The Honourable Tim Grayson
California State Senate
Capitol Office, 1021 O Street, Suite 7250,
Sacramento, CA 95814-4900

Dear Senator Grayson,

On behalf of Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), and Sempra Energy, we respectfully submit our opposition to SB 26, which proposes to revise Section 73 of the California Revenue and Taxation Code to adopt federal IRA-style tax restructuring and impose a 10% revenue tax on data centers, accompanied by a set of new solar based tax incentives.

While we recognize and share the Legislature's stated goals of reducing energy costs, investing in renewable infrastructure, and responding to California's growing AI driven energy demand, SB 26 in its current form introduces significant risks to grid stability, utility capital planning, and long term rate affordability for millions of Californians.

California's current energy cost structure is driven primarily by mandatory wildfire mitigation mandates, infrastructure hardening costs, and reliability investments, not utility profit margins. Redirecting capital away from critical modernization efforts through fragmented tax carve-outs risks slowing down the deployment of safety upgrades, undermining resilience projects already in development, and unintentionally shifting costs back onto residential ratepayers the very problem this bill claims to address. Furthermore, placing a 10% revenue tax on emerging data sectors may appear to generate short-term revenue, but it introduces regulatory volatility that makes long-term infrastructure partnerships unstable. These technology centers are not just high-energy consumers. They are potential coinvestors in microgrid development, grid flexibility, and regional capacity upgrades. Instead of taxing them as liabilities, California should be positioning these entities as infrastructure partners, aligned with utility led modernization strategies.

While SB 26 attempts to incentivize renewable expansion through solar tax credits, it does so without integrating grid interconnection timelines, transmission capacity constraints, or utility oversight requirements. This creates a parallel incentive framework that encourages decentralized development without ensuring that those systems are synchronized with statewide safety, reliability, and wildfire risk standards. Clean energy expansion must remain aligned with regulated system planning, not splintered through unmanaged tax mechanisms.

For these reasons, we cannot support SB 26 unless it is amended to:

- Ensure all tax incentives are tied to utility-supervised interconnection and grid readiness checks, to prevent uncoordinated infrastructure strain.
- Remove or revise the punitive 10% data center tax, replacing it with an incentive-based co-investment model tied to utility grid reinforcement projects.
- Guarantee that cost recovery for mandated tax credits does not fall onto ratepayers, unless paired with revenue stabilization mechanisms for utilities.
- Create a dedicated coordination clause requiring CPUC-aligned capital planning to avoid duplicative infrastructure pathways.

Utilities remain committed to renewable integration and affordability, but these goals must be met through structured coordination, not unilateral tax policy. We stand ready to work with your office on amendments that channel private sector growth into joint infrastructure investment, rather than adversarial tax models.

We appreciate your leadership and dedication to California's energy future and are available to engage further in pursuit of legislation that advances climate resilience without destabilizing critical utility operations.

Respectfully,
Johnny Storm
Pacific Gas and Electric Company
(on behalf of PG&E, Southern California Edison, and Sempra Energy)
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