SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Josh Becker, Chair
2025 - 2026 Regular

Bill No:	SB 57	**Hearing Date:**	4/7/2025
Author:	Padilla		
Version:	3/26/2025 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Sarah Smith		

SUBJECT: Data centers: special tariff or program

DIGEST: This bill requires the California Public Utilities Commission (CPUC) to establish a specified tariff for data centers by July 1, 2026. This bill also requires certain utilities to procure 100% of the electricity delivered to data centers from zero-carbon resources by 2030.

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)

This bill:

1) Defines a "data center" as a large-scale energy consumer connecting at a transmission level voltage of at least 50 kilovolts (kV) that requires uninterruptible electricity housing servers and related data center equipment and software whose primary services are the storage, management, processing, and distribution of data.

2) Requires the CPUC to establish or modify an electrical corporation tariff or program for transmission and distribution service to data centers by July 1, 2026. This bill requires the tariff or program to do all of the following:

   a) Prevents customers that do not participate in the tariff from bearing cost shifts, including costs of interconnecting facilities or costs associated with loads that fall short of estimates.
   b) Helps electrical corporations fulfill their obligations to serve customers at just and reasonable rates.
   c) Does not increase fossil fuel consumption in-state.
   d) Reduces greenhouse gas (GHG) emissions associated with electrical generation.
   e) Promotes stable or reduced retail rates for electrical service.
   f) Contributes to the safe and reliable operation of the electrical grid, including by providing predictable electrical supply, voltage support, lower line losses, and congestion relief.
   g) Allows tariffed data centers to use a percentage of generation behind-the-meter to meet this bill's requirements for zero-carbon electricity service requirements.
   h) Requires tariffed data centers to include energy storage as part of their backup power systems.

i) Requires tariffed data centers to install onsite battery storage to provide demand response services to the electrical grid.
j) Ensures electrical grid investments to serve a data center are fully recovered from the data center in the event that the data center ceases operations or uses less electricity than initially projected.
k) For data centers taking transmission-level delivery service, collects a reasonable share of the costs relating to wildfire mitigation, wildfire liability, electrification and environmental programs, and other societal cost obligations typically included in distribution rates.

3) Requires the CPUC to direct all retail sellers of electricity to serve tariffed data centers' electricity demand with 100% zero-carbon electricity resources by January 1, 2030.

Background

To infinity and beyond: data centers' electricity consumption may grow exponentially. Data centers are facilities that house computer systems, including servers that help store, process, and route data used for computing and telecommunications. A May 2024 report from the CEC on data centers' power systems indicates that data centers comprise approximately two percent 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 this load may grow to reach between 6.7% to 12% of national electricity consumption by 2028. The growth of data centers' electricity consumption has been partly driven by the growth of artificial intelligence (AI). Data centers that serve AI customers are particularly large electricity consumers within the data center sector. Five of the anticipated facilities serving OpenAI could collectively use more electricity than 3 million households.

Bill aims to address potential cost shifts from data center electricity demands. As data centers' load grows, utility costs will concurrently grow. Recent studies from states with the highest electrical load growth from data centers indicate that ratepayers across classes may be unnecessarily shouldering costs for utility infrastructure constructed primarily to serve data centers. Since data centers are not evenly distributed across the state, certain locations, particularly in Silicon Valley, will experience much greater demands on their electric system. These

demands may require additional resource procurement and distribution and transmission upgrades, which can require long-lead times to facilitate. Transmission and distribution costs are generally shared across all customers, including CCA customers who receive their retail electric supply unbundled from their transmission and distribution service.

This bill follows regulatory decisions in other states to adopt tariffs aimed at preventing cost-shifting and rate shocks associated with the addition of large electrical loads from data centers. Indiana, Ohio, and West Virginia have negotiated and adopted tariffs to limit the extent to which other ratepayers will pay for the power and infrastructure solely serving data centers. This bill differs from many of these agreements by focusing on transmission and distribution costs, behind-the-meter resource requirements, and zero-carbon procurement requirements. Portions of this bill closely mirror recommendations from a number of studies on data center power demands. For example, the Southwest Energy Efficiency Project (SWEEP) recommends that utilities craft tariffs that require data centers to obtain 100% of their electricity from zero-carbon resources and use behind-the-meter resources like batteries to load shift. However, SWEEP's report does not specifically account for California's energy policies or utility sector.

Pacific Gas and Electric's (PG&E) Electric Rule 30 Filing. Under existing law, the CPUC adopts electric rules that specify utility infrastructure requirements, including, but not limited to, requirements for interconnection with utility infrastructure. The CPUC also approves tariffs that stipulate the pricing schedules and rate for electric service. Some tariffs are included in an electric utility's electric rules. In November 2024, PG&E filed an application at the CPUC to establish a new Electric Rule 30 (Application 24-11-007). PG&E's filing seeks to establish rules for interconnecting non-residential retail electric customers at transmission level voltages. PG&E's existing rules for retail customer interconnection only pertain to distribution-level voltages. Generally, transmission interconnection is reserved for those customers receiving electricity at voltages between 50 and 230kV. Customers receiving service above 230kV are typically connected to the bulk electric system. PG&E's Rule 30 application notes that applications for transmission-level interconnections have accelerated in recent years. Between 2014 and 2022, PG&E had a total of 16 retail customers interconnected with the transmission grid. Since 2023, PG&E has received 34 applications for transmission-level service from entities with an electrical demand of at least four megawatts (MW). According to PG&E's filings, data centers comprise 67% of the 34 transmission interconnection applications that PG&E has received since 2023. In the absence of an electric rule for these interconnections, PG&E has increased its use of the "exceptional case" filing process at the CPUC, which is reserved for those circumstances when adhering to existing rules are not

feasible, and a party requests a solution that is not authorized under existing CPUC rules and regulations. Negotiating each interconnection on a case-by-case basis can lead to differing obligations included in each agreement and unpredictable ratepayer costs from those differing obligations. PG&E's Rule 30 application seeks to create standardized requirements for these interconnections, which may help ensure that utility costs associated with these interconnections are more consistent.

While portions of this bill contain provisions that are similar to proposals in PG&E's Rule 30 application, large portions of this bill differ from PG&E's proposal. PG&E's application is intended to apply to any applicant with four MW of load that proposes to interconnect with transmission. This bill pertains solely to data centers, which this bill defines as large-scale energy consumers connecting to transmission at 50kV or higher. By applying solely to data centers, this bill may require the CPUC to consider different electric rules for different businesses – regardless of similarities in load and interconnection. Provisions of this bill require data centers to have behind-the-meter battery storage that will function as demand response for the grid in order to qualify for the tariff. As a result, it is unclear if data centers that lack behind-the-meter storage or those who do not provide demand response services will qualify for interconnection or simply continue to rely on the "exceptional case" filing process to achieve interconnection. Additionally, this bill requires the tariff to reasonably collect certain costs that are not addressed in the PG&E proposal. This bill requires the tariff to cover costs associated with "…electrification and environmental programs, and other societal cost obligations typically included in distribution rates." However, it is unclear that these items are included in distribution rates.

Bill accelerates zero-carbon procurement. Existing law establishes a state goal of procuring at least 60% of total retail sales of electricity from renewable energy resources by December 31, 2030. Existing law also establishes a goal of procuring 100% of all in-state retail electricity sales from zero-carbon resources by December 31, 2045. This bill accelerates the zero-carbon procurement goal by requiring load-serving entities to ensure that 100% of the electricity delivered to data centers is from zero-carbon resources by January 1, 2030. The extent to which sufficient deliverable zero-carbon resources will exist to serve these customers within four years of this bill's enactment is unclear.

Accelerating zero-carbon procurement for data centers may not prevent other ratepayers from financing early zero-carbon resource development. In 2023, the Legislature passed AB 1373 (Garcia, Chapter 367, Statutes of 2023), which authorized DWR to act as a central procurement entity to help the state meet its renewable and zero-carbon energy procurement goals. The bill anticipated that the

state needed to encourage the development of certain long lead-time resources to help the state meet its 2045 zero-carbon electricity goals in a manner that would be cost-effective to ratepayers. In August 2024, the CPUC issued a decision (D. 24-08-064) identifying maximum amounts of certain long lead-time resources recommended for procurement. Timelines for the development of these resources indicate that CPUC anticipates approving solicitations for these resources between 2027 and 2030.

State efforts may be complicated by federal policies. Pursuant to the Federal Power Act, the Federal Energy Regulatory Commission (FERC) has the authority to regulate wholesale electricity sales and interstate transmission rates. While the CPUC can engage in FERC proceedings on behalf of California ratepayers, FERC may assess rates for transmission within the California Independent System Operator balancing authority, regardless of whether the state adopts a tariff to allocate costs for transmission interconnection. In February 2025, FERC ordered a review of issues related to large loads co-locating with power generators. This order may set the stage for FERC to consider more regulations pertaining to tariffs regarding data center transmission interconnections. Should FERC adopt rules that conflict with this bill, this bill may conflict with FERC requirements.

Need for amendments. Portions of this bill regarding tariff requirements contain provisions that appear to be repetitive and are unclear. For example, this bill requires the establishment of a tariff that avoids cost-shifts to non-participating customers; however, this bill does not expressly require the tariff to prohibit cost-shifts. Additionally, this bill provides a non-exhaustive list of potential types of non-participating customers. This list is unnecessary since this bill's tariff applies only to data centers. This bill also contains references to unspecified costs that are not currently included in rates.

Provisions of this bill require data centers to install on-site battery storage to provide demand response services to the grid; however, it is unclear which demand response program would apply to data centers' behind-the-meter storage. This bill also implies that data centers' zero carbon behind-the-meter generation may count towards utilities' zero carbon procurement requirements. However, behind-the-meter assets are not considered utility resources. By applying to only data centers, this bill does not establish a mechanism to create consistent rules for large-load, transmission interconnection for customers across sectors.

For these reasons, the author and committee may wish to amend this bill to do the following:

- *Eliminate duplicative terms.*
- *Limit tariff to transmission and distribution costs.*

- *Shift eligibility for the tariff from only data centers to any customers interconnecting at transmission level voltages with 50 megawatts (MW) or more of demand.*
- *Clarify that the tariff must prevent cost-shifts to non-participating customers.*

As currently written, this bill would require the state's IOUs, CCAs, and ESPs to ensure that 100% of the electricity delivered to tariffed data centers is from zero-carbon resources by 2030. This timeline provides affected utilities with only four years to procure these resources. It is not clear that sufficient zero-carbon resources will be available. Additionally, it is not clear that other ratepayers will experience savings from such an accelerated procurement schedule. This bill does not specify how this accelerated procurement will be incorporated into the transmission and distribution tariff established by this bill. This bill defines a data center as a facility that is interconnected at transmission voltages; however, it is unclear how a transmission-interconnected data center can obtain zero-carbon electricity procured on their behalf from a CCA. *For these reasons, the author and committee may wish to amend this bill to remove the accelerated procurement requirements and clarify that any costs for electricity procured to serve customers receiving a tariff under this bill shall be borne solely by the tariffed customers.*

Prior/Related Legislation

SB 58 (Padilla) of the current legislative session, provides certain tax incentives for data center equipment if those data centers using the equipment meet certain job creation, economic investment, and renewable energy requirements. The bill is currently pending in the Senate Revenue and Taxation Committee.

AB 222 (Bauer-Kahan) of the current legislative session, establishes a framework for estimating and modeling data centers' energy usage. The bill requires the CPUC to specifically determine whether electrical corporation costs directly related to the creation or modification of a data center are just and reasonable, and requires the CPUC to minimize ratepayer cost-shifting that may occur as a result of electric utility costs related to data centers. The bill is currently pending in the Assembly Utilities and Energy 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.

SB 423 (Stern, Chapter 243, Statutes of 2021) required the CEC to submit a specified report to the Legislature assessing the supply of firm zero-carbon resources supporting clean, reliable, and resilient electrical grid in California.

AB 1373 (Garcia, Chapter 367, Statutes of 2023) among other provisions, authorized DWR to act as a central procurement entity to help the state meet its renewable and zero-carbon energy procurement goals. The bill required the CPUC to determine if procurement is needed, and identify the amount of procurement required.

SB 100 (De Leon, Chapter 312, Statutes of 2018) updated the 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, and procuring 100% of retail electricity sales from zero-carbon resources by December 31, 2045.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

California State Association of Electrical Workers
Coalition of California Utility Employees
Sustainable Rossmoor
The Utility Reform Network

OPPOSITION:

Data Center Coalition

ARGUMENTS IN SUPPORT: According to the author:

> Growing energy demand driven by data centers hold the potential, if done correctly, to lower existing ratepayer costs by more widely spreading costs. If done incorrectly, however, it could have significant ramifications for ordinary ratepayers in the form of expensive stranded assets. This measure is patterned off actions taken in several other states to support the industry while ensuring existing ratepayers are protected in this new and quickly expanding sector of our economy.

ARGUMENTS IN OPPOSITION: The Data Center Coalition states:

> As noted by Lawrence Berkeley National Laboratory in the 2024 U.S. Data Center Energy Usage Report, "This surge in data center electricity

demand…should be understood in the context of the much larger electricity demand that is expected to occur over the next few decades from a combination of electric vehicle adoption, onshoring of manufacturing, hydrogen utilization, and the electrification of industry and buildings." SB 57, unfortunately, would force the CPUC to adopt an approach to ratemaking that deviates from best practices and overlooks the fact that data centers are not singularly responsible for increases in electricity demand.

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