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

Bill No:	AB 2383	**Hearing Date:**	6/30/2026
Author:	Zbur		
Version:	6/15/2026 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Sarah Smith		

SUBJECT: Electricity: large energy use facilities

DIGEST: This bill requires the California Public Utilities Commission (CPUC) to establish a new electricity rate class for large energy consumers by January 1, 2028. This bill requires electrical corporations to file separate tariffs for transmission and distribution services and for generation services provided to large energy consumers that start receiving electrical service on or after January 1, 2027. This bill also requires electric service providers (ESPs) and community choice aggregators (CCAs) to adopt generation tariffs that meet this bill's requirements for large energy consumer generation tariffs.

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 load-serving entity (LSE) as an electrical corporation, ESP, or CCA. Existing law specifies that a LSE does not include a local publicly owned electric utility (POU) or the State Water Project. (Public Utilities Code §380)

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)

7) Authorizes the CPUC to assess the extent to which electrical corporation costs for new loads from data centers result in cost shifts to other electrical corporation customers. Existing law specifies that this assessment must be published by January 1, 2027, and it must include the following:

    a) An analysis of potential electrical corporation costs associated with utility procurement for data center electricity consumption.
    b) An analysis of potential electrical corporation costs associated with new transmission and distribution assets to serve new data centers or expansions of existing data centers, as specified.
    c) Identification of opportunities to address any substantial cost shifts. (Public Utilities Code §913.22)

8) 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.)

This bill:

1) Requires the CPUC to establish a separate electric rate class for large energy use facilities by January 1, 2028. This bill specifies that this rate class must have its own tariff.

2) Requires the CPUC to include the following types of facilities constructed on or after January 1, 2027, in the large energy consumer rate class created pursuant to this bill:

   a) Any electric retail customer meeting a peak load threshold specified by the CPUC.
   b) Any data center with a peak load threshold specified by the CPUC.

3) Requires the CPUC to consider how establishing the rate class required by this bill will impact electrification of emissions-intensive, trade-exposed facilities, or entities that provide a public benefit.

4) Clarifies that rate class requirements in this bill do not apply to an electrical corporation or a large energy use facility until the CPUC approves an electrical corporation's tariff for that rate class.

5) Requires the CPUC to direct each electrical corporation to file a transmission and distribution tariff that meets the following requirements:

   a) Allocates utility costs for serving the large energy consumer rate class in a manner that is proportional to the costs associated with serving those facilities.
   b) Avoids rate shifting between rate classes and avoids unwarranted costs for other rate classes.
   c) Prohibits increased costs or unreasonable risk to other electricity customers.
   d) Ensures equitable contributions to electrical grid efficiency, reliability, resiliency benefits, and state programs.
   e) Includes an equitable portion of costs associated with wildfire mitigation, wildfire liability, climate mandates, and other programs that advance public and social equity that are typically collected from distribution-level ratepayers.
   f) Encourages the development of large energy use facilities that bring high-wage and high-skilled jobs to California.
   g) Requires contracts with a minimum duration of 10 years to ensure that transmission and distribution costs are covered. This bill requires these contracts to include details regarding early termination fees.
   h) Requires a large energy use facility to pay a minimum percentage based on the facility's projected energy demand to cover electricity services that an electrical corporation must obtain for the large energy consumer.
   i) Requires the large energy use facility to certify to the CPUC that the electric customer meets labor requirements generally applied to non-fossil power generation facilities seeking opt-in permitting from the CEC.

j) Specifies that this tariff applies to facilities that start receiving electric service from an electrical corporation on or after January 1, 2027.

6) Requires each LSE to establish a tariff for generation service for large energy consumers that start receiving electric service from the LSE on or after January 1, 2027. This bill specifies that this generation tariff must include ratepayer protections similar to those required for the transmission tariff filed by electrical corporations. In addition to those protections, this bill requires the generation tariff to also do all the following:

   a) Prohibits the tariffed customer from participating in a net billing tariff or net energy metering (NEM) arrangement.
   b) Does not limit the LSE's ability to meet its RPS targets, zero-carbon procurement goals, or other state clean energy policies.
   c) Enables contracts for generation resources supporting the LSE's ability to meet RPS and zero-carbon procurement goals.
   d) Ensures equitable contributions to reliability programs and other programs associated with the generation component of rates.
   e) Requires the tariffed customer to report expected on-site generation located in front of the customer's meter.

7) Authorizes an electrical corporation to enter into a contract with a large energy use facility before a tariff is approved by the CPUC under this bill if the contract meets this bill's tariff requirements.

8) Specifies that this bill's generation tariff requirements to not authorize the CPUC to regulate the rates, terms, or condition of electrical service provided by a CCA or ESP.

Background

Data center growth has triggered electric rate concerns and new utility procurement needs. Data centers in California vary in purpose and size, and many facilities meeting the definition of a data center do not primarily support generative artificial intelligence (AI). Even those data centers that do support generative AI can provide services for a wide variety of clients, including national defense installations, research universities and labs, government agencies, and telecommunications systems. While this bill broadly applies to all large energy consumers, data centers have been the primary focus of recent ratepayer concerns regarding cost shifts from the commercial and industrial sectors. According to a May 2024 report from the CEC, 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. Load growth from data centers has been substantially higher in other states. 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 demands, PJM has seen record high costs for electricity to meet future reliability needs in addition to new transmission costs. Consumers in four states within PJM territory paid over $4 billion in 2024 alone for transmission projects serving data centers. California has not experienced the level of data center growth seen in some other states; however, a number of California's utilities are projecting substantial data center load growth in the next four years.

In forecasts focusing on near term demand, the CEC has shown that the California Independent System Operator may experience a 1.8 gigawatt (GW) load growth from data centers by 2030. However, the CEC's energy demand forecast covering 2025 through 2045 indicates that vehicle electrification will be the largest driver of peak electricity demand in the state by 2045. While data centers are expected to increase peak electricity demand by 4.7 GW by 2045, electric vehicles may contribute approximately 8.2 GW to peak demand. Regardless of the sector contributing to the largest share of future energy costs, serving these future loads will necessarily require additional resources. To address these needs, the CPUC has ordered utilities under its jurisdiction to collectively procure six GW of new zero emissions energy resources by 2032. This six GW procurement is intended to cover near-term load growth and account for delays in delivering previously planned renewable resources, including offshore wind resources.

Bill overlaps with ongoing CPUC proceedings. In addition to ordering new procurements to serve future load growth, the CPUC is also considering new tariffs and rate structures to prevent large loads from unduly burdening other ratepayers. In November 2024, Pacific Gas & Electric (PG&E) filed an application at the CPUC to establish a new electric rule for retail electricity customers seeking interconnection at the transmission level (Application 24-11-007). According to PG&E's filings, data centers were 67% of the 34 transmission interconnection applications that PG&E received between 2023 and November 2024. In July 2025, the CPUC issued an initial decision (D. 25-07-039) that approved an interim PG&E electric rule for data centers that pre-pay the cost of interconnection. On April 9, 2026, the CPUC started the process to open a rulemaking on the California Advanced Electric Rate Design (R. 26-04-009). As part of this proceeding the CPUC intends to explore opportunities to address affordability challenges associated with wildfire costs and rapid load growth, including load from data centers. The CPUC's order opening this rulemaking indicates that the CPUC

intends to publish a staff proposal on rate reforms as part of this proceeding in the 3rd Quarter of 2026. Since this bill would establish requirements for rate classes and tariffs that impact issues the CPUC intends to explore in its ongoing rate reform proceeding, this bill may require the CPUC to modify its ongoing rulemaking.

The scope of electric customers impacted by this bill is potentially broad. This bill requires the CPUC to establish a new rate class for all large energy consumers and approve tariffs that set certain cost requirements on that rate class. While this bill does not limit the CPUC's ability to characterize this rate class in a way that would only apply to certain types of facilities or facilities with certain peak load demands, this bill does not specify the load threshold at which an electric customer would be considered a large energy consumer. This bill also does not limit the rate class to only those facilities interconnecting to transmission. This bill is also not limited to solely commercial or industrial facilities. As a result, this bill would provide the CPUC with broad authority to create an electric rate class for large energy consumers that may include a wide variety of electricity customers across multiple sectors and with vastly different energy demands and load profiles.

Bill provides the CPUC with broad discretion to determine how to balance ratepayer needs with load and interconnection demands. This bill specifies various requirements that must be included in tariffs for a large energy consumer rate class; however, many of these requirements leave much of the specifics of the tariff rules to the CPUC. For example, this bill requires tariffs for the large energy consumer rate class to avoid cost shifts between rate classes and avoid unwarranted costs for other rate classes. However, it is unclear what transmission and distribution costs would be considered "unwarranted." Additionally, this bill prohibits increased costs or unreasonable risk for other electricity customers, but this bill does not clarify what would constitute an unreasonable risk and does not clarify whether this unreasonable risk is related to the safety of transmission and distribution infrastructure or risks associated with rate increases. While the absence of specificity may provide the CPUC with broad authority to define these terms and craft tariffs that meet more specific needs of each electrical corporation, the lack of detail in these requirements may also leave open the possibility that this bill could authorize cost allocations for transmission and distribution expenses triggered by large energy consumers that would be more generous than pre-payment requirements already adopted by the CPUC in the Rule 30 proceeding. While generation costs can fluctuate depending on the availability, characteristics and location of resources, transmission and distribution costs are generally fixed and apply broadly to all ratepayers.

Bill's requirements for CCA and ESP generation tariffs are unclear. Under existing law, CCAs and ESPs are considered LSEs. While certain policies governing CCAs and ESPs are regulated by the CPUC, the rates charged by these utilities for generation services are not regulated by the CPUC. Tariffs filed at the CPUC establish rules for regulated utility services, including the rates, terms and conditions of services provided by regulated utilities. Each electrical corporation establishes rules for electric retail service through tariffs filed and approved by the CPUC. This bill requires CCAs and ESPs to establish tariffs similar to those required for electrical corporations; however, this bill also specifies that these requirements do not authorize the CPUC to regulate the rates, terms and conditions of electric service provided by a CCA or ESP. It is not clear that requiring CCAs and ESPs to establish tariffs similar to those required for electrical corporations will be beneficial if the rates, terms, and conditions of those tariffs cannot be regulated in a similar manner.

Getting the most from large megawatts (MW). Several provisions of this bill attempt to limit the extent to which large energy consumers can shift costs for electricity service to other customers and other rate classes. This bill specifically prohibits new large load facilities from participating in a net billing tariff or NEM program. It is not clear which large load facilities are participating in NEM or the successor net billing tariff program. Generally, these programs have provided rate-based incentives for residential and small commercial behind-the-meter generation. Generally, distributed generation loads larger than one MW have not been included in NEM or net billing tariff programs.

A number of stakeholders, including utilities and research institutions, are identifying and developing mechanisms to support more demand responsive large loads that can respond to grid conditions and lower procurement costs. On June 22, 2026, the CEC approved grants for more than $21 million from the Electric Program Investment Charge to fund projects – including a project to develop of a flexible data center load capacity tool – to support beneficial electrification while increasing grid capacity and flexibility. Beneficial electrification can occur with large loads interconnecting in locations where excess capacity exists on the grid. Increasingly policymakers are seeking mechanisms to use large MW procurements for these beneficial electrification projects to lower overall electricity rates. The CPUC's Public Advocate's Office states the following regarding beneficial electrification's potential for ratepayer benefits:

> Expanding electrification can lower the average cost of electricity, provided it does not strain the system in ways that compromise reliability or require expensive upgrades. Policies should promote "beneficial electrification," by

considering when and where energy is used to maintain safety, system reliability, control costs, and prevent inequities.

Beneficial electrification necessarily requires a large load to interconnect and take service at a specific location in coordination with the electric utility. Large loads that interconnect in locations that do not have excess capacity can exacerbate rate impacts by straining already limited resources. Data centers' need for a continuous electricity supply poses unique challenges to creating tariffs that encourage large load flexibility. To the extent that data centers locate in areas without excess capacity, this continuous demand can increase net peak load when electricity costs are highest, a larger mix of the supply is generated from fossil fuels, and where shortages are most likely to occur. Other large loads may be able to more readily adopt demand response technologies to the extent that they do not need a similar continuous supply of electricity from the grid.

Need for Amendments. As currently written, the scope of facilities that would be subject to a tariff under this bill is unclear and potentially broad. Establishing a single rate class that fulfills all of this bill's tariff requirements for such a wide variety of different types of electricity consumers and load needs may be infeasible. Additionally, utility filings at the CPUC indicate that the majority of large energy consumers necessitating extraordinary case filings for interconnection are data centers. Transmission interconnected facilities are likely some of the largest energy consumers in the state since they are taking electricity service at much higher voltages than distribution customers. While this bill seeks to establish ratepayer protections, many of its provisions leave requirements that provide more concrete limitations on cost allocation to the discretion of the CPUC. For these reasons and those discussed above, *the author and committee may wish to amend this bill to do the following:*

- *Narrow the bill to apply to only new transmission-interconnected data centers.*
- *Specify that the bill does not apply to a publicly funded research facility, public safety facility, publicly funded national security facility, publicly owned facility, or a utility facility, including, but not limited to, a data center operated for the purpose of providing telecommunications services to the public by a terrestrial facilities-based telecommunications provider.*
- *Remove undefined terms and make the bill's tariff requirements explicit.*
- *Clarify CPUC tariff filing requirements apply to electrical corporations, but not ESPs and CCAs.*
- *Require ESPs and CCAs to adopt generation tariff requirements consistent with this bill.*
- *Make other technical and conforming changes.*

Prior/Related Legislation

SB 886 (Padilla, 2026) establishes requirements for a special rate structure for large data centers. The bill requires the CPUC to adopt a tariff for these data centers that prevents other customers from paying for certain electrical infrastructure and load costs for large, transmission-interconnected data centers. The bill is pending in the Assembly Appropriations Committee.

SB 887 (Padilla, 2026) establishes certain permitting permissions for data centers that meet specified criteria. These criteria include provisions similar to the requirements for the tariff specified in this bill. The bill is pending in the Assembly Appropriations Committee.

SB 978 (Pérez, 2026) would have required the CPUC to create a special rate structure for large data centers to prevent cost shifts to other customers. The bill would have established labor requirements for the construction of facilities subject to the bill. The bill would have expanded existing CPUC reporting requirements to include a specified assessment about data center impacts to renewable procurement goals. The bill was held by the Senate Appropriations Committee.

AB 1577 (Bauer-Kahan, 2026) requires the owner of a data center to submit specified information regarding the data center's energy consumption to the CEC and local agencies permitting the construction of the data center. The bill also sets limitations on the ability of the CEC and local agencies to disclose information submitted by data centers and requires the CEC report on load impacts of data centers in the Integrated Energy Policy Report. 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, 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 would have 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. Certain provisions of the bill were substantially similar to provisions in this bill. The bill was held by the Senate Appropriations Committee.

SB 1298 (Cortese, 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:

Bay Area Council
California State Association of Electrical Workers
California State Pipe Trades Council
E2
Little Hoover Commission
NAACP California-Hawaii State Conference
National Diversity Coalition
Natural Resources Defense Council
SEIU California
Western States Council Sheet Metal, Air, Rail and Transportation

OPPOSITION:

California Chamber of Commerce
California Large Energy Consumers Association
California Manufacturers and Technology Association
Forefront Power, LLC
The Utility Reform Network
Western States Petroleum Association

ARGUMENTS IN SUPPORT: 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.

ARGUMENTS IN OPPOSITION: In opposition, the California Manufacturers and Technology Association (CMTA) states:

> While CMTA appreciates the author's efforts to address the significant electricity demands associated with emerging large energy users, particularly data centers, the bill continues to establish a regulatory framework that departs from longstanding ratemaking principles, imposes disproportionate costs on large industrial customers, discourages private investment in onsite energy resources, and duplicates issues already under active consideration before the California Public Utilities Commission (CPUC).

In opposition, The Utility Reform Network (TURN) states:

> The bill’s directives largely restate the CPUC’s existing authority without adding meaningful new requirements to ensure the rapid growth of data centers does not adversely affect the grid and other customers. As a result, AB 2383 effectively endorses the status quo.

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