifies requirements this tariff must include. The bill also authorizes tariffed data centers to participate in a demand response program established for data centers by the CPUC. This bill specifies that this demand response program shall not result in any net costs to non-tariffed electric customers.

Assembly Amendments remove provisions related to generation tariffs and specific generation procurement requirements, shift data centers' participation in demand response programs from mandatory to permissive, and make various clarifications.

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), publicly owned utilities (POUs), 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) Requires the CPUC to adopt new tariffs and update existing electric rules by January 1, 2028, for the interconnection of data centers and the provision of retail electric service, transmission, distribution, and generation services to those data centers. This bill requires the CPUC to do all the following when adopting new tariffs and updating electric rules pursuant to this bill:
 - a) Evaluate the risks and benefits of this tariff to nonparticipating ratepayers.

- b) Ensure that the tariff prevents the creation of stranded costs for, or cost shifts to, nonparticipating ratepayers.
 - c) Ensure, for unbundled customers, 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 this bill.
- 2) Requires the CPUC to establish a tariff for the interconnection of a data center seeking to receive retail electric service at the transmission level. This bill specifies that this tariff must comply with the following requirements:
- a) 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.
 - b) Assign cost responsibility for all transmission facility upgrades and usage to the tariffed 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.
 - c) 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 specifies that refunds must be based on the materialization of the tariffed customer's load and shall not exceed 75% of the annual transmission revenue received from the tariffed customer.
 - d) Include an early termination fee to be assessed against any tariffed data center that departs the electrical system within 10 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 10-year term.
- 3) Specifies that the interconnection tariff required by this bill shall only apply to a data center that enters into a new transmission interconnection agreement on or after January 1, 2027.

- 4) 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.
- 5) Requires every data center tariffed under this bill 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.
- 6) Authorizes a tariffed data center to participate in a new demand response program established by the CPUC to support load shifting, reliability, resource adequacy, and greenhouse gas emission reduction goals. This bill specifies that this demand response program may not result in net costs to other ratepayers.

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 2% 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, Pacific Gas & Electric (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 repay 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 megawatts (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 3rd 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.

Bill addresses infrastructure costs associated with interconnecting large new data centers. Increasingly, large load data centers are requesting retail electricity service from utilities through transmission interconnections. Transmission upgrades, new infrastructure, and downstream distribution facilities needed to serve these transmission-connected data centers have triggered large costs for other electricity customers, particularly since transmission and distribution costs are assessed to all electricity customers. Unlike distribution interconnections, the CPUC lacks standard rules for interconnecting retail electricity customers to transmission

facilities. Transmission interconnection generally requires substantially greater infrastructure installation at much higher costs than those required to connect a customer to distribution lines. For example, a transmission interconnection for a large load generally requires a dedicated substation. Even when new substations may not be required, transmission upgrade costs frequently exceed comparable distribution upgrades. This bill requires the CPUC to establish a tariff that ensures that data centers interconnecting at the transmission level pay for the transmission infrastructure installation and upgrades required to serve those data centers. By prohibiting electrical corporations from shifting any of these costs associated with data centers' transmission interconnection to other ratepayers, this bill would prevent California ratepayers from experiencing the large transmission infrastructure-related cost shifts experienced in other states.

Getting the most from large megawatts. This bill authorizes a tariffed data center to participate in a demand response program created by the CPUC for data centers, provided that the demand response program does not increase costs for other ratepayers and helps achieve environmental and grid benefits. A number of stakeholders, including utilities and research institutions, are identifying and developing mechanisms to support more demand responsive large loads that can respond to grid conditions and lower procurement costs. On June 22, 2026, the CEC approved grants for more than \$21 million from the Electric Program Investment Charge to fund projects – including a project to develop of a flexible data center load capacity tool – to support beneficial electrification while increasing grid capacity and flexibility. Beneficial electrification can occur with large loads interconnecting in locations where excess capacity exists on the grid. Increasingly policymakers are seeking mechanisms to use large MW procurements for these beneficial electrification projects to lower overall electricity rates. The CPUC's Public Advocate's Office states the following regarding beneficial electrification's potential for ratepayer benefits:

Expanding electrification can lower the average cost of electricity, provided it does not strain the system in ways that compromise reliability or require expensive upgrades. Policies should promote “beneficial electrification,” by considering when and where energy is used to maintain safety, system reliability, control costs, and prevent inequities.

Beneficial electrification necessarily requires a large load to interconnect and take service at a specific location in coordination with the electric utility. Large loads that interconnect in locations that do not have excess capacity can exacerbate rate impacts by straining already limited resources. Data centers' need for a continuous

electricity supply poses unique challenges to creating tariffs that encourage large load flexibility. To the extent that data centers locate in areas without excess capacity, this continuous demand can increase net peak load when electricity costs are highest, a larger mix of the supply is generated from fossil fuels, and where shortages are most likely to occur. Other large loads may be able to more readily adopt demand response technologies to the extent that they do not need a similar continuous supply of electricity from the grid.

Bill is linked to AB 2383 (Zbur), of the current legislative session. Both this bill and AB 2383 require the CPUC to establish tariffs to address utility costs associated with data centers. AB 2383 requires the CPUC to establish a transmission and distribution service tariff as well as a generation tariff for data centers. AB 2383 also sets requirements for CCA and ESP generation tariffs. This bill requires the CPUC to establish a transmission interconnection tariff and authorizes the establishment of a demand response program for data centers. This bill also sets CPUC duties when establishing all the data center tariffs in both AB 2383 and SB 886. While SB 886 and AB 2383 are not expressly contingent upon each other, the bills' requirements do not conflict with each other. Together, SB 886 and AB 2383 establish the *California Technology Innovation and Ratepayer Protection Act* as a single article in the Public Utilities Code.

Related/Prior Legislation

SB 887 (Padilla, 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, 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.

AB 2383 (Zbur, 2026) requires the CPUC to establish electrical corporation tariffs by January 1, 2028, for transmission and distribution and generation services for certain data centers. The bill specifies requirements for these tariffs and requires CCAs and ESPs to adopt generation tariffs for data centers that provide protections similar to those required for electrical corporation data center tariffs. The bill is pending in the Senate.

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, 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, 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 Assembly Appropriations Committee, 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.

SUPPORT: (Verified 8/30/26)

Net-Zero California (co-source)
The Utility Reform Network (co-source)
350 Humboldt, Grassroots Climate Action
AARP
African American Chamber of Commerce
Bay Front Chamber of Commerce
Brawley Chamber of Commerce
Biancoverde Restaurant
Brightline Defense, if amended
California Environmental Voters
California Multicultural Business Association
California State Association of Electrical Workers

California State Pipe Trades Council
Center for Biological Diversity
Central Orange County Democratic Club
Central Valley Yemen Society
Citizens' Climate Lobby, Orange County Central Chapter
City of Buena Park
City of Imperial
City of Monterey Park
City of Westmorland
Clever Community Development
Climate Action California
Climate Action Campaign
Coalition of California Utility Employees
Coalition of Filipino American Chamber of Commerce
College Democrats at UCI
Comité de Acción del Valle Inc.
Community Action Marin
County of San Diego
Democrats of Greater Irvine
E2
Earthjustice, if amended
Fair and Equitable Housing Alliance
Filipino American Chamber of Commerce of Greater Los Angeles
Filipino American Chamber of Commerce of Greater San Diego
Herber Public Utility District
Hercules/Rodeo Rotary Club
HOM Coffee
Imperial Valley Equity & Justice
International Brotherhood of Electrical Workers, Local Union 569
Irvine Valley College Democrats
Jesse Miranda Center for Hispanic Leadership
Kapor Center Advocacy
Kuhn Hay, Inc.
Latin Business Association
Leadership Council for Justice and Accountability
League of Women Voters of California
Little Hoover Commission
Los Amigos de la Comunidad, Inc.
Modyn Studios
National Consumers Law Center

Natural Resources Defense Council
New Beginnings
NRDC Action Fund
Orange County Climate Voter Guide
Refreshed Barbershop
Regenesis Health Solutions
SanDiego 350
Sierra Club California
Sunrise Movement Orange County
Sustainable Rossmoor
Time in Destiny
Two Hundred for Homeownership
Union of Concerned Scientists
United Nations Association, Orange County
Victoria Homes
Western States Council Sheet Metal, Air, Rail and Transportation
Women for American Values and Ethics
Women in Business Connections
21 Individuals

OPPOSITION: (Verified 8/30/26)

Bay Area Council
Bloom Energy
Building Owners and Managers Association of California
CalAsian Chamber of Commerce
California African American Chamber of Commerce
California Business Properties Association
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
NAIOP California
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: 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.

Prepared by: Sarah Smith / E., U. & C. / (916) 651-4107
8/31/26 22:53:30

**** END ****