SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Benjamin Allen, Chair
2025 - 2026 Regular

Bill No:	SB 887	**Hearing Date:**	4/21/2026
Author:	Padilla		
Version:	4/9/2026 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Sarah Smith		

SUBJECT: California Environmental Quality Act: environmental leadership development projects: data centers: clean energy powerplant projects

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

ANALYSIS:

Existing law:

1) Establishes the California Energy Commission (CEC), consisting of five members appointed by the Governor, and specifies the duties of the CEC. Every two years, the Governor must designate a chair and vice chair from the CEC's membership. The CEC must appoint a public adviser every three years to carry out certain public engagement duties. (Public Resources Code §25200 et. seq.)

2) Defines a "thermal powerplant" as any stationary or floating electrical generating facility with a generating capacity of 50 megawatts (MW) or more using any source of thermal energy. Thermal powerplants include facilities related to the powerplant; however, they do not include facilities related to a geothermal development or production facility. Existing law also exempts certain renewable energy generation facilities from the definition of a thermal powerplant, including wind, hydroelectric, and solar photovoltaic facilities. (Public Resources Code §25120)

3) Provides the CEC with exclusive authority to certify all power facilities in the state, regardless of whether a facility is a new power site or an addition to an existing site. A certificate provided by the CEC for a power facility serves in lieu of any permit, certificate, or similar authorization required by any local,

regional, state, or federal agency to the extent permitted by federal law. (Public Resources Code §25500)

4) Designates the CEC as the lead review agency under CEQA for projects subject to the CEC's powerplant siting review authority. Any other public agency making a decision related to the CEQA review of a powerplant that is subject to the CEC's authority must use the CEC's certification review as the environmental impact report for that decision. (Public Resources Code §25519)

5) Allows the CEC to exempt from its certification process certain thermal powerplants with a generating capacity up to 100 MW and modifications to existing facilities that do not add capacity in excess of 100 MW. The CEC may provide an exemption as long as the CEC finds that no substantial adverse impact on the environment or energy resources will result from the construction or operation of the proposed facility or from the modifications. (Public Resources Code §25541)

6) Provides an expedited judicial review of CEC decisions for powerplant and transmission applications for certification. These decisions are subject to judicial review by the California Supreme Court. All other courts within the state are prohibited from hearing or determining any issue regarding CEC powerplant and transmission applications which could have been determined in a CEC proceeding and all other courts may not delay or stop construction of a powerplant except to enforce a CEC decision regarding the construction. (Public Resources Code §25531)

7) Establishes an opt-in permitting process at the CEC for certain non-fossil fueled power generation facilities. Existing law specifies certain criteria a facility must meet in order to qualify for this opt-in certification. These criteria include, but are not limited to, meeting certain labor standards for the construction of the facility seeking certification. Existing law specifies requirements regarding the use of a prevailing wage and skilled and trained workforce for opt-in permitting eligibility. (Public Resource Code §25545 et. seq.)

8) Authorizes the California Public Utilities Commission (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)

9) Defines projects that constitute an "environmental leadership development project" for the purposes of obtaining certain CEQA streamlining benefits. Existing law expressly includes certain housing developments, clean energy manufacturing projects, renewable solar or wind energy projects that do not use waste incineration or conversion, and certain infill development projects in the definition of environmental leadership development projects. (Public Resources Code §21180)

10) Establishes criteria for energy infrastructure projects that qualify for certain CEQA streamlining benefits. Existing law specifies that these projects include facilities that meet the definition of a renewable energy resource in the Renewables Portfolio Standard (RPS) program. Existing law excludes resources that combust biomass from the definition of a renewable energy resource eligible for this CEQA streamlining. (Public Resources Code §21189.81)

11) Defines a renewable electrical generation facility as a facility that meets certain criteria and uses the following to generate electricity: biomass, solar thermal, photovoltaic, wind, geothermal, fuel cells or linear generators using fuels described in this paragraph that otherwise meet the requirements of this subdivision, small hydroelectric generation of 30 MW or less, digester gas, municipal solid waste conversion, landfill gas, ocean wave, ocean thermal, or tidal current. (Public Resources Code § 25741)

This bill:

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

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

3) Expands the definition of an "environmental leadership development project" to expressly include geothermal powerplants that meet existing CEQA

streamlining criteria and comply with skilled and trained workforce labor requirements applied to opt-in non-fossil permitting at the CEC.

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

   a) Pays the full cost of interconnection to prevent cost shifts to other ratepayers.
   b) Does not increase fossil fuel consumption within the state.
   c) Includes zero-carbon energy storage with at least four hours of capacity at 100% of forecasted peak demand for the facility.
   d) Uses onsite zero-carbon energy storage to provide demand response services to the electrical grid.
   e) Relies on zero-carbon generation located behind the meter to the maximum extent feasible.
   f) Recovers fully from the data center operator all electrical grid investments, including costs of new generating capacity, to serve the data center in the event the data center ceases operations.
   g) Uses recycled water and water-efficient technology or waterless cooling systems.
   h) Will rely on 100% zero-carbon electricity resources to serve hourly energy needs within five years of initial operations, of which 75% shall be newly developed.
   i) Will avoid or minimize significant environmental impacts on a disadvantaged community, as specified.
   j) Enters into one or more legally binding and enforceable community benefits agreement with community-based organizations, such as workforce development and training organizations, labor unions, community foundations, local governmental entities, or California Native American tribes. This bill requires a data center to take certain community engagement steps to develop this agreement and requires the agreement to include an enforceable mechanism to benefit residents of nearby and affected communities, as specified.
   k) Meets certain wage and labor requirements required for opt-in permitting of non-fossil powerplants and energy storage facilities.

5) Requires the CEC to develop and enforce statewide standards for data centers' designation as environmental leadership development projects. This bill requires the CEC to set regular reporting requirements for data centers that obtain designation as environmental leadership development projects and assess

civil penalties on data centers that violate the CEC's standards for CEQA streamlining.

Background

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

Data centers' backup power can trigger CEC powerplant siting requirements. This bill largely pertains to the authority of lead agencies permitting the construction and expansion of data centers. This bill prohibits lead agencies from applying categorical exemptions to CEQA decisions an agency may make regarding any data center project. This bill also establishes criteria for CEQA streamlining for data centers with more than 50 MW of capacity that meet certain criteria. In addition to the grid-level resources needed to serve data centers' energy demands, data centers also generally rely on a continuous power supply that necessitates extensive on-site backup power facilities. These backup power generators generally use diesel fuel, with a small number of facilities using natural gas generators for back-up power. Below 50 MW, these back-up power systems can be permitted at the local level; however, existing law specifies that thermal generation facilities with capacities of 50 MW or more are subject to the CEC's powerplant certification authority. The CEC's powerplant certification process is a functional equivalent of CEQA, and provides thermal power generation facilities' with a single lead agency for conducting environmental reviews required for powerplant siting.

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

CEC's full powerplant certification process. Once a facility obtains a SPPE from the CEC, remaining permitting processes return to local jurisdictions.

This bill establishes criteria by which a data center with at least 50 MW of capacity can obtain designation as an environmental leadership development project, which provides certain CEQA streamlining benefits. However, these benefits do not impact statutes governing the CEC's authority to permit thermal generation over 50 MW. While this bill does not expressly prohibit a data center with thermal back-up power from qualifying for designation as an environmental leadership development project, it is unclear how a facility relying on diesel or natural gas for backup power would meet all the criteria included in this bill. For example, a new data center project or expansion to a data center that necessitates more diesel or natural gas backup power installation would necessarily increase fossil fuel consumption in California. This increased consumption would disqualify the facility from designation as an environmental leadership development project under this bill.

Bill requires the CEC to adopt and enforce standards applied to data centers seeking CEQA streamlining. Data centers that comply with this bill's criteria for designation as environmental leadership development projects are less likely to be subject to CEC's existing CEQA review for powerplants; however, this bill would increase state-level oversight of data centers seeking judicial streamlining for CEQA. This bill does not require CEC to set similar standards for other data centers that do not develop projects seeking CEQA streamlining. As a result, it is unclear if this bill effectively incentivizes data centers to develop projects that would meet the CEQA streamlining criteria in this bill.

Bill's geothermal provisions largely re-state existing law. This bill expressly clarifies that geothermal powerplants that meet existing CEQA streamlining criteria are eligible for designation as environmental leadership development projects. It is not clear that it is necessary to re-state the eligibility of these facilities for CEQA streamlining.

Dual referral. This bill passed out of the Senate Environmental Quality Committee on March 18, 2026 with a vote of 4-1.

Prior/Related Legislation

SB 886 (Padilla) of 2026, requires the CPUC to establish a special rate structure for data centers, including a specified electrical corporation tariff for data centers with at least 20 MW of load that interconnect at the transmission level. The bill is pending in the Senate Appropriations Committee.

SB 978 (Pérez) of 2026, requires the CPUC to create a special rate structure for data centers with capacities of at least 75 MW to prevent cost shifts to other customers. The bill would also establish labor requirements for the construction of facilities subject to the bill. The bill would expand existing CPUC reporting requirements about large loads to include a specified assessment about increased load impacts to renewable procurement goals. The bill is pending in the Senate Appropriations 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 by 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:

Net-Zero California (Co-Sponsor)
The Utility Reform Network (Co-Sponsor)
Audobon California
Brawley Chamber of Commerce
California Nurses Association
City of Buena Park
City of Monterey Park
Comité de Acción del Valle
Heber Public Utility District
International Brotherhood of Electrical Workers, Local Union 569

Imperial Valley Equity & Justice Coalition
Kuhn Hay
Los Amigos de la Comunidad
Restore the Delta, if amended
Sustainable Rossmoor
Texel Energy Storage, if amended
Victoria Homes

OPPOSITION, unless amended:

Bay Area Council
Building Owners and Managers Association of California
CalAsian Chamber of Commerce
CalBroadband
California African American Chamber of Commerce
California Business Properties Association
California Hispanic Chambers of Commerce
California Manufacturers & Technology Association
Data Center Coalition
NAIOP California
Silicon Valley Leadership Group
TechCA
TechNet

ARGUMENTS IN SUPPORT: According to the author:

> Data centers are being built at an extreme rate without adequate guardrails, creating air quality, water supply, and energy supply challenges for local communities across the country. Imperial county, which has one of the highest unemployment rates in the state, is currently evaluating multiple proposed hyperscale projects that could transform the region. This could bring substantial economic development to the region, but if done incorrectly, could have disastrous impacts on public health and energy costs. This measure incentivizes good neighbor data center development for projects that support California's grid and the communities in which they are built.

ARGUMENTS IN OPPOSITION: Opponents argue that this bill unreasonably targets data center construction, to the exclusion of other types of facilities with environmental impacts. Opponents also argue that the bill would slow data center construction and associated economic development by limiting a CEQA lead agency's ability to use a ministerial process for environmental reviews. In

opposition, a coalition of technology, business, and manufacturing organizations, including the Data Center Coalition, states:

> SB 887 specifically targets data centers by stripping them of ministerial status under the California Environmental Quality Act (CEQA). Ministerial projects, those that meet objective, pre-established zoning and building codes, are essential for predictable economic development. By forcing even small scale or code-compliant data centers into the discretionary CEQA process, this bill introduces years of risk and potential delays for these critical infrastructure facilities. The bill declares that data centers are no longer considered "advanced manufacturing" for the purposes of CEQA exemptions. This is a significant step backward. Modern data centers are high-tech industrial hubs that utilize sophisticated liquid cooling, advanced power electronics, and AI-driven energy management. To exclude them from the same protections afforded to other high-tech facilities is logically inconsistent and penalizes the very infrastructure required for California to remain a global leader in innovation.

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