

26107210D

HOUSE BILL NO. 895

AMENDMENT IN THE NATURE OF A SUBSTITUTE
(Proposed by the House Committee on Labor and Commerce
on _____)

(Patron Prior to Substitute—Delegate Sullivan)

A BILL to amend and reenact §§ 56-580 and 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.

Be it enacted by the General Assembly of Virginia:

1. That §§ 56-580 and 56-585.5 of the Code of Virginia are 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.

CHAPTER 22. *ENERGY STORAGE.*

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, (ii) consideration of the varying characteristics of different energy storage technologies, and (iii) any other factors the Department deems relevant to support the development of energy storage in the Commonwealth. In developing such model ordinances, 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 the Department 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.

§ 56-580. Transmission and distribution of electric energy.

A. Subject to the provisions of § 56-585.1, the Commission shall continue to regulate pursuant to this title the distribution of retail electric energy to retail customers in the Commonwealth and, to the extent not prohibited by federal law, the transmission of electric energy in the Commonwealth.

B. The Commission shall continue to regulate, to the extent not prohibited by federal law, the reliability, quality and maintenance by transmitters and distributors of their transmission and retail distribution systems.

C. The Commission shall develop codes of conduct governing the conduct of incumbent electric utilities and affiliates thereof when any such affiliates provide, or control any entity that provides, generation, distribution, or transmission services, to the extent necessary to prevent impairment of competition. Nothing in this chapter shall prevent an incumbent electric utility from offering metering options to its customers.

D. The Commission shall permit the construction and operation of ~~electrical~~ *electric* generating facilities and *energy storage resource facilities* in *Virginia* the Commonwealth upon a finding that such generating facility and associated facilities *or such energy storage resource facility and associated facilities* (i) will have no material adverse effect upon reliability of electric service provided by any regulated public utility, (ii) are required by the public convenience and necessity, if a petition for such permit is filed after July 1, 2007, and if they are to be constructed and operated by any regulated utility whose rates are regulated pursuant to § 56-585.1, and (iii) are not otherwise contrary to the public interest. In review of a petition for a certificate to construct and operate a generating facility described in this subsection, the Commission shall give consideration to the effect of the facility and associated facilities on the environment and establish such conditions as may be desirable or necessary to minimize adverse environmental impact as provided in § 56-46.1, unless exempt as a small renewable energy project for which the Department of Environmental Quality has issued a permit by rule pursuant to Article 5 (§ 10.1-1197.5 et seq.) of Chapter 11.1 of Title 10.1. In order to avoid duplication of governmental activities, any valid permit or approval required for an electric generating *plant facility* and associated facilities, *or for an energy storage resource facility and associated*

60 *facilities*, issued or granted by a federal, state or local governmental entity charged by law with responsibility
61 for issuing permits or approvals regulating environmental impact and mitigation of adverse environmental
62 impact or for other specific public interest issues such as building codes, transportation plans, and public
63 safety, whether such permit or approval is prior to or after the Commission's decision, shall be deemed to
64 satisfy the requirements of this section with respect to all matters that (i) are governed by the permit or
65 approval or (ii) are within the authority of, and were considered by, the governmental entity in issuing such
66 permit or approval, and the Commission shall impose no additional conditions with respect to such matters.
67 Nothing in this section shall affect the ability of the Commission to keep the record of a case open. Nothing
68 in this section shall affect any right to appeal such permits or approvals in accordance with applicable law. In
69 the case of a proposed facility located in a region that was designated as of July 1, 2001, as serious
70 nonattainment for the one-hour ozone standard as set forth in the federal Clean Air Act, the Commission shall
71 not issue a decision approving such proposed facility that is conditioned upon issuance of any environmental
72 permit or approval. The Commission shall complete any proceeding under this section, or under any
73 provision of the Utility Facilities Act (§ 56-265.1 et seq.), involving an application for a certificate, permit, or
74 approval required for the construction or operation by a public utility of a small renewable energy project as
75 defined in § 10.1-1197.5, within nine months following the utility's submission of a complete application
76 therefore. Small renewable energy projects as defined in § 10.1-1197.5 are in the public interest and in
77 determining whether to approve such project, the Commission shall liberally construe the provisions of this
78 title.

79 E. Nothing in this section shall impair the distribution service territorial rights of incumbent electric
80 utilities, and incumbent electric utilities shall continue to provide distribution services within their exclusive
81 service territories as established by the Commission. Subject to the provisions of § 56-585.1, the Commission
82 shall continue to exercise its existing authority over the provision of electric distribution services to retail
83 customers in the Commonwealth including, but not limited to, the authority contained in Chapters 10
84 (§ 56-232 et seq.) and 10.1 (§ 56-265.1 et seq.) of this title.

85 F. Nothing in this chapter shall impair the exclusive territorial rights of an electric utility owned or
86 operated by a municipality as of July 1, 1999, or by an authority created by a governmental unit exempt from
87 the referendum requirement of § 15.2-5403. Nor shall any provision of this chapter apply to any such electric
88 utility unless (i) that municipality or that authority created by a governmental unit exempt from the
89 referendum requirement of § 15.2-5403 elects to have this chapter apply to that utility or (ii) that utility,
90 directly or indirectly, sells, offers to sell or seeks to sell electric energy to any retail customer eligible to
91 purchase electric energy from any supplier in accordance with § 56-577 if that retail customer is outside the
92 geographic area that was served by such municipality as of July 1, 1999, except (a) any area within the
93 municipality that was served by an incumbent public utility as of that date but was thereafter served by an
94 electric utility owned or operated by a municipality or by an authority created by a governmental unit exempt
95 from the referendum requirement of § 15.2-5403 pursuant to the terms of a franchise agreement between the
96 municipality and the incumbent public utility, or (b) where the geographic area served by an electric utility
97 owned or operated by a municipality is changed pursuant to mutual agreement between the municipality and
98 the affected incumbent public utility in accordance with § 56-265.4:1. If an electric utility owned or operated
99 by a municipality as of July 1, 1999, or by an authority created by a governmental unit exempt from the
100 referendum requirement of § 15.2-5403 is made subject to the provisions of this chapter pursuant to clause (i)
101 or (ii) of this subsection, then in such event the provisions of this chapter applicable to incumbent electric
102 utilities shall also apply to any such utility, mutatis mutandis.

103 G. The applicability of all provisions of this chapter except § 56-594 to any investor-owned incumbent
104 electric utility supplying electric service to retail customers on January 1, 2003, whose service territory
105 assigned to it by the Commission is located entirely within Dickenson, Lee, Russell, Scott, and Wise
106 Counties shall be suspended effective July 1, 2003, so long as such utility does not provide retail electric
107 services in any other service territory in any jurisdiction to customers who have the right to receive retail
108 electric energy from another supplier. During any such suspension period, the utility's rates shall be (i) its
109 capped rates established pursuant to § 56-582 for the duration of the capped rate period established
110 thereunder, and (ii) determined thereafter by the Commission on the basis of such utility's prudently incurred
111 costs pursuant to Chapter 10 (§ 56-232 et seq.) of this title.

112 H. The expiration date of any certificates granted by the Commission pursuant to subsection D, for which
113 applications were filed with the Commission prior to July 1, 2002, shall be extended for an additional two
114 years from the expiration date that otherwise would apply.

115 **§ 56-585.5. Generation of electricity from renewable and zero carbon sources.**

116 A. As used in this section:

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

120 "Aggregate load" means the combined electrical load associated with selected accounts of an accelerated
121 renewable energy buyer with the same legal entity name as, or in the names of affiliated entities that control,

122 are controlled by, or are under common control of, such legal entity or are the names of affiliated entities
 123 under a common parent.

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

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

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

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

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

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

133 "Previously developed project site" means any property, including related buffer areas, if any, that has
 134 been previously disturbed or developed for non-single-family residential, nonagricultural, or nonsilvicultural
 135 use, regardless of whether such property currently is being used for any purpose. "Previously developed
 136 project site" includes a brownfield as defined in § 10.1-1230 or any parcel that has been previously used (i)
 137 for a retail, commercial, or industrial purpose; (ii) as a parking lot; (iii) as the site of a parking lot canopy or
 138 structure; (iv) for mining, which is any lands affected by coal mining that took place before August 3, 1977,
 139 or any lands upon which extraction activities have been permitted by the Department of Energy under Title
 140 45.2; (v) for quarrying; or (vi) as a landfill.

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

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

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

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

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

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

175 In order to qualify as RPS eligible sources, such sources must be (a) electric-generating resources that
 176 generate electric energy derived from solar or wind located in the Commonwealth or off the Commonwealth's
 177 Atlantic shoreline or in federal waters and interconnected directly into the Commonwealth or physically
 178 located within the PJM region; (b) falling water resources located in the Commonwealth or physically located
 179 within the PJM region that were in operation as of January 1, 2020, that are owned by a Phase I or Phase II
 180 Utility or for which a Phase I or Phase II Utility has entered into a contract prior to January 1, 2020, to
 181 purchase the energy, capacity, and renewable attributes of such falling water resources; (c) non-utility-owned
 182 resources from falling water that (1) are less than 65 megawatts, (2) began commercial operation after
 183 December 31, 1979, or (3) added incremental generation representing greater than 50 percent of the original

184 nameplate capacity after December 31, 1979, provided that such resources are located in the Commonwealth
 185 or are physically located within the PJM region; (d) waste-to-energy or landfill gas-fired generating resources
 186 located in the Commonwealth and in operation as of January 1, 2020, provided that such resources do not use
 187 waste heat from fossil fuel combustion; (e) geothermal heating and cooling systems located in the
 188 Commonwealth; (f) geothermal electric generating resources located in the Commonwealth or physically
 189 located within the PJM region; or (g) biomass-fired facilities in operation in the Commonwealth and in
 190 operation as of January 1, 2023, that (1) supply no more than 10 percent of their annual net electrical
 191 generation to the electric grid or no more than 15 percent of their annual total useful energy to any entity
 192 other than the manufacturing facility to which the generating source is interconnected and are fueled by
 193 forest-product manufacturing residuals, including pulping liquor, bark, paper recycling residuals, biowastes,
 194 or biomass, as described in subdivisions A 1, 2, and 4 of § 10.1-1308.1, provided that biomass as described in
 195 subdivision A 1 of § 10.1-1308.1 results from harvesting in accordance with best management practices for
 196 the sustainable harvesting of biomass developed and enforced by the State Forester pursuant to § 10.1-1105,
 197 or (2) are owned by a Phase I or Phase II Utility, have less than 52 megawatts capacity, and are fueled by
 198 forest-product manufacturing residuals, biowastes, or biomass, as described in subdivisions A 1, 2, and 4 of
 199 § 10.1-1308.1, provided that biomass as described in subdivision A 1 of § 10.1-1308.1 results from
 200 harvesting in accordance with best management practices for the sustainable harvesting of biomass developed
 201 and enforced by the State Forester pursuant to § 10.1-1105. Regardless of any future maintenance, expansion,
 202 or refurbishment activities, the total amount of RECs that may be sold by any RPS eligible source using
 203 biomass in any year shall be no more than the number of megawatt hours of electricity produced by that
 204 facility in 2022; however, in no year may any RPS eligible source using biomass sell RECs in excess of the
 205 actual megawatt-hours of electricity generated by such facility that year. In order to comply with the RPS
 206 Program, each Phase I and Phase II Utility may use and retire the environmental attributes associated with
 207 any existing owned or contracted solar, wind, falling water, or biomass electric generating resources in
 208 operation, or proposed for operation, in the Commonwealth or solar, wind, or falling water resources
 209 physically located within the PJM region, with such resource qualifying as a Commonwealth-located
 210 resource for purposes of this subsection, as of January 1, 2020, provided that such renewable attributes are
 211 verified as RECs consistent with the PJM-EIS Generation Attribute Tracking System.

212 1. The RPS Program requirements shall be a percentage of the total electric energy sold in the previous
 213 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%		

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

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

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

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

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

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

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

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

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

308 d. Nothing in this subdivision 1 shall prohibit such Phase I Utility from constructing, acquiring, or
 309 entering into agreements to purchase the energy, capacity, and environmental attributes of more than 600

310 megawatts of generating capacity located in the Commonwealth using energy derived from sunlight or
311 onshore wind, provided the utility receives approval from the Commission pursuant to §§ 56-580 and
312 56-585.1.

313 2. By December 31, 2035, each Phase II Utility shall petition the Commission for necessary approvals to
314 (i) construct, acquire, or enter into agreements to purchase the energy, capacity, and environmental attributes
315 of 16,100 megawatts of generating capacity located in the Commonwealth using energy derived from
316 sunlight or onshore wind, which shall include 1,100 megawatts of solar generation of a nameplate capacity
317 not to exceed three megawatts per individual project and 35 percent of such generating capacity procured
318 shall be from the purchase of energy, capacity, and environmental attributes from solar facilities owned by
319 persons other than a utility, including utility affiliates and deregulated affiliates and (ii) pursuant to
320 § 56-585.1:11, construct or purchase one or more offshore wind generation facilities located off the
321 Commonwealth's Atlantic shoreline or in federal waters and interconnected directly into the Commonwealth
322 with an aggregate capacity of up to 5,200 megawatts. At least 200 megawatts of the 16,100 megawatts shall
323 be placed on previously developed project sites.

324 a. By December 31, 2024, each Phase II Utility shall petition the Commission for necessary approvals to
325 construct, acquire, or enter into agreements to purchase the energy, capacity, and environmental attributes of
326 at least 3,000 megawatts of generating capacity located in the Commonwealth using energy derived from
327 sunlight or onshore wind, and 35 percent of such generating capacity procured shall be from the purchase of
328 energy, capacity, and environmental attributes from solar or onshore wind facilities owned by persons other
329 than the utility, with the remainder, in the aggregate, being from construction or acquisition by such Phase II
330 Utility.

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

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

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

352 e. Nothing in this subdivision 2 shall prohibit such Phase II Utility from constructing, acquiring, or
353 entering into agreements to purchase the energy, capacity, and environmental attributes of more than 16,100
354 megawatts of generating capacity located in the Commonwealth using energy derived from sunlight or
355 onshore wind, provided the utility receives approval from the Commission pursuant to §§ 56-580 and
356 56-585.1.

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

365 Each Phase I and Phase II Utility shall, at least once every year, conduct a request for proposals for new
366 solar and, wind, and energy storage resources. Such requests shall quantify and describe the utility's need for
367 energy, capacity, or renewable energy certificates. The requests for proposals shall be publicly announced
368 and made available for public review on the utility's website at least 45 days prior to the closing of such
369 request for proposals. The requests for proposals shall provide, at a minimum, the following information: (a)
370 the size, type, and timing of resources for which the utility anticipates contracting; (b) any minimum
371 thresholds that must be met by respondents; (c) major assumptions to be used by the utility in the bid

372 evaluation process, including environmental emission standards; (d) detailed instructions for preparing bids
 373 so that bids can be evaluated on a consistent basis; (e) the preferred general location of additional capacity;
 374 and (f) specific information concerning the factors involved in determining the price and non-price criteria
 375 used for selecting winning bids. *For energy storage projects, no utility shall prohibit the submission of bids*
 376 *from projects that comply with the most recently published edition of the National Fire Protection*
 377 *Association 855 Standard for the Installation of Stationary Energy Storage Systems.* A utility may otherwise
 378 evaluate responses to requests for proposals based on any criteria that it deems reasonable but shall at a
 379 minimum consider the following in its selection process: (1) the status of a particular project's development;
 380 (2) the age of existing generation facilities; (3) the demonstrated financial viability of a project and the
 381 developer; (4) a developer's prior experience in the field; (5) the location and effect on the transmission grid
 382 of a generation facility; (6) benefits to the Commonwealth that are associated with particular projects,
 383 including regional economic development and the use of goods and services from Virginia businesses; and
 384 (7) the environmental impacts of particular resources, including impacts on air quality within the
 385 Commonwealth and the carbon intensity of the utility's generation portfolio.

386 *The Commission shall appoint an independent auditor to participate in formulating each criterion for*
 387 *requests for proposals for new energy storage resources and reviewing the results of such requests for*
 388 *proposals. Such independent auditor shall ensure that the Phase I or Phase II Utility purchases projects at*
 389 *the lowest possible cost while ensuring project safety and electric grid reliability. Such independent auditor*
 390 *shall compare the cost of energy storage resources selected by a Phase I or Phase II Utility as part of a*
 391 *request for proposals process with estimations or actual costs of energy storage development in other states*
 392 *or regions of the United States. In conducting such comparison, the independent auditor shall determine*
 393 *whether there are any significant discrepancies between the price of energy storage development by a Phase*
 394 *I or Phase II Utility compared with other states or regions of the United States and include explanations for*
 395 *any such differences in its report to the Commission required under this subdivision. The independent auditor*
 396 *shall provide a report on such review to the Commission with each annual petition submitted by a Phase I or*
 397 *Phase II Utility under subdivision 4, which report shall be made publicly available on the Commission's*
 398 *website. Upon receiving such report, the Commission may direct the utility to alter its request for proposals*
 399 *to promote affordability, cost savings to customers, and electric grid reliability.*

400 4. In connection with the requirements of this subsection, each Phase I and Phase II Utility shall,
 401 commencing in 2020 and concluding in 2035 2045, submit annually a plan and petition for approval for the
 402 development of new solar and onshore wind generation capacity. Such plan shall reflect, in the aggregate and
 403 over its duration, the requirements of subsection D concerning the allocation percentages for construction or
 404 purchase of such capacity. Such petition shall contain any request for approval to construct such facilities
 405 pursuant to subsection D of § 56-580 and a request for approval or update of a rate adjustment clause
 406 pursuant to subdivision A 6 of § 56-585.1 to recover the costs of such facilities. Such plan shall also include
 407 the utility's plan to meet the energy storage project targets of subsection E, including the goal of installing at
 408 least 10 percent of such energy storage projects *petitioned for pursuant to subdivisions E 1 and 2* behind the
 409 meter. In determining whether to approve the utility's plan and any associated petition requests, the
 410 Commission shall determine whether they are reasonable and prudent and shall give due consideration to (i)
 411 the RPS and carbon dioxide reduction requirements in this section; (ii) the promotion of new renewable
 412 generation and energy storage resources within the Commonwealth, and associated economic development;
 413 and (iii) fuel savings projected to be achieved by the plan. Notwithstanding any other provision of this title,
 414 the Commission's final order regarding any such petition and associated requests shall be entered by the
 415 Commission not more than six months after the date of the filing of such petition.

416 5. If, in any year, a Phase I or Phase II Utility is unable to meet the compliance obligation of the RPS
 417 Program requirements or if the cost of RECs necessary to comply with RPS Program requirements exceeds
 418 \$45 per megawatt hour, such supplier shall be obligated to make a deficiency payment equal to \$45 for each
 419 megawatt-hour shortfall for the year of noncompliance, except that the deficiency payment for any shortfall
 420 in procuring RECs for solar, wind, or anaerobic digesters located in the Commonwealth shall be \$75 per
 421 megawatts hour for resources one megawatt and lower. The amount of any deficiency payment shall increase
 422 by one percent annually after 2021. A Phase I or Phase II Utility shall be entitled to recover the costs of such
 423 payments as a cost of compliance with the requirements of this subsection pursuant to subdivision A 5 d of
 424 § 56-585.1. All proceeds from the deficiency payments shall be deposited into an interest-bearing account
 425 administered by the Department of Energy. In administering this account, the Department of Energy shall
 426 manage the account as follows: (i) 50 percent of total revenue shall be directed to job training programs in
 427 historically economically disadvantaged communities; (ii) 16 percent of total revenue shall be directed to
 428 energy efficiency measures for public facilities; (iii) 30 percent of total revenue shall be directed to renewable
 429 energy programs located in historically economically disadvantaged communities; and (iv) four percent of
 430 total revenue shall be directed to administrative costs.

431 For any project constructed pursuant to this subsection or subsection E, a utility shall, subject to a
 432 competitive procurement process, procure equipment from a Virginia-based or United States-based
 433 manufacturer using materials or product components made in Virginia or the United States, if reasonably

434 available and competitively priced.

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

441 1. By December 31, 2035 2040, each Phase I Utility shall petition the Commission for necessary
442 approvals to construct ~~or~~, acquire ~~400, or procure 780~~ megawatts of *short-duration* energy storage capacity.
443 Nothing in this subdivision shall prohibit a Phase I Utility from constructing ~~or~~, acquiring, *or procuring* more
444 than ~~400~~ 780 megawatts of *short-duration* energy storage, provided that the utility receives approval from the
445 Commission pursuant to §§ 56-580 and 56-585.1. *Each Phase I Utility shall petition for at least 10 percent of*
446 *all short-duration energy storage required by this subdivision to be recovered as electric distribution grid*
447 *transformation projects in Commission filings conducted pursuant to subdivision A 6 of § 56-585.1.*

448 2. By December 31, 2035 2045, each Phase II Utility shall petition the Commission for necessary
449 approvals to construct or acquire ~~2,700~~ 16,000 megawatts of *short-duration* energy storage capacity,
450 *including 4,000 megawatts of short-duration energy storage capacity that shall be petitioned for by*
451 *December 31, 2030.* Nothing in this subdivision shall prohibit a Phase II Utility from constructing ~~or~~,
452 acquiring, *or procuring* more ~~than 2,700 megawatts~~ of *short-duration* energy storage *than required by this*
453 *subdivision*, provided that the utility receives approval from the Commission pursuant to §§ 56-580 and
454 56-585.1. *Each Phase II Utility shall petition for at least 10 percent of all short-duration energy storage*
455 *required by this subdivision to be recovered as electric distribution grid transformation projects in*
456 *Commission filings conducted pursuant to subdivision A 6 of § 56-585.1.*

457 3. *By December 31, 2045, each Phase I Utility shall petition the Commission for necessary approvals to*
458 *construct, acquire, or procure 520 megawatts of long-duration energy storage capacity, half of which shall*
459 *be petitioned to the Commission for necessary approvals to be constructed, acquired, or procured by*
460 *December 31, 2035. Of such 520 megawatts, half shall have between 10 and 24 hours of storage capacity*
461 *and the other half shall have more than 24 hours of storage capacity. Nothing in this subdivision shall*
462 *prohibit a Phase I Utility from constructing, acquiring, or procuring more than 520 megawatts of long-*
463 *duration energy storage, provided that the utility receives approval from the Commission pursuant to*
464 *§§ 56-580 and 56-585.1.*

465 4. *By December 31, 2045, each Phase II Utility shall petition the Commission for necessary approvals to*
466 *construct, acquire, or procure 4,000 megawatts of long-duration energy storage capacity, half of which shall*
467 *be petitioned to the Commission for necessary approvals to be constructed, acquired, or procured by*
468 *December 31, 2035. Of such 4,000 megawatts, (i) half shall have between 10 and 24 hours of storage*
469 *capacity and the other half shall have more than 24 hours of storage capacity and (ii) at least 20 percent*
470 *shall be located in the coalfield region of the Commonwealth, as described in § 15.2-6002. Nothing in this*
471 *subdivision shall prohibit a Phase II Utility from constructing, acquiring, or procuring more than 4,000*
472 *megawatts of long-duration energy storage, provided that the utility receives approval from the Commission*
473 *pursuant to §§ 56-580 and 56-585.1.*

474 5. *For all energy storage projects proposed for construction, acquisition, or procurement pursuant to this*
475 *subsection, the Phase I or Phase II Utility shall demonstrate compliance with the minimum safety standards*
476 *set forth in the most recently published edition of the National Fire Protection Association 855 Standard for*
477 *the Installation of Stationary Energy Storage Systems.*

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

480 4. 7. All energy storage projects *constructed, acquired, or procured* pursuant to this subsection shall meet
481 the competitive procurement protocols established in subdivision D 3. *For all such energy storage projects,*
482 *the utility shall demonstrate to the Commission that its procurement sought proposals for both the purchase*
483 *of storage capacity and the purchase of storage facilities and evaluated the comparative costs, risk*
484 *allocation, ownership implications, and impact on customers of each proposal received.*

485 5. 8. After July 1, 2020, at least 35 percent of the energy storage facilities placed into service shall be (i)
486 purchased by the public utility from a party other than the public utility or (ii) owned by a party other than a
487 public utility, with the capacity from such facilities sold to the public utility. By January 1, 2024 2027, the
488 Commission shall adopt regulations to achieve the deployment of energy storage for the Commonwealth
489 required in subdivisions 1 and 2, including regulations that set interim targets *from 2031 until 2045* and
490 update existing utility planning and procurement rules. The regulations shall include programs and
491 mechanisms to deploy energy storage, including competitive solicitations, behind-the-meter incentives,
492 non-wires alternatives programs, and peak demand reduction programs. *The Commission shall update such*
493 *regulations no less frequently than every five years.*

494 9. *If a Phase II Utility newly acquires the right, by contract or otherwise, to energy storage capacity from*
495 *pumped storage facilities located in the Commonwealth, or makes investments to increase the electrical*

496 *capacity of any such facility, such newly acquired or increased pumped storage capacity shall count toward*
 497 *the requirements of subdivision E 1 or 2 of § 56-585.5.*

498 F. All costs incurred by a Phase I or Phase II Utility related to compliance with the requirements of this
 499 section or pursuant to § 56-585.1:11, including (i) costs of generation facilities powered by sunlight or
 500 onshore or offshore wind, or energy storage facilities, that are constructed or acquired by a Phase I or Phase II
 501 Utility after July 1, 2020, (ii) costs of capacity, energy, or environmental attributes from generation facilities
 502 powered by sunlight or onshore or offshore wind, or falling water, or energy storage facilities purchased by
 503 the utility from persons other than the utility through agreements after July 1, 2020, and (iii) all other costs of
 504 compliance, including costs associated with the purchase of RECs associated with RPS Program
 505 requirements pursuant to this section shall be recovered from all retail customers in the service territory of a
 506 Phase I or Phase II Utility as a non-bypassable charge, irrespective of the generation supplier of such
 507 customer, except (a) as provided in subsection G for an accelerated renewable energy buyer or (b) as
 508 provided in subdivision C 3 of § 56-585.1:11, with respect to the costs of an offshore wind generation
 509 facility, for a PIPP eligible utility customer or an advanced clean energy buyer or qualifying large general
 510 service customer, as those terms are defined in § 56-585.1:11. If a Phase I or Phase II Utility serves
 511 customers in more than one jurisdiction, such utility shall recover all of the costs of compliance with the RPS
 512 Program requirements from its Virginia customers through the applicable cost recovery mechanism, and all
 513 associated energy, capacity, and environmental attributes shall be assigned to Virginia to the extent that such
 514 costs are requested but not recovered from any system customers outside the Commonwealth.

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

522 G. 1. An accelerated renewable energy buyer may contract with a Phase I or Phase II Utility, or a person
 523 other than a Phase I or Phase II Utility, to obtain (i) RECs from RPS eligible resources or (ii) bundled
 524 capacity, energy, and RECs from solar or, wind, or zero-carbon electricity generation resources located
 525 within the PJM region and initially placed in commercial operation after January 1, 2015, including any
 526 contract with a utility for such generation resources that does not allocate the cost of such resources to or
 527 recover the cost of such resources from any other customers of the utility that have not voluntarily agreed to
 528 pay such cost. Such an accelerated renewable energy buyer may offset all or a portion of its electric load for
 529 purposes of RPS compliance through such arrangements. An accelerated renewable energy buyer shall be
 530 exempt from the assignment of non-bypassable RPS compliance costs pursuant to subsection F, with the
 531 exception of the costs of an offshore wind generating facility pursuant to § 56-585.1:11, based on the amount
 532 of RECs obtained pursuant to this subsection in proportion to the customer's total electric energy
 533 consumption, on an annual basis. An accelerated renewable energy buyer may also contract with a Phase I or
 534 Phase II Utility, or a person other than a Phase I or Phase II Utility, to obtain capacity from energy storage
 535 facilities located within the network service area of the utility pursuant to this subsection, provided that the
 536 costs of such resources are not recovered from any of the utility's customers who have not voluntarily agreed
 537 to pay for such costs. Such accelerated renewable energy buyer shall be exempt from the assignment of
 538 non-bypassable RPS Program compliance costs specifically associated with energy storage facilities pursuant
 539 to this subsection in proportion to the customer's total capacity demand on an annual basis. An accelerated
 540 renewable energy buyer obtaining RECs only shall not be exempt from costs related to procurement of new
 541 solar or onshore wind generation capacity, energy, or environmental attributes, or energy storage facilities, by
 542 the utility pursuant to subsections D and E, however, an accelerated renewable energy buyer that is a
 543 customer of a Phase II Utility and was subscribed, as of March 1, 2020, to a voluntary companion
 544 experimental tariff offering of the utility for the purchase of renewable attributes from renewable energy
 545 facilities that requires a renewable facilities agreement and the purchase of a minimum of 2,000 renewable
 546 attributes annually, shall be exempt from allocation of the net costs related to procurement of new solar or
 547 onshore wind generation capacity, energy, or environmental attributes, or energy storage facilities, by the
 548 utility pursuant to subsections D and E, based on the amount of RECs associated with the customer's
 549 renewable facilities agreements associated with such tariff offering as of that date in proportion to the
 550 customer's total electric energy consumption, on an annual basis. To the extent that an accelerated renewable
 551 energy buyer contracts for the capacity of new solar or wind generation resources or energy storage facilities
 552 pursuant to this subsection, the aggregate amount of such nameplate capacity shall be offset from the utility's
 553 procurement requirements pursuant to subsection D. All RECs associated with contracts entered into by an
 554 accelerated renewable energy buyer with the utility, or a person other than the utility, for an RPS Program
 555 shall not be credited to the utility's compliance with its RPS requirements, and the calculation of the utility's
 556 RPS Program requirements shall not include the electric load covered by customers certified as accelerated
 557 renewable energy buyers.

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

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

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

570 H. No customer of a Phase II Utility with a peak demand in excess of 100 megawatts in 2019 that elected
571 pursuant to subdivision A 3 of § 56-577 to purchase electric energy from a competitive service provider prior
572 to April 1, 2019, shall be allocated any non-bypassable charges pursuant to subsection F for such period that
573 the customer is not purchasing electric energy from the utility, and such customer's electric load shall not be
574 included in the utility's RPS Program requirements. No customer of a Phase I Utility that elected pursuant to
575 subdivision A 3 of § 56-577 to purchase electric energy from a competitive service provider prior to February
576 1, 2019, shall be allocated any non-bypassable charges pursuant to subsection F for such period that the
577 customer is not purchasing electric energy from the utility, and such customer's electric load shall not be
578 included in the utility's RPS Program requirements.

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

583 J. Notwithstanding any contrary provision of law, for the purposes of this section, any falling water
584 generation facility located in the Commonwealth and commencing commercial operations prior to July 1,
585 2024, shall be considered a renewable energy portfolio standard (RPS) eligible source.

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

587 L. The Commission shall adopt such rules and regulations as may be necessary to implement the
588 provisions of this section, including a requirement that participants verify whether the RPS Program
589 requirements are met in accordance with this section.

590 2. **That it is the policy of the Commonwealth to further the evaluation and growth of existing and new**
591 **energy storage technologies, including short-duration energy storage and long-duration energy storage,**
592 **as those terms are defined in subsection E of § 56-585.5 of the Code of Virginia, as amended by this act,**
593 **in bolstering reliability of the electric grid and resource adequacy needs. The State Corporation**
594 **Commission (the Commission) shall consider such policy in evaluating petitions by a Phase I or Phase**
595 **II Utility, as those terms are defined in subdivision A 1 of § 56-585.1 of the Code of Virginia, to**
596 **construct, acquire, or procure short-duration or long-duration energy storage resources pursuant to**
597 **subsection E of § 56-585.5 of the Code of Virginia, as amended by this act. The Commission shall also**
598 **consider such policy, and the role of energy storage resources in complementing the integration of**
599 **renewable energy generation in the electric grid, in evaluating petitions related to energy storage**
600 **resources and front-of-meter resiliency solutions for critical electrical infrastructure.**

601 3. **That the Department of Energy, in consultation with the Department of Environmental Quality (the**
602 **Departments), shall convene two work groups to determine recommendations and financial incentives**
603 **for the development of both short-duration energy storage and long-duration energy storage, as**
604 **defined in subsection E of § 56-585.5 of the Code of Virginia, as amended by this act. One work group**
605 **shall focus specifically on recommendations and financial incentives for the development of short-**
606 **duration energy storage resources, and the other work group shall focus specifically on**
607 **recommendations and financial incentives for the development of long-duration energy storage**
608 **resources. The two work groups shall include representatives from electric utilities, localities, interest**
609 **groups, private businesses, and other stakeholders to develop recommendations and financial**
610 **incentives related to the development of short-duration energy storage or long-duration energy storage**
611 **projects, as appropriate for the work group. In developing such recommendations and financial**
612 **incentives, the work group shall give special consideration to projects on previously disturbed land,**
613 **projects that connect directly to the electric distribution grid, and projects seeking to leverage the**
614 **exemption for storage facilities provided in subsection G of § 58.1-3660 of the Code of Virginia and**
615 **whether the threshold for such exemption should change. The Departments shall submit a report from**
616 **the work group to the Chairs of the House Committee on Labor and Commerce and the Senate**
617 **Committee on Commerce and Labor no later than December 1, 2026.**

618 4. **That the Department of Energy, in consultation with the Department of Environmental Quality and**
619 **the Department of Fire Programs (the Departments), shall convene a work group to advise the**

620 Department of Energy on the development of energy storage model ordinances suggested for use by
 621 localities in their regulation of energy storage projects pursuant to § 45.2-2120 of the Code of Virginia,
 622 as amended by this act. The work group shall include representatives from the Departments, Virginia
 623 Association of Counties, the Virginia Fire Prevention Association, the Virginia Farm Bureau
 624 Federation, the Piedmont Environmental Council, the Chesapeake Solar and Storage Association, the
 625 Solar Energy Industries Association, the American Clean Power Association, Advanced Energy
 626 United, the American Planners Association, storage project engineers, electric utilities, and any other
 627 stakeholders deemed relevant by the Departments, the State Corporation Commission, or the Virginia
 628 Economic Development Partnership Authority. The Departments shall publish the final model
 629 ordinance and submit a report from the work group to the Chairs of the House Committee on Labor
 630 and Commerce and the Senate Committee on Commerce and Labor no later than December 1, 2026.

631 5. That the State Corporation Commission (the Commission) shall establish a technology
 632 demonstration program for long-duration energy storage, as defined in subsection E of § 56-585.5 of
 633 the Code of Virginia, as amended by this act, to evaluate the feasibility, effectiveness, and reliability
 634 benefits of such resources. Such program shall provide for a Phase II Utility, as defined in subdivision
 635 A 1 of § 56-585.1 of the Code of Virginia, to petition the Commission for approval to construct,
 636 acquire, or procure at least three different long-duration energy storage technologies with a cumulative
 637 discharge capacity of at least 4,000 megawatt-hours, unless the Commission in its discretion determines
 638 that long-duration energy storage resources are not reasonably available in sufficient quantities to
 639 support such petitions. Such program shall also provide that the Phase II Utility may include any long-
 640 duration energy storage resources existing at the time of such petition in such aggregate capacity. In
 641 performing the technology demonstration as established by the Commission, a Phase II Utility shall
 642 make a reasonable good-faith effort to secure appropriate sources of funding from the U.S.
 643 Department of Energy. A Phase II Utility shall report technology demonstration program progress and
 644 outcomes to the Commission no later than October 1, 2030. Such report shall include the progress and
 645 outcomes of all long-duration energy storage projects developed by the utility. Such report may also
 646 include data regarding the costs of projects included in the technology demonstration program, the
 647 ease and ability to procure necessary supply chain elements supporting long-duration energy storage,
 648 the relative ease associated with siting long-duration energy storage resources, and any other data that
 649 the Commission or Phase II Utility deems relevant.

650 6. That the provisions of subdivisions E 3 and 4 of § 56-585.5 of the Code of Virginia, as amended by
 651 this act, shall become effective only upon a determination by the State Corporation Commission (the
 652 Commission) that the technology referenced in such subdivisions is technically viable and that the
 653 construction, acquisition, or procurement targets referenced in such subdivisions are reasonably
 654 achievable. The Commission shall initiate a proceeding to make such determination or alternatively
 655 propose modified targets for the construction, acquisition, or procurement of such technology upon
 656 receipt of the report by a Phase II Utility as required by the fifth enactment of this act and shall enter
 657 its final order in such proceeding no later than March 1, 2031. As part of such proceeding, the
 658 Commission shall also review the targets for short-duration energy storage specified in subdivisions E
 659 1 and 2 of § 56-585.5 of the Code of Virginia, as amended by this act, and may adjust such targets
 660 based on the status of available energy storage technologies, the benefit to utility customers, and
 661 benefits to the security and reliability of the electric grid. The Commission shall use all available data
 662 and information relating to such technology in the proceeding, including the details and results of long-
 663 duration energy storage projects located outside the Commonwealth. In the event the Commission does
 664 not determine that such technology and targets are viable and achievable, nothing in this act shall
 665 prohibit the Commission from initiating future proceedings in its own discretion or upon a petition by
 666 an interested party to assess such technology and targets.

667 7. That the State Corporation Commission (the Commission) shall update its regulations to achieve the
 668 deployment of energy storage in the Commonwealth, including regulations that set any interim targets
 669 from 2031 until 2045 that the Commission, in its discretion, finds to be reasonable with the provisions
 670 of subdivisions E 1 and 2 of § 56-585.5 of the Code of Virginia, as amended by this act. Upon making
 671 the determination pursuant to the sixth enactment of this act, the Commission shall promulgate
 672 regulations reflecting any interim targets it finds reasonable with the provisions of subdivisions E 3 and
 673 4 of § 56-585.5 of the Code of Virginia, as amended by this act.

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

678 9. That, in order to promote research and workforce development in the energy storage industry, a
 679 Phase II Utility, as defined in subdivision A 1 of § 56-585.1 of the Code of Virginia, may propose an
 680 energy storage partnership with institutions of higher education in the Commonwealth, which may
 681 include energy storage deployment at such institutions, internships related to the energy storage

682 industry, and involvement as appropriate in new and ongoing research in the energy storage industry.
683 Such proposal shall be subject to approval by the State Corporation Commission and shall include at
684 least one historically black college or university, as defined in § 2.2-1604 of the Code of Virginia, and
685 one comprehensive community college, as defined in § 23.1-100 of the Code of Virginia.
686 10. That the Department of Energy shall develop a full-time staff position to support the development
687 of short-duration energy storage and long-duration energy storage projects, as defined in subsection E
688 of § 56-585.5 of the Code of Virginia, as amended by this act, in the Commonwealth and local review of
689 such development in accordance with the provisions of this act.
690 11. That the Weldon Cooper Center for Public Service shall monitor the deployment of short-duration
691 energy storage and long-duration energy storage projects, as defined in subsection E of § 56-585.5 of
692 the Code of Virginia, as amended by this act, including by tracking energy storage project applications,
693 approvals, and denials.
694 12. That the Department of Fire Programs (the Department) shall convene a work group to review
695 requirements and develop recommendations for state and local regulations related to fire safety and
696 suppression for short-duration energy storage and long-duration energy storage projects, as defined in
697 subsection E of § 56-585.5 of the Code of Virginia, as amended by this act. The work group shall
698 include representatives from other agencies, localities, industry partners, and other stakeholders to
699 assess the demands that an increased volume of energy storage projects will place on fire safety and to
700 develop recommendations to ensure fire safety of energy storage resources throughout the
701 Commonwealth. The Department shall submit a report from the work group to the Chairs of the
702 House Committee on Labor and Commerce and the Senate Committee on Commerce and Labor no
703 later than December 1, 2026.