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SENATE BILL NO. 827

Offered January 23, 2026

A BILL to amend and reenact §§ 56-585.1:5 and 58.1-3814 of the Code of Virginia, relating to pilot program for underground transmission lines; qualifying projects; levy; report.

Patrons—Srinivasan and Marsden; Delegate: Singh

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:**1. That §§ 56-585.1:5 and 58.1-3814 of the Code of Virginia are amended and reenacted as follows:****§ 56-585.1:5. Pilot program for underground transmission lines; report.**

A. There is hereby established a pilot program to further the understanding of underground electric transmission lines in regard to electric reliability, construction methods and related cost and timeline estimating, the probability of meeting such projections, and the benefits of undergrounding existing electric transmission lines to promote economic development within the Commonwealth. The pilot program shall consist of the approval to construct qualifying electrical transmission lines of 230, at least a portion of which have a capacity of 500 kilovolts or less (but greater than 69 kilovolts), which portion shall be constructed in whole or in part underground to the extent that such portion is located within a mile of any residential area. Such pilot program shall consist of a total of two four qualifying electrical transmission line projects, constructed in whole or in part underground, as specified and set forth in this section.

B. Notwithstanding any other law to the contrary, as a part of the pilot program established pursuant to this section, in reviewing any application submitted by a public utility for a certificate of public convenience and necessity for the construction of an electrical transmission line of 500 kilovolts filed between July 1, 2025, and July 1, 2033, the Commission shall may approve as a qualifying project a transmission line of 230 kilovolts or less that is pending final approval of a certificate of public convenience and necessity from the Commission as of December 31, 2017, for the construction of an electrical transmission line approximately 5.3 miles in length utilizing both overhead and underground transmission facilities, of which the underground portion shall be approximately 3.1 miles in length, which has been previously proposed for construction within or immediately adjacent to the right-of-way of an interstate highway. Once the Commission has affirmed the project need through an order, the project shall be constructed up to four applications for qualifying projects to be constructed in whole or in part underground, and the underground portion shall consist of a double circuit as part of the pilot program. The Commission shall provide an expedited review of any such application.

The Commission shall approve such underground construction within 30 days of receipt of the written request of the public utility to participate in the pilot program pursuant to this section. The Commission shall not require the submission of additional technical and cost analyses as a condition of its approval but may request such analyses for its review. The Commission shall approve the underground construction of one contiguous segment of the transmission line that is approximately 3.1 miles in length that was previously proposed for construction within or immediately adjacent to the right-of-way of the interstate highway, for which, by resolution, the locality has indicated general community support. The remainder of the construction for the transmission line shall be aboveground. The Commission shall not be required to perform any further analysis as to the impacts of this route, including environmental impacts or impacts upon historical resources.

The electric utility may proceed to acquire right-of-way and take such other actions as it deems appropriate in furtherance of the construction of the approved transmission line, including acquiring the cables necessary for the underground installation.

C. In reviewing applications submitted by public utilities for certificates of public convenience and necessity for the construction of electrical transmission lines of 230 kilovolts or less filed between July 1, 2018, and October 1, 2020, the Commission shall approve, consistent with the requirements of subsection D, one additional application as a qualifying project to be constructed in whole or in part underground, as a part of this pilot program. The one qualifying project shall be in addition to the qualifying project described in subsection B and shall be the relocation or conversion of an existing 230-kilovolt overhead line to an underground line.

D. For purposes of subsection C this section, a project shall be qualified to be placed underground, in whole or in part, if it meets all of the following criteria: (i) an

1. An engineering analysis demonstrates that it is technically feasible to place the proposed line, in whole or in part, underground; (ii) the

2. After the feasibility of placing the proposed line in whole or in part underground is demonstrated pursuant to subdivision 1, the Commission, in consultation with the applicant and other stakeholders,

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provides projections of the overall cost of the project if (i) placed in whole or in part underground and (ii) placed aboveground; and

3. After the steps in subdivisions 1 and 2 are complete, the governing body of each locality in which a portion of the proposed line will be placed underground indicates, by resolution, general community support for the project and that it supports the transmission line to be placed underground; (iii) a project has been filed with the Commission or is pending issuance of a certificate of public convenience and necessity by October 1, 2020; (iv) the estimated additional cost of placing the proposed line, in whole or in part, underground does not exceed \$40 million or, if greater than \$40 million, the cost does not exceed 2.5 times the cost of placing the same line overhead, assuming accepted industry standards for undergrounding to ensure safety and reliability; if the public utility, the affected localities, and the Commission agree, a proposed underground line whose cost exceeds 2.5 times the cost of placing the line overhead may also be accepted into the pilot program; (v) the public utility requests that the project be considered as a qualifying project under this section; and (vi) the primary need of the project shall be for purposes of grid reliability, grid resiliency, or to support economic development priorities of the Commonwealth, including the economic development priorities and the comprehensive plan of the governing body of the locality in which at least a portion of line will be placed, and shall not be to address aging assets that would have otherwise been replaced in due course. Such locality shall take into account the projected cost and indicate to what extent the locality plans to provide funding to defray such cost, including through any method described in subsection G.

The Commission may, in its discretion, deny an application for a project that otherwise meets the criteria set forth in this subsection, provided that it publicly shares its rationale for doing so.

E. D. A transmission line project that is found to meet the criteria of subsection B of § 56-46.1 with respect to a finding of the Commission that the line is needed.

F. E. Approval of a transmission line pursuant to this section for inclusion in the pilot program shall be deemed to satisfy the requirements of § 15.2-2232 and local zoning ordinances with respect to such transmission line and any associated facilities, such as stations, substations, transition stations and locations, and switchyards or stations, that may be required.

G. F. The Commission shall report annually to the Commission on Electric Utility Restructuring, the Joint Commission on Technology and Science, Regulation and the Governor on the progress of the pilot program by no later than December 1 of each year that this section is in effect. The Commission shall submit a final report to the Commission on Electric Utility Restructuring, the Joint Commission on Technology and Science, Regulation and the Governor no later than December 1, 2024 2033, analyzing the entire program and making recommendations about the continued placement of transmission lines underground in the Commonwealth. The Commission's final report shall include analysis and findings of the costs of underground construction and historical and future consumer rate effects of such costs, effect of underground transmission lines on grid reliability, operability (including operating voltage), probability of meeting cost and construction timeline estimates of such underground transmission lines, and economic development, aesthetic or other benefits attendant to the placement of transmission lines underground.

H. For G. 1. Fifty percent of the marginal cost of the portion of a qualifying projects project chosen to be placed underground within a locality pursuant to this section and not fully recoverable as charges for new transmission facilities pursuant to subdivision A 4 of § 56-585.1, the Commission shall approve a rate adjustment clause be paid by such locality. The rate adjustment clause shall provide for the full and timely recovery of any portion of the cost of such project not recoverable under applicable rates, terms, and conditions approved by the Federal Energy Regulatory Commission and shall include the use of the fair return on common equity most recently approved in a State Corporation Commission proceeding for such utility. Such To meet its obligations pursuant to this subsection, a locality may (i) impose a levy by ordinance pursuant to subdivision 2 and issue a bond payable exclusively from the revenue from such levy, (ii) issue a general obligation bond subject to a referendum carried out pursuant to the provisions of § 15.2-2610, or (iii) allocate its own funds, which allocation may be carried out over a period of multiple years subject to appropriation by the governing body of the locality. The Commission shall determine the allocation of the remainder of the costs shall be entirely assigned to the utility's Virginia jurisdictional customers. The Commission's final order regarding any petition filed pursuant to this subsection shall be entered not more than three months after the filing of such petition of a qualifying project in a manner that is just, reasonable, and in the public interest. For the purposes of this subsection, "marginal cost" means the difference between the projected cost of placing an electric transmission line in whole or in part underground and the projected cost of placing such line aboveground, as determined pursuant to subdivision C 2.

2. The governing body of any locality in which a portion of an electric transmission line is proposed to be placed underground as part of a qualifying project may impose an additional levy on electric utility customers in such locality pursuant to § 58.1-3814. A locality that imposes such levy shall by ordinance fix the amount of such additional levy. The proceeds of such levy shall be dedicated to the portion of costs required to be paid by such locality for such qualifying project pursuant to subdivision 1. The provider of

billing services shall bill the levy to all users who are subject to the levy and to whom it bills for electricity service and shall remit such levy to the appropriate locality. Any levy imposed pursuant to this subdivision shall be in addition to the limit for any utility consumer tax prescribed in § 58.1-3814.

H. If a transmission line is included in the pilot program pursuant to subsection C that includes only radial, rather than networked, electric service, there shall be a presumption of need for any applications for certificates of public convenience and necessity for electrical transmission lines that will complete the network for such qualifying project. The Commission shall give priority on its docket for any such application by a public utility.

I. Approval of a proposed transmission line for inclusion in the pilot program shall not preclude the placement of existing or future overhead facilities in the same area or corridor by other transmission projects.

J. The provisions of this section shall not be construed to limit the ability of the Commission to approve additional applications for placement of transmission lines underground. Approval by the Commission of a transmission line for inclusion in the program pursuant to subsection B shall preclude the placement of future overhead electrical transmission lines of at least 69 kilovolts in the same right-of-way as described in subsection B for a period of 10 years from July 1, 2018, but shall not preclude the placement of (i) any underground transmission lines in such right-of-way or (ii) any electrical distribution lines in such right-of-way.

K. If two applications are not submitted to the Commission that meet the requirements of this section, the Commission shall document the failure of the projects to qualify for the pilot program in order to justify approving fewer than two projects to be placed underground, in whole or in part.

K. Insofar as the provisions of this section are inconsistent with the provisions of any other law or local ordinance, the provisions of this section shall be controlling.

§ 58.1-3814. Water or heat, light, and power companies.

A. Any county, city, or town may impose a tax on the consumers of the utility service or services provided by any water or heat, light, and power company or other corporations coming within the provisions of Chapter 26 (§ 58.1-2600 et seq.), which tax shall not be imposed at a rate in excess of 20 percent of the monthly amount charged to consumers of the utility service and shall not be applicable to any amount so charged in excess of \$15 per month for residential customers. *No limit specified herein shall apply to a levy issued by ordinance pursuant to subdivision G 2 of § 56-585.1:5.* Any city, town, or county that on July 1, 1972, imposed a utility consumer tax in excess of limits specified herein may continue to impose such a tax in excess of such limits, but no more. For taxable years beginning on and after January 1, 2001, any tax imposed by a county, city, or town on consumers of electricity shall be imposed pursuant to subsections C through J only.

B. Any tax enacted pursuant to the provisions of this section, or any change in a tax or structure already in existence, shall not be effective until 60 days subsequent to written notice by certified mail from the county, city, or town imposing such tax or change thereto, to the registered agent of the utility corporation that is required to collect the tax.

C. Any county, city, or town may impose a tax on the consumers of services provided within its jurisdiction by any electric light and power, water, or gas company owned by another municipality, provided, that no county shall be authorized under this section to impose a tax within a municipality on consumers of services provided by an electric light and power, water, or gas company owned by that municipality. Any county tax imposed hereunder shall not apply within the limits of any incorporated town located within such county which town imposes a town tax on consumers of utility service or services provided by any corporation coming within the provisions of Chapter 26 (§ 58.1-2600 et seq.), provided that such town (i) provides police or fire protection, and water or sewer services, provided that any such town served by a sanitary district or service authority providing water or sewer services or served by the county in which the town is located when such service or services are provided pursuant to an agreement between the town and county shall be deemed to be providing such water and sewer services itself, or (ii) constitutes a special school district and is operated as a special school district under a town school board of three members appointed by the town council.

Any county, city, or town may provide for an exemption from the tax for any public safety answering point as defined in § 58.1-3813.1.

Any municipality required to collect a tax imposed under authority of this section for another city or county or town shall be entitled to a reasonable fee for such collection.

D. In a consolidated county wherein a tier-city exists, any county tax imposed hereunder shall apply within the limits of any tier-city located in such county, as may be provided in the agreement or plan of consolidation, and such tier-city may impose a tier-city tax on the same consumers of utility service or services, provided that the combined county and tier-city rates do not exceed the maximum permitted by state law.

E. The tax authorized by this section shall not apply to:

1. Utility sales of products used as motor vehicle fuels; or

183 2. Natural gas used to generate electricity by a public utility as defined in § 56-265.1 or an electric
184 cooperative as defined in § 56-231.15.

185 F. 1. Any county, city, or town may impose a tax on consumers of electricity provided by electric
186 suppliers as defined in § 58.1-400.2.

187 The tax so imposed shall be based on kilowatt hours delivered monthly to consumers; and shall not exceed
188 the limits set forth in this subsection. The provider of billing services shall bill the tax to all users who are
189 subject to the tax and to whom it bills for electricity service; and shall remit such tax to the appropriate
190 locality in accordance with § 58.1-2901. Any locality that imposed a tax pursuant to this section prior to
191 January 1, 2001, based on the monthly revenue amount charged to consumers of electricity shall convert its
192 tax to a tax based on kilowatt hours delivered monthly to consumers, taking into account minimum billing
193 charges. The kilowatt hour tax rates shall, to the extent practicable; (i) avoid shifting the amount of the tax
194 among electricity consumer classes and (ii) maintain annual revenues being received by localities from such
195 tax at the time of the conversion. The current service provider shall provide to localities no later than August
196 1, 2000, information to enable localities to convert their tax. The maximum amount of tax imposed on
197 residential consumers as a result of the conversion shall be limited to \$3 per month, except any locality that
198 imposed a higher maximum tax on July 1, 1972, may continue to impose such higher maximum tax on
199 residential consumers at an amount no higher than the maximum tax in effect prior to January 1, 2001, as
200 converted to kilowatt hours. For nonresidential consumers, the initial maximum rate of tax imposed as a
201 result of the conversion shall be based on the annual amount of revenue received from each class of
202 nonresidential consumers in calendar year 1999 for the kilowatt hours used that year. Kilowatt hour tax rates
203 imposed on nonresidential consumers shall be based at a class level on such factors as existing minimum
204 charges, the amount of kilowatt hours used, and the amount of consumer utility tax paid in calendar year
205 1999 on the same kilowatt hour usage. The limitations in this section on kilowatt hour rates for nonresidential
206 consumers shall not apply after January 1, 2004. On or before October 31, 2000, any locality imposing a tax
207 on consumers of electricity shall duly amend its ordinance under which such tax is imposed so that the
208 ordinance conforms to the requirements of subsections C through J. Notice of such amendment shall be
209 provided to service providers in a manner consistent with subsection B, except that "registered agent of the
210 provider of billing services" shall be substituted for "registered agent of the utility corporation." Any
211 conversion of a tax to conform to the requirements of this subsection shall not be effective before the first
212 meter reading after December 31, 2000, prior to which time the tax previously imposed by the locality shall
213 be in effect.

214 2. For purposes of this section, "kilowatt hours delivered" ~~shall mean~~ means, in the case of eligible
215 customer-generators, as defined in § 56-594, those kilowatt hours supplied from the electric grid to such
216 customer-generators, minus the kilowatt hours generated and fed back to the electric grid by such
217 customer-generators.

218 G. Until the consumer pays the tax to such provider of billing services, the tax shall constitute a debt to
219 the locality. If any consumer receives and pays for electricity but refuses to pay the tax on the bill that is
220 imposed by a locality, the provider of billing services shall notify the locality of the name and address of such
221 consumer. If any consumer fails to pay a bill issued by a provider of billing services, including the tax
222 imposed by a locality as stated thereon, the provider of billing services shall follow its normal collection
223 procedures with respect to the charge for electric service and the tax, and upon collection of the bill or any
224 part thereof shall (i) apportion the net amount collected between the charge for electric service and the tax
225 and (ii) remit the tax portion to the appropriate locality. After the consumer pays the tax to the provider of
226 billing services, the taxes shall be deemed to be held in trust by such provider of billing services until
227 remitted to the localities.

228 H. Any county, city, or town may impose a tax on consumers of natural gas provided by pipeline
229 distribution companies and gas utilities. The tax so imposed shall be based on CCF delivered monthly to
230 consumers and shall not exceed the limits set forth in this subsection. The pipeline distribution company or
231 gas utility shall bill the tax to all users who are subject to the tax and to whom it delivers gas and shall remit
232 such tax to the appropriate locality in accordance with § 58.1-2905. Any locality that imposed a tax pursuant
233 to this section prior to January 1, 2001, based on the monthly revenue amount charged to consumers of gas
234 shall convert to a tax based on CCF delivered monthly to consumers, taking into account minimum billing
235 charges. The CCF tax rates shall, to the extent practicable; (i) avoid shifting the amount of the tax among gas
236 consumer classes and (ii) maintain annual revenues being received by localities from such tax at the time of
237 the conversion. Current pipeline distribution companies and gas utilities shall provide to localities not later
238 than August 1, 2000, information to enable localities to convert their tax. The maximum amount of tax
239 imposed on residential consumers as a result of the conversion shall be limited to \$3 per month, except any
240 locality that imposed a higher maximum tax on July 1, 1972, may continue to impose such higher maximum
241 tax on residential consumers at an amount no higher than the maximum tax in effect prior to January 1, 2001,
242 as converted to CCF. For nonresidential consumers, the initial maximum rate of tax imposed as a result of the
243 conversion shall be based on the annual amount of revenue received and due from each of the nonresidential
244 gas purchase and gas transportation classes in calendar year 1999 for the CCF used that year. CCF tax rates

imposed on nonresidential consumers shall be based at a class level on such factors as existing minimum charges, the amount of CCF used, and the amount of consumer utility tax paid and due in calendar year 1999 on the same CCF usage. The initial maximum rate of tax imposed under this section shall continue, unless lowered, until December 31, 2003. Beginning January 1, 2004, nothing in this section shall be construed to prohibit or limit any locality from imposing a consumer utility tax on nonresidential customers up to the amount authorized by subsection A.

On or before October 31, 2000, any locality imposing a tax on consumers of gas shall duly amend its ordinance under which such tax is imposed so that the ordinance conforms to the requirements of subsections C through J of this section. Notice of such amendment shall be provided to pipeline distribution companies and gas utilities in a manner consistent with subsection B, except that "registered agent of the pipeline distribution company or gas utility" shall be substituted for "registered agent of the utility corporation." Any conversion of a tax to conform to the requirements of this subsection shall not be effective before the first meter reading after December 31, 2000, prior to which time the tax previously imposed by the locality shall be in effect.

I. Until the consumer pays the tax to such gas utility or pipeline distribution company, the tax shall constitute a debt to the locality. If any consumer receives and pays for gas but refuses to pay the tax that is imposed by the locality, the gas utility or pipeline distribution company shall notify the localities of the names and addresses of such consumers. If any consumer fails to pay a bill issued by a gas utility or pipeline distribution company, including the tax imposed by a locality, the gas utility or pipeline distribution company shall follow its normal collection procedures with regard to the charge for the gas and the tax and upon collection of the bill or any part thereof shall (i) apportion the net amount collected between the charge for gas service and the tax and (ii) remit the tax portion to the appropriate locality. After the consumer pays the tax to the gas utility or pipeline distribution company, the taxes shall be deemed to be held in trust by such gas utility or pipeline distribution company until remitted to the localities.

J. For purposes of this section:

"Class of consumers" means a category of consumers served under a rate schedule established by the pipeline distribution company and approved by the State Corporation Commission.

"Gas utility" has the same meaning as provided in § 56-235.8.

"Pipeline distribution company" has the same meaning as provided in § 58.1-2600.

"Service provider" and "provider of billing services" have the same meanings as provided in subsection E of § 58.1-2901, and "class" of consumers means a category of consumers defined as a class by their service provider.

K. Nothing in this section shall prohibit a locality from enacting an ordinance or other local law to allow such locality to impose a tax on consumers of natural gas provided by pipeline distribution companies and gas utilities, beginning at such time as natural gas service is first made available in such locality. The maximum amount of tax imposed on residential consumers based on CCF delivered monthly to consumers shall not exceed \$3 per month. The maximum tax rate imposed by such locality on nonresidential consumers based on CCF delivered monthly to consumers shall not exceed an average of the tax rates on nonresidential consumers of natural gas in effect (at the time natural gas service is first made available in such locality) in localities whose residents are being provided natural gas from the same pipeline distribution company or gas utility or both that is also providing natural gas to the residents of such locality. Beginning January 1, 2004, the tax rates for residential and nonresidential consumers of natural gas in such locality shall be determined in accordance with the provisions of subsection H.