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HOUSE BILL NO. 1512

Offered January 23, 2026

A BILL to amend and reenact § 56-585.5 of the Code of Virginia, relating to electric utilities; renewable energy standard eligible sources.

Patron—McAuliff

Referred to Committee on Labor and Commerce

Be it enacted by the General Assembly of Virginia:

1. That § 56-585.5 of the Code of Virginia is amended and reenacted as follows:

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

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

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

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

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

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

C. Each Phase I and Phase II Utility shall participate in a renewable energy portfolio standard program

59 (RPS Program) that establishes annual goals for the sale of renewable energy to all retail customers in the  
 60 utility's service territory, other than accelerated renewable energy buyers pursuant to subsection G, regardless  
 61 of whether such customers purchase electric supply service from the utility or from suppliers other than the  
 62 utility. To comply with the RPS Program, each Phase I and Phase II Utility shall procure and retire  
 63 Renewable Energy Certificates (RECs) originating from renewable energy standard eligible sources (RPS  
 64 eligible sources). For purposes of complying with the RPS Program from 2021 to 2024, a Phase I and Phase  
 65 II Utility may use RECs from any renewable energy facility, as defined in § 56-576, provided that such  
 66 facilities are located in the Commonwealth or are physically located within the PJM Interconnection, LLC  
 67 (PJM) region. However, at no time during this period or thereafter may any Phase I or Phase II Utility use  
 68 RECs from (i) renewable thermal energy, (ii) renewable thermal energy equivalent, or (iii) biomass-fired  
 69 facilities that are outside the Commonwealth. From compliance year 2025 and all years after, each Phase I  
 70 and Phase II Utility ~~may~~ shall only use RECs from RPS eligible sources for compliance with the RPS  
 71 Program.

72 In order to qualify as RPS eligible sources, such sources ~~must~~ shall be (a) electric-generating resources  
 73 that generate electric energy derived from solar or wind located in the Commonwealth or off the  
 74 Commonwealth's Atlantic shoreline or in federal waters and interconnected directly into the Commonwealth  
 75 or physically located within the PJM region; (b) falling water resources located in the Commonwealth or  
 76 physically located within the PJM region that were in operation as of January 1, 2020, that are owned by a  
 77 Phase I or Phase II Utility or for which a Phase I or Phase II Utility has entered into a contract prior to  
 78 January 1, 2020, to purchase the energy, capacity, and renewable attributes of such falling water resources;  
 79 (c) non-utility-owned resources from falling water that (1) are less than 65 megawatts, (2) began commercial  
 80 operation after December 31, 1979, or (3) added incremental generation representing greater than 50 percent  
 81 of the original nameplate capacity after December 31, 1979, provided that such resources are located in the  
 82 Commonwealth or are physically located within the PJM region; (d) waste-to-energy *electric generating*  
 83 *resources* or landfill gas-fired *electric generating resources* located in the Commonwealth and in operation as  
 84 of January 1, 2020, provided that such resources do not use waste heat from fossil fuel combustion *and do not*  
 85 *credit thermal output or use the renewable thermal energy equivalent calculation to produce RECs*; (e)  
 86 geothermal heating and cooling systems located in the Commonwealth; (f) geothermal electric generating  
 87 resources located in the Commonwealth or physically located within the PJM region; or (g) biomass-fired  
 88 *electric generating* facilities in operation in the Commonwealth and in operation as of January 1, 2023, that  
 89 (1) supply no more than 10 percent of their annual net electrical generation to the electric grid or no more  
 90 than 15 percent of their annual total useful energy to any entity other than the manufacturing facility to which  
 91 the generating source is interconnected and are fueled by forest-product manufacturing residuals, including  
 92 pulping liquor, bark, paper recycling residuals, biowastes, or biomass, as described in subdivisions A 1, 2,  
 93 and 4 of § 10.1-1308.1, provided that biomass as described in subdivision A 1 of § 10.1-1308.1 results from  
 94 harvesting in accordance with best management practices for the sustainable harvesting of biomass developed  
 95 and enforced by the State Forester pursuant to § 10.1-1105, or (2) are owned by a Phase I or Phase II Utility,  
 96 have less than 52 megawatts capacity, and are fueled by forest-product manufacturing residuals, biowastes, or  
 97 biomass, as described in subdivisions A 1, 2, and 4 of § 10.1-1308.1, provided that biomass as described in  
 98 subdivision A 1 of § 10.1-1308.1 results from harvesting in accordance with best management practices for  
 99 the sustainable harvesting of biomass developed and enforced by the State Forester pursuant to § 10.1-1105.  
 100 Regardless of any future maintenance, expansion, or refurbishment activities, the total amount of RECs that  
 101 may be sold by any RPS eligible source using biomass in any year shall be no more than the number of  
 102 megawatt hours of electricity produced by that facility in 2022; however, in no year may any RPS eligible  
 103 source using biomass sell RECs in excess of the actual megawatt-hours of electricity generated by such  
 104 facility that year. In order to comply with the RPS Program, each Phase I and Phase II Utility may use and  
 105 retire the environmental attributes associated with any existing owned or contracted solar, wind, falling water,  
 106 or biomass electric generating resources in operation, or proposed for operation, in the Commonwealth or  
 107 solar, wind, or falling water resources physically located within the PJM region, with such resource  
 108 qualifying as a Commonwealth-located resource for purposes of this subsection, as of January 1, 2020,  
 109 provided that such renewable attributes are verified as RECs consistent with the PJM-EIS Generation  
 110 Attribute Tracking System.

111 1. The RPS Program requirements shall be a percentage of the total electric energy sold in the previous  
 112 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%

121	2027	20%	2027	32%
122	2028	24%	2028	35%
123	2029	27%	2029	38%
124	2030	30%	2030	41%
125	2031	33%	2031	45%
126	2032	36%	2032	49%
127	2033	39%	2033	52%
128	2034	42%	2034	55%
129	2035	45%	2035	59%
130	2036	53%	2036	63%
131	2037	53%	2037	67%
132	2038	57%	2038	71%
133	2039	61%	2039	75%
134	2040	65%	2040	79%
135	2041	68%	2041	83%
136	2042	71%	2042	87%
137	2043	74%	2043	91%
138	2044	77%	2044	95%
139	2045	80%	2045 and thereafter	100%
140				
141	2046	84%		
142	2047	88%		
143	2048	92%		
144	2049	96%		
145	2050 and thereafter	100%		
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HB1512

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

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

160 4. Any Phase I or Phase II Utility may apply renewable energy sales achieved or RECs acquired in excess  
 161 of the sales requirement for that RPS Program to the sales requirements for RPS Program requirements in the  
 162 year in which it was generated and the five calendar years after the renewable energy was generated or the  
 163 RECs were created. To the extent that a Phase I or Phase II Utility procures RECs for RPS Program  
 164 compliance from resources the utility does not own, the utility shall be entitled to recover the costs of such  
 165 certificates at its election pursuant to § 56-249.6 or subdivision A 5 d of § 56-585.1.

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

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

183 1. Each Phase I Utility shall petition the Commission for necessary approvals to construct, acquire, or

184 enter into agreements to purchase the energy, capacity, and environmental attributes of 600 megawatts of  
185 generating capacity using energy derived from sunlight or onshore wind.

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

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

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

207 d. Nothing in this subdivision 1 shall prohibit such Phase I Utility from constructing, acquiring, or  
208 entering into agreements to purchase the energy, capacity, and environmental attributes of more than 600  
209 megawatts of generating capacity located in the Commonwealth using energy derived from sunlight or  
210 onshore wind, provided the utility receives approval from the Commission pursuant to §§ 56-580 and  
211 56-585.1.

212 2. By December 31, 2035, each Phase II Utility shall petition the Commission for necessary approvals to  
213 (i) construct, acquire, or enter into agreements to purchase the energy, capacity, and environmental attributes  
214 of 16,100 megawatts of generating capacity located in the Commonwealth using energy derived from  
215 sunlight or onshore wind, which shall include 1,100 megawatts of solar generation of a nameplate capacity  
216 not to exceed three megawatts per individual project and 35 percent of such generating capacity procured  
217 shall be from the purchase of energy, capacity, and environmental attributes from solar facilities owned by  
218 persons other than a utility, including utility affiliates and deregulated affiliates and (ii) pursuant to  
219 § 56-585.1:11, construct or purchase one or more offshore wind generation facilities located off the  
220 Commonwealth's Atlantic shoreline or in federal waters and interconnected directly into the Commonwealth  
221 with an aggregate capacity of up to 5,200 megawatts. At least 200 megawatts of the 16,100 megawatts shall  
222 be placed on previously developed project sites.

223 a. By December 31, 2024, each Phase II 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 3,000 megawatts of generating capacity located in the Commonwealth using energy derived from  
226 sunlight or onshore wind, and 35 percent of such generating capacity procured shall be from the purchase of  
227 energy, capacity, and environmental attributes from solar or onshore wind facilities owned by persons other  
228 than the utility, with the remainder, in the aggregate, being from construction or acquisition by such Phase II  
229 Utility.

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

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

244 d. By December 31, 2035, each Phase II Utility shall petition the Commission for necessary approvals to  
245 construct, acquire, or enter into agreements to purchase the energy, capacity, and environmental attributes of

246 at least 6,100 megawatts of additional generating capacity located in the Commonwealth using energy  
247 derived from sunlight or onshore wind, and 35 percent of such generating capacity procured shall be from the  
248 purchase of energy, capacity, and environmental attributes from solar or onshore wind facilities owned by  
249 persons other than the utility, with the remainder, in the aggregate, being from construction or acquisition by  
250 such Phase II Utility.

251 e. Nothing in this subdivision 2 shall prohibit such Phase II Utility from constructing, acquiring, or  
252 entering into agreements to purchase the energy, capacity, and environmental attributes of more than 16,100  
253 megawatts of generating capacity located in the Commonwealth using energy derived from sunlight or  
254 onshore wind, provided the utility receives approval from the Commission pursuant to §§ 56-580 and  
255 56-585.1.

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

264 Each Phase I and Phase II Utility shall, at least once every year, conduct a request for proposals for new  
265 solar and wind resources. Such requests shall quantify and describe the utility's need for energy, capacity, or  
266 renewable energy certificates. The requests for proposals shall be publicly announced and made available for  
267 public review on the utility's website at least 45 days prior to the closing of such request for proposals. The  
268 requests for proposals shall provide, at a minimum, the following information: (a) the size, type, and timing  
269 of resources for which the utility anticipates contracting; (b) any minimum thresholds that must be met by  
270 respondents; (c) major assumptions to be used by the utility in the bid evaluation process, including  
271 environmental emission standards; (d) detailed instructions for preparing bids so that bids can be evaluated on  
272 a consistent basis; (e) the preferred general location of additional capacity; and (f) specific information  
273 concerning the factors involved in determining the price and non-price criteria used for selecting winning  
274 bids. A utility may evaluate responses to requests for proposals based on any criteria that it deems reasonable  
275 but shall at a minimum consider the following in its selection process: (1) the status of a particular project's  
276 development; (2) the age of existing generation facilities; (3) the demonstrated financial viability of a project  
277 and the developer; (4) a developer's prior experience in the field; (5) the location and effect on the  
278 transmission grid of a generation facility; (6) benefits to the Commonwealth that are associated with  
279 particular projects, including regional economic development and the use of goods and services from Virginia  
280 businesses; and (7) the environmental impacts of particular resources, including impacts on air quality within  
281 the Commonwealth and the carbon intensity of the utility's generation portfolio.

282 4. In connection with the requirements of this subsection, each Phase I and Phase II Utility shall,  
283 commencing in 2020 and concluding in 2035, submit annually a plan and petition for approval for the  
284 development of new solar and onshore wind generation capacity. Such plan shall reflect, in the aggregate and  
285 over its duration, the requirements of subsection D concerning the allocation percentages for construction or  
286 purchase of such capacity. Such petition shall contain any request for approval to construct such facilities  
287 pursuant to subsection D of § 56-580 and a request for approval or update of a rate adjustment clause  
288 pursuant to subdivision A 6 of § 56-585.1 to recover the costs of such facilities. Such plan shall also include  
289 the utility's plan to meet the energy storage project targets of subsection E, including the goal of installing at  
290 least 10 percent of such energy storage projects behind the meter. In determining whether to approve the  
291 utility's plan and any associated petition requests, the Commission shall determine whether they are  
292 reasonable and prudent and shall give due consideration to (i) the RPS and carbon dioxide reduction  
293 requirements in this section; (ii) the promotion of new renewable generation and energy storage resources  
294 within the Commonwealth, and associated economic development; and (iii) fuel savings projected to be  
295 achieved by the plan. Notwithstanding any other provision of this title, the Commission's final order  
296 regarding any such petition and associated requests shall be entered by the Commission not more than six  
297 months after the date of the filing of such petition.

298 5. If, in any year, a Phase I or Phase II Utility is unable to meet the compliance obligation of the RPS  
299 Program requirements or if the cost of RECs necessary to comply with RPS Program requirements exceeds  
300 \$45 per megawatt hour, such supplier shall be obligated to make a deficiency payment equal to \$45 for each  
301 megawatt-hour shortfall for the year of noncompliance, except that the deficiency payment for any shortfall  
302 in procuring RECs for solar, wind, or anaerobic digesters located in the Commonwealth shall be \$75 per  
303 megawatts hour for resources one megawatt and lower. The amount of any deficiency payment shall increase  
304 by one percent annually after 2021. A Phase I or Phase II Utility shall be entitled to recover the costs of such  
305 payments as a cost of compliance with the requirements of this subsection pursuant to subdivision A 5 d of  
306 § 56-585.1. All proceeds from the deficiency payments shall be deposited into an interest-bearing account  
307 administered by the Department of Energy. In administering this account, the Department of Energy shall

308 manage the account as follows: (i) 50 percent of total revenue shall be directed to job training programs in  
309 historically economically disadvantaged communities; (ii) 16 percent of total revenue shall be directed to  
310 energy efficiency measures for public facilities; (iii) 30 percent of total revenue shall be directed to renewable  
311 energy programs located in historically economically disadvantaged communities; and (iv) four percent of  
312 total revenue shall be directed to administrative costs.

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

317 E. To enhance reliability and performance of the utility's generation and distribution system, each Phase I  
318 and Phase II Utility shall petition the Commission for necessary approvals to construct or acquire new,  
319 utility-owned energy storage resources.

320 1. By December 31, 2035, each Phase I Utility shall petition the Commission for necessary approvals to  
321 construct or acquire 400 megawatts of energy storage capacity. Nothing in this subdivision shall prohibit a  
322 Phase I Utility from constructing or acquiring more than 400 megawatts of energy storage, provided that the  
323 utility receives approval from the Commission pursuant to §§ 56-580 and 56-585.1.

324 2. By December 31, 2035, each Phase II Utility shall petition the Commission for necessary approvals to  
325 construct or acquire 2,700 megawatts of energy storage capacity. Nothing in this subdivision shall prohibit a  
326 Phase II Utility from constructing or acquiring more than 2,700 megawatts of energy storage, provided that  
327 the utility receives approval from the Commission pursuant to §§ 56-580 and 56-585.1.

328 3. No single energy storage project shall exceed 500 megawatts in size, except that a Phase II Utility may  
329 procure a single energy storage project up to 800 megawatts.

330 4. All energy storage projects procured pursuant to this subsection shall meet the competitive procurement  
331 protocols established in subdivision D 3.

332 5. After July 1, 2020, at least 35 percent of the energy storage facilities placed into service shall be (i)  
333 purchased by the public utility from a party other than the public utility or (ii) owned by a party other than a  
334 public utility, with the capacity from such facilities sold to the public utility. By January 1, 2021, the  
335 Commission shall adopt regulations to achieve the deployment of energy storage for the Commonwealth  
336 required in subdivisions 1 and 2, including regulations that set interim targets and update existing utility  
337 planning and procurement rules. The regulations shall include programs and mechanisms to deploy energy  
338 storage, including competitive solicitations, behind-the-meter incentives, non-wires alternatives programs,  
339 and peak demand reduction programs.

340 F. All costs incurred by a Phase I or Phase II Utility related to compliance with the requirements of this  
341 section or pursuant to § 56-585.1:11, including (i) costs of generation facilities powered by sunlight or  
342 onshore or offshore wind, or energy storage facilities, that are constructed or acquired by a Phase I or Phase II  
343 Utility after July 1, 2020, (ii) costs of capacity, energy, or environmental attributes from generation facilities  
344 powered by sunlight or onshore or offshore wind, or falling water, or energy storage facilities purchased by  
345 the utility from persons other than the utility through agreements after July 1, 2020, and (iii) all other costs of  
346 compliance, including costs associated with the purchase of RECs associated with RPS Program  
347 requirements pursuant to this section shall be recovered from all retail customers in the service territory of a  
348 Phase I or Phase II Utility as a non-bypassable charge, irrespective of the generation supplier of such  
349 customer, except (a) as provided in subsection G for an accelerated renewable energy buyer or (b) as  
350 provided in subdivision C 3 of § 56-585.1:11, with respect to the costs of an offshore wind generation  
351 facility, for a PIPP eligible utility customer or an advanced clean energy buyer or qualifying large general  
352 service customer, as those terms are defined in § 56-585.1:11. If a Phase I or Phase II Utility serves  
353 customers in more than one jurisdiction, such utility shall recover all of the costs of compliance with the RPS  
354 Program requirements from its Virginia customers through the applicable cost recovery mechanism, and all  
355 associated energy, capacity, and environmental attributes shall be assigned to Virginia to the extent that such  
356 costs are requested but not recovered from any system customers outside the Commonwealth.

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

364 G. 1. An accelerated renewable energy buyer may contract with a Phase I or Phase II Utility, or a person  
365 other than a Phase I or Phase II Utility, to obtain (i) RECs from RPS eligible resources or (ii) bundled  
366 capacity, energy, and RECs from solar or, wind, or zero-carbon electricity generation resources located  
367 within the PJM region and initially placed in commercial operation after January 1, 2015, including any  
368 contract with a utility for such generation resources that does not allocate the cost of such resources to or  
369 recover the cost of such resources from any other customers of the utility that have not voluntarily agreed to

370 pay such cost. Such an accelerated renewable energy buyer may offset all or a portion of its electric load for  
 371 purposes of RPS compliance through such arrangements. An accelerated renewable energy buyer shall be  
 372 exempt from the assignment of non-bypassable RPS compliance costs pursuant to subsection F, with the  
 373 exception of the costs of an offshore wind generating facility pursuant to § 56-585.1:11, based on the amount  
 374 of RECs obtained pursuant to this subsection in proportion to the customer's total electric energy  
 375 consumption, on an annual basis. An accelerated renewable energy buyer may also contract with a Phase I or  
 376 Phase II Utility, or a person other than a Phase I or Phase II Utility, to obtain capacity from energy storage  
 377 facilities located within the network service area of the utility pursuant to this subsection, provided that the  
 378 costs of such resources are not recovered from any of the utility's customers who have not voluntarily agreed  
 379 to pay for such costs. Such accelerated renewable energy buyer shall be exempt from the assignment of  
 380 non-bypassable RPS Program compliance costs specifically associated with energy storage facilities pursuant  
 381 to this subsection in proportion to the customer's total capacity demand on an annual basis. An accelerated  
 382 renewable energy buyer obtaining RECs only shall not be exempt from costs related to procurement of new  
 383 solar or onshore wind generation capacity, energy, or environmental attributes, or energy storage facilities, by  
 384 the utility pursuant to subsections D and E, however, an accelerated renewable energy buyer that is a  
 385 customer of a Phase II Utility and was subscribed, as of March 1, 2020, to a voluntary companion  
 386 experimental tariff offering of the utility for the purchase of renewable attributes from renewable energy  
 387 facilities that requires a renewable facilities agreement and the purchase of a minimum of 2,000 renewable  
 388 attributes annually, shall be exempt from allocation of the net costs related to procurement of new solar or  
 389 onshore wind generation capacity, energy, or environmental attributes, or energy storage facilities, by the  
 390 utility pursuant to subsections D and E, based on the amount of RECs associated with the customer's  
 391 renewable facilities agreements associated with such tariff offering as of that date in proportion to the  
 392 customer's total electric energy consumption, on an annual basis. To the extent that an accelerated renewable  
 393 energy buyer contracts for the capacity of new solar or wind generation resources or energy storage facilities  
 394 pursuant to this subsection, the aggregate amount of such nameplate capacity shall be offset from the utility's  
 395 procurement requirements pursuant to subsection D. All RECs associated with contracts entered into by an  
 396 accelerated renewable energy buyer with the utility, or a person other than the utility, for an RPS Program  
 397 shall not be credited to the utility's compliance with its RPS requirements, and the calculation of the utility's  
 398 RPS Program requirements shall not include the electric load covered by customers certified as accelerated  
 399 renewable energy buyers.

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

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

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

412 H. No customer of a Phase II Utility with a peak demand in excess of 100 megawatts in 2019 that elected  
 413 pursuant to subdivision A 3 of § 56-577 to purchase electric energy from a competitive service provider prior  
 414 to April 1, 2019, shall be allocated any non-bypassable charges pursuant to subsection F for such period that  
 415 the customer is not purchasing electric energy from the utility, and such customer's electric load shall not be  
 416 included in the utility's RPS Program requirements. No customer of a Phase I Utility that elected pursuant to  
 417 subdivision A 3 of § 56-577 to purchase electric energy from a competitive service provider prior to February  
 418 1, 2019, shall be allocated any non-bypassable charges pursuant to subsection F for such period that the  
 419 customer is not purchasing electric energy from the utility, and such customer's electric load shall not be  
 420 included in the utility's RPS Program requirements.

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

425 J. Notwithstanding any contrary provision of law, for the purposes of this section, any falling water  
 426 generation facility located in the Commonwealth and commencing commercial operations prior to July 1,  
 427 2024, shall be considered a renewable energy portfolio standard (RPS) eligible source.

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

429 L. The Commission shall adopt such rules and regulations as may be necessary to implement the  
 430 provisions of this section, including a requirement that participants verify whether the RPS Program  
 431 requirements are met in accordance with this section. *The Commission shall revoke and invalidate previously*

432 *retired or banked RECs of any kind and at any time if the Commission finds such RECS to have been*  
433 *inappropriately or erroneously produced, registered, sold, banked, or retired for the purpose of compliance*  
434 *with the provisions of this section. In such an event in which the Commission revokes and invalidates*  
435 *previously retired or banked RECs, the obligated utility in question shall procure and retire Commission-*  
436 *approved RECs from RPS eligible sources to cover the amount revoked and invalidated.*