

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

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ORIGINAL

Bill Number: HB895

Patron: Sullivan

Bill Title: Electric utilities; energy storage requirements; Department of Energy to develop model ordinance; work groups; reports

Bill Summary: Increases the targets for energy storage capacity that Appalachian Power and Dominion Energy Virginia are required to petition the State Corporation Commission (the Commission) for approval to construct, acquire, or procure and extends the time frame by which such capacity must be met. Under the bill, (i) Appalachian Power shall petition the Commission for approval to construct, acquire, or procure at least 780 megawatts of short-duration energy storage capacity by 2040 and 520 megawatts of long-duration energy storage capacity by 2045 and (ii) Dominion Energy Virginia shall petition the Commission for approval to construct, acquire, or procure at least 16,000 megawatts of short-duration energy storage capacity by 2045 and 3,480 megawatts of long-duration energy storage capacity by 2045. "Long-duration energy storage" and "short-duration energy storage" are defined in the bill. The bill requires the Commission to conduct a technology demonstration program for long-duration energy storage resources and initiate a proceeding to determine if such technology is viable and that the targets in the bill are reasonably achievable, for which a final order shall be entered no later than March 1, 2030. Certain provisions of the bill are only effective upon such determination by the Commission.

The bill requires the Department of Energy, in consultation with the Department of Environmental Quality and the Department of Fire Programs, to create a model ordinance for use by localities in their regulation of energy storage projects and to submit a report to the General Assembly by December 1, 2026. The bill directs the Department of Energy and the Department of Environmental Quality to convene a work group to develop recommendations and financial incentives related to the development of long-duration energy storage projects and submit a report to the General Assembly by December 1, 2026. The bill also directs the Department of Energy to engage with PJM Interconnection, LLC, in reviewing regional market conditions related to energy storage resources and permits Dominion Energy Virginia to propose a partnership with institutions of higher education to deploy energy storage resources.

Budget Amendment Necessary: Yes

Items Impacted: 109

Explanation: This bill will result in additional expenditures for the Department of Energy.

Fiscal Summary: It is anticipated that this bill will result in a \$150,000 general fund expenditure impact for the Department of Energy. The bill may have additional expenditure impacts to the State Corporation Commission (SCC); however, impact estimates from SCC are not yet available. It is anticipated that any fiscal impact this bill may have on the Department of Fire Programs (DFP) and Department of Environmental Quality (DEQ) can be absorbed within existing appropriation.

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General Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
Energy	-	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
TOTAL						

Fiscal Analysis: The bill requires Energy to convene multiple workgroups, create model ordinances, recommend financial incentives, and submit reports to lawmakers by December 1, 2026. The bill directs Energy to establish “a full-time staff position to support the development of short-duration energy storage and long-duration energy storage projects.” The agency anticipates costs associated with the position will result in a \$150,000 annual general fund expenditure. It is anticipated that this position will support the required workgroups and reports.

DFP is directed to participate in the two workgroups and to convene a third. DFP anticipates that associated costs can be absorbed within existing resources. DEQ would also be a participant in the workgroups. Estimates are not yet available from DEQ, but it is anticipated that any fiscal impact to the department can be absorbed.

The bill requires SCC to establish a technology demonstration program, make a determination as to whether the technology is feasible, update regulations, and appoint an independent auditor to create criterion for and review proposals to construct energy storage facilities. It is anticipated that this increase in workload may result in additional expenses, however, estimates are not available from SCC.

Other: This bill is similar to SB448.