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

SB 887 (Padilla) - California Environmental Quality Act: environmental leadership development projects: data centers: clean energy powerplant projects

Version: April 9, 2026
Urgency: No
Hearing Date: May 4, 2026

Policy Vote: E.Q. 4 - 1, E., U. & C. 13 - 3
Mandate: Yes
Consultant: Ashley Ames

Bill Summary: This bill would establish criteria by which a data center construction project can qualify for permit streamlining under the California Environmental Quality Act (CEQA) as an "environmental leadership project." It would prohibit data centers from receiving a categorical exemption from CEQA requirements. This bill would also clarify that a geothermal powerplant that meets certain requirements is eligible for designation as environmental leadership project.

Fiscal Impact:
- The California Energy Commission (CEC) estimates ongoing costs of approximately $1.5 million annually (Energy Resources Program Account [ERPA] or General Fund) for seven positions to implement the requirements of this bill. The CEC notes that there is no funding source identified in the bill, and that, because of the ongoing structural deficit within ERPA, it may not be an appropriate fund source to support the implementation of this bill.
- The Governor's Office of Land Use and Climate Innovation (LCI) estimates one-time costs of about $1 million spread over two years (General Fund) to facilitate the inclusion of data centers and geothermal powerplants into the judicial streamlining program.
- The California Public Utilities Commission (CPUC) anticipates any costs would be minor and absorbable.
- To the extent the Attorney General successfully brings civil action against reporting entities in violation of the provisions of this bill, potential increases in state revenues of an unknown amount due to the collection of civil penalties.

Background:

Data centers' impact on energy resources. The growth of data centers has led to concerns about the potential impact these facilities may have on the supply, reliability, and affordability of energy resources. Data center load growth in California has been more gradual than the rapid expansion experienced in states like Virigina. However, California's energy regulators have issued assessments indicating that data center load growth will continue to be a major driver of peak electricity consumption. In forecasts focusing on near term demand, the CEC has shown that the California Independent System Operator (CAISO) balancing authority may experience a 1.8 gigawatt (GW) load growth from data centers by 2030. By 2045, data centers are expected to increase peak electricity demand by 4.7 GW.

Data centers' backup power can trigger CEC powerplant siting requirements. In addition to the grid-level resources needed to serve data centers' energy demands, data centers also generally rely on a continuous power supply that necessitates extensive on-site backup power facilities. These backup power generators generally use diesel fuel, with a small number of facilities using natural gas generators for back-up power. Below 50 MW, these back-up power systems can be permitted at the local level; however, existing law specifies that thermal generation facilities with capacities of 50 MW or more are subject to the CEC's powerplant certification authority. The CEC's powerplant certification process is a functional equivalent of CEQA, and provides thermal power generation facilities' with a single lead agency for conducting environmental reviews required for powerplant siting.

Under existing law, the CEC may exempt a thermal generation facility between 50 and 100 MW from this process if the CEC finds that the facility's construction and operations will have no substantial adverse impact on the environment or energy resources. This exemption process is known as the Small Powerplant Exemption (SPPE) process. Many data centers currently construct backup power facilities up to the 100 MW threshold to retain the ability to get a SPPE exemption from the CEC's full powerplant certification process. Once a facility obtains a SPPE from the CEC, remaining permitting processes return to local jurisdictions.

Proposed Law: This bill would:

1. Define a "data center" as a large-scale energy consumer that requires uninterruptible electricity to serve a facility housing servers and related equipment and software for the processing, storage, and distribution of data.

2. Prohibit a local agency from using a categorical exemption for a local agency's CEQA decisions regarding the development and operation of a data center.

3. Expand the definition of an "environmental leadership development project" to expressly include geothermal powerplants that meet existing CEQA streamlining criteria and comply with skilled and trained workforce labor requirements applied to opt-in non-fossil permitting at the CEC.

4. Establish criteria for a data center with at least 50 MW of capacity to qualify as an environmental leadership development project. This bill would specify that a data center must do all the following to receive designation as an environmental leadership development project:

    a. Pays the full cost of interconnection to prevent cost shifts to other ratepayers.

    b. Does not increase fossil fuel consumption within the state.

    c. Includes zero-carbon energy storage with at least four hours of capacity at 100% of forecasted peak demand for the facility.

    d. Uses onsite zero-carbon energy storage to provide demand response services to the electrical grid.

e. Relies on zero-carbon generation located behind the meter to the maximum extent feasible.

f. Recovers fully from the data center operator all electrical grid investments, including costs of new generating capacity, to serve the data center in the event the data center ceases operations.

g. Uses recycled water and water-efficient technology or waterless cooling systems.

h. Will rely on 100% zero-carbon electricity resources to serve hourly energy needs within five years of initial operations, of which 75% shall be newly developed.

i. Will avoid or minimize significant environmental impacts on a disadvantaged community, as specified.

j. Enters into one or more legally binding and enforceable community benefits agreement with community-based organizations, such as workforce development and training organizations, labor unions, community foundations, local governmental entities, or California Native American tribes. This bill requires a data center to take certain community engagement steps to develop this agreement and requires the agreement to include an enforceable mechanism to benefit residents of nearby and affected communities, as specified.

k. Meets certain wage and labor requirements required for opt-in permitting of non-fossil powerplants and energy storage facilities.

5. Require the CEC to develop and enforce statewide standards for data centers' designation as environmental leadership development projects. This bill would require the CEC to set regular reporting requirements for data centers that obtain designation as environmental leadership development projects and assess civil penalties on data centers that violate the CEC's standards for CEQA streamlining.

Related Legislation:

SB 886 (Padilla) of 2026, would require the CPUC to establish a special rate structure for data centers, including a specified electrical corporation tariff for data centers with at least 20 MW of load that interconnect at the transmission level.

SB 978 (Pérez) of 2026, would require the CPUC to create a special rate structure for data centers 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 on Suspense by this 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. This bill died in the Assembly.

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