

1 SENATE BILL NO. 339
2 AMENDMENT IN THE NATURE OF A SUBSTITUTE
3 (Proposed by the House Committee on Labor and Commerce
4 on _____)
5 (Patron Prior to Substitute—Senator Perry)

6 *A BILL to direct the State Corporation Commission to conduct proceedings to review cost allocation among*
7 *different customer classifications for certain electric utilities.*

8 **Be it enacted by the General Assembly of Virginia:**

9 **1. § 1.** *The State Corporation Commission (the Commission) shall initiate a proceeding to determine if*
10 *current and proposed allocations of transmission costs among different customer classifications of service*
11 *for Phase I and Phase II Utilities, or the allocations of transmission costs to an electric utility or customers*
12 *of an electric utility receiving transmission service from a Phase I Utility or Phase II Utility, require*
13 *customers that are not high-load customers to unreasonably subsidize the transmission costs attributable to*
14 *servicing customers that are high-load customers. In conducting such proceeding, the Commission shall*
15 *ensure to the maximum extent possible that the costs of any transmission projects that are designed,*
16 *constructed, or operated solely or primarily to serve high-load customers are not recovered from any other*
17 *customers of the Phase I Utility or Phase II Utility. For the purposes of such proceeding, a project to serve*
18 *one or more high-load customers that is classified as a supplemental transmission project by the regional*
19 *transmission entity shall be presumed to be designed, constructed, or operated solely or primarily to serve*
20 *high-load customers, unless otherwise demonstrated by clear and convincing evidence. The Commission*
21 *shall complete such proceedings by January 1, 2027. The Commission may comply with the requirements of*
22 *this section by incorporating the provisions of this section in an ongoing proceeding for a Phase I Utility or*
23 *Phase II Utility.*

24 **§ 2.** *The Commission shall initiate a proceeding to determine if the current allocation of generation and*
25 *distribution costs among different customer classifications of service for a Phase II Utility requires customers*
26 *that are not high-load customers to unreasonably subsidize the generation and distribution costs attributable*
27 *to servicing high-load customers. In conducting such proceeding, the Commission shall direct the Phase II*
28 *Utility to propose at least three alternative cost allocations for the Commission's consideration, provided in*
29 *executable formats that can be fully replicated, and at least one such alternative cost allocation shall*
30 *represent the probability of dispatch methodology as described in the electric utility cost allocation manual*
31 *published by the National Association of Regulatory Utility Commissioners. The Commission may order any*
32 *changes to the Phase II Utility's cost allocation structure that the Commission determines to be appropriate*

33 *to allocate costs appropriately among high-load customers and other customers of the Phase II Utility. The*
34 *Commission shall complete such proceedings by January 1, 2028. The Commission may comply with the*
35 *requirements of this section by incorporating the provisions of this section in an ongoing proceeding for a*
36 *Phase II Utility or by incorporating such provisions in the Phase II Utility's biennial rate review proceeding*
37 *conducted pursuant to § 56-585.1 of the Code of Virginia.*

38 *§ 3. The Commission may adopt any regulations or guidelines necessary to comply with the provisions of*
39 *this act.*

40 *§ 4. For the purposes of this act:*

41 *"High-load customer" means a retail electric service customer of a Phase I Utility or Phase II Utility that*
42 *(i) takes service under such utility's commercial or industrial rate schedule; (ii) contracts for an electric*
43 *demand of 25 megawatts or greater and an anticipated or measured average annual electric load factor of 75*
44 *percent or greater; and (iii) as of January 1, 2026, did not maintain a full-time equivalent employment*
45 *workforce of at least 200 individuals engaged in manufacturing or industrial activities at a facility located*
46 *within the service territory of a Phase I Utility, a Phase II Utility, or an electric cooperative organized under*
47 *Article 1 (§ 56-231.15 et seq.) of Chapter 9.1 of Title 56 of the Code of Virginia.*

48 *"Phase I Utility" and "Phase II Utility" have the same meaning as provided in subdivision A 1 of*
49 *§ 56-585.1 of the Code of Virginia.*

50 *"Transmission costs" includes the downstream costs associated with upgrades or modifications to*
51 *interconnection or distribution infrastructure necessitated to implement a transmission project.*