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SENATE BILL NO. 1058**AMENDMENT IN THE NATURE OF A SUBSTITUTE**

(Proposed by the House Committee on Labor and Commerce
on February 13, 2025)

(Patron Prior to Substitute—Senator Ebbin)

A BILL to direct the State Corporation Commission to establish a distribution cost sharing program for required distribution system upgrades; report.

Be it enacted by the General Assembly of Virginia:

1. § 1. A. *No later than July 1, 2026, the State Corporation Commission (the Commission) shall establish by regulation a distribution cost sharing program (the program) for Phase I and Phase II Utilities, as those terms are defined in subdivision A 1 of § 56-585.1 of the Code of Virginia, to construct distribution system upgrades required to interconnect participating projects. Under the program, when a Phase I or Phase II Utility determines that a qualifying upgrade is required to interconnect a triggering project, it shall determine the costs of the qualifying upgrade and the net increase in hosting capacity that would result from the construction of the qualifying upgrade. The costs of the qualifying upgrade shall be subject to approval by the Commission that the costs are reasonable and prudent. The program shall require each Phase I and Phase II Utility to spread the costs of all qualifying upgrades among all participating projects based on the alternating current (AC) nameplate capacity rating of each participating project, except that a participating project shall be exempted from the program if the developer of such project elects to pay in full the approved cost of any associated qualifying upgrade. The Commission shall determine the appropriate time period for cost recovery under the program. The program shall also require that the costs attributed to jurisdictional participating projects are recovered from jurisdictional customers and costs attributed to nonjurisdictional participating projects are recovered from nonjurisdictional customers. The Commission may establish a system to refund projects for any interconnection upgrade costs collected during time periods in which such projects are not operational and may provide such refunds upon the petition of the owner of a participating project. The Commission shall require each utility to file any tariffs, agreements, or forms necessary for the implementation of the program by December 1, 2026.*

B. As used in this act:

"Hosting capacity" means the amount of aggregate generation that can be accommodated on the electric distribution system without any infrastructure upgrades.

"Participating project" means any solar generating facility with an AC nameplate capacity rating greater than or equal to 250 kilowatts and less than or equal to three megawatts within the Phase I or Phase II Utility's service territory seeking to interconnect to the utility's distribution system and participate in net energy metering pursuant to § 56-594 of the Code of Virginia.

"Qualifying upgrade" means a system upgrade that increases the hosting capacity of the utility's distribution system.

"Triggering project" means a project application in the interconnection queue at a given substation or feeder that requires a qualifying upgrade to successfully interconnect the project to the electric distribution system.

2. That the State Corporation Commission shall submit a report on the implementation of the distribution cost sharing program established pursuant to this act to the Chairs of the House Committee on Labor and Commerce and the Senate Committee on Commerce and Labor by no later than November 1, 2028.

HOUSE SUBSTITUTE

SB1058H1