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SENATE BILL NO. 448

Offered January 14, 2026

Prefiled January 13, 2026

A BILL to amend and reenact § 56-585.5 of the Code of Virginia and to amend the Code of Virginia by adding in Subtitle V of Title 45.2 a chapter numbered 22, consisting of a section numbered 45.2-2120, relating to electric utilities; energy storage resources; Department of Energy to develop model ordinances; work groups; reports.

Patron—Bagby

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That § 56-585.5 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding in Subtitle V of Title 45.2 a chapter numbered 22, consisting of a section numbered 45.2-2120, as follows:

CHAPTER 22.

ENERGY STORAGE.

§ 45.2-2120. Model ordinances for energy storage resources.

A. By December 1, 2026, the Department, in consultation with the Department of Environmental Quality and the Department of Fire Programs, shall develop model ordinances suggested for use by localities in their regulation of energy storage projects, as described in subsection E of § 56-585.5, and shall update such model ordinances every three years thereafter. Such model ordinances shall include (i) minimum safety standards in accordance with the most recently published edition of the National Fire Protection Association 855 Standard for the Installation of Stationary Energy Storage Systems and (ii) consideration of the varying characteristics of different energy storage technologies. In conducting such development, the Department shall develop and publish a guideline document that advises localities on best practices for reviewing energy storage projects.

B. The Department shall convene a work group to advise on the development or update of model ordinances conducted pursuant to subsection A. Such work group shall include representatives from the Department of Environmental Quality, the Department of Fire Programs, an association representing localities, a nonprofit agricultural advocacy organization, an environmental organization, trade associations related to solar, energy storage, and clean energy, storage project engineers, electric utilities, and any other stakeholders deemed relevant by the Department. The Department shall make available online any resources or studies developed by the work group and shall develop and maintain online resources to educate localities, developers, contractors, residents, businesses, researchers, and other stakeholders about energy storage.

§ 56-585.5. Generation of electricity from renewable and zero carbon sources.

A. As used in this section:

"Accelerated renewable energy buyer" means a commercial or industrial customer of a Phase I or Phase II Utility, irrespective of generation supplier, with an aggregate load over 25 megawatts in the prior calendar year, that enters into arrangements pursuant to subsection G, as certified by the Commission.

"Aggregate load" means the combined electrical load associated with selected accounts of an accelerated renewable energy buyer with the same legal entity name as, or in the names of affiliated entities that control, are controlled by, or are under common control of, such legal entity or are the names of affiliated entities under a common parent.

"Control" has the same meaning as provided in § 56-585.1:11.

"Elementary or secondary" has the same meaning as provided in § 22.1-1.

"Falling water" means hydroelectric resources, including run-of-river generation from a combined pumped-storage and run-of-river facility. "Falling water" does not include electricity generated from pumped-storage facilities.

"Low-income qualifying projects" means a project that provides a minimum of 50 percent of the respective electric output to low-income utility customers as that term is defined in § 56-576.

"Phase I Utility" has the same meaning as provided in subdivision A 1 of § 56-585.1.

"Phase II Utility" has the same meaning as provided in subdivision A 1 of § 56-585.1.

"Previously developed project site" means any property, including related buffer areas, if any, that has been previously disturbed or developed for non-single-family residential, nonagricultural, or nonsilvicultural use, regardless of whether such property currently is being used for any purpose. "Previously developed project site" includes a brownfield as defined in § 10.1-1230 or any parcel that has been previously used (i)

59 for a retail, commercial, or industrial purpose; (ii) as a parking lot; (iii) as the site of a parking lot canopy or  
60 structure; (iv) for mining, which is any lands affected by coal mining that took place before August 3, 1977,  
61 or any lands upon which extraction activities have been permitted by the Department of Energy under Title  
62 45.2; (v) for quarrying; or (vi) as a landfill.

63 "Total electric energy" means total electric energy sold to retail customers in the Commonwealth service  
64 territory of a Phase I or Phase II Utility, other than accelerated renewable energy buyers, by the incumbent  
65 electric utility or other retail supplier of electric energy in the previous calendar year, excluding an amount  
66 equivalent to the annual percentages of the electric energy that was supplied to such customer from nuclear  
67 generating plants located within the Commonwealth in the previous calendar year, provided such nuclear  
68 units were operating by July 1, 2020, or from any zero-carbon electric generating facilities not otherwise RPS  
69 eligible sources and placed into service in the Commonwealth after July 1, 2030.

70 "Zero-carbon electricity" means electricity generated by any generating unit that does not emit carbon  
71 dioxide as a by-product of combusting fuel to generate electricity.

72 B. 1. By December 31, 2024, except for any coal-fired electric generating units (i) jointly owned with a  
73 cooperative utility or (ii) owned and operated by a Phase II Utility located in the coalfield region of the  
74 Commonwealth that co-fires with biomass, any Phase I and Phase II Utility shall retire all generating units  
75 principally fueled by oil with a rated capacity in excess of 500 megawatts and all coal-fired electric  
76 generating units operating in the Commonwealth.

77 2. By December 31, 2045, except for biomass-fired electric generating units that do not co-fire with coal,  
78 each Phase I and II Utility shall retire all other electric generating units located in the Commonwealth that  
79 emit carbon as a by-product of combusting fuel to generate electricity.

80 3. A Phase I or Phase II Utility may petition the Commission for relief from the requirements of this  
81 subsection on the basis that the requirement would threaten the reliability or security of electric service to  
82 customers. The Commission shall consider in-state and regional transmission entity resources and shall  
83 evaluate the reliability of each proposed retirement on a case-by-case basis in ruling upon any such petition.

84 C. Each Phase I and Phase II Utility shall participate in a renewable energy portfolio standard program  
85 (RPS Program) that establishes annual goals for the sale of renewable energy to all retail customers in the  
86 utility's service territory, other than accelerated renewable energy buyers pursuant to subsection G, regardless  
87 of whether such customers purchase electric supply service from the utility or from suppliers other than the  
88 utility. To comply with the RPS Program, each Phase I and Phase II Utility shall procure and retire  
89 Renewable Energy Certificates (RECs) originating from renewable energy standard eligible sources (RPS  
90 eligible sources). For purposes of complying with the RPS Program from 2021 to 2024, a Phase I and Phase  
91 II Utility may use RECs from any renewable energy facility, as defined in § 56-576, provided that such  
92 facilities are located in the Commonwealth or are physically located within the PJM Interconnection, LLC  
93 (PJM) region. However, at no time during this period or thereafter may any Phase I or Phase II Utility use  
94 RECs from (i) renewable thermal energy, (ii) renewable thermal energy equivalent, or (iii) biomass-fired  
95 facilities that are outside the Commonwealth. From compliance year 2025 and all years after, each Phase I  
96 and Phase II Utility may only use RECs from RPS eligible sources for compliance with the RPS Program.

97 In order to qualify as RPS eligible sources, such sources must be (a) electric-generating resources that  
98 generate electric energy derived from solar or wind located in the Commonwealth or off the Commonwealth's  
99 Atlantic shoreline or in federal waters and interconnected directly into the Commonwealth or physically  
100 located within the PJM region; (b) falling water resources located in the Commonwealth or physically located  
101 within the PJM region that were in operation as of January 1, 2020, that are owned by a Phase I or Phase II  
102 Utility or for which a Phase I or Phase II Utility has entered into a contract prior to January 1, 2020, to  
103 purchase the energy, capacity, and renewable attributes of such falling water resources; (c) non-utility-owned  
104 resources from falling water that (1) are less than 65 megawatts, (2) began commercial operation after  
105 December 31, 1979, or (3) added incremental generation representing greater than 50 percent of the original  
106 nameplate capacity after December 31, 1979, provided that such resources are located in the Commonwealth  
107 or are physically located within the PJM region; (d) waste-to-energy or landfill gas-fired generating resources  
108 located in the Commonwealth and in operation as of January 1, 2020, provided that such resources do not use  
109 waste heat from fossil fuel combustion; (e) geothermal heating and cooling systems located in the  
110 Commonwealth; (f) geothermal electric generating resources located in the Commonwealth or physically  
111 located within the PJM region; or (g) biomass-fired facilities in operation in the Commonwealth and in  
112 operation as of January 1, 2023, that (1) supply no more than 10 percent of their annual net electrical  
113 generation to the electric grid or no more than 15 percent of their annual total useful energy to any entity  
114 other than the manufacturing facility to which the generating source is interconnected and are fueled by  
115 forest-product manufacturing residuals, including pulping liquor, bark, paper recycling residuals, biowastes,  
116 or biomass, as described in subdivisions A 1, 2, and 4 of § 10.1-1308.1, provided that biomass as described in  
117 subdivision A 1 of § 10.1-1308.1 results from harvesting in accordance with best management practices for  
118 the sustainable harvesting of biomass developed and enforced by the State Forester pursuant to § 10.1-1105,  
119 or (2) are owned by a Phase I or Phase II Utility, have less than 52 megawatts capacity, and are fueled by  
120 forest-product manufacturing residuals, biowastes, or biomass, as described in subdivisions A 1, 2, and 4 of

§ 10.1-1308.1, provided that biomass as described in subdivision A 1 of § 10.1-1308.1 results from harvesting in accordance with best management practices for the sustainable harvesting of biomass developed and enforced by the State Forester pursuant to § 10.1-1105. Regardless of any future maintenance, expansion, or refurbishment activities, the total amount of RECs that may be sold by any RPS eligible source using biomass in any year shall be no more than the number of megawatt hours of electricity produced by that facility in 2022; however, in no year may any RPS eligible source using biomass sell RECs in excess of the actual megawatt-hours of electricity generated by such facility that year. In order to comply with the RPS Program, each Phase I and Phase II Utility may use and retire the environmental attributes associated with any existing owned or contracted solar, wind, falling water, or biomass electric generating resources in operation, or proposed for operation, in the Commonwealth or solar, wind, or falling water resources physically located within the PJM region, with such resource qualifying as a Commonwealth-located resource for purposes of this subsection, as of January 1, 2020, provided that such renewable attributes are verified as RECs consistent with the PJM-EIS Generation Attribute Tracking System.

1. The RPS Program requirements shall be a percentage of the total electric energy sold in the previous calendar year and shall be implemented in accordance with the following schedule:

Phase I Utilities		Phase II Utilities	
Year	RPS Program Requirement	Year	RPS Program Requirement
2021	6%	2021	14%
2022	7%	2022	17%
2023	8%	2023	20%
2024	10%	2024	23%
2025	14%	2025	26%
2026	17%	2026	29%
2027	20%	2027	32%
2028	24%	2028	35%
2029	27%	2029	38%
2030	30%	2030	41%
2031	33%	2031	45%
2032	36%	2032	49%
2033	39%	2033	52%
2034	42%	2034	55%
2035	45%	2035	59%
2036	53%	2036	63%
2037	53%	2037	67%
2038	57%	2038	71%
2039	61%	2039	75%
2040	65%	2040	79%
2041	68%	2041	83%
2042	71%	2042	87%
2043	74%	2043	91%
2044	77%	2044	95%
2045	80%	2045 and thereafter	100%
2046	84%		
2047	88%		
2048	92%		
2049	96%		
2050 and thereafter	100%		

2. A Phase II Utility shall meet one percent of the RPS Program requirements in any given compliance year with solar, wind, or anaerobic digestion resources of one megawatt or less located in the Commonwealth, with not more than 3,000 kilowatts at any single location or at contiguous locations owned by the same entity or affiliated entities and, to the extent that low-income qualifying projects are available, then no less than 25 percent of such one percent shall be composed of low-income qualifying projects. To the extent that low-income qualifying projects are not available and projects located on or adjacent to public elementary or secondary schools are available, the remainder of no less than 25 percent of such one percent shall be composed of projects located on or adjacent to public elementary or secondary schools. A project located on or adjacent to a public elementary or secondary school shall have a contractual relationship with such school in order to qualify for the provisions of this section.

3. Beginning with the 2025 compliance year and thereafter, at least 75 percent of all RECs used by a Phase II Utility in a compliance period shall come from RPS eligible resources located in the Commonwealth.

4. Any Phase I or Phase II Utility may apply renewable energy sales achieved or RECs acquired in excess of the sales requirement for that RPS Program to the sales requirements for RPS Program requirements in the

185 year in which it was generated and the five calendar years after the renewable energy was generated or the  
186 RECs were created. To the extent that a Phase I or Phase II Utility procures RECs for RPS Program  
187 compliance from resources the utility does not own, the utility shall be entitled to recover the costs of such  
188 certificates at its election pursuant to § 56-249.6 or subdivision A 5 d of § 56-585.1.

189 5. Energy from a geothermal heating and cooling system is eligible for inclusion in meeting the  
190 requirements of the RPS Program. RECs from a geothermal heating and cooling system are created based on  
191 the amount of energy, converted from BTUs to kilowatt-hours, that is generated by a geothermal heating and  
192 cooling system for space heating and cooling or water heating. The Commission shall determine the form and  
193 manner in which such RECs are verified.

194 D. Each Phase I or Phase II Utility shall petition the Commission for necessary approvals to procure  
195 zero-carbon electricity generating capacity as set forth in this subsection and energy storage resources as set  
196 forth in subsection E. To the extent that a Phase I or Phase II Utility constructs or acquires new zero-carbon  
197 generating facilities or energy storage resources, the utility shall petition the Commission for the recovery of  
198 the costs of such facilities, at the utility's election, either through its rates for generation and distribution  
199 services or through a rate adjustment clause pursuant to subdivision A 6 of § 56-585.1. All costs not sought  
200 for recovery through a rate adjustment clause pursuant to subdivision A 6 of § 56-585.1 associated with  
201 generating facilities provided by sunlight or onshore or offshore wind are also eligible to be applied by the  
202 utility as a customer credit reinvestment offset as provided in subdivision A 8 of § 56-585.1. Costs associated  
203 with the purchase of energy, capacity, or environmental attributes from facilities owned by the persons other  
204 than the utility required by this subsection shall be recovered by the utility either through its rates for  
205 generation and distribution services or pursuant to § 56-249.6.

206 1. Each Phase I Utility shall petition the Commission for necessary approvals to construct, acquire, or  
207 enter into agreements to purchase the energy, capacity, and environmental attributes of 600 megawatts of  
208 generating capacity using energy derived from sunlight or onshore wind.

209 a. By December 31, 2023, each Phase I Utility shall petition the Commission for necessary approvals to  
210 construct, acquire, or enter into agreements to purchase the energy, capacity, and environmental attributes of  
211 at least 200 megawatts of generating capacity located in the Commonwealth using energy derived from  
212 sunlight or onshore wind, and 35 percent of such generating capacity procured shall be from the purchase of  
213 energy, capacity, and environmental attributes from solar or onshore wind facilities owned by persons other  
214 than the utility, with the remainder, in the aggregate, being from construction or acquisition by such Phase I  
215 Utility.

216 b. By December 31, 2027, each Phase I Utility shall petition the Commission for necessary approvals to  
217 construct, acquire, or enter into agreements to purchase the energy, capacity, and environmental attributes of  
218 at least 200 megawatts of additional generating capacity located in the Commonwealth using energy derived  
219 from sunlight or onshore wind, and 35 percent of such generating capacity procured shall be from the  
220 purchase of energy, capacity, and environmental attributes from solar or onshore wind facilities owned by  
221 persons other than the utility, with the remainder, in the aggregate, being from construction or acquisition by  
222 such Phase I Utility.

223 c. By December 31, 2030, each Phase I Utility shall petition the Commission for necessary approvals to  
224 construct, acquire, or enter into agreements to purchase the energy, capacity, and environmental attributes of  
225 at least 200 megawatts of additional generating capacity located in the Commonwealth using energy derived  
226 from sunlight or onshore wind, and 35 percent of such generating capacity procured shall be from the  
227 purchase of energy, capacity, and environmental attributes from solar or onshore wind facilities owned by  
228 persons other than the utility, with the remainder, in the aggregate, being from construction or acquisition by  
229 such Phase I Utility.

230 d. Nothing in this subdivision 1 shall prohibit such Phase I Utility from constructing, acquiring, or  
231 entering into agreements to purchase the energy, capacity, and environmental attributes of more than 600  
232 megawatts of generating capacity located in the Commonwealth using energy derived from sunlight or  
233 onshore wind, provided the utility receives approval from the Commission pursuant to §§ 56-580 and  
234 56-585.1.

235 2. By December 31, 2035, each Phase II Utility shall petition the Commission for necessary approvals to  
236 (i) construct, acquire, or enter into agreements to purchase the energy, capacity, and environmental attributes  
237 of 16,100 megawatts of generating capacity located in the Commonwealth using energy derived from  
238 sunlight or onshore wind, which shall include 1,100 megawatts of solar generation of a nameplate capacity  
239 not to exceed three megawatts per individual project and 35 percent of such generating capacity procured  
240 shall be from the purchase of energy, capacity, and environmental attributes from solar facilities owned by  
241 persons other than a utility, including utility affiliates and deregulated affiliates and (ii) pursuant to  
242 § 56-585.1:11, construct or purchase one or more offshore wind generation facilities located off the  
243 Commonwealth's Atlantic shoreline or in federal waters and interconnected directly into the Commonwealth  
244 with an aggregate capacity of up to 5,200 megawatts. At least 200 megawatts of the 16,100 megawatts shall  
245 be placed on previously developed project sites.

246 a. By December 31, 2024, each Phase II Utility shall petition the Commission for necessary approvals to

247 construct, acquire, or enter into agreements to purchase the energy, capacity, and environmental attributes of  
 248 at least 3,000 megawatts of generating capacity located in the Commonwealth using energy derived from  
 249 sunlight or onshore wind, and 35 percent of such generating capacity procured shall be from the purchase of  
 250 energy, capacity, and environmental attributes from solar or onshore wind facilities owned by persons other  
 251 than the utility, with the remainder, in the aggregate, being from construction or acquisition by such Phase II  
 252 Utility.

253 b. By December 31, 2027, each Phase II Utility shall petition the Commission for necessary approvals to  
 254 construct, acquire, or enter into agreements to purchase the energy, capacity, and environmental attributes of  
 255 at least 3,000 megawatts of additional generating capacity located in the Commonwealth using energy  
 256 derived from sunlight or onshore wind, and 35 percent of such generating capacity procured shall be from the  
 257 purchase of energy, capacity, and environmental attributes from solar or onshore wind facilities owned by  
 258 persons other than the utility, with the remainder, in the aggregate, being from construction or acquisition by  
 259 such Phase II Utility.

260 c. By December 31, 2030, each Phase II Utility shall petition the Commission for necessary approvals to  
 261 construct, acquire, or enter into agreements to purchase the energy, capacity, and environmental attributes of  
 262 at least 4,000 megawatts of additional generating capacity located in the Commonwealth using energy  
 263 derived from sunlight or onshore wind, and 35 percent of such generating capacity procured shall be from the  
 264 purchase of energy, capacity, and environmental attributes from solar or onshore wind facilities owned by  
 265 persons other than the utility, with the remainder, in the aggregate, being from construction or acquisition by  
 266 such Phase II Utility.

267 d. By December 31, 2035, each Phase II Utility shall petition the Commission for necessary approvals to  
 268 construct, acquire, or enter into agreements to purchase the energy, capacity, and environmental attributes of  
 269 at least 6,100 megawatts of additional generating capacity located in the Commonwealth using energy  
 270 derived from sunlight or onshore wind, and 35 percent of such generating capacity procured shall be from the  
 271 purchase of energy, capacity, and environmental attributes from solar or onshore wind facilities owned by  
 272 persons other than the utility, with the remainder, in the aggregate, being from construction or acquisition by  
 273 such Phase II Utility.

274 e. Nothing in this subdivision 2 shall prohibit such Phase II Utility from constructing, acquiring, or  
 275 entering into agreements to purchase the energy, capacity, and environmental attributes of more than 16,100  
 276 megawatts of generating capacity located in the Commonwealth using energy derived from sunlight or  
 277 onshore wind, provided the utility receives approval from the Commission pursuant to §§ 56-580 and  
 278 56-585.1.

279 3. Nothing in this section shall prohibit a utility from petitioning the Commission to construct or acquire  
 280 zero-carbon electricity or from entering into contracts to procure the energy, capacity, and environmental  
 281 attributes of zero-carbon electricity generating resources in excess of the requirements in subsection B. The  
 282 Commission shall determine whether to approve such petitions on a stand-alone basis pursuant to §§ 56-580  
 283 and 56-585.1, provided that the Commission's review shall also consider whether the proposed generating  
 284 capacity (i) is necessary to meet the utility's native load, (ii) is likely to lower customer fuel costs, (iii) will  
 285 provide economic development opportunities in the Commonwealth, and (iv) serves a need that cannot be  
 286 more affordably met with demand-side or energy storage resources.

287 Each Phase I and Phase II Utility shall, at least once every year, conduct a request for proposals for new  
 288 solar ~~and~~, wind, *and energy storage* resources. Such requests shall quantify and describe the utility's need for  
 289 energy, capacity, or renewable energy certificates. The requests for proposals shall be publicly announced  
 290 and made available for public review on the utility's website at least 45 days prior to the closing of such  
 291 request for proposals. The requests for proposals shall provide, at a minimum, the following information: (a)  
 292 the size, type, and timing of resources for which the utility anticipates contracting; (b) any minimum  
 293 thresholds that must be met by respondents; (c) major assumptions to be used by the utility in the bid  
 294 evaluation process, including environmental emission standards; (d) detailed instructions for preparing bids  
 295 so that bids can be evaluated on a consistent basis; (e) the preferred general location of additional capacity;  
 296 and (f) specific information concerning the factors involved in determining the price and non-price criteria  
 297 used for selecting winning bids. *In any request for proposals for new energy storage resources, no Phase I or*  
 298 *Phase II Utility shall impose requirements relating to fire safety that are more stringent than the minimum*  
 299 *safety standards set forth in the most recently published edition of the National Fire Protection Association*  
 300 *855 Standard for the Installation of Stationary Energy Storage Systems (NFPA 855). A utility may otherwise*  
 301 *evaluate responses to requests for proposals based on any criteria that it deems reasonable but shall at a*  
 302 *minimum consider the following in its selection process: (1) the status of a particular project's development;*  
 303 *(2) the age of existing generation facilities; (3) the demonstrated financial viability of a project and the*  
 304 *developer; (4) a developer's prior experience in the field; (5) the location and effect on the transmission grid*  
 305 *of a generation facility; (6) benefits to the Commonwealth that are associated with particular projects,*  
 306 *including regional economic development and the use of goods and services from Virginia businesses; and*  
 307 *(7) the environmental impacts of particular resources, including impacts on air quality within the*  
 308 *Commonwealth and the carbon intensity of the utility's generation portfolio.*

309 *The Commission shall appoint an independent auditor to review project costs as part of each request for*  
 310 *proposals for new energy storage resources. Such independent auditor shall ensure that the Phase I or Phase*  
 311 *II Utility purchases projects at the lowest possible cost while ensuring project safety and electric grid*  
 312 *reliability. Such independent auditor shall provide a report on such review to the Commission within two*  
 313 *months after the end of a request for proposals, which report shall be made publicly available on the*  
 314 *Commission's website. Upon receiving such report, the Commission may direct the utility to alter its request*  
 315 *for proposals to promote affordability, cost savings to customers, and electric grid reliability.*

316 4. In connection with the requirements of this subsection, each Phase I and Phase II Utility shall,  
 317 commencing in 2020 and concluding in 2035, submit annually a plan and petition for approval for the  
 318 development of new solar and onshore wind generation capacity. Such plan shall reflect, in the aggregate and  
 319 over its duration, the requirements of subsection D concerning the allocation percentages for construction or  
 320 purchase of such capacity. Such petition shall contain any request for approval to construct such facilities  
 321 pursuant to subsection D of § 56-580 and a request for approval or update of a rate adjustment clause  
 322 pursuant to subdivision A 6 of § 56-585.1 to recover the costs of such facilities. Such plan shall also include  
 323 the utility's plan to meet the energy storage project targets of subsection E, including the goal of installing at  
 324 least 10 percent of such energy storage projects *petitioned for pursuant to subdivisions E 1 and 2* behind the  
 325 meter. In determining whether to approve the utility's plan and any associated petition requests, the  
 326 Commission shall determine whether they are reasonable and prudent and shall give due consideration to (i)  
 327 the RPS and carbon dioxide reduction requirements in this section; (ii) the promotion of new renewable  
 328 generation and energy storage resources within the Commonwealth, and associated economic development;  
 329 and (iii) fuel savings projected to be achieved by the plan. Notwithstanding any other provision of this title,  
 330 the Commission's final order regarding any such petition and associated requests shall be entered by the  
 331 Commission not more than six months after the date of the filing of such petition.

332 5. If, in any year, a Phase I or Phase II Utility is unable to meet the compliance obligation of the RPS  
 333 Program requirements or if the cost of RECs necessary to comply with RPS Program requirements exceeds  
 334 \$45 per megawatt hour, such supplier shall be obligated to make a deficiency payment equal to \$45 for each  
 335 megawatt-hour shortfall for the year of noncompliance, except that the deficiency payment for any shortfall  
 336 in procuring RECs for solar, wind, or anaerobic digesters located in the Commonwealth shall be \$75 per  
 337 megawatts hour for resources one megawatt and lower. The amount of any deficiency payment shall increase  
 338 by one percent annually after 2021. A Phase I or Phase II Utility shall be entitled to recover the costs of such  
 339 payments as a cost of compliance with the requirements of this subsection pursuant to subdivision A 5 d of  
 340 § 56-585.1. All proceeds from the deficiency payments shall be deposited into an interest-bearing account  
 341 administered by the Department of Energy. In administering this account, the Department of Energy shall  
 342 manage the account as follows: (i) 50 percent of total revenue shall be directed to job training programs in  
 343 historically economically disadvantaged communities; (ii) 16 percent of total revenue shall be directed to  
 344 energy efficiency measures for public facilities; (iii) 30 percent of total revenue shall be directed to renewable  
 345 energy programs located in historically economically disadvantaged communities; and (iv) four percent of  
 346 total revenue shall be directed to administrative costs.

347 For any project constructed pursuant to this subsection or subsection E, a utility shall, subject to a  
 348 competitive procurement process, procure equipment from a Virginia-based or United States-based  
 349 manufacturer using materials or product components made in Virginia or the United States, if reasonably  
 350 available and competitively priced.

351 E. To enhance reliability and performance of the utility's generation and distribution system, each Phase I  
 352 and Phase II Utility shall petition the Commission for necessary approvals to construct ~~or~~, acquire ~~new~~, or  
 353 *procure* utility-owned energy storage resources. *For the purposes of this subsection, "long-duration energy*  
 354 *storage" means energy storage resources with 10 hours or more of generation capacity operating at full*  
 355 *nameplate capacity and "short-duration energy storage" means energy storage resources with less than 10*  
 356 *hours of generation capacity.*

357 1. By December 31, ~~2035~~ 2040, each Phase I Utility shall petition the Commission for necessary  
 358 approvals to construct ~~or~~, acquire ~~400~~, or *procure* 780 megawatts of *short-duration* energy storage capacity.  
 359 Nothing in this subdivision shall prohibit a Phase I Utility from constructing ~~or~~, acquiring, or *procuring* more  
 360 than ~~400~~ 780 megawatts of *short-duration* energy storage, provided that the utility receives approval from the  
 361 Commission pursuant to §§ 56-580 and 56-585.1.

362 2. By December 31, ~~2035~~ 2045, each Phase II Utility shall petition the Commission for necessary  
 363 approvals to construct or acquire ~~2,700~~ 16,000 megawatts of *short-duration* energy storage capacity as  
 364 follows: (i) 4,000 megawatts of *short-duration* energy storage capacity by December 31, 2030; (ii) 4,000  
 365 megawatts of *short-duration* energy storage capacity by December 31, 2035; and (iii) 8,000 megawatts of  
 366 *short-duration* energy storage capacity by December 31, 2045. Nothing in this subdivision shall prohibit a  
 367 Phase II Utility from constructing ~~or~~, acquiring, or *procuring* more than ~~2,700~~ megawatts of *short-duration*  
 368 energy storage *than required by this subdivision*, provided that the utility receives approval from the  
 369 Commission pursuant to §§ 56-580 and 56-585.1.

370 3. By December 31, 2045, each Phase I Utility shall petition the Commission for necessary approvals to

371 *construct, acquire, or procure 520 megawatts of long-duration energy storage capacity, half of which shall*  
 372 *be petitioned to the Commission for necessary approvals to be constructed, acquired, or procured by*  
 373 *December 31, 2035. Of such 520 megawatts, half shall have between 10 and 24 hours of storage capacity*  
 374 *and the other half shall have more than 24 hours of storage capacity. Nothing in this subdivision shall*  
 375 *prohibit a Phase I Utility from constructing, acquiring, or procuring more than 520 megawatts of long-*  
 376 *duration energy storage, provided that the utility receives approval from the Commission pursuant to*  
 377 *§§ 56-580 and 56-585.1.*

378 *4. By December 31, 2045, each Phase II Utility shall petition the Commission for necessary approvals to*  
 379 *construct, acquire, or procure 3,480 megawatts of long-duration energy storage capacity, half of which shall*  
 380 *be petitioned to the Commission for necessary approvals to be constructed, acquired, or procured by*  
 381 *December 31, 2035. Of such 3,480 megawatts, half shall have between 10 and 24 hours of storage capacity*  
 382 *and the other half shall have more than 24 hours of storage capacity. Nothing in this subdivision shall*  
 383 *prohibit a Phase II Utility from constructing, acquiring, or procuring more than 3,480 megawatts of long-*  
 384 *duration energy storage, provided that the utility receives approval from the Commission pursuant to*  
 385 *§§ 56-580 and 56-585.1.*

386 *5. For all energy storage projects proposed for construction, acquisition, or procurement pursuant to this*  
 387 *subsection, the Phase I or Phase II Utility shall demonstrate compliance with the minimum safety standards*  
 388 *set forth in NFPA 855.*

389 *6. No single energy storage project shall exceed 500 megawatts in size, except that a Phase II Utility may*  
 390 *procure a single energy storage project up to 800 megawatts.*

391 *4- 7. All energy storage projects constructed, acquired, or procured pursuant to this subsection shall meet*  
 392 *the competitive procurement protocols established in subdivision D 3. For all such energy storage projects,*  
 393 *the utility shall demonstrate to the Commission that its procurement sought proposals for both the purchase*  
 394 *of storage capacity and the purchase of storage facilities and evaluated the comparative costs, risk*  
 395 *allocation, ownership implications, and impact on customers of each proposal received.*

396 *5- 8. After July 1, 2020, at least 35 percent of the energy storage facilities placed into service shall be (i)*  
 397 *purchased by the public utility from a party other than the public utility or (ii) owned by a party other than a*  
 398 *public utility, with the capacity from such facilities sold to the public utility. By January 1, 2021, the*  
 399 *Commission shall adopt regulations to achieve the deployment of energy storage for the Commonwealth*  
 400 *required in subdivisions 1 and 2, including regulations that set interim targets and update existing utility*  
 401 *planning and procurement rules. The regulations shall include programs and mechanisms to deploy energy*  
 402 *storage, including competitive solicitations, behind-the-meter incentives, non-wires alternatives programs,*  
 403 *and peak demand reduction programs. The Commission shall update such regulations every five years.*

404 *F. All costs incurred by a Phase I or Phase II Utility related to compliance with the requirements of this*  
 405 *section or pursuant to § 56-585.1:11, including (i) costs of generation facilities powered by sunlight or*  
 406 *onshore or offshore wind, or energy storage facilities, that are constructed or acquired by a Phase I or Phase II*  
 407 *Utility after July 1, 2020, (ii) costs of capacity, energy, or environmental attributes from generation facilities*  
 408 *powered by sunlight or onshore or offshore wind, or falling water, or energy storage facilities purchased by*  
 409 *the utility from persons other than the utility through agreements after July 1, 2020, and (iii) all other costs of*  
 410 *compliance, including costs associated with the purchase of RECs associated with RPS Program*  
 411 *requirements pursuant to this section shall be recovered from all retail customers in the service territory of a*  
 412 *Phase I or Phase II Utility as a non-bypassable charge, irrespective of the generation supplier of such*  
 413 *customer, except (a) as provided in subsection G for an accelerated renewable energy buyer or (b) as*  
 414 *provided in subdivision C 3 of § 56-585.1:11, with respect to the costs of an offshore wind generation*  
 415 *facility, for a PIPP eligible utility customer or an advanced clean energy buyer or qualifying large general*  
 416 *service customer, as those terms are defined in § 56-585.1:11. If a Phase I or Phase II Utility serves*  
 417 *customers in more than one jurisdiction, such utility shall recover all of the costs of compliance with the RPS*  
 418 *Program requirements from its Virginia customers through the applicable cost recovery mechanism, and all*  
 419 *associated energy, capacity, and environmental attributes shall be assigned to Virginia to the extent that such*  
 420 *costs are requested but not recovered from any system customers outside the Commonwealth.*

421 *By September 1, 2020, the Commission shall direct the initiation of a proceeding for each Phase I and*  
 422 *Phase II Utility to review and determine the amount of such costs, net of benefits, that should be allocated to*  
 423 *retail customers within the utility's service territory which have elected to receive electric supply service from*  
 424 *a supplier of electric energy other than the utility, and shall direct that tariff provisions be implemented to*  
 425 *recover those costs from such customers beginning no later than January 1, 2021. Thereafter, such charges*  
 426 *and tariff provisions shall be updated and tried up by the utility on an annual basis, subject to continuing*  
 427 *review and approval by the Commission.*

428 *G. 1. An accelerated renewable energy buyer may contract with a Phase I or Phase II Utility, or a person*  
 429 *other than a Phase I or Phase II Utility, to obtain (i) RECs from RPS eligible resources or (ii) bundled*  
 430 *capacity, energy, and RECs from solar or, wind, or zero-carbon electricity generation resources located*  
 431 *within the PJM region and initially placed in commercial operation after January 1, 2015, including any*  
 432 *contract with a utility for such generation resources that does not allocate the cost of such resources to or*

433 recover the cost of such resources from any other customers of the utility that have not voluntarily agreed to  
434 pay such cost. Such an accelerated renewable energy buyer may offset all or a portion of its electric load for  
435 purposes of RPS compliance through such arrangements. An accelerated renewable energy buyer shall be  
436 exempt from the assignment of non-bypassable RPS compliance costs pursuant to subsection F, with the  
437 exception of the costs of an offshore wind generating facility pursuant to § 56-585.1:11, based on the amount  
438 of RECs obtained pursuant to this subsection in proportion to the customer's total electric energy  
439 consumption, on an annual basis. An accelerated renewable energy buyer may also contract with a Phase I or  
440 Phase II Utility, or a person other than a Phase I or Phase II Utility, to obtain capacity from energy storage  
441 facilities located within the network service area of the utility pursuant to this subsection, provided that the  
442 costs of such resources are not recovered from any of the utility's customers who have not voluntarily agreed  
443 to pay for such costs. Such accelerated renewable energy buyer shall be exempt from the assignment of  
444 non-bypassable RPS Program compliance costs specifically associated with energy storage facilities pursuant  
445 to this subsection in proportion to the customer's total capacity demand on an annual basis. An accelerated  
446 renewable energy buyer obtaining RECs only shall not be exempt from costs related to procurement of new  
447 solar or onshore wind generation capacity, energy, or environmental attributes, or energy storage facilities, by  
448 the utility pursuant to subsections D and E, however, an accelerated renewable energy buyer that is a  
449 customer of a Phase II Utility and was subscribed, as of March 1, 2020, to a voluntary companion  
450 experimental tariff offering of the utility for the purchase of renewable attributes from renewable energy  
451 facilities that requires a renewable facilities agreement and the purchase of a minimum of 2,000 renewable  
452 attributes annually, shall be exempt from allocation of the net costs related to procurement of new solar or  
453 onshore wind generation capacity, energy, or environmental attributes, or energy storage facilities, by the  
454 utility pursuant to subsections D and E, based on the amount of RECs associated with the customer's  
455 renewable facilities agreements associated with such tariff offering as of that date in proportion to the  
456 customer's total electric energy consumption, on an annual basis. To the extent that an accelerated renewable  
457 energy buyer contracts for the capacity of new solar or wind generation resources or energy storage facilities  
458 pursuant to this subsection, the aggregate amount of such nameplate capacity shall be offset from the utility's  
459 procurement requirements pursuant to subsection D. All RECs associated with contracts entered into by an  
460 accelerated renewable energy buyer with the utility, or a person other than the utility, for an RPS Program  
461 shall not be credited to the utility's compliance with its RPS requirements, and the calculation of the utility's  
462 RPS Program requirements shall not include the electric load covered by customers certified as accelerated  
463 renewable energy buyers.

464 2. Each Phase I or Phase II Utility shall certify, and verify as necessary, to the Commission that the  
465 accelerated renewable energy buyer has satisfied the exemption requirements of this subsection for each year,  
466 or an accelerated renewable energy buyer may choose to certify satisfaction of this exemption by reporting to  
467 the Commission individually. The Commission may promulgate such rules and regulations as may be  
468 necessary to implement the provisions of this subsection.

469 3. Provided that no incremental costs associated with any contract between a Phase I or Phase II Utility  
470 and an accelerated renewable energy buyer is allocated to or recovered from any other customer of the utility,  
471 any such contract with an accelerated renewable energy buyer that is a jurisdictional customer of the utility  
472 shall not be deemed a special rate or contract requiring Commission approval pursuant to § 56-235.2.

473 4. The State Corporation Commission shall ensure that any distribution and transmission costs associated  
474 with new energy generation resources procured pursuant to subsection G of § 56-585.5 of the Code of  
475 Virginia, as amended by this act, are justly and reasonably allocated.

476 H. No customer of a Phase II Utility with a peak demand in excess of 100 megawatts in 2019 that elected  
477 pursuant to subdivision A 3 of § 56-577 to purchase electric energy from a competitive service provider prior  
478 to April 1, 2019, shall be allocated any non-bypassable charges pursuant to subsection F for such period that  
479 the customer is not purchasing electric energy from the utility, and such customer's electric load shall not be  
480 included in the utility's RPS Program requirements. No customer of a Phase I Utility that elected pursuant to  
481 subdivision A 3 of § 56-577 to purchase electric energy from a competitive service provider prior to February  
482 1, 2019, shall be allocated any non-bypassable charges pursuant to subsection F for such period that the  
483 customer is not purchasing electric energy from the utility, and such customer's electric load shall not be  
484 included in the utility's RPS Program requirements.

485 I. In any petition by a Phase I or Phase II Utility for a certificate of public convenience and necessity to  
486 construct and operate an electrical generating facility that generates electric energy derived from sunlight  
487 submitted pursuant to § 56-580, such utility shall demonstrate that the proposed facility was subject to  
488 competitive procurement or solicitation as set forth in subdivision D 3.

489 J. Notwithstanding any contrary provision of law, for the purposes of this section, any falling water  
490 generation facility located in the Commonwealth and commencing commercial operations prior to July 1,  
491 2024, shall be considered a renewable energy portfolio standard (RPS) eligible source.

492 K. Nothing in this section shall apply to any entity organized under Chapter 9.1 (§ 56-231.15 et seq.).

493 L. The Commission shall adopt such rules and regulations as may be necessary to implement the  
494 provisions of this section, including a requirement that participants verify whether the RPS Program

495 requirements are met in accordance with this section.

496 **2. That it is the policy of the Commonwealth to further the evaluation and growth of existing and new**

497 **energy storage technologies, including short-duration energy storage and long-duration energy storage,**

498 **as those terms are defined in subsection E of § 56-585.5 of the Code of Virginia, as amended by this act,**

499 **in bolstering reliability of the electric grid and resource adequacy needs. The State Corporation**

500 **Commission shall consider such policy in evaluating petitions by a Phase I or Phase II Utility, as those**

501 **terms are defined in subdivision A 1 of § 56-585.1 of the Code of Virginia, to construct, acquire, or**

502 **procure short-duration or long-duration energy storage resources pursuant to subsection E of**

503 **§ 56-585.5 of the Code of Virginia, as amended by this act.**

504 **3. That the Department of Energy, in consultation with the Department of Environmental Quality (the**

505 **Departments), shall convene a work group to determine recommendations and financial incentives for**

506 **the development of long-duration energy storage projects, as defined in subsection E of § 56-585.5 of**

507 **the Code of Virginia, as amended by this act. The work group shall include representatives from**

508 **electric utilities, localities, interest groups, private businesses, and other stakeholders to develop**

509 **recommendations and financial incentives related to the development of long-duration energy storage**

510 **projects. In developing such recommendations and financial incentives, the work group shall give**

511 **special consideration to projects on previously disturbed land, projects that connect directly to the**

512 **electric distribution grid, and projects seeking to leverage the exemption for storage facilities provided**

513 **in subsection G of § 58.1-3660 of the Code of Virginia and whether the threshold for such exemption**

514 **should change. The Departments shall submit a report from the work group to the Chairs of the House**

515 **Committee on Labor and Commerce and the Senate Committee on Commerce and Labor no later than**

516 **December 1, 2026.**

517 **4. That the Department of Energy, in consultation with the Department of Environmental Quality and**

518 **the Department of Fire Programs (the Departments), shall convene a work group to advise on the**

519 **development of energy storage model ordinances suggested for use by localities in their regulation of**

520 **energy storage projects pursuant to § 45.2-2120 of the Code of Virginia, as amended by this act. The**

521 **work group shall include representatives from the Departments, Virginia Association of Counties, the**

522 **Virginia Fire Prevention Association, the Virginia Farm Bureau Federation, the Piedmont**

523 **Environmental Council, the Chesapeake Solar and Storage Association, the Solar Energy Industries**

524 **Association, the American Clean Power Association, Advanced Energy United, storage project**

525 **engineers, electric utilities, and any other stakeholders deemed relevant by the Departments, the State**

526 **Corporation Commission, or the Virginia Economic Development Partnership Authority. The**

527 **Departments shall publish the final model ordinance and submit a report from the work group to the**

528 **Chairs of the House Committee on Labor and Commerce and the Senate Committee on Commerce and**

529 **Labor no later than December 1, 2026.**

530 **5. That the State Corporation Commission (the Commission) shall establish a technology**

531 **demonstration program for long-duration energy storage resources, as defined in subsection E of**

532 **§ 56-585.5 of the Code of Virginia, as amended by this act, to evaluate the feasibility, effectiveness, and**

533 **reliability benefits of such resources. Such program shall provide for a Phase II Utility, as defined in**

534 **subdivision A 1 of § 56-585.1 of the Code of Virginia, to petition the Commission for approval to**

535 **construct, acquire, or procure one or more long-duration energy storage resources with a discharge**

536 **capacity of at least 4,000 megawatt-hours, unless the Commission in its discretion determines that long-**

537 **duration energy storage resources are not reasonably available in sufficient quantities to support such**

538 **petitions. Such program shall also provide that the Phase II Utility may include any long-duration**

539 **energy storage resources existing at the time of such petition in such aggregate capacity. In performing**

540 **the technology demonstration as established by the Commission, a Phase II Utility shall make a**

541 **reasonable good-faith effort to secure appropriate sources of funding from the U.S. Department of**

542 **Energy. A Phase II Utility shall report technology demonstration program outcomes to the**

543 **Commission no later than October 1, 2029. Such report shall include the progress and outcomes of all**

544 **energy storage projects developed by the utility. Such report may also include data regarding the costs**

545 **of projects included in the technology demonstration program, the ease and ability to procure**

546 **necessary supply chain elements supporting long-duration energy storage, the relative ease associated**

547 **with siting long-duration energy storage resources, and any other data that the Commission deems**

548 **relevant.**

549 **6. That the provisions of subdivisions E 3 and 4 of § 56-585.5 of the Code of Virginia, as amended by**

550 **this act, shall become effective only upon a determination by the State Corporation Commission (the**

551 **Commission) that the technology referenced in such subdivisions is technically viable and that the**

552 **construction, acquisition, or procurement targets referenced in such subdivisions are reasonably**

553 **achievable. The Commission shall initiate a proceeding to make such determination or alternatively**

554 **propose modified targets for the construction, acquisition, or procurement of such technology upon**

555 **receipt of the report by a Phase II Utility as required by the fifth enactment of this act and shall enter**

556 **its final order in such proceeding no later than March 1, 2030. As part of such proceeding, the**

557 Commission shall also (i) review the targets for short-duration energy storage specified in clauses (ii)  
558 and (iii) of subdivision E 2 of § 56-585.5 of the Code of Virginia, as amended by this act, to determine  
559 whether to recommend modifications to such targets based on other available energy storage  
560 technologies and the benefit to utility customers and the Commonwealth and (ii) determine whether an  
561 additional technology demonstration program for long-duration energy storage is necessary to further  
562 the goal of evaluating the role for energy storage technologies in bolstering reliability of the electric  
563 grid. If the Commission so determines, the Commission shall establish the duration and scope of an  
564 additional technology demonstration program, including an incremental amount of discharge capacity  
565 from long-duration energy storage projects eligible to be deployed. The Commission shall use all  
566 available data and information relating to such technology in the proceeding, including the details and  
567 results of long-duration energy storage projects located outside the Commonwealth. In the event the  
568 Commission does not determine that such technology and targets are viable and achievable, nothing in  
569 this act shall prohibit the Commission from initiating future proceedings in its own discretion or upon  
570 a petition by an interested party to assess such technology and targets.

571 7. That the State Corporation Commission (the Commission) shall update its regulations to achieve the  
572 deployment of energy storage in the Commonwealth, including regulations that set interim targets  
573 consistent with the provisions of subdivisions E 3 and 4 of § 56-585.5 of the Code of Virginia, as  
574 amended by this act. Upon making the determination pursuant to the sixth enactment of this act, the  
575 Commission shall promulgate regulations, including interim targets, reflecting the provisions of  
576 subdivisions E 3 and 4 of § 56-585.5 of the Code of Virginia, as amended by this act.

577 8. That the Department of Energy shall, through the Independent State Agencies Committee, engage  
578 with PJM Interconnection, LLC, and other state-level utility regulators within the PJM region in  
579 reviewing regional market conditions for the energy storage market, including existing cost signals and  
580 interconnection related to energy storage technology.

581 9. That, in order to promote research and workforce development in the energy storage industry, a  
582 Phase II Utility, as defined in subdivision A 1 of § 56-585.1 of the Code of Virginia, may propose an  
583 energy storage partnership with institutions of higher education in the Commonwealth, which may  
584 include energy storage deployment at such institutions, internships related to the energy storage  
585 industry, and involvement as appropriate in new and ongoing research in the energy storage industry.  
586 Such proposal shall be subject to approval by the State Corporation Commission and shall include at  
587 least one historically black college or university, as defined in § 2.2-1604 of the Code of Virginia, and  
588 one comprehensive community college, as defined in § 23.1-100 of the Code of Virginia.

589 10. That the Department of Energy shall develop a full-time staff position to support the development  
590 of short-duration energy storage and long-duration energy storage projects, as defined in subsection E  
591 of § 56-585.5 of the Code of Virginia, as amended by this act, in the Commonwealth and local review of  
592 such development in accordance with the provisions of this act.

593 11. That the Weldon Cooper Center for Public Service shall monitor the deployment of short-duration  
594 energy storage and long-duration energy storage projects, as defined in subsection E of § 56-585.5 of  
595 the Code of Virginia, as amended by this act, including by tracking energy storage project applications,  
596 approvals, and denials.

597 12. That the Department of Fire Programs (the Department) shall convene a work group to review  
598 requirements and develop recommendations for state and local regulations related to fire safety and  
599 suppression for short-duration energy storage and long-duration energy storage projects, as defined in  
600 subsection E of § 56-585.5 of the Code of Virginia, as amended by this act. The work group shall  
601 include representatives from other agencies, localities, industry partners, and other stakeholders to  
602 assess the demands that an increased volume of energy storage projects will place on fire safety and to  
603 develop recommendations to ensure fire safety throughout the Commonwealth. The Department shall  
604 submit a report from the work group to the Chairs of the House Committee on Labor and Commerce  
605 and the Senate Committee on Commerce and Labor no later than December 1, 2026.