AMENDED IN ASSEMBLY JUNE 15, 2026

AMENDED IN SENATE APRIL 22, 2026

AMENDED IN SENATE APRIL 6, 2026

SENATE BILL No. 1168

Introduced by Senator McNerney
(Coauthor: Senator Pérez)

February 18, 2026

An act to add Article 10.5 (commencing with Section 901) to Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1168, as amended, McNerney. Data centers: rate structures.

Existing law vests the Public Utilities Commission with regulatory authority over public utilities. Existing law authorizes the commission to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable.

This bill would require the commission to assess opportunities for rate structures to ensure data centers pay a reasonable share of their costs associated with transmission and distribution needs, ~~identify mechanisms to~~ ensure that data centers pay for their proportionate share of load increases and procurements needed to reliably serve their loads ~~using nonemitting resources,~~ *while maintaining consistency with the applicable integrated resource planning requirements,* and ~~structure rates to~~ alleviate cost pressures on residential ratepayers.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) Data centers' energy use is rapidly increasing across the nation. In California, the Independent System Operator expects energy use to grow by 2.3 gigawatts by 2030. The Pacific Gas and Electric Company alone had about 2,300 megawatts of applications for data center capacity in 2024.

(b) Demands for energy by data centers are growing at the same time as energy prices for Californians are also growing at an unprecedented rate due to factors such as wildfire risk, extreme heat, and the state's transition to clean energy.

~~(c) According to the Public Advocate's Office of the Public Utilities Commission, wildfire costs are one of the biggest drivers of utility rates, making up between 10 percent to 24 percent of total investor-owned utility revenue requirements.~~

~~(d)~~

(c) In order to facilitate data center growth in California while simultaneously retaining reasonable electricity and natural gas rates for all Californians, it is critical to ensure that data centers are contributing back to rate stabilization for all by helping pay down the largest driver of utility rates.

SEC. 2. Article 10.5 (commencing with Section 901) is added to Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, to read:

Article 10.5. Data Centers

901. As part of a new or existing proceeding, the commission shall assess opportunities for rate structures to do all of the following:

(a) Ensure data centers pay their reasonable share of costs associated with transmission and distribution needs, regardless of whether the data centers interconnect at the transmission or distribution level.

(b) ~~Identify mechanisms to ensure that~~ *Ensure* data centers pay for their proportionate share of load increases and procurements needed to reliably serve their loads ~~using nonemitting resources.~~

while maintaining consistency with the applicable integrated resource planning requirements.

(c) ~~Structure rates to alleviate~~ *Alleviate* cost pressures on residential ratepayers, including, but not limited to, customers enrolled in the California Alternate Rates for Energy program described in Section 739.1 and the Family Electric Rate Assistance program described in Section 739.12.

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