Date of Hearing: April 8, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
AB 2383 (Zbur) – As Introduced February 20, 2026

SUBJECT: Electricity: large energy use facilities.

SUMMARY: Requires the California Public Utilities Commission (CPUC) to establish a retail electricity classification and rate schedule for large energy use facilities. Additionally, the CPUC must require electrical corporations and large energy use facilities to enter into a contract that covers the provisions of transmission, generation, or distribution of electrical service, as applicable. Specifically, **this bill**:

1) Defines "cost of serving" as the costs incurred by an electrical corporation in providing transmission, distribution, energy, capacity, or ancillary electricity services, and any related costs or associated risks with serving a retail electricity consumer or a class of retail electricity consumers. Clarifies "cost of serving" does not include upgrades to the electrical transmission system or electrical distribution system.
    a. Defines "facility" as all buildings, equipment, structures, and other stationary items that are located on a single site, or on contiguous or adjacent sites, and that are owned or operated by the same person or by any person who controls, is controlled by, or is under common control with that person.
    b. Defines "large energy use facility" as a facility that has a peak load of 20 MW or more and is interconnected under a retail transmission tariff.
    c. Defines "retail electricity consumer" as the end user of elect
    ricity.

2) Requires that the CPUC adopt a classification and develop a rate schedule on or before January 1, 2028, that does all of the following:
    a. Allocates the cost of serving in a manner that is equal or proportional to the cost of serving the class.
    b. Meets the same conditions outlined in (6) for a contract of service.
    c. Limits other retail electricity consumer classes from paying unwarranted costs and unreasonable cost shifts resulting from the cost of serving a large energy use facility.

3) Requires the CPUC to consider the following before approving an electrical corporation's proposed rate schedule:
    a. Ensure the proposed rate does not result in, or have the potential to result in, increased costs or unreasonable risks to other retail electricity customers.
    b. Provides equitable contributions to electrical grid efficiency, reliability, resiliency benefits, and state programs.
    c. Includes an equitable portion of costs associated with wildfire mitigation, wildfire liability, climate mandates, and other programs that advance public and social equity.
    d. Not impede on the electrical corporation's ability to meet the clean energy targets set forth in Senate Bill 1020 (Chapter 361 of the Statutes of 2022).

e. Allows for procurement of, or contracts for, generation resources that support the electrical corporation's ability to meet the clean energy targets described in (d).
f. Encourages the development of large energy use facilities that bring high-wage and high-skilled jobs to California.
g. Considers the impact that a portion of onsite generation will have on system reliability and cost allocation to nonparticipating customers.

4) Requires the CPUC, to the extent permitted by the Federal Energy Regulatory Commission (FERC), to require large energy use facilities to be responsible for electrical infrastructure upgrades required for interconnection.

5) Allows electrical corporations and large use energy facilities to proceed without a new classification of service if the CPUC has not approved the electrical corporation's rate schedule for that classification of service, only until January 1, 2028.

6) Requires the CPUC to ensure that an electrical corporation and large energy use facility enter into a contract that does all of the following, if entered into on or after January 1, 2027.
   a. Covers the provision of transmission, generation, or distribution of electrical service, as applicable.
   b. Follows the rate structure criteria outlined in the CPUC's classification.
   c. Sets the minimum contract length for 15 years.
   d. Requires the large energy use facility to pay a minimum amount based on the projected electricity usage for the services the electrical corporation is contracted to provide.
   e. Requires the large energy use facility to report to the electrical corporation, before initial point of service, the expected investments in onsite generation for the duration of the contracted service.
   f. Other conditions determined by the CPUC to be in the public interest.

7) Requires that even if the large energy use facility uses direct access, community choice aggregator, voluntary renewable energy tariff, or special contract approved by the commission, the contract meets all of the criteria outlined above.

EXISTING LAW:

1) Requires that all rates for any service or product charged by an electrical corporation be just and reasonable. (Public Utilities Code § 451)

2) Requires the CPUC to ensure that rates are sufficient to enable IOUs to recover a just and reasonable amount of revenue from residential customers as a class, while observing the principle that electricity and gas services are necessities, for which a low, affordable rate is desirable and while observing the principle that conservation is desirable in order to maintain an affordable bill. (Public Utilities Code § 739)

3) Requires the CPUC to establish rates using cost allocation principles that fairly and reasonably assign to different customer classes the costs of providing service to those customer classes, consistent with the policies of affordability and conservation. (Public Utilities Code § 739.6)

4) Authorizes the CPUC to require a public utility to correct any rates, practices, equipment, or behavior that is unjust, unreasonable, unsafe, improper, inadequate, or insufficient. (Public Utilities Code § 761)

5) 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)

6) Establishes a policy to source 100% of all in-state retail electricity sales from zero-carbon and renewable 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. (Public Utilities Code § 913.22)

FISCAL EFFECT: Unknown. This bill is keyed fiscal and will be referred to the Assembly Committee on Appropriations for its review.

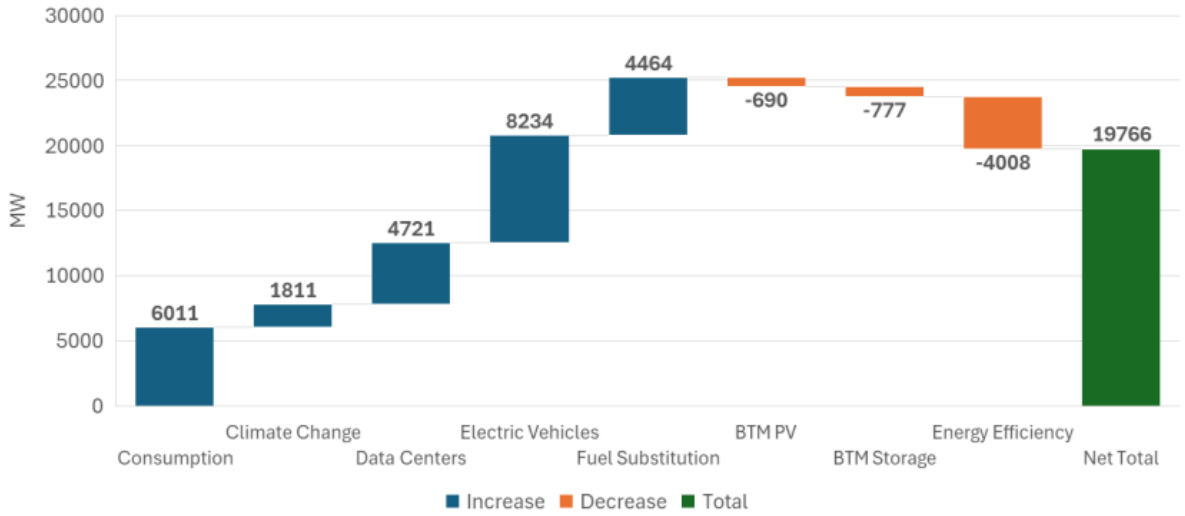
BACKGROUND:

Large Energy Loads – California is experiencing a structural shift in electricity demand driven by the emergence of large energy loads associated with digital infrastructure, transportation electrification, and industrial decarbonization,[1] as highlighted by Figure 1.[2] These large loads can materially affect grid planning by increasing peak demand, accelerating the need for new transmission and distribution infrastructure, and complicate planning for adequate procurement. [3] All these factors can have a direct effect on costs borne by ratepayers.[4] At the same time, certain large loads may provide opportunities for demand flexibility, load shifting, or co-location with clean generation resources, suggesting that there is potential for the net impact on the grid to be neutral, and possibly even positive.[5] This will depend on how these loads are integrated into state planning and regulatory frameworks. The following paragraphs describe emerging large loads – data centers, electric vehicle charging infrastructure, high-speed rail, and energy intensive industries – and their respective implications for grid reliability, infrastructure investment, cost allocation, and resource planning in California.

---

[1] NERC, 2024 Long-Term Reliability Assessment, Demand Trends and Implications https://www.nerc.com/globalassets/our-work/assessments/2024-ltra_corrected_july_2025.pdf
[2] Slide 10: Main Drivers of Peak Load Growth, Item 6: Resolution Adopting the California Energy Demand Forecast, 2025-2045, https://www.energy.ca.gov/filebrowser/download/9328?fid=9328
[3] Shehabi, A., et al., 2024 United States Data Center Energy Usage Report. Lawrence Berkeley National Laboratory. Report #: LBNL-2001637. http://dx.doi.org/10.71468/P1WC7Q
[4] Hieta, K and Rodriguez, E., 2025. "How Will Data Center Growth Impact California Ratepayers?," The Public Advocates Office, https://www.publicadvocates.cpuc.ca.gov/press-room/commentary/251027-how-will-data-center-growth-impact-california-ratepayers
[5] Norris, T.H., et al., 2025. Rethinking Load Growth: Assessing the Potential for Integration of Large Flexible Loads in US Power Systems. NI R 25-01. Durham, NC: Nicholas Institute for Energy, Environment & Sustainability, Duke University. https://nicholasinstitute.duke.edu/publications/rethinking-load-growth

Figure 1: CEC 2025 Demand Planning – CAISO load growth from 2025-2045 on September Peak Day from 6-7p.[2]



Data Centers – The rapid expansion of data centers – driven by cloud computing, artificial intelligence, and digital services – has introduced a fast-growing and geographically concentrated source of electricity demand in California.[6] Data centers are characterized by high, sometimes continuous (24/7) loads with often relatively limited demand flexibility, placing sustained pressure on transmission and distribution infrastructure. Recent analyses by the CEC indicate that data center electricity consumption is increasing, with projections suggesting significant growth of demand over the next decade.[7] This growth may require large-scale infrastructure upgrades. In the 2024-2025 Draft Transmission Plan, the California Independent System Operator (CAISO) identified billions of dollars in transmission upgrades needed over the next decade to serve anticipated load growth,[8] in part, driven by new data centers. Particularly, the clustering of data centers in specific regions (like the Bay Area [9]) can strain local transmission capacity and necessitate costly upgrades for new service lines, raising broader questions of who pays for these upgrades and how to properly plan for these incoming loads. And once energized, questions remain about how these entities adequately cover their cost of service, especially to protect against rising costs for other ratepayers.

Transportation electrification – The electrification of transportation is expected to substantially increase electricity demand through widespread deployment of EV charging stations (Figure 1). While EV load growth is generally considered manageable in aggregate, unmanaged charging behavior (e.g., coincident evening charging) could significantly increase peak demand and stress distribution systems.[10] The CPUC has noted that high concentrations of fast-charging

---

[6] Shehabi, et al. *Ibid*
[7] Slide 8-9: Data Center Demand Growth, from CEC 2025 IEPR Forecast, https://www.energy.ca.gov/sites/default/files/2026-01/2026-01-05_DAWG_Mtg_Slides-Combined_ada.pdf
[8] 2024-2025 Transmission Plan, CAISO
[9] Slide 20: Data Center Projection Pipeline, from PG&E 2024 Investor Update, https://s21.q4cdn.com/673114418/files/doc_events/2024/06/1/2024-Investor-Update-Presentation_Final.pdf
[10] Yanning and Alan, Balancing Electric Vehicle Adoption with Grid Stability in California: A Time-sensitive Challenge, UC Office of the President: University of California Institute of Transportation Studies. http://dx.doi.org/10.7922/G23R0R72 Retrieved from https://escholarship.org/uc/item/7j7026p8

infrastructure, particularly along transportation corridors and in urban areas, may require distribution upgrades and careful rate design to incentivize off-peak charging.[11] At the same time, EVs present an opportunity as flexible load resources; with appropriate incentives and managed charging programs, EV demand could be shifted to periods of high renewable generation.[12] Electrification of other forms of transportation, such as the Bay Area Rapid Transit (BART) system or the California High-Speed Rail Authority project (CHSRA), also contributes to large, concentrated load on the grid. BART, for example, uses approximately 368,000 MWh annually to power its system.[13] It is estimated that the CHRSA will require 44 MW of electricity and an additional 62 MWh of battery storage.[14] While rail systems may require dedicated substations and transmission upgrades,[15] particularly in regions with limited existing infrastructure, they also offer opportunities for load management through scheduling and energy storage integration, which could mitigate peak impacts if properly coordinated with grid operators.

Industrial Decarb – The decarbonization of energy-intensive industries, such as fuel refineries, hydrogen, and cement, represents another source of large, often inflexible, electrical load. As state policies encourage the decarbonization of industrial processes,[16] this energy consumption will likely switch to electricity demand. Programs like Industrial Decarbonization and Improvement of Grid Operations (INDIGO), [17] established by AB 209 (Chapter 251, Statutes of 2021), [18] fund financial incentives for industry projects that reduce greenhouse gas emissions, and demonstrate significant benefits to the electrical grid. This program and related legislation (such as AB 1280, Hill, Chapter 395, Statutes of 2025) highlight the desire to decarbonize industries and move towards electrification. However, such industrial loads can be highly concentrated and may operate continuously, which will increase peak demand and potentially require new generation and transmission capacity.[19] Like with data centers, how these costs will be fairly allocated remains unknown.

Utility Approaches to Classifying Large Loads – Electric providers in California employ different frameworks to classify and charge large load customers, reflecting their distinct regulatory structures, ownership models, and policy objectives. Investor-owned utilities (IOUs), regulated by the CPUC, generally categorize customers based on demand thresholds, voltage level, and usage patterns, with rates designed to recover system costs and support statewide policy goals. In contrast, publicly owned utilities (POUs) and municipal utilities retain local control over rate design and may adopt more flexible or economically targeted classifications to attract or retain high-load customers. Community choice aggregators (CCAs), meanwhile, do not directly classify delivery-level load but instead overlay generation service onto existing IOU rate

---

[11] R.23-12-008
[12] Borlaug, Integrating Electric Vehicles into the Grid, December 2024, https://docs.nrel.gov/docs/fy25osti/92396.pdf
[13] BART Energy Procurement, https://www.bart.gov/sustainability/energy-procurement
[14] https://www.renewableinstitute.org/us-high-speed-train-to-be-worlds-first-powered-by-solar/
[15] BART, Traction Power Substations, https://www.bart.gov/about/projects/substations
[16] Wilkinson, M.G., Ratner, N, and Reback, M., 2025., Mapping the Path to Industrial Decarbonization: An assessment of US industrial decarbonization progress reveals leaders in California and Texas., RMI, https://rmi.org/mapping-the-path-to-industrial-decarbonization/
[17] INDIGO, CEC, https://www.energy.ca.gov/programs-and-topics/programs/industrial-decarbonization-and-improvement-grid-operations-indigo
[18] PRC § 25662
[19] Large Load Considerations, Issue Paper, 2026, CAISO, https://www.caiso.com/documents/issue-paper-large-load-consideration-jan-20-2026.pdf

structures, resulting in a hybrid framework for customers.[20] As a result, similarly situated large load customers – such as data centers or industrial facilities – may face materially different rate structures, cost components, and incentives depending on their service provider, with implications for siting decisions, grid impacts, and cost allocation.[21] However, across entities, customers are broadly grouped by their electrical demand needs and how they will take service. As a broad example, a data center customer with a peak demand of 20 MW seeking energization at the transmission level would likely receive a different classification and rate schedule at each type of provider, but at each entity, this classification would likely be based, at least in part, on the demand size (20 MW) and type of service needed (transmission level).

Distinctions Between Interconnection, Energization, and Cost of Service – In utility regulation, "interconnection," "energization," and "cost of service" address distinct, though related, aspects of how large load customers are integrated into the grid. "*Interconnection*" refers to the set of rules that a new electricity generator must follow to connect to the electrical grid and deliver energy to customers.[22] It is the process of connecting generators (i.e., supply) to the grid. In California, this process is overseen and regulated by the Federal Energy Regulatory Commission (FERC), CAISO, and the CPUC, in partnership with the utilities, energy generators, and stakeholders.

"Energization" is the process by which new customer loads get connected to the grid, including necessary upgrades to transmission or distribution infrastructure to ensure safe and reliable service. It is the process of connecting load (i.e., demand) to the grid. In California, energization policies for IOUs are governed by utility tariffs (e.g., Rule 15 and Rule 16).[23] Recently, the CPUC approved interim implementation of PG&E's Electric Rule 30.[24] The decision requires new transmission-level customers seeking retail service to be responsible for the initial costs of all transmission facilities, rather than those costs being borne by ratepayers and was sought by PG&E to address an influx of customers requesting this type of service. In 2024, the CPUC set new statewide energization timelines and targets for timely grid connections.[25] And recently, the proceeding entered its Phase 2 Scoping Memo and Ruling as energization timelines continue to delay customer service.

Finally, "*cost of service*" pertains to how the ongoing costs of providing electric service, including generation, transmission, distribution, and public purpose programs, are allocated among different classes of customers through rates. Cost-of-service considerations are typically addressed through general rate cases and rate design proceedings at the CPUC. In a very recent and topical example, the CPUC opened a new rulemaking on rate design (OIR 26-04-XXX) that, among other things, will consider "rate design options for data centers and other large load

---

[20] Community Choice Aggregation, CPUC, https://www.cpuc.ca.gov/consumer-support/consumer-programs-and-services/electrical-energy-and-energy-efficiency/community-choice-aggregation-and-direct-access-/cca-regulatory-information

[21] Satchwell et al., Electricity Rate Designs for Large Loads: Evolving Practices and Opportunities, Lawrence Berkely National Laboratory, https://emp.lbl.gov/publications/electricity-rate-designs-large-loads

[22] Interconnection 101, American Clean Power Association , https://cleanpower.org/wp-content/uploads/gateway/2023/06/ACP_Interconnection_FactSheet_0623.pdf

[23] https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/infrastructure/electric-reliability/undergrounding-program-description/rule-20/cpuc-rule-20-undergrounding-programs-current-proceeding-r1705010/electric-tariff-rules-15-and-16-distribution-line-and-service-extensions

[24] A.24-11-007

[25] R.24-01-018

customers."[26] This proceeding, in coordination with the SB 57 (Padilla, Chapter 647, Statues of 2025) assessment, will consider issues such as stranded costs and cost shifts for new and emerging large loads. If approved, this proceeding will examine the extent to which electrical corporation costs associated with new loads from data centers result in stranded costs and cost shifts to other customers. The proceeding has not yet been voted on (set for a vote on April 9th),[27] but will be increasingly relevant to the present bill under consideration in the Legislature.

Overall, while energization determines the upfront and infrastructure-related costs required to connect new large loads, cost-of-service frameworks govern how those customers contribute to the long-term costs of maintaining and operating the grid. This distinction can create policy tension: even if energization costs are appropriately assigned to new large load customers, broader questions remain about whether existing rate structures accurately reflect the ongoing system impacts of such loads, particularly at their scale of growth and demand.

COMMENTS:

1) *Author's Statement.* According to the author, "California is recognized globally as a premier hub for the innovation economy, and specifically, with a leading footprint in advanced technologies such as artificial intelligence. With the rapid growth of these technologies, the state must grapple with the associated development of large load data centers. AB 2383 advances affordability for electricity ratepayers by ensuring that data centers pay their fair share and that costs of providing service to these facilities are not borne by other ratepayers. This bill will ensure timely and efficient planning as the state prepares for the emergence of unprecedented demand on the electrical grid, and will be critical in protecting ratepayers and advancing system-wide reliability."

2) *Purpose of Bill.* California has ambitious climate goals, chief among them is to be 100% carbon-free by 2045. This is going to require everyone, from individuals to corporations, to move towards electrification. However, it currently remains unclear how this transition will be managed in a way that is affordable and reliable for all ratepayers. How will those with a greater burden on the electrical grid pay for their service needs? How will the State ensure that resources built to meet growing needs are used and paid for? Will increased electricity sales from large energy use facilities result in downward pressure on rates?

   AB 2383 seeks to address some of these questions by requiring the CPUC to establish a new classification and rate structure for large energy use facilities. Furthermore, the bill requires that contracts be established between electrical corporations and large energy use facilities, in part to protect against stranded assets. Rate design is an essential mitigation tool to ensure costs are fairly allocated and not shifted to other ratepayers. The treatment of large loads under retail ratemaking presents a challenge, as the pace of retail design has traditionally been aligned with smaller, incremental load growth. Transmission-level customers, such as large data centers, typically pay rates about 14-17¢ less than distribution-level customers.[28] Distribution rates also contain statewide policy costs, such

---

[26] Agenda ID #24097, 2. Purpose of Proceeding, https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M601/K776/601776967.PDF
[27] CPUC Voting Meeting 4-9-26, https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M604/K029/604029933.pdf
[28] Pg. 26, "Little Hoover Commission Study to Review Data Centers and California Energy Policy, Pt. II," December 11, 2025. https://lhc.ca.gov/wp-content/uploads/Revised-Commissioner-Information-12-11-25.pd

as wildfire mitigation, net energy metering, and public purpose program costs. Customers connecting at the transmission level do pay certain distribution costs, including a portion of wildfire-related costs,[29] but not nearly as significantly as distribution-level customers. The primary way large loads reduce bills for other ratepayers is by (a) minimizing or avoiding infrastructure upgrades that would otherwise be socialized – either by limiting the need for new infrastructure or requiring large load customer to pay those costs upfront – and/or (b) ensuring that large-load customers provide stable, long-term revenue over the life of any required upgrades, sufficient to cover not only fixed capital costs but also ongoing operations, maintenance, depreciation, and associated generation procurement costs. Ensuring that large energy use facilities adequately cover the cost of service and meet specific contractual requirements, as is the goal of AB 2383, will potentially help to ensure these entities are paying for an equitable portion of their energy impact.

3) *What is a large energy use facility?* In a recent white paper,[30] the North American Electric Reliability Corporation (NERC) surveyed entities across North America on their definition of "large loads." There was no consistent term amongst the entities, as is shown in Table 1.[31] As noted in the report, "size alone would be too limited a way to examine what is a materially impactful large load" and suggests that additional factors such as the relative size of the load to the local system and how it connects to and impacts the overall system should also be considered. Additionally, as detailed above, each entity has a different set of classifications for customers, including large loads.

   AB 2383 currently defines large energy use facilities (large loads) as facilities that have a peak load of 20 MW and are interconnected under a retail transmission tariff. However, setting a MW threshold in statute would restrict the ability of the CPUC to make a different determination of large energy facilities that may more accurately capture this group, regardless of a specific MW load. Therefore, *the committee recommends requiring the CPUC to determine the types of facilities appropriate for this new classification, while also providing guidance that is consistent with the author's intent. This includes explicit inclusion in the large load category of facilities that are interconnected under a retail transmission tariff, and include, at least, facilities that broadly meet the definition of a data center.*

[29] Michael Medieros, "PG&E Written Testimony;" Letter to the Little Hoover Commission; December 8, 2025. https://lhc.ca.gov/wp-content/uploads/PGE-LHC-Written-Testimony.pdf
[30] Characteristics and Risks of Emerging Large Loads: Large Loads Task Force White Paper, NERC, July 2025
[31] Appendix A: Large Load Construct Data, from NERC Large Load Task Force White Paper

Table 1: Appendix A from NERC's Large Load Task Force White Paper. Survey results of Large Load Constructs.[14]

Region/Entity	Threshold	Rationale	Classification
ERCOT	75 MW	Above 75 MW, a transmission upgrade is likely needed to serve the full load.	Peak Demand
NYISO	10 MW at 115kV or above, or 80 MW below 115kV	These loads could impact the New York state transmission system and need to be evaluated to determine their responsibility for upgrades required to reliably interconnect to the NY State Transmission System.	Peak Demand and Voltage Level
Dominion	100 MW	Above 100 MW, a ring bus configuration is needed per Facility Interconnection Requirements.	Peak Demand
Grant PUD	2 MVA for large, and 40 MVA	2 MVA is the largest secondary service transformer and 40 MVA is the largest transformer size available and requires additional or new substation work. Above 40 MVA may require transmission service.	Peak Demand
Portland General Electric	1 MW, 30 MW	The primary drivers are rate and cost allocation. At 1 MW or greater, there can potentially be an impact on feeder mainline or substation vs. a simple line extension for smaller load. Load at 30 MW aligns with the typical distribution substation transformer loading criteria.	Peak Demand
PacifiCorp	1 MW	Currently driven by tariffs.	Peak Demand
SRP	10 MW, 150 MW	At 10 MW or greater a dedicated substation off of 69 kV system is required. At 150 MW or above, a 230 kV connection is needed.	Peak Demand

4) *Cost of service.* As defined in the bill, the cost of service does not include upgrades to the electrical transmission or distribution system. These types of upgrades are typically associated with energization of a load and relevant proceedings regarding energization are already underway at the CPUC, such as PG&E's Rule 30 application.[32] However, the bill likewise includes in the definition of "cost of service" as the costs incurred in providing transmission, distribution services, seemingly conflicting with their exclusion from the definition. *For clarity and to better align with the author's intent, the committee recommends adding that the cost of service definition does not apply to upgrades specifically associated with energizing the large energy use facility. Additionally, the committee recommends removing Section 945.1(d), as the bill's focus is specific to the cost of service, not interconnection or energization protocols.*

[32] A.24-11-007

5) *Ratemaking authority.* Outlined in the bill are a number of considerations for the CPUC in establishing a new classification and rate schedule for large energy use facilities. These considerations match many of the same recommendations recently outlined in a report from the Little Hoover Commission on data centers,[33] and in a recently filed proposed decision from the CPUC, related to SB 57 implementation and other large load considerations.[34] The scope of the recent CPUC proposed proceeding is broad, but will likely cover many of the aspects directed in the present bill. There will likely be issues and considerations raised during these proceedings, through engagement of stakeholders and the public, that grant additional scrutiny or consideration. Therefore, to ensure that the full ratemaking process can play out at the CPUC in a manner that will result in the outcomes desired from the present bill, *the committee recommends adding language that establishes the rate schedule and contract requirements as a minimum but allows the CPUC to add and adjust requirements as deemed appropriate. Additionally, the committee recommends leaving specifics of the contract requirements, such as contract length, to be determined at the CPUC.*

6) *Preventing cost shifts.* Part of the direction to the CPUC in the present bill is to ensure a new rate schedule does not "unreasonably" shift the cost to other ratepayers. This language does not fully protect ratepayers from the possibility of cost shifts. Therefore, *the committee recommends striking "Unreasonably" from Section 945.1(b)(3)(B) to ensure that there are no cost shifts that occur from establishing a new rate schedule for large energy use facilities.*

7) *Onsite generation.* Insight into the planned usage of onsite site generation from large energy use facilities could yield more accurate resource and infrastructure planning. As outlined in Section 945.3(d) of this bill, large energy use facilities will need to report investments in onsite generation for the duration of the contracted service. This will hopefully yield greater transparency to the energy needs of these facilities. However, it is unclear, in Section 945.1(c)(7), how the considerations of onsite generation for system reliability and cost allocation to nonparticipating customers would be applicable to the new classification or approval of a new rate schedule. Additionally, since the rate schedule is specific to the cost of service, not the energization of the facility, onsite generation is not relevant to this section. Therefore, t*he committee recommends removing the rate schedule requirement regarding onsite generation.*

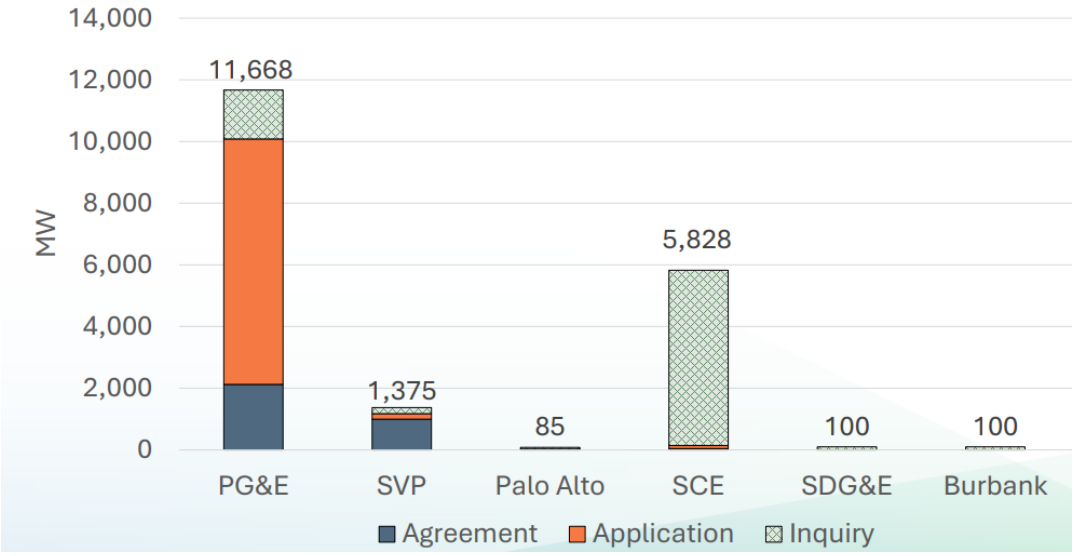
---

[33] Data Centers and California Electricity Policy Report, Little Hoover Commission, March 2026, https://lhc.ca.gov/wp-content/uploads/LHC-Report-292-Data-Centers-California-Electricity-Policy-FINAL-PUBLIC-3.3.26.pdf

[34] Proposed Decision on Advanced Electric Rate Design, Agenda ID #24097, CPUC, https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M601/K776/601776967.PDF

8) *Contract requirements*. As detailed above, demand from large energy use facilities is rapidly growing across the State. Often these entities have the resources to seek out favorable agreements with an energy provider for service and can have inquiries out across different service providers. While there is nothing inherently wrong with competition in the market, the ability for these facilities to "shop around" inserts uncertainty into planning frameworks. For example, recent forecasting from the CEC highlights the range uncertainty from incoming data center demand, ranging from most certain (with agreements) to largely unknown (from inquiries).[35]

Figure 2. Capacity Requests, as reported to the CEC from each utility as of August 2025.[20] (Key: PG&E = Pacific Gas & Electric; SVP = Silicon Valley Power; SCE = Southern California Edison; SDG&E = San Diego Gas & Electric).



Furthermore, energy providers are required to enter long-term procurement contracts to address the State's resource adequacy and reliability requirements. Therefore, the risk for stranded assets, and ultimately increased costs to ratepayers, is high, especially if large load customers can shop around without consequence. Contract requirements provide a way to ensure that ratepayers are protected against the risk of stranded assets by placing responsibility with the large energy use facilities for the resources and upgrades necessary to serve their needs. In the present bill, this is in the form of minimum duration contracts, upfront costs for projected electricity usage, and greater transparency of onsite energy generation (in addition to other conditions deemed appropriate by the CPUC).

One argument against the contract terms applying equally across load-serving entities is that it diminishes competition from entities interested in attracting large loads. However, the contract terms as outlined are specific to protections against stranded assets and do not limit, for example, CCAs from continuing to provide these large energy use facilities generation services at prices deemed appropriate by their governing boards. For clarity, *the committee recommends changing "electrical corporation" to "load serving entity" throughout Section 945.3, ensuring that the contract requirements protect ratepayers*

[35] Slide 5, presentation by CEC Manager of Demand Analysis Heidi Javanbakht to the Little Hoover Commission, December 11, 2025; https://lhc.ca.gov/wp-content/uploads/5-Heidi-Javanbakht-CEC.pdf

across entities. Additionally, to ensure ratepayers are fully protected against the risk of stranded assets, the committee recommends adding early termination fees to the contract requirements.

9) *Timing clarification.* As currently written, the bill does not require an electrical corporation and large energy use facility to use the classification of service determined by the CPUC, if the CPUC has not approved the rate schedule for that classification of service. This provision remains in effect until January 1, 2028, the date set for when the CPUC is required to determine the new rate schedule and classification of service. Given that proceedings at the CPUC often take years to complete, this timeline runs the risk of sunsetting the requirements of the bill before the CPUC may have completed its work. As a result, *the committee recommends removing Section 945.2 (b) and, therefore, only requiring a new rate schedule after the commission establishes a new classification of service.*

10) *Related Legislation.*

AB 1577 (Bauer-Kahan) mandates data centers report monthly energy usage and efficiency information to the CEC. The CEC must integrate this data into IEPRs and annually publish the data in an anonymized and aggregated format for the public. Additionally, data centers must submit specified information to local agencies when requesting authorization for the construction or operation of a data center. Status: set for hearing in this committee on April 8th.

AB 2469 (Papan) requires commercial, industrial, institutional, and large landscape water users – including data centers – to submit water use assessments and a water scarcity plan to the Department of Water Resources. Status: set for hearing in the Assembly Committee on Water, Parks, and Wildlife on April 14th.

AB 2619 (Papan) requires the owner of a data center to submit expected water use, anticipated source of water, and the data center's projected water use volume when applying to a city for license or permitting. Status: set for hearing in the Assembly Committee on Water, Parks, and Wildlife on April 14th.

AB 2505 (Carillo) requires the CPUC to establish a new tariff or rule for electrical corporations to establish separately metered electrical service to heavy-duty hydrogen refueling stations. Status: set for hearing in this committee on April 8th.

SB 886 (Padilla) requires the CPUC to establish an electrical corporation tariff that addresses costs associated with transmission, distribution, and generation services for data center customers that interconnect at the transmission level and have peak electricity demands of at least 25 MW. Status: set for hearing in the Senate Committee on Appropriations on April 13th.

SB 887 (Padilla) specifies that development and operation of a data center is not eligible for a California Environmental Quality Act (CEQA) categorical exemption. Unless the data center meets specified criteria, such as using onsite zero-carbon energy storage. Then, the data center would be eligible for the "environmental leadership development" program, which would provide CEQA judicial streamlining, among other changes. Status: pending hearing in Senate Committee on Energy, Utilities, and Communications.

SB 978 (Pérez) requires the CPUC to create a special rate structure for data centers with an estimated capacity of at least 75 MW. This bill also expands existing CPUC reporting requirements about large loads to include a specified assessment for increased load impacts on renewable procurement goals. Status: set for hearing in the Senate Committee on Labor, Public Employment and Retirement on April 8th.

SB 1168 (McNerney) sets a surcharge for natural gas and electricity consumed or purchased for a data center in California. These charges would be used to establish the Data Center Excess Energy Usage Surcharge Fund and used to fund rate assistance programs for low-income customers. Status: set for hearing in the Senate Committee on Energy, Utilities, and Communications Committee on April 13th.

11) *Prior Legislation.*

AB 222 (Bauer-Kahan, 2025) required the CEC to collect and analyze data center energy consumption trends and include those findings in the 2027 IEPR. This bill also required the CPUC to determine if data center loads resulted in cost shifts to other customers and to submit an assessment to the Legislature detailing the assessment. Status: Held in the Senate Committee on Appropriations.

AB 93 (Papan, 2025) required a data center operator to provide its estimated or actual water use to its water supplier as a condition of obtaining or renewing a business license issued by a city or county. Status: Vetoed

SB 57 (Padilla, 2025) authorizes the CPUC to conduct a specified assessment of electrical corporations' potential costs and rate impacts associated with serving new electrical loads from data centers. Status: Chapter 647, Statutes of 2025.

REGISTERED SUPPORT / OPPOSITION:

Support

Bay Area Council
California-Hawaii State Conference of the NAACP
The Climate Center
E2
Natural Resources Defense Council (NRDC)
Pacific Gas and Electric Company and its Affiliated Entities

Opposition

California Chamber of Commerce
California Manufacturers and Technology Association

Oppose unless amended

California Community Choice Association
California Large Energy Consumers Association
Valley Clean Energy Alliance
Western States Petroleum Association

Other

The Utility Reform Network (TURN)

Analysis Prepared by: Alexa. Cohill-Milanick / U. & E. / (916) 319-2083