

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Will CA AB 50 and SB 410 Actually Result in Faster Electric Service for Data Centers (and Everything Else) in California?** **Davis Wright Tremaine**

### **Utilities struggle to meet increased electric service demand while tech companies build massive data centers**

California is in a rush to electrify everything. The rapid conversion of appliances such as furnaces, water heaters, ovens, and dryers from natural gas to electricity and the proliferation of electric vehicles (EVs) – including both individual EVs in residential settings and large fleets in commercial settings – has led to significant concerns about the ability of the current grid to accommodate these new energization requests. And major tech companies that are headquartered in Silicon Valley and operate new data centers throughout California are looking to construct additional data centers throughout the state. It's no surprise California utilities are facing challenges keeping up with energy demands.

To take one example, the Silicon Valley Power (SVP), the City's municipal utility, will need to almost double in size to provide enough power capacity to the 13 data centers currently approved for service. SVP's October 10th Quarterly Update indicated 15 additional data center projects seeking service, seven of which have completed System Impact Studies. The considerable amount of energy required and the current capacity constraints on the SVP and CAISO infrastructure have left the utility unable to serve new or expanding data centers. As a consequence, SVP issued a memo last month telling all developers to halt plans for data center development projects.

SVP stated that the 13 data centers currently in the pipeline have reserved all the upgraded capacity being created through internal expansion projects and the construction of the CAISO High Voltage Direct Current transmission line project currently slated to come on-line in 2028 or 2029. Until the construction of system expansion and transmission projects is further along, SVP is unclear when it will be able to accommodate additional new projects.

### **Economic Stakes**

There are significant economic consequences if Californians fail to get the new or upgraded service connections in a timely manner. California is not unique in this problem – utilities in primary data center markets across the nation are having trouble keeping up with industry needs. Northern Virginia's utility, Dominion Energy, delayed power to multiple data center projects on account of transmission problems. With energy demand anticipated to grow, partly driven by powerful processors running technologies like generative artificial intelligence, data center providers nationwide have begun looking into generating their own electricity supply.

Following the past legislative session, Governor Newsom approved AB 50, which directs the California Public Utilities Commission (CPUC) to determine the criteria for customers to receive timely electricity service when requesting new service connections or upgraded service, known as "energization." The bill was drafted in response to increasing backlogs for utilities to fulfill customer

requests for energization – especially in the service territory of the largest California utility, Pacific Gas and Electric Company (PG&E). This would not, however, solve the problems faced by municipal utilities like Silicon Valley Power. AB 50 applies only to energization of customers and does not include interconnection of generation resources to either the distribution or transmission grid. Similarly, Governor Newsom approved SB 410, which would require that the Commission establish the reasonable average and maximum target energization time periods and require that investor-owned utilities take actions to meet those targets.

## **What's Next**

We expect the CPUC to initiate a rulemaking proceeding (or open a new phase in an existing rulemaking) to implement AB 50 and SB 410. Stakeholders will have an opportunity to become parties to the proceeding and participate in the development of the CPUC's energization criteria. Members of the public will also have an opportunity to participate in CPUC workshops once the electric utilities begin to file reports with the CPUC.

We'll all need to stay tuned to see if AB 50 and SB 410 actually result in faster electric service energization in California, especially when combined with some of the other efforts to accelerate the deployment of both behind-the-meter on-site generation and microgrids. Traditionally the data center industry has used diesel or natural gas generators as backup on-site generation. More recently, there has been a boom in the adoption of cleaner on-site generation technologies and the use of microgrids. Microgrids would allow data centers to operate their own power grid incorporating energy from a variety of sources and reduce strain on the utility's transmission or generation capabilities. This of course only creates more incentive for California to speed up the regulatory structures necessary to allow for the adoption of microgrids.

**Davis Wright Tremaine LLP** – Anna Fero, Vidhya Prabhakaran and Chasity Hendren

December 11 2023