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

SB 978 (Pérez) - Data centers: labor: electricity rates

Version: March 23, 2026
Policy Vote: E., U. & C. 12 - 4, L., P.E. & R. 3 - 1
Urgency: No
Mandate: Yes
Hearing Date: April 20, 2026
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Bill Summary: This bill would direct the California Public Utilities Commission (CPUC) to establish a special rate structure for data centers taking transmission level electrical service with an estimated peak demand of at least 75 megawatts, as specified. This bill would also require a contractor who enters a contract to perform work on a data center facility to abide by specified public works requirements and use a skilled and trained workforce.

Fiscal Impact:
- The CPUC estimates ongoing costs of about $683,000 annually (ratepayer funds) for development and oversight of a new data center tariff.

- To the extent that this bill results in increased or decreased electricity rates, it could impact the state as an electrical utility ratepayer.

Background: 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.

Proposed Law: This bill would:

1) Direct the CPUC to establish a special rate structure for data centers taking transmission level electrical service with an estimated peak demand of at least 75 megawatts.

2) Specify that the special rate structure must do all of the following:

   a) Protect other customers of an electrical corporation and prohibit cost shifts to those other customers.

   b) Require the data center pay for the electrical corporation's upfront costs for transmission or distribution infrastructure upgrades necessary to provide electrical service to the large-scale energy user. Electrical corporations shall not recover costs associated with these expenses from other utility customers.

   c) Enable a data center's rate structure to prefund a 15-year contract through the electrical corporation for the installation of new, incremental, zero-carbon energy resources to function as dispatchable reliability assets within the utility service territory.

   d) Ensure that charges generally included in the generation component of a customer bill can be assessed separately from charges generally included in the transmission and distribution component of a customer's bill.

3) Provide that an electrical corporation tariff established pursuant to these provisions shall only apply to those facilities for which a new transmission interconnection agreement is established after the adoption of the rate structure established pursuant to these provisions or on a later date specified by the CPUC.

4) Provide that construction of a data center subject to the special rate structure constitutes a public works project for purposes of establishing wages for workers engaged in the execution of the work (Article 2 (commencing with Section 1770) of Chapter 1 of Part 7 of Division 2 of the Labor Code).

5) Require a contractor who enters into a contract to perform work on a facility to do all of the following:

   a) The contractor shall pay each construction worker employed in the execution of the work, at minimum, the general prevailing rate of per diem wages, except that an apprentice registered in a program approved by the Chief of the Division of Apprenticeship Standards shall be paid, at minimum, the applicable apprentice prevailing rate.

   b) The contractor shall maintain and verify payroll records and make those records available for inspection and copying, as specified. The contractor shall not be

required to provide copies of certified payroll records to any entity other than the CPUC and DIR.

c) The contractor shall biannually, on July 1 and December 31 of each year, submit to the CPUC digital copies of its certified payroll records, as specified. Requires the CPUC to retain these records as public records for five years.

6) Provide that the prevailing wage requirement, specified in 5), may be enforced through the following mechanisms:

a) Within 18 months after completing the facility, by the LC through the issuance of a civil wage and penalty assessment, as specified.

b) By an underpaid construction worker or apprentice through an administrative complaint or civil action.

c) By a JLMC through a civil action.

7) Provide that if a willful violation of the prevailing wage requirement has been enforced against a contractor for the construction of a facility, as specified, that facility shall remain eligible to receive service pursuant to the rate structure established in 1) if restitution has been made to the affected workers and all associated penalties and fines have been paid.

8) Specify that these provisions do not apply to the construction of a facility that is already a public work, as defined in Section 1720 of the Labor Code, and that is subject to Article 2 (commencing with Section 1770) of Chapter 1 of Part 7 of Division 2 of the Labor Code.

9) Provide that the entity that engaged the contractor to perform work on a facility is not an awarding body, as specified. Public works projects not codified in these provisions do not apply to the entity. This section does not affect the entity's liability for nonpayment of wages or materials under Section 3 of Article XIV of the California Constitution.

10) Provide that the contractor who enters into a contract with the entity described in 9) is the awarding body only for the limited purposes of Section 1773.3 of the Labor Code. Section 1773.3 of the Labor Code requires awarding bodies to notify DIR of any public works contract and prohibits the use of unregistered contractors or subcontractors, as specified.

11) Require all contracts for the construction of a facility to require every contractor and subcontractor at every tier to use a STW. STW has the same meaning as set forth in Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code.

12) Direct the CPUC to require each large electrical corporation to include the prevailing wage, recordkeeping, and STW requirements in each interconnection agreement with a large-scale energy user.

13) Expand 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.

14) Define "data center" as a facility that primarily contains electronic equipment used to process, store, and transmit digital information, that may be a free-standing structure or a facility within a larger structure, and that uses environmental control equipment to maintain the proper conditions for the operation of electronic equipment. Data center does not include any publicly funded research facility, public safety facility, national security facility, publicly owned facility, and other utility facility, including, but not limited to, an asset of a facilities-based telecommunications provider.

15) Define "facility" as physical property, a plant, a building, a structure, a source, or stationary equipment, located on one or more contiguous or adjacent properties in actual physical contact or separated solely by a public roadway or public right-of-way and under common ownership or common control. Facility does not include a facility that introduces a new load as a result of switching from fossil fuels to renewable fuels or transportation electrification activities.

Related Legislation:

SB 886 (Padilla, 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.

SB 887 (Padilla, 2026) would establish 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, 2026).

SB 1168 (McNerney, 2026) would establish a tax on data centers' energy consumption over a specified threshold.

SB 1185 (Cortese, 2026) would require an owner, operator, or developer of a facility that will be used for the research, development, or production of pharmaceutical products to, when contracting for the performance of initial and subsequent construction, alteration, demolition, installation, repair, or maintenance work on the facility, require that its contractors and any subcontractors use a STW to perform all onsite work within an apprenticeable occupation in the building and construction trades.

AB 1104 (Pellerin, Chapter 632, Statutes of 2025) among other things, clarified that for the construction of a renewable electrical generation facility and associated battery storage, the contractor who enters into a contract with the entity, *not the entity itself*, is the awarding body only for limited purposes and specified which public works requirements apply to such construction projects.

SB 1298 (Cortese, 2024) would have authorized the California Energy Commission, until January 1, 2030, to exempt from its certification a thermal powerplant with a generating capacity of up to 150 megawatts, if specified requirements are met, including

that the power plant is used solely as a backup generation facility for a data center and that a STW is used to perform all construction work on the facility, as specified. *SB 1298 was held in Assembly Rules Committee.*

AB 2143 (Carrillo, Chapter 744, Statutes of 2022) extended public works requirements to the construction of any renewable electrical generation facility and any associated battery storage after December 31, 2023.

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