Dominion Energy's 2025 Rate Case

Dominion's Plan Will Raise Energy Costs for Virginia Families

Overview

Dominion Energy, Virginia's largest electric utility monopoly, is asking state regulators for two major rate increases:

- A $1.089 billion increase to base rates over 2026-2027, [1] and
- An $859.5 million increase in fuel costs for mid-2025 to mid-2026.[2]

If these requests are approved, the average residential customer would pay an additional $21.43 each month by 2027, a 15% increase in electricity bills.

What's driving the cost hike?

Dominion is requesting higher profits

Dominion earns a profit on all capital investments, such as new power plants and transmission lines. Dominion is asking to raise its profit level from 9.70% to 10.40%. The company claims that it needs a higher profit level to attract investors for the projects it will be building to meet its increasing demand, which is mainly driven by data centers (see graph on page two).[3]

However, experts from the Office of the Attorney General and staff from the State Corporation Commission (SCC) have repeatedly found Dominion's profit requests to be excessive.

For example, in 2021, the company asked to increase its profits from 9.20% to 10.80%.[4] The Attorney General's office, however, concluded that a fair return would be 8.88%, while the SCC staff recommended an 8.70% return.[5] Nationally, analysts have found that regulated utilities often seek profit levels higher than what other companies with similar risk profiles earn.[6]

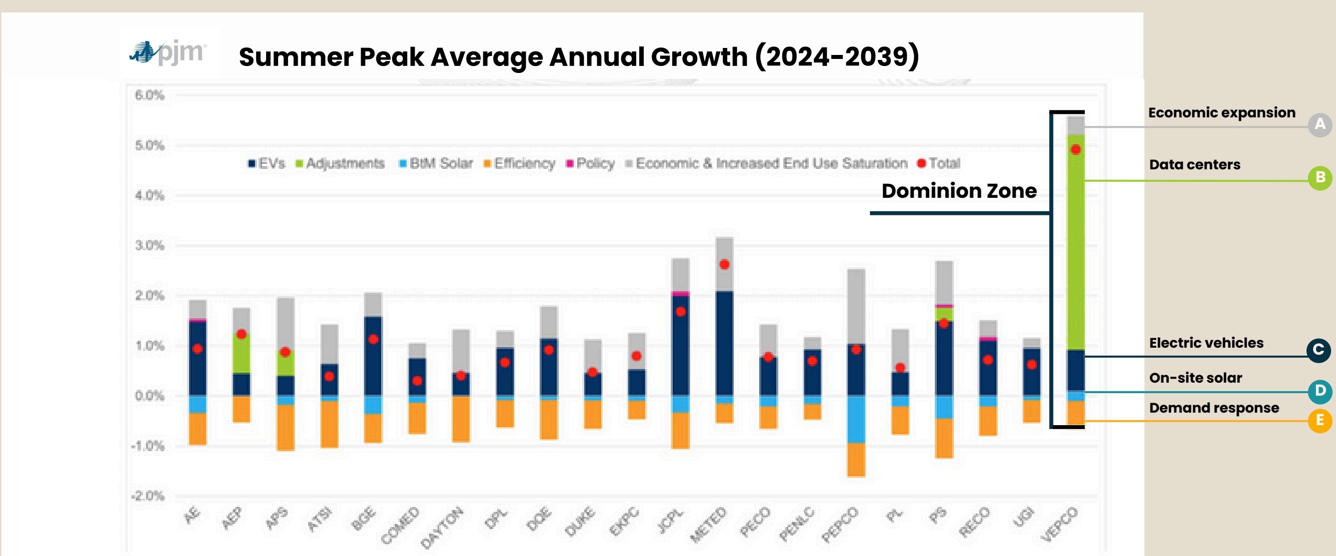
What’s driving the cost hike?

Data centers are driving up generation and distribution costs

In this rate case, Dominion proposes increasing its generation and distribution spending by more than a billion dollars, primarily to serve data centers. A 2024 report from the Joint Legislative Audit and Review Commission (JLARC) estimates that residential customers could see their monthly bills increase between **$14 and $37** (not adjusted for inflation) by 2040 because of data center-driven costs.[7]

Dominion has proposed a new customer class and minimum contract terms for large customers like data centers, but it is not proposing changes to how costs are distributed across different types of customers (residential, commercial, large load, etc.). **Dominion’s proposal ignores the recommendations of the JLARC report and the findings of SCC experts.** Both make it clear that without changes to the utility’s cost allocation methodologies, households and small businesses will remain at risk of subsidizing data center costs.[8]

The figure below shows the projected drivers of demand growth for various PJM zones. The green bar represents data centers, which are responsible for most of the projected increase in the “Dominion Zone.” The graph shows that growth in demand response (shifting electricity use during high-demand periods) and on-site solar can offset increased demand associated with economic expansion. The growing demand from data centers — and, to a much lesser extent, electric vehicles — far exceeds these offsets. [Notes added]



The Dominion PJM Zone includes Dominion's territory in Virginia and North Carolina, ODEC’s Virginia membership, NOVEC, the Central Virginia Electric Cooperative, the Virginia Municipal Electric Association, the North Carolina Electric Membership Corporation and the North Carolina Eastern Municipal Power Agency in North Carolina

Data centers are driving up generation and distribution costs (cont.)

- **Increased generation costs to provide power for data centers**

  In this filing, Dominion proposes increasing its generation spending by **$506 million**, including for projects to:

  - Expand methane gas plants
  - Keep the Mt. Storm coal plant online
  - Upgrade nuclear facilities

  Dominion says these projects are necessary because it needs "as much generation capacity as it can get" to handle its growing electric demand, mainly driven by data centers.[9,10]

- **Increased distribution costs to deliver electricity to data centers**

  In this filing, Dominion proposes increasing its 2026-2027 spending by **$707 million,** largely to expand the grid for data center demand. This includes increases of:

  - $460 million to connect data centers to the grid
  - $93 million for substation projects to serve load growth
  - $138 million for reliability projects, which include projects to serve load growth and to comply with legal requirements.[11]

Data centers are triggering extra costs outside the rate case

Dominion will likely propose new data center-driven costs outside of this rate case. For example, Dominion's 2024 Integrated Resource Plan forecasts data centers will increase costs by around $22 billion in the next 15 years, including costs for 89 transmission line projects solely driven by data centers and significant additions of methane gas, nuclear, storage and wind capacity.[12]

Fossil fuel prices are unpredictable and expected to rise

Fuel costs for gas and coal plants fluctuate significantly. This instability drives up costs for households when prices spike. For example, **between 2020 and 2022, gas prices rose by 540%.**[13] By 2023, Dominion customers owed the company $1.27 billion in fuel costs. The General Assembly passed legislation to let Dominion spread these costs out over many years, lowering the immediate bill impact for customers. However, Virginia families will now continue repaying these costs, plus interest, into the 2030s.[14]

What’s driving the cost hike?

Fossil fuel prices are unpredictable and expected to rise (cont.)

In this new request, 82% of Dominion’s proposed fuel charge increase is due to volatility and the expectation that fuel costs will rise. These increases come from:

- Projected fossil fuel price increases
- Higher-than-expected fuel costs from mid-2024 to mid-2025
- The expiration of temporary customer bill credits. These credits had been making up for Dominion’s past overprediction of fuel prices.[15]

PJM market costs are soaring

Dominion participates in PJM, the regional wholesale electricity market that serves Virginia and 12 other states. PJM holds auctions where power suppliers bid to provide energy for future years.

Last year, PJM auction prices skyrocketed. Prices in Dominion’s zone were especially high, **1,500%** above the last auction’s overall PJM prices.[16]

These price increases were largely due to:

- Rapid demand surge, mainly from data centers
- Severe delays in connecting new energy resources to the electric grid
- Planned retirement of energy generation resources that are uneconomical or violate environmental rules

These higher market prices translate to higher electric bills for customers and would have been unlikely without the surge in data center demand.

What comes next?

In mid-May, the SCC approved an interim increase to Dominion's fuel factor, the charge that covers fuel costs. Starting July 1, this increase will raise the average residential bill by **$8.95/month**. The SCC will consider a final fuel factor adjustment alongside the rate case.[17]

July 16
Intervenors file expert testimony

July 30
SCC staff files expert testimony

August 26
Deadline for written public comments and signing up to speak

September 2
Public hearing (five-minute time slots)

December 31 or before
Final decisions from the SCC

What can legislators do?

Lawmakers, advocates, and the public can submit written or oral comments to the SCC by **August 26.** For example, during Appalachian Power's last rate case, concerned legislators submitted a letter to the SCC opposing the utility's proposed rate hike.

To comment on the proposed rate increase, you can:

- **Submit a written comment** by August 26, using Case No. PUR-2025-00058.
- **Testify by phone** during the public comment hearing on September 2. Register before the August 26 deadline using Case No. PUR-2025-00058.

What can legislators do?

Additionally, legislators can help protect Virginians by advancing reforms that address the root causes of rate increases:

Incentivize cost-effective solutions: Restructure incentives to encourage utilities to prioritize affordable, cost-effective options for managing demand, rather than defaulting to expensive, capital-intensive projects.

Strengthen planning oversight: Require utilities to use a transparent, least-cost planning process when proposing new infrastructure projects. This planning process should include a thorough competitive process, allowing all feasible technologies to compete to meet stated needs.

Ensure fair fuel cost sharing: Partner with the Commission on Electric Utility Regulation to develop mechanisms to prevent the costs of fuel price spikes from being fully passed on to customers.

Make sure all customers pay their fair share: If necessary, consider reforms to cost allocation methods to ensure large electricity users contribute proportionately to the costs they create.

Accelerate access to affordable energy: Resolve challenges that delay renewable energy projects and prevent them from delivering low-cost power to address demand growth.

Improve oversight of regional energy markets: Push for increased transparency and accountability within PJM, the regional wholesale electricity market that serves Virginia and 12 other states.

Sources

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