CAPITOL OFFICE
1021 O STREET, SUITE 7630
SACRAMENTO, CA 95814
TEL (916) 651-4018
FAX (916) 651-4918

SAN DIEGO COUNTY DISTRICT OFFICE
780 BAY BOULEVARD, SUITE 204
CHULA VISTA, CA 91910
TEL (619) 409-7690

IMPERIAL COUNTY DISTRICT OFFICE
1224 STATE STREET, SUITE D
EL CENTRO, CA 92243
TEL (760) 335-3442

RIVERSIDE COUNTY DISTRICT OFFICE
82013 DR. CARREON BOULEVARD, SUITE J
INDIO, CA 92201
TEL (760) 398-6442

WWW.SENATE.CA.GOV/PADILLA
SENATOR.PADILLA@SENATE.CA.GOV

California State Senate

SENATOR
STEPHEN C. PADILLA
EIGHTEENTH SENATE DISTRICT

COMMITTEES

INSURANCE
CHAIR

MEMBER

AGRICULTURE

GOVERNMENTAL ORGANIZATION

HEALTH

HOUSING

PRIVACY, DIGITAL TECHNOLOGIES,
& CONSUMER PROTECTION

SB 887 – Good Neighbor Data Centers Leadership Project

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]

Data centers run 24/7, requiring backup generators in the event of a power outage. The backup generators often utilize diesel or other fossil fuels, estimated to create public health costs of more than 5.4 billion dollars from air pollution, linking these facilities to cancer, asthma, and other health issues.[2] Between the years 2019 and 2023, the healthcare costs of data centers surged from 44.68 to 155.44 million.[3] Unless these data centers utilize clean energy, the public health impacts of data centers will dramatically increase.

Data centers also need large amounts of water to cool the systems and prevent overheating. While waterless methods for cooling exist, the industry is not adopting waterless cooling due to energy costs. Developers have focused siting data centers where they can get the fastest interconnection and cheapest electricity rate, and water usage has not been a central consideration.[4] In California, researchers found water consumption by data centers doubled between 2019-2023, equaling 49.9 billion liters.[5] The water shortages caused by data center development is being felt across the US and exacerbates drought conditions, and these issues will continue as 40% of new data centers are located in areas of high or extremely high water stress.[6]

Absent rational standards, the rapid expansion of data centers presents one of the nation's largest energy and environmental challenges. Currently there are no labor or environmental standards for data center development. Data center developers have claimed changes to CEQA through SB 131 has exempt them, claiming they meet the definition of "advanced manufacturing" which is not in the bill. In Imperial County, the proposed 330 MW data center has been deemed ministerial and exempt from CEQA, despite the city of Imperial raising concerns on the potential impact to nearby city residents and elementary schools. This is despite the project being called "unprecedented in its magnitude" and the nearby Salton Sea contributing to some of the highest respiratory hospitalization rates in the state.[7]

SB 887 would clarify that data centers are not ministerial projects exempt from CEQA and does not qualify as an advanced manufacturing facility. The bill would also allow data centers to be eligible for Environmental Leadership Development Project (ELDP) certification if it meets the criteria as well as some additional requirements specific to data centers regarding

[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] Criddle, Cristina, and Stephanie Stacey. "Pollution from Big Tech's Data Centre Boom Costs US Public Health $5.4bn." Financial times, February 22, 2025.https://www.ft.com/content/d595d5f6-79d1-47eb-b690-8597f09b39e7?sharetype=blocked.

[3] https://www.next10.org/sites/default/files/2025-11/ai-environmental-public-health-costs.pdf

[4] Tan, Eli. "Meta Built a Data Center next Door. the Neighbors' Water Taps Went Dry. - The New York Times." The New York Times, July 14, 2025. https://www.nytimes.com/2025/07/14/technology/meta-data-center-water.html.

[5] https://www.next10.org/sites/default/files/2025-11/ai-environmental-public-health-costs.pdf

[6]https://www.businessinsider.com/how-calculate-data-center-cost-environmental-impact-methodology-2025-6?ref=dispatch.techoversight.org

[7] https://www.thedesertreview.com/news/local/imperial-county-advances-grading-for-massive-data-center-city-iid-sound-alerts/article_ff2b7f40-93ac-45eb-b196-2365a992a14e.html

water use, clean energy, and paying full infrastructure costs. Specifically, the bill would require that the data center developer does the following:

- Pays the full cost of interconnection to prevent cost shifts to other ratepayers.
- Does not increase fossil fuel consumption within the state.
- Includes zero-carbon energy storage with at least four hours of capacity at 100 percent of forecasted peak demand for the facility.
- Uses onsite zero-carbon energy storage to provide demand response services to the electrical grid.
- Relies on zero-carbon generation located behind the meter to the maximum extent feasible.
- 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.
- Uses recycled water and water-efficient technology or waterless cooling systems.
- Will rely on 100 percent zero-carbon electricity resources to serve hourly energy needs within five years of initial operations, of which 75 percent shall be newly developed.
- Contains a community benefits program.
- Contains a project labor agreement and prevailing wage requirement, consistent with Section 21183.5.

ELDP certification grants the applicants accelerated CEQA litigation procedures, aimed at reducing the CEQA challenge timeline to 270 days. Certified data center applicants can go online faster while also protecting surrounding communities from health and environmental impacts.

Staff Contact

Name: Emily Zhou
Title: Legislative Aide
Email: Emily.Zhou@sen.ca.gov
Capitol Office: (916) 651 – 4018

Support

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

February 19, 2026
Senator Catherine Blakespear
Senate Environmental Quality
1021 O Street, Room 3230
Sacramento, CA 95814

Re: Senate Bill 887: Good Neighbor Data Centers Leadership Project

Dear Senator Blakespear,

On behalf of the Heber Public Utility District, I am pleased to offer our strong support of SB 887 which would clarify that data centers are not ministerial projects exempt from CEQA and allow data centers to be eligible for Environmental Leadership Development Project (ELDP) certification if it meets the criteria as well as some additional requirements specific to data centers regarding water use, clean energy, and paying full infrastructure costs.

The AI boom is powered by massive data centers which consume large amounts of energy and water 24/7. 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%.

Data centers run 24/7, requiring backup generators in the event of a power outage. The backup generators often utilize diesel or other fossil fuels, estimated to create public health costs of more than 5.4 billion dollars from air pollution, linking these facilities to cancer, asthma, and other health issues. Between the years 2019 and 2023, the healthcare costs of data centers surged from 44.68 to 155.44 million. Unless these data centers utilize clean energy, the public health impacts of data centers will dramatically increase.

Data centers also need large amounts of water to cool the systems and prevent overheating. While waterless methods for cooling exist, the industry is not adopting waterless cooling due to energy costs. Developers have focused siting data centers where they can get the fastest interconnection and cheapest electricity rate, and water usage has not been a central consideration. In California, researchers found water consumption by data centers doubled between 2019-2023, equaling 49.9 billion liters. The water shortages caused by data center development is being felt across the US and exacerbates drought conditions, and these issues will continue as 40% of new data centers are located in areas of high or extremely high water stress.

Absent rational standards, the rapid expansion of data centers presents one of the nation's largest energy and environmental challenges.

SB 887 would state data centers are not ministerial projects exempt from CEQA and do not qualify as an advanced manufacturing facility. Data centers would be eligible for ELDP certification if they meet additional requirements on water use, clean energy, and infrastructure costs. This would grant data centers an accelerated CEQA litigation procedure, allowing data center to be built faster and protecting surrounding communities from health and environmental impacts.

For these reasons, the Heber Public Utility District is proud to support SB 887 (Padilla)/and encourages your "aye" vote when it is heard in your committee.

Best regards,

Pompeyo Tabarez, Board President
Heber Public Utility District