
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

**Senator Benjamin Allen, Chair
2025 - 2026 Regular**

Bill No:	SB 978	Hearing Date:	3/17/2026
Author:	Pérez		
Version:	3/9/2026 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Sarah Smith		

SUBJECT: Large-scale energy facilities: labor: electricity rates

DIGEST: This bill requires the California Public Utilities Commission (CPUC) to create a special rate structure for certain large energy users with capacities of at least 75 megawatts (MW). This bill specifies components that must be included in the rate structure and interconnection agreements for these customers. This bill establishes labor requirements for the construction of facilities subject to this bill. This bill also expands existing CPUC reporting requirements about large loads to include a specified assessment about increased load impacts to renewable procurement goals.

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. Existing law also requires the CPUC to submit a joint report to the Legislature every four years with the CEC, CARB, and electric balancing authorities on costs and benefits associated with state plans for renewable and zero-carbon procurement, and barriers to achieving state procurement goals. (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)

This bill:

- 1) Requires the CPUC to establish a special rate structure for large-scale energy customers of an electric corporation that operate a facility with at least 75 MW.
- 2) Specifies that this special rate structure must do the following:
 - a) Protect other customers of the electrical corporation by preventing cost shifts to other customers.

- b) Require the large-scale energy customers to pay the electric corporation's upfront costs for transmission and distribution infrastructure upgrades needed to provide electrical service to large-scale energy customer facility. This bill specifies that electrical corporations may not recover costs associated with these expenses from other utility customers.
- 3) Prohibits a large-scale energy from using backup power that is not onsite solar, wind, or battery generation.
- 4) Requires a large-scale energy customer with backup battery power to enter into a binding agreement with the local fire department to ensure adequate fire services are available to provide fire protection needs for the batteries and nearby communities.
- 5) Specifies that the construction of a large-scale energy consumer's facility shall be deemed a public works project for the purposes of establishing the wages for workers engaged in the construction of the facility. This bill establishes additional specified labor requirements for the construction of these facilities.
- 6) Expands items that must be included in CPUC-led joint agency reporting requirements regarding renewable and zero-carbon procurement goals to include an evaluation of large-scale energy user impacts on the state's renewable and zero-carbon energy procurement goals.

Background

Data center growth has spurred ratepayer concerns about utility costs to meet large load needs. 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. 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 demand, PJM has seen record high costs for electricity to meet future reliability needs. The supply of reliability resources has also fallen short of the amount needed to meet demand in PJM states. In addition to these higher costs to meet power capacity demands, transmission and distribution rates have also risen. Four of the states in PJM territory paid over \$4 billion in 2024 for data center transmission costs, with more costs anticipated over the following years. In the wake of consumer concerns about higher costs and reliability challenges, PJM has increased scrutiny of energy resources for data centers and data center growth in its

territory. However, data center load growth is increasing as demand for AI and cloud computing services increases. A number of data centers have sought to address their needs for reliable power resources and limit cost concerns by building their own power facilities and co-locating data centers with generation facilities. However, a number of factors, including policy limitations by the Federal Energy Regulatory Commission, include the availability of suitable generation, and the length of time needed to site and construct new facilities has limited data centers' reliance on co-located power. On March 4, 2026, the White House released a voluntary pledge aimed at protecting ratepayers from cost shifts caused by data center growth. The Trump Administration has called on data centers to voluntarily sign onto this pledge. However, the pledge does not include any enforceable mechanisms to ensure that ratepayer costs driven by data centers do not increase.

California's large energy consumers and Pacific Gas & Electric's (PG&E's) Rule 30 application. California has not experienced the same level of hyperscaler data center growth seen in other states. In California, data centers increasingly comprise a larger proportion of facilities requesting transmission-level interconnection. However, data centers are not the only large energy consumers receiving electricity at the transmission level. A number of large commercial and industrial facilities are also receiving transmission-level electricity service. These commercial and industrial facilities can include steel, concrete, glass, food processing, fuel refining, and other similar facilities. Some large-load transmission customers are utilities. Water treatment, waste management and telecommunication systems all have facilities that may be large energy consumers that receive electricity at the transmission level. The absence of standard electric rules, including cost sharing mechanisms, and the costs associated with energizing these transmission-level facilities led PG&E to submit an application (A. 24-11-007) to the CPUC to establish a new electric rule (Rule 30) to address standards for interconnecting transmission-level retail electricity customers. 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. To the extent that the CPUC adopts additional decisions that conflict with this bill, this bill may require the CPUC to revise its decisions and potentially re-scope and extend the Rule 30 proceeding.

Bill requires ratepayer protections, but the scope of facilities impacted is unclear. This bill requires the CPUC to adopt a special rate structure to prevent cost shifts associated with a utility's costs for interconnecting and serving a large-scale

energy user. This bill defines a large-scale energy facility as one using at least 75 MW of electricity; however, this definition does not include an existing facility that increases its electrical load for the purposes of transportation electrification or decarbonizing activities that currently use fossil fuels. However, this bill does not explicitly limit the bill's definition of large-scale energy user to only new facilities requesting a new transmission interconnection. As a result, it is possible that it could capture a wide range of facilities, including existing large energy consumers who already have a transmission interconnection or have executed an agreement for transmission connection. Those facilities captured by this bill's definition of a large-scale energy user are prohibited from having certain types of on-site backup power, and their ability to enter into certain cost-share arrangements for energy resources is limited by this bill. These provisions are likely infeasible for existing facilities. Additionally, this bill's backup power provisions are likely infeasible for a number of large-scale energy users because it may be impossible to obtain land parcels large enough to install only on-site solar, wind, and battery behind-the-meter for backup generation.

Bill is one of several measures aimed at preventing cost shifts seen in other states. Both this bill and SB 886 (Padilla, 2026) are aimed at preventing ratepayer cost shifts like those seen in PJM territory. While both bills share similar goals, they differ in the degree of specificity about the mechanism for achieving those goals. While SB 886 specifically requires the CPUC to use a transmission tariff to address cost obligations, this bill requires the CPUC to establish a rate structure to prevent cost shifts. By more broadly requiring the CPUC to establish a rate structure, this bill may provide the CPUC with flexibility to use a variety of different mechanisms to achieve its goals, including a tariff like the one described in SB 886. However, as currently written, this bill and SB 886 differ in the types of facilities to which the bills apply. This bill also does not address utility procurement costs for generation resources needed to meet demands of large energy consumers in addition to existing loads.

Need for Amendments. While this bill appears to envision a rate structure limiting the extent to which new large-scale energy consumers can pass electricity costs on to other utility customers, this bill does not expressly apply only those large-scale energy consumers requesting a new transmission-level connection. This may not be the intent of the author. Additionally, this bill applies to a potentially broad scope of customers, including public and ratepayer-funded facilities that may limit potential ratepayer and public benefits from any tariffs established pursuant to this bill. Provisions of this bill prohibiting large-scale energy consumers from using any form of backup power that is not solar, wind, or battery are likely infeasible in a number of locations in the state. This bill requires the CPUC to ensure that the new rate structure created under this bill protects other customers from rate shifts;

however, this bill does not address the need for reliability resources that could limit the need for high-cost generation procurements needed to meet demand if existing resources fall short. *For these reasons, the author and committee may wish to amend this bill to do the following:*

- *Narrow this bill to apply only to large load data centers requesting new transmission interconnections.*
- *Delete the backup power and fire department consultation provisions of the bill.*
- *Instead require the CPUC to establish, as part of the rate structure created under this bill, a mechanism by which a large-load customer can pre-fund a 15-year contract for new, incremental, zero-carbon energy resources through the retail electric utility to function as dispatchable reliability assets within the utility service territory.*
- *Clarify that any tariff established pursuant to this bill shall only apply to those new facilities for which a utility receives a transmission interconnection request after the CPUC adopts a rate structure pursuant to this bill or on a later date specified by the CPUC.*
- *Require the CPUC to ensure that generation components of a customer's bill can be assessed separately from the transmission and distribution components of a customer's bill as part of any rate structure developed under this bill.*
- *Exempt publicly-funded research facilities, public safety facilities, national security facilities, publicly-owned facilities, and other utility facilities – including facilities-based telecommunications assets from the definition of a data center for the purposes of this bill.*

Dual Referral. Should this bill be approved by this committee, it will be re-referred to the Senate Labor, Public Employment and Retirement Committee.

Prior/Related Legislation

SB 886 (Padilla) of 2026, requires the CPUC to establish an electrical corporation tariff that addresses costs associated with transmission, distribution, and generation services for new large electrical customers that interconnect at the transmission level and have peak electricity demands of at least 75 MW. The bill would also specify components that must be included in the tariff, and it would encourage local POUs to adopt similar tariffs. The bill is currently pending in the Senate Energy, Utilities and Communications Committee.

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 SB 886 (Padilla) of the current legislative session. The bill is pending in the Senate Environmental Quality Committee.

SB 1168 (McNerney) of 2026, establishes a tax on data centers' energy consumption over a specified threshold. The bill specifies the uses of revenues from the tax, including funding low-income electrical rate assistance programs operated by the IOUs and POUs. The bill is currently pending in the Senate Energy, Utilities and Communications 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 in 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

SUPPORT:

Asian Pacific Environmental Network Action, if amended

Brightline Defense, if amended

California Environmental Voters, if amended

Center for Biological Diversity, if amended

Center on Race, Poverty & the Environment, if amended

City of Monterey Park

Climate Action California

Earthjustice, if amended

Leadership Counsel for Justice and Accountability, if amended

Natural Resources Defense Council
Sierra Club California, if amended
Teamsters California
The Climate Center

OPPOSITION:

Bay Area Council, unless amended
CalAsian Chamber of Commerce
California African American Chamber of Commerce
California Chamber of Commerce
California Hispanic Chamber of Commerce
California Large Energy Consumers Association, unless amended
Data Center Coalition
Enchanted Rock
Pacific Gas and Electric Company
San Diego Gas and Electric Company, unless amended
Silicon Valley Leadership Group
Southern California Gas Company, unless amended
TechCA
TechNet
Western States Petroleum Association, unless amended

ARGUMENTS IN SUPPORT: According to the Author:

As California experiences a spike in the rollout of hyperscale data centers, SB 978 provides necessary and critical community public health and ratepayer cost shift protections. The rollout of these hyperscale data centers presents several challenges stemming from operational pressures that also intersect with broader economic and public health issues. Data centers pose a risk to ratepayers if left unchecked. Their projected electricity demand will require the construction of new transmission infrastructure, and without clear statutory guidance, those costs may be passed on to ratepayers already facing skyrocketing utility costs, as well as other commercial energy consumers. Beyond cost impacts, data centers also create public health concerns due to air pollution from backup diesel generator use. I have also heard community concerns following the Eaton Fire from my district that development pressures from data centers could extend into disaster-impacted communities where they do not align with recovery priorities or local community needs. SB 978 underscored California's position: data centers will only proceed when communities have real oversight, environmental impacts are fully vetted, and fiscal accountability is guaranteed. Specifically, SB 978 addresses these challenges by establishing clear, targeted

requirements to protect ratepayers, safeguard public health, and ensure alignment with California's climate and workforce goals.

ARGUMENTS IN OPPOSITION: A coalition of technology and business organizations, including the Data Center Coalition, opposes this bill, arguing that it is unnecessary, limits economic growth, and includes technically infeasible provisions. In opposition, these groups state:

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. California's position as a global technology leader depends on the vital infrastructure provided by data centers and underscores the need for careful consideration of proposed legislation that could impact this critical industry. We strongly urge the Committee to resist advancing SB 978.

-- END --