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California State Senate
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SB 886 – Data Center Ratepayer Protections Act

The AI boom is powered by massive data centers. Those data centers while driving the AI revolution, also consume massive amounts of energy and water, putting enormous strain on the electrical grid and require massive investments into the electrical grid infrastructure. The recent rise of generative artificial intelligence has driven a corresponding growth in data center demand, with Siemens, a leading data center provider, reporting their data-center business revenue jumping 50% in a year.[1] This puts residential ratepayers' energy reliability at risk as California's grid is overburdened by the sudden load growth, and are liable for stranded assets built to meet that demand.

Data centers often have backup power and utilize cooling systems, requiring large amounts of energy and water to continuously power these facilities through peak demand times. Across many states, the demand for energy from data centers are forcing states to increase the energy supply as quick as possible, with Microsoft signing the largest-ever power purchase agreement to reopen Three Mile Island to power the corporation's computing and artificial intelligence programs.[2] In Texas, Chevron and ExxonMobil plan to offer electricity for the first time, operating fossil fuel power plants to power data centers.[3] Moreover, the Department of Energy reports data centers are expected to consumer 12% of total US electricity by 2028, nearly three times the 2023 electricity demand of 4.4%.[4]

These high energy demands strain California's aging transmission grid and threaten California's aggressive clean energy and climate goals. Siemens's head of Smart Infrastructure states there is not enough green energy to power data centers, pushing companies to look elsewhere to meet their energy needs such as coal.[5] Incentivizing clean energy adoption and establishing a special rate structure in this rapidly growing space is necessary to protect ratepayers from footing the bill as utilities are racing to build transmission infrastructure. PJM, the grid operator for much of the east coast has seen the average energy bill to jump 5% in a year. Three PJM states, one of which is Virginia, the state with the highest concentration of data centers, saw rates rise 11-16%.[6] Federal officials stated they would push PJM and tech companies to strike deals ensuring they pay the full cost of interconnection, and California must take similar steps to protect ratepayers from bearing the brunt of the financial burden.

SB 886 would require the PUC to establish a special tariff to protect other ratepayers from transmission costs that supply large data centers while meeting the state's climate goals. The tariff will ensure electrical grid investments for data centers are fully recovered to ensure other ratepayers do not end up footing the bill. A tariff will ensure ratepayers do not have skyrocketing costs without increasing the state's reliance on fossil fuels.

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[1] Kienle, Nina. "Data Centers Need to Look Beyond Green Energy, Siemens Executive Says." MSN, January 6, 2025. https://www.msn.com/en-us/money/other/data-centers-need-to-look-beyond-green-energy-siemens-executive-says/ar-AA1x2lmC.
[2] Mandler, C. "Three Mile Island Nuclear Plant Will Reopen to Power Microsoft Data Centers." NPR, September 20, 2024. https://www.npr.org/2024/09/20/nx-s1-5120581/three-mile-island-nuclear-power-plant-microsoft-ai.
[3] McDonnell, Tim. "Data Centers Are Dragging Big Oil into the Power Business." Yahoo! Finance, December 13, 2024. https://finance.yahoo.com/news/data-centers-dragging-big-oil-124455675.html.
[4] "Doe Releases New Report Evaluating Increase in Electricity Demand from Data Centers | Department of Energy." US Department of Energy, December 20, 2024. https://www.energy.gov/articles/doe-releases-new-report-evaluating-increase-electricity-demand-data-centers.
[5] Kienle, Nina. "Data Centers Need to Look Beyond Green Energy, Siemens Executive Says." MSN, January 6, 2025. https://www.msn.com/en-us/money/other/data-centers-need-to-look-beyond-green-energy-siemens-executive-says/ar-AA1x2lmC.
[6] https://www.nytimes.com/2026/01/15/business/energy-environment/data-center-energy-electricity-costs.html

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Support

- Net-Zero California (co-sponsor)
- The Utility Reform Network (TURN) (co-sponsor)

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February 19, 2026
Senator Benjamin Allen
Senate Energy, Utilities and Communications Committee
1021 O Street, Room 3350
Sacramento, CA 95814

Re: Senate Bill 886: Ratepayer and Technological Innovation Protection Act

Dear Senator Allen,

On behalf of The Heber Public Utility District, I am pleased to offer our strong support of SB 886 which would require the PUC to develop a tariff for large energy users.

The AI boom is powered by massive data centers which consume large amounts of energy and water 24/7. This puts an enormous strain on the electrical grid and requires massive investments into transmission infrastructure. Many states are seeing the surging demand for energy from data centers which are forcing them to increase the energy supply as quickly as possible, often utilizing fossil fuel power plants to meet the demand. The Department of Energy reports data centers are expected to consume 12% of total US electricity by 2028, nearly three times the 2023 electricity demand of 4.4%.
These high energy demands strain California's aging transmission grid and threaten California's aggressive clean energy and climate goals. Incentivizing clean energy adoption and establishing a special rate structure in this rapidly growing space is necessary to protect ratepayers from footing the bill as utilities are racing to build transmission infrastructure. Moreover, a report by Wood MacKenzie in the New York Times found large energy users did not pay enough to cover the full cost of interconnection, other customers had to make up for it. The current rapid buildout of data centers along with innovations in energy efficiency increase the possibility that data centers shut down early. PJM, the grid operator for much of the east coast has seen the average energy bill to jump 5% in a year. Three PJM states, one of which is Virginia, the state with the highest concentration of data centers, saw rates rise 11-16%. Without protections, other ratepayers will be forced to pay for their cost of interconnection. California must take steps to protect ratepayers from bearing the brunt of the financial burden.
SB 886 would require the Public Utilities Commission (PUC) to establish a special tariff to protect other ratepayers from transmission costs that supply large load customers. The PUC must also consider prioritized interconnection for large load customers utilizing zero carbon resources. The tariff will ensure electrical grid investments for data centers are fully recovered to ensure other ratepayers do not end up footing the bill. This will ensure ratepayers do not have skyrocketing costs without increasing the state's reliance on fossil fuels.

For these reasons, the Heber Public Utility District supports SB 886 (Padilla)/and encourages your "aye" vote when it is heard in your committee.

Best regards,

Pompeyo Tabarez, Board President
Heber Public Utility District