

CLEAN VIRGINIA

THE PATH TO AFFORDABLE POWER:

Lowering bills for Dominion
Energy customers

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Executive Summary

Dominion Energy Virginia (Dominion) is the largest electric utility monopoly in the Commonwealth, serving more than 2.7 million electric customers.¹ Dominion holds a monopoly over electric service in its territory. This means that no other electric utility is allowed to compete for customers in that territory, and households do not have the option to choose another electricity provider.

As an investor-owned utility, Dominion is a for-profit company whose ultimate obligation is to its shareholders. The utility earns a regulated rate of return set by the Virginia State Corporation Commission (SCC), and its profit structure is tied to the amount of capital it spends on infrastructure, not to how efficiently it operates or how affordable it keeps customer bills.

Dominion residential bills rose 65.5% between 2007 and 2025, with the average monthly bill increasing from \$90.59 to \$149.92, significantly outpacing inflation.² These rising costs place a severe and growing burden on families and businesses in Virginia. The increase shows no signs of stopping. For example, on January 1, average residential bills rose by \$11.24 as a result of Dominion's most recent biennial rate case.

The increase in electric bills, both past and projected, is not inevitable. It is the result of policy and regulatory choices. Dominion customer bills are being driven upward by four primary forces: an outdated regulatory framework that rewards utility overspending; dependence on fossil fuels; rapid growth in data center energy demand; and national cost pressures, including tariffs and the rollback of federal tax credits, that raise the cost of energy projects across the board.

Because rising bills are the predictable consequence of these policy choices, policymakers have the opportunity to reverse the trend, providing much-needed economic relief to Virginia families and businesses. This paper explains what customers pay today, why bills are climbing, and how Virginia's regulatory environment shapes resource decisions, and it provides a set of specific recommended solutions for lawmakers and regulators to address this growing affordability crisis.

Overview: Cost Drivers & Solutions – Roadmap to Affordability

Virginia’s regulatory framework drives up costs for customers.

Cost Driver	Solution	Solution Drivers		
		LEG	GOV	SCC
Dominion has insufficient resource planning requirements.	Strengthen integrated resource planning rules so Dominion must show how it will meet energy needs at the lowest cost.	✓		✓
Dominion is able to request and receive unnecessarily high profits.	The General Assembly and other stakeholders should order the SCC to evaluate all ROE methodologies and best practices and reject those that do not reflect market conditions.	✓	✓	✓
Dominion is incentivized to pursue high-cost projects because it receives higher profits when it spends more.	Establish mechanisms to address Dominion’s flawed incentive structure, such as multi-year rate plans, revenue decoupling, and performance-based incentives.	✓		✓
Dominion’s overuse of rate adjustment clauses (RACs) transfers investment risk from shareholders to customers.	Require the bulk of costs to go through multi-year base rate reviews.	✓		✓
Virginia places unnecessary limitations on lower-cost projects owned by third parties.	Allow third-party owned projects to compete fairly with utility-owned projects to offer lower costs to customers.	✓	✓	

Dominion’s reliance on fossil fuels and failure to invest sufficiently in more affordable options transfer risk and costs to customers.

Cost Driver	Solution	Solution Drivers		
		LEG	GOV	SCC
Fossil fuel prices are volatile, and customers – not Dominion – bear the full burden of price spikes.	Make shareholders, not just customers, share the risk of fuel price spikes to encourage utilities to manage fuel costs more responsibly. Encourage a more diverse energy mix.	✓	✓	✓
Customers may be paying for Dominion to use its coal plants uneconomically.	Prevent uneconomic coal use and refund customers for extra costs.	✓		✓
Dominion is failing to meet its energy efficiency goals.	Expand energy efficiency programs and consider state support for easily deployed energy sources.	✓		✓

SOLUTION DRIVERS KEY

LEG: General Assembly

GOV: Governor

SCC: Regulators

Overview: Cost Drivers & Solutions – Roadmap to Affordability

Data centers are adding costs to Dominion’s system and putting residential customers at risk.

Cost Driver	Solution	Solution Drivers		
		LEG	GOV	SCC
Unprecedented data center demand, combined with resource interconnection bottlenecks, is driving up costs for the entire region.	Ensure responsible data center development and energy management. Address state-level barriers to new energy projects coming online, and advocate for PJM to improve resource interconnection.	✓	✓	✓
Data centers and unchecked utility spending may be driving up transmission costs.	Ensure Dominion’s residential customers are paying only fair and necessary transmission costs; require grid-enhancing technologies.	✓	✓	✓
Dominion’s generation cost allocation methodology shifts too many costs to residential customers relative to data center customers.	Update Dominion’s cost allocation methodology to a method that is more correct and more fair to residential customers.	✓	✓	✓
The high rate of data center growth in Dominion territory creates additional cost impacts for ratepayers.	Prohibit use of early cost recovery for project financing costs; pace data center development in Virginia responsibly.	✓	✓	✓

Recent trends are also affecting Dominion’s costs.

Cost Driver	Solution	Solution Drivers		
		GA	GOV	SCC
Federal tariffs are driving up energy infrastructure costs.	Expand energy efficiency programs and consider state support for easily deployed energy sources.	✓	✓	✓
Tax credit reductions are driving up infrastructure costs.	Expand energy efficiency programs and consider state support for easily deployed energy sources.	✓	✓	✓

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Solutions for immediate customer relief

- **Strengthen** utility payment plans and shutoff protections
- **Bolster** energy cost relief programs for low-income households
- **Establish** on-bill financing for efficiency upgrades
- **Prohibit** rate increases from taking effect during the winter or summer months.

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 - Background: Virginia’s rapidly growing data center industry is driving up electricity demand.
 - Cost driver 1: Unprecedented data center demand, combined with resource interconnection bottlenecks, is driving up costs for the entire PJM region.
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- Solution 3: Establish on-bill financing for efficiency upgrades.
- Solution 4: Prohibit rate increases from taking effect during the winter or summer months.

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Part 1:

What Dominion customers pay today

1.1 How Dominion's monopoly model works

Dominion Energy Virginia (Dominion) is an investor-owned, for-profit monopoly largely driven by the goal of maximizing returns for shareholders. State law grants Dominion exclusive rights to serve every customer in its territory. As a result, households have no choice of electricity provider because no other utility is allowed to compete to serve them.

The State Corporation Commission (SCC) regulates Dominion by reviewing its costs, setting its allowed return on equity (ROE), and determining what investments can be charged to Dominion's customers. The SCC's authority was sharply limited for more than a decade after the 2007 Re-Regulation Act, restricting its ability to lower rates even when Dominion significantly overcharged customers.³

1.2 What is on a typical Dominion bill

Between 2007 and mid-2025, the typical Dominion residential bill rose from \$90.59 per month to \$149.92 per month, a 65.5% increase.⁴ As of 2025, the major cost components on a typical residential electric bill included:

- Base rates (excluding \$9.70 of transmission costs): \$60.71 (40.49%)
- Fuel costs: \$33.13 (22.10%)
- Transmission costs: \$19.39 (12.93%)
- Solar, onshore wind, and storage: \$9.56 (6.38%)
- Offshore wind: \$8.63 (5.76%)
- Recently completed fossil fuel infrastructure, coal ash removal, and a liquified natural gas (LNG) storage facility: \$8.22 (5.48%).⁵

See Table 1 for a breakdown of the costs on a typical Dominion residential bill as of July 1, 2025.⁶

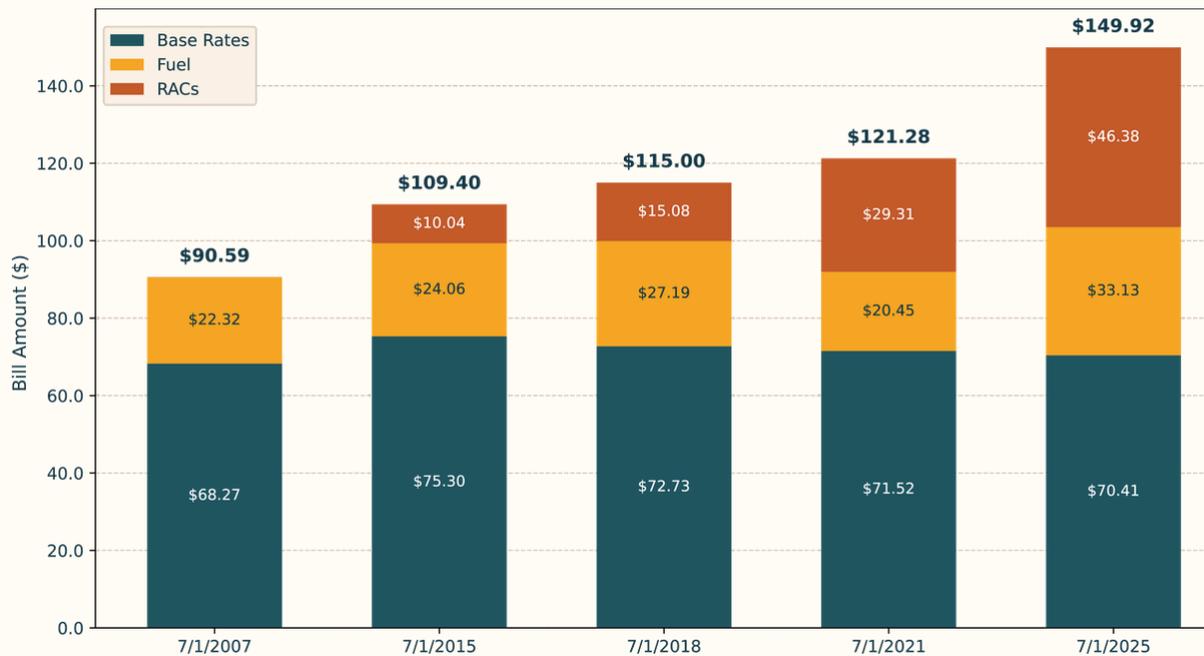
Table 1: Makeup of typical Dominion residential bill as of July 1, 2025⁷

Expense Type	Cost on a typical residential bill	Percentage of a typical residential bill
Base rates (excluding \$9.70 of transmission costs)	\$60.71	40.49%
Fuel costs (fuel and fuel securitization)	\$33.13	22.10%
Transmission costs (\$9.70 recovered through base rates and \$9.69 recovered through the transmission RAC)	\$19.39	12.93%
Solar, onshore wind, and battery storage	\$9.56	6.38%
Offshore wind	\$8.63	5.76%
Greenville and Brunswick methane gas plants, liquified natural gas storage facility *, and coal ash removal	\$8.22	5.48%
Grid transformation and strategic undergrounding	\$6.24	4.16%
Energy efficiency	\$1.55	1.03%
Nuclear relicensing	\$1.29	0.86%
Biomass facilities *	\$0.67	0.45%
Rural broadband	\$0.53	0.35%
Total bill	\$149.92	

*The filing that consolidated riders BW (methane gas plants), B (biomass units), US-2, US-3, US-4 (solar facilities), and the expenses related to the liquified natural gas (LNG) storage facility at the Greenville methane gas plant did not provide a detailed breakdown of each cost component. For this table, we use the breakdown for each rider provided in the 2024 SCC status report and a charge of \$0.54 for the LNG facility provided as the average monthly cost over the lifetime of the facility in Case No. PUR-2024-00096. The final rider GEN, which consolidated these costs, is \$0.44 higher than the total we calculated using the other sources. To reduce bias, we proportionally distributed this difference across all cost components of rider GEN.

Figure 1: 2025 Typical Residential Bill

DEV Residential Bill – Using 1,000 kWh



Adapted from Virginia State Corporation Commission, *Status Report: Implementation of the Virginia Electric Utility Regulation Act Pursuant to §§ 56-596 B and 30-205 of the Code of Virginia* (Virginia SCC, October 2025), <https://rga.lis.virginia.gov/Published/2025/RD716/PDF, 4>

As seen in Figure 1, almost the entire bill increase since 2007 has come in the form of riders (see Table 2 for a comparison of riders and base rates): In this period, fuel rider costs increased by \$10.81 per month, and rate adjustment clauses (RACs) increased from zero to \$46.38 per month.⁸

Dominion has more than a dozen riders, updated on differing schedules. This means there are frequent adjustments to customer bills.⁹ Additionally, new riders are sometimes added to customer bills. For example:

- The CERC rider, if approved, will recover the costs of the recently litigated Chesterfield methane gas generation facility. It was originally scheduled to take effect January 1, 2026, resulting in a \$0.60 bill increase for the average residential customer.¹⁰ Approval of this rider is currently suspended while the SCC considers a challenge to its order allowing CERC to be built. This facility is discussed in more detail in the CASE STUDY section of this report.
- The SMR rider allows Dominion to charge customers early development costs for a small modular nuclear reactor project before the project is built. It took effect September 1, 2025 (\$0.29 bill increase for the average residential customer).¹¹ The General Assembly authorized Dominion to apply for this rider in 2024, through legislation that was heavily criticized for unfairly shifting risk to Dominion customers.¹² Allowing early recovery of project costs is a departure from regulatory best practices. Normally, utilities are permitted to recover project development costs only once the project is completed. In other states, policies allowing utilities to recover project costs before project completion have resulted in customers paying billions of dollars for projects that were never completed or that ran far over budget.¹³ Dominion has not yet committed to building an SMR, increasing the risk that it is charging customers – while earning a profit – for a project that has significant feasibility concerns and might not be completed.¹⁴

In addition to these riders, Dominion customers are seeing an additional, much larger bill increase beginning January 1, 2026, as a result of the company's recently completed biennial base rate case. The SCC's final order raises the typical residential customer's monthly bill by \$11.24, or 7.5%, in 2026 and an additional \$2.36, or 1.5%, in 2027.¹⁵

In 2026, the typical monthly residential bill is projected to be at least \$175.¹⁶

Table 2: Base rates vs. riders

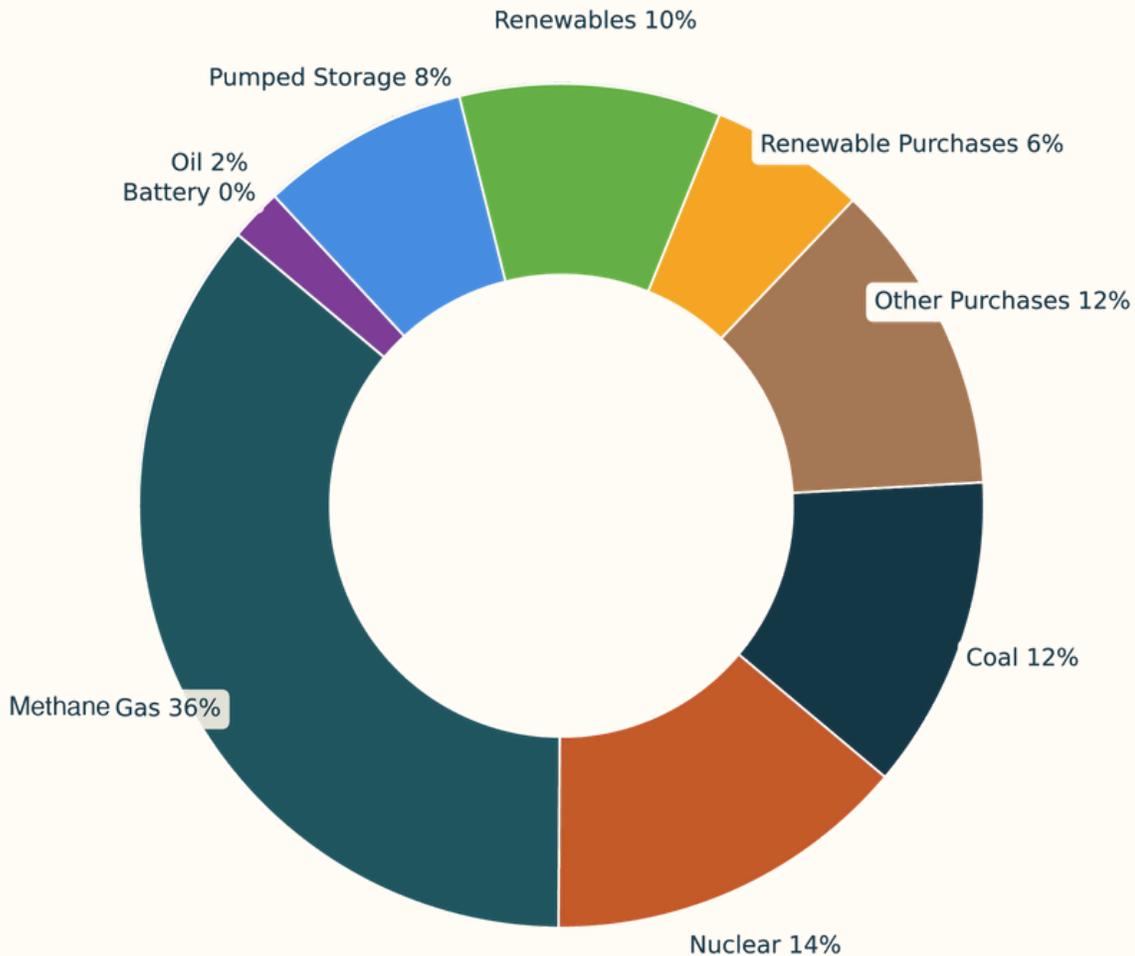
Dominion customers primarily pay for utility costs through two charges on their electric bills: **base rates** and **riders**. The key difference between these two types of charges is who bears more of the financial risk: customers or shareholders.

Base rates	Riders (fuel rider and rate adjustment clauses)
Represent about 46.7% of the average Dominion residential bill (\$70.41 in 2025). ¹⁷	Represent more than half of the residential bill. As of mid-2025, Dominion customers paid \$33.13/month in fuel riders and \$46.38/month in RACs. ¹⁸
The standard way for utilities to recover costs. Reviewed by the SCC in full rate cases every two years.	Approved in individual proceedings instead of in base rate cases, typically reviewed annually (fuel rider) or annually or biennially (RACs).
Cover staff salaries, maintenance of existing infrastructure, storm recovery, compliance costs, depreciation, and a regulated return on approved investments.	Cover specific categories such as fuel, new generation projects, transmission, coal ash cleanup, LNG storage, rural broadband, offshore wind, nuclear relicensing, solar power purchase agreements (PPAs), and grid transformation.
Do not automatically increase if Dominion overspends between rate cases. This encourages Dominion to control costs between rate cases.	Guarantee Dominion’s full recovery of actual fuel costs (for the fuel factor) and actual project costs plus profit (for RACs), through true-ups that account for underestimates or overruns. Don’t penalize utilities for overspending—customers pay for cost overruns the next year, leaving the utility little incentive to control costs since it is almost guaranteed to recover its full costs from customers.
Place some risk on shareholders, as the company cannot automatically recover excess spending.	Shift nearly all financial risk from shareholders to customers.
Key drivers include authorized ROE, inflation, aging infrastructure costs, and operating expenses.	<p>Fuel rider:</p> <ul style="list-style-type: none"> • A pure pass-through of fuel costs with no cost control incentive. • Fuel costs (both the fuel rider and a securitization RAC) increased by 48.4% from 2007-2025.¹⁹ <p>Rate adjustment clauses (RACs):</p> <ul style="list-style-type: none"> • Used extensively, including to finance major generation projects, such as the Brunswick and Greenville gas plants, offshore wind, biomass units, and solar projects, and other expenses such as transmission costs and coal ash remediation. • Dominion has had permission to charge customers up to around 20 different RACs.²⁰ • Under current law, about 71% of Dominion’s projected upcoming capital expenditures are eligible to be recovered through RACs.²¹

1.3 Dominion's energy portfolio

Generating Capacity: In 2024, Dominion's generating capacity was 36% methane gas, 14% nuclear, 12% coal, 10% renewable energy sources, 8% pumped storage, 2% oil, 6% renewable energy purchases, and 12% other purchases.²² See Figure 2.

Figure 2: Dominion Capacity Mix - Summer Installed Capacity as of Dec. 31, 2024 (including purchases)

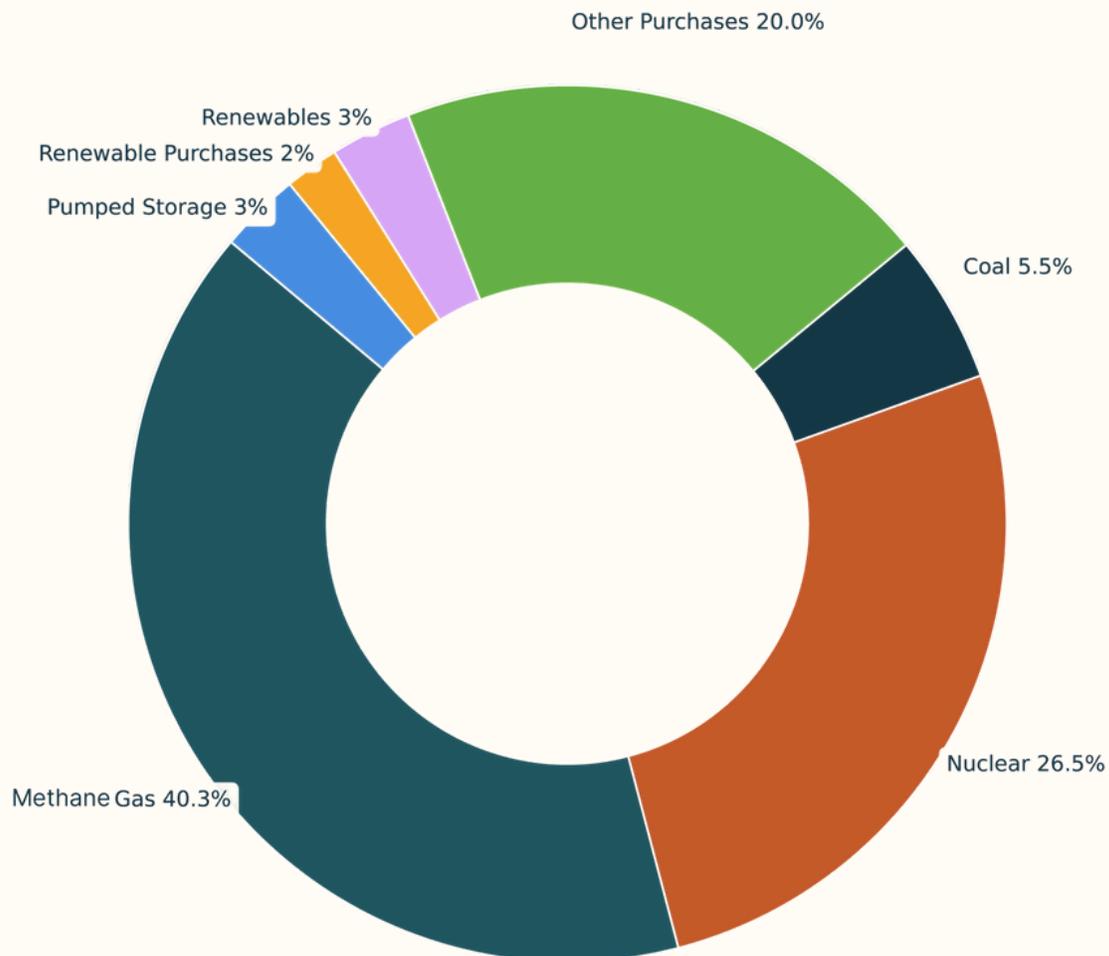


This figure represents potentially available contribution of each type of generating resource owned by the Company or procured through bilateral transactions (such as bundled PPAs) as well as capacity from ring-fenced units.

Adapted from 2025 update to the 2024 Integrated Resource Plan of Virginia Electric and Power Company, Virginia Electric and Power Company - For the 2025 Integrated Resource Plan filing pursuant to VA Code section 56-597 et seq., PUR-2025-00184 (Virginia SCC, October 15, 2025), https://www.scc.virginia.gov/docketsearch/DOCS/88_t01!.PDF, 32.

Energy Generation: In 2024, methane gas supplied 40.3% of Dominion’s energy, nuclear supplied 26.5%, and coal supplied 5.5%. Renewables accounted for 3%, pumped storage for 3%, and renewable purchases for 2%. The remaining 20.0% came from other purchases.²³ See Figure 3.

Figure 3: 2024 Energy Mix (sources of energy actually delivered)



The energy mix chart shows the sources of energy actually delivered to the Company’s customers in 2024. Although still relatively small, energy supplied by solar in 2024 increased over 10% from 2023.

Adapted from 2025 update to the 2024 Integrated Resource Plan of Virginia Electric and Power Company, Virginia Electric and Power Company - For the 2025 Integrated Resource Plan filing pursuant to VA Code section 56-597 et seq., PUR-2025-00184 (Virginia SCC, October 15, 2025), https://www.scc.virginia.gov/docketsearch/DOCS/88_t011.PDF, 33.

The Virginia Clean Economy Act of 2020

The 2020 Virginia Clean Economy Act (VCEA) is a legislative framework adopted by the Virginia General Assembly to transition Virginia toward an electricity grid that does not emit carbon dioxide.

The VCEA accelerated Virginia's move toward newer energy generation technologies. But even before it passed, solar, wind, and battery storage were already gaining traction and were becoming just as – and often more – cost-competitive than coal or methane gas, thanks to rapidly falling technology costs. For example, in Texas, the ERCOT market had already met its 2025 goal of 10,000 megawatts (MW) of renewable energy by 2009.²⁴ Likewise, Dominion's 2020 IRP showed this trend even before accounting for today's explosive data-center-driven demand. For that planning document, Dominion's model selected 6,700 MW of new solar, independent of the VCEA or any new carbon-emission regulations or clean-energy targets.²⁵

The VCEA included policies to: (i) accelerate the adoption of new generation technologies, (ii) reduce greenhouse gas emissions, and (iii) reduce unnecessary energy consumption and promote affordability.²⁶ The VCEA policies applicable to Dominion include:

New generation technologies:

- The Renewable Portfolio Standard (RPS):
 - Requires Dominion to transition to 100% renewable energy by 2045, with yearly targets. For example, in 2025, 26% of Dominion's energy sales must come from renewable sources. In calculating this goal, the utility must exclude from total sales the energy supplied by nuclear.
- Development targets for new generation technologies:
 - By December 2035, Dominion must petition for approval to construct or purchase at least 2,700 MW of storage and at least 16,100 MW of solar or onshore wind. Of these amounts, 35% has to come from third-party developers.
 - The VCEA declared that Dominion's construction of a 2,500–3,000 MW offshore wind project was in the public interest. The SCC approved a 2,600 MW offshore wind project in 2022.²⁷

Reduction of greenhouse gas emissions:

- Retirement schedule for fossil fuel generation:
 - By December 2045, both Dominion and APCo must retire all generating units in the Commonwealth that emit carbon as a by-product. Both utilities can request exceptions to this mandate if there is a threat to reliability.
- Regional Greenhouse Gas Initiative (RGGI):
 - RGGI is a market-based program that caps and reduces carbon dioxide emissions from

- the power sector. Virginia was part of the program from 2021 until it ceased participation in 2023.²⁸ RGGI auction proceeds were allocated 50% to low-income energy efficiency programs and 45% to the Community Flood Preparedness Fund.²⁹ The RGGI funds supported several resiliency and low-income efficiency programs during this period.³⁰

Reduction of unnecessary energy consumption:

- Energy efficiency targets:
 - Each year, Dominion and APCo are required to achieve a certain percentage of energy efficiency savings relative to their 2019 sales. The law established yearly targets for both utilities from 2022 to 2025. Dominion was required to reach 5% savings by 2025. Dominion is forecasted to fall short of all its yearly goals through 2025.³¹

Affordability:

- Percentage of income payment program (PIPP):
 - PIPP caps the amount low-income families pay for electricity at 6% or 10% of their monthly income. The 10% threshold is for families that use electric heating.³²

Part 2:

Why Dominion customers are paying more and the path forward

Problem 1: Virginia's regulatory framework drives up costs for customers.

Background: Investor-owned utilities are incentivized to overspend. Investor-owned utilities (IOUs) are driven by a duty to maximize returns for their shareholders. The more capital these utilities spend on projects, the more profit they can earn through the "return on equity" (ROE) approved by regulators. This system creates an incentive for utilities to pursue expensive infrastructure projects and push for high ROEs in regulatory proceedings, regardless of whether this spending is the best or most affordable path for customers. In a competitive market, companies lower costs and prices to attract customers. IOUs like Dominion do not have to compete for customers, and their profits rise when they spend more.

Virginia's electric cooperatives, which are member-owned and not-for-profit, provide a useful point of comparison. Co-ops do not face pressure from outside shareholders and do not profit from capital spending as IOUs do. Their incentives better align with the interests of their customers, who are member-owners of the co-ops. Electric cooperative customers in Virginia saw an average rate increase of 26% between 2007 and 2024, far lower than the increases for customers of investor-owned utilities.³³ Virginia's investor-owned utility rates have increased at a much faster pace: Appalachian Power Company (APCo), Kentucky Utilities, and Dominion rates increased 159%, 128%, and 63%, respectively, between 2007 and 2024.³⁴ Inflation during the same period was 51%.³⁵

The role of regulators at the SCC is to balance fair profits for utilities with affordable customer rates. Over the last several decades, this balance shifted in utilities' favor because of the outsized influence of IOUs in the legislative process. A critical turning point was the 2007 Re-Regulation Act, which weakened the SCC's authority to lower rates or set reasonable returns for APCo and Dominion, while guaranteeing utilities extra profits on new power plants without clear justification. This legislation raised costs for all customers and expanded the use of riders, which transfer significant investment risk from utility shareholders to customers, as detailed in Problem 1, Cost Driver 4, below.³⁶

The 2007 law and subsequent policies established complicated accounting rules that prevented the SCC from lowering rates. For example, legislation in 2015 eliminated the SCC's ability to decrease rates until Dominion's 2021 rate case.³⁷ Thus, even when the SCC found that Dominion's rates were unreasonable and above what was needed to cover costs and a fair profit, the Commission was not allowed to reduce base rates. Dominion overcharged its customers close to \$3 billion between 2009 and 2020 (see Table 3). Dominion refunded only approximately \$628 million (see Table 3).

Table 3 shows the amounts Dominion overcharged customers between 2009 and 2020, along with the refunds customers received. The first overcharge column shows the amounts Dominion overcharged its customers according to the SCC’s traditional calculation practices. Utility-led rules restricted the SCC’s authority to calculate overcharges, imposing requirements that resulted in an underestimation of the amount Dominion had overcharged customers. The second overcharge column shows the calculations that resulted from these rule changes.

Table 3: Dominion Overcharges 2009–2020 (in millions)			
Years	Overcharges (calculated according to traditional SCC accounting practices)	Overcharges (calculated according to rules that restricted SCC accounting authority)	Refunds
2009	\$201.80	\$201.80	\$78.30 ³⁸
2010			
2011	\$351.63	\$0.00	\$0.00 ³⁹
2012			
2013	\$491.00	\$132.10	\$19.70 ⁴⁰
2014			
2015	\$278.90	\$106.70	\$0.00 ⁴¹
2016	\$395.50	\$221.10	\$0.00 ⁴²
2017	\$1,216.00	\$1,143.00	\$200.00 (2018–2019 refunds required by law)
2018			
2019			\$330.00 (2021 rate case refunds) ⁴²
2020			
Total	\$2,934.83	\$1,804.70	\$628.00

In 2023, the General Assembly passed legislation that restored basic SCC authority over IOU rate cases, including the ability to decrease rates.⁴⁴ Despite the improvement, several problems with Virginia’s regulatory framework persist. Multiple aspects of this framework exacerbate incentives to overspend, driving up customer costs. These include:

COST DRIVER 1: Dominion has insufficient resource planning requirements. Virginia’s resource planning process for IOUs is inadequate. The Integrated Resource Plan (IRP) is a 15-year outlook of how utilities will meet energy demand. The IRP should be a holistic tool for efficient and affordable resource planning and acquisition. Yet Virginia’s IRP process is nonbinding and disconnected from utilities’ processes for procuring new energy generation or for building new distribution or transmission infrastructure. As such, the IRP is an incomplete tool that fails to effectively shape affordable and efficient planning.

Furthermore, Dominion has repeatedly submitted IRPs that are insufficient even according to Virginia’s flawed IRP framework. The IRPs Dominion submitted in 2018, 2020, and 2023 were rejected by the SCC or by the assigned hearing examiner.⁴⁵ Most recently, the SCC found that Dominion’s 2024 IRP met minimum legal requirements, but emphasized in its finding that it was not approving “the magnitude or specifics of Dominion’s future spending plans, the costs of which will significantly impact millions of residential and business customers.”⁴⁶

Other states treat the IRP as a real planning tool. Their processes help the utility, stakeholders, and regulators determine the optimal resource mix that meets demand, addresses public interest goals, and minimizes customer costs.⁴⁷ Virginia’s approach does not.

Other states treat the IRP as a real planning tool. Their processes help the utility, stakeholders, and regulators determine the optimal resource mix that meets demand, addresses public interest goals, and minimizes customer costs. Virginia’s approach does not.

Solutions: Strengthen IRP requirements so that Dominion, the SCC, the Office of the Attorney General, and advocates can identify a holistic and least-cost plan to meet energy needs and lower customer bills.

The IRP process should require the utility to carefully evaluate and maximize cost-effective solutions like the use of surplus interconnection, demand response, grid-enhancing technologies, virtual power plants, and energy efficiency.

Finally, all of Dominion’s procurement processes should be improved. First, the SCC should review all competitive processes before the utility issues a request for proposals, rather

than after the process is completed. The SCC's current post-process review leaves the Commission with no meaningful ability to prevent or remedy unfair practices. Second, the SCC should engage an independent evaluator to ensure utility-owned resources do not receive an undue advantage in Dominion's procurement processes. SCC staff, advocates, and the Attorney General's Office of Consumer Counsel have all recommended that a third-party evaluator be used for Dominion's procurement processes, yet Virginia has not fully adopted this safeguard.⁴⁸

COST DRIVER 2: Dominion is able to request and receive unnecessarily high profits. The return on equity (ROE) represents the percentage of profit the SCC lets a utility's shareholders earn on the utility's capital investments.⁴⁹ The SCC has the duty to balance customer affordability and the utility's ability to attract capital. However, in practice, approved returns for Virginia's IOUs have been far higher than reasonable for a monopoly utility with minimal financial risk.⁵⁰

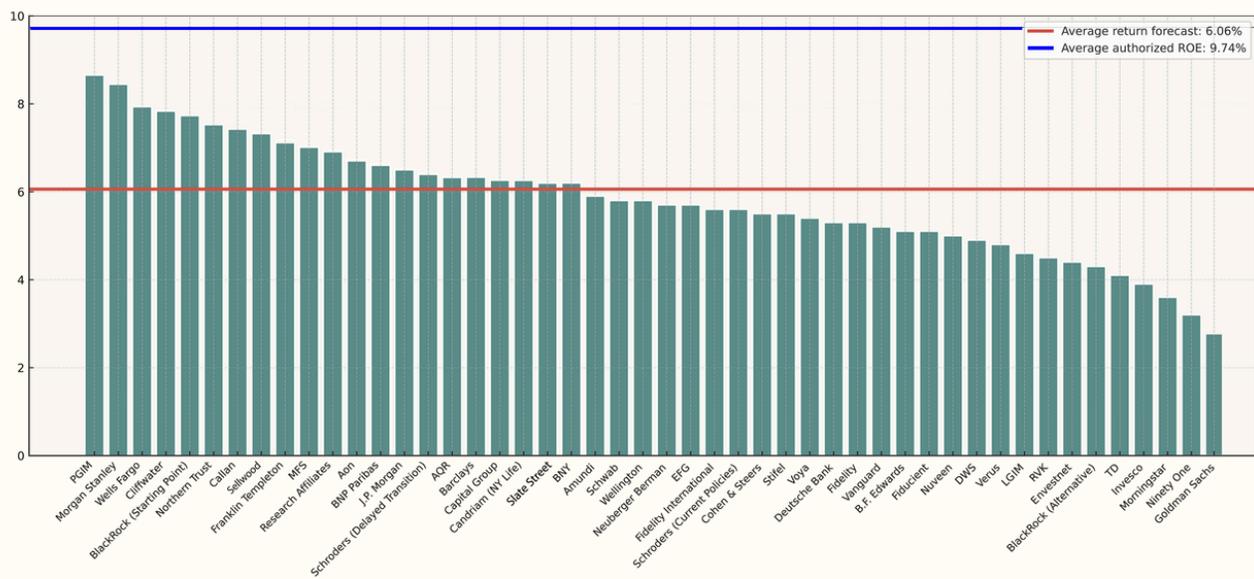
In any normal market, the return on an investment is supposed to increase or decrease in line with that investment's level of risk. IOUs are considered low risk because they operate with guaranteed customers and guaranteed cost recovery, warranting comparatively lower returns. For Dominion specifically, the proliferation of riders further reduces the company's cost recovery risks, so that even lower returns would be appropriate.

Analysts have identified a systemic inflation of utility ROEs nationwide, driven by the widespread use of invalid and flawed methodologies for calculating ROE. For example, financial expert Mark Ellis analyzed dozens of Wall Street asset managers' cost of equity estimates for the broad U.S. stock market, finding that the average return in the competitive market was 30% lower than the average ROE authorized for regulated utilities throughout the United States.⁵¹ Yet regulated utilities continue to request far higher profits. Many utility commissions, including Virginia's, approve ROEs that are much closer to utility proposals than to actual market conditions.⁵²

Figure 4 shows the results of a recent analysis by Ellis comparing long-term return forecasts for the general market with the average authorized ROE for regulated utilities. The average authorized ROE for utilities, 9.74%, is far higher than the average expected long-term market return of 6.06%. The returns of regulated utilities – which have less risk and more stable growth – should be lower than those of the broader market, not higher.

Figure 4:

**U.S. Equity Market Long-Term (10+ Years) Expected Returns
Nominal, Geometric**



Dominion requests, and is granted, profits that are far above what is appropriate for its level of risk. For example, in 2025, Dominion requested an ROE increase from 9.7% to 10.4%.⁵³ Witnesses for the Attorney General’s Office Division of Consumer Counsel,⁵⁴ SCC staff,⁵⁵ the Data Center Coalition,⁵⁶ and Clean Virginia⁵⁷ raised concerns about Dominion’s methodology and the skewed modeling inputs that artificially pushed its proposed ROE upward. The SCC ultimately approved a 9.8% ROE – far above the competitive market’s 6.06% long-term return – without addressing the company’s reliance on flawed ROE methodologies.⁵⁸

If appropriate market-based methods were used to set ROE levels, costs to residential utility customers could be significantly reduced. Utility analysts have reported that corrected ROE methodologies could save customers around 10% annually.⁵⁹ This means approximately \$180 per year for the average Dominion residential customer as of 2025.

Solution: The General Assembly should order the SCC to evaluate all ROE methodologies and best practices and reject those that do not reflect market conditions.

COST DRIVER 3: Dominion is incentivized to pursue high-cost projects because it receives higher profits when it spends more. Under Virginia’s current regulatory system, utilities are permitted to earn a certain percentage of their capital expenditures as profit. This means that the more money a utility spends, the more profit it can earn for shareholders. This structure incentivizes utilities to maximize the amount they spend – including by making their energy sales as high as

possible, blocking distributed generation of energy, pursuing costly projects that may not be needed, and pursuing expensive and unnecessary project upgrades.

Solutions: This flawed incentive system can be addressed in part by establishing multi-year rate plans to encourage cost discipline, as well as by mechanisms to relieve Dominion's financial pressures. Under a multi-year rate plan structure, the Commission would set a three- to five-year budget that allows the utility to earn its authorized profit if it controls expenses.⁶⁰ Longer rate periods incentivize efficiency, as the utility must manage within its budget before rates are reset.⁶¹

Other mechanisms to address Dominion's flawed incentive structure include (i) revenue decoupling, which removes the utility's incentive to drive load growth by disconnecting its profit amount from its level of energy sales; and (ii) performance incentive mechanisms, which adjust the utility's profits up or down based on its success in achieving measurable outcomes such as reliability or affordability.⁶² Performance incentive mechanisms are already under consideration in Virginia.⁶³ Fully addressing this problem will require a number of fundamental changes to the ratemaking structure, a holistic approach to energy planning, and many of the other solutions outlined in this paper.

Case Studies: Goldplated Utility Projects

Case Study 1: Chesterfield Energy Reliability Center

The Chesterfield Energy Reliability Center (CERC) is a 944-megawatt methane gas-fired power plant proposed by Dominion for construction in Chesterfield County, Virginia, on the site of the retired Chesterfield coal plant.⁶⁴ The project would be funded by a rider added to ratepayers' bills, charging a total of \$4.56 billion through 2065, while fuel costs would add \$3.49 billion in expenses. In total, CERC would cost ratepayers \$8.05 billion and add another large capital asset to Dominion's rate base, guaranteeing decades of profit for the utility.⁶⁵

This facility shows the effects of a system that rewards the company for pursuing costly projects. Dominion pushed the project forward despite lower-cost alternatives⁶⁶ and strong community opposition.⁶⁷ SCC staff concluded that the utility did not present enough evidence to prove that this facility was the best option to meet its need for new generation. According to staff, neither of the analyses conducted by the utility to justify this investment "show that CERC is unquestionably the best choice of generation unit needed to meet a projected resource deficiency."⁶⁸

Furthermore, intervenors in the case found that Dominion engaged in unfair treatment of other bidders during its request-for-proposal (RFP) process for the project. This RFP process resulted in the selection of Dominion's own project over other options. Intervenors noted that Dominion had at least a full year's head start on potential bidders, who were given approximately two and a half months to submit bids.⁶⁹ They also pointed out that Dominion did not retain an independent monitor to review the bids, despite the company previously asserting that it had.⁷⁰ This flawed process gave Dominion's self-built project an undue advantage, while depriving customers of potentially more affordable options.

Finally, the record demonstrates that the plant will have significant community impacts. For example, the plant will emit pollutants linked to serious heart and lung impacts as well as up to 4.4 billion pounds of CO₂-equivalent each year, disproportionately harming nearby low-income and Black and Brown communities.⁷¹ The health damages of this facility were calculated at \$88.5 million per year for the surrounding community.⁷²



Case Study 2: Coastal Virginia Offshore Wind

Coastal Virginia Offshore Wind (CVOW) is Dominion's 2.6 gigawatt offshore wind project, one of the largest capital investments in the company's history.⁷³ It offers real long-term benefits, including job creation, zero-emission energy generation, and more than \$3 billion in fuel savings.⁷⁴ However, Dominion had an outsized influence over the parameters of the legislation that enabled CVOW, raising project costs and its own profits.

Without Dominion's influence over this process, Virginia could have reaped the same benefits of offshore wind without the increased cost burden and customer risk. For example, when the project's original parameters were being set in legislation, Dominion's lobbyists pushed through an amendment to raise the permitted project costs by about \$2.5 billion.⁷⁵ Dominion's project design decisions also raise customer risk. Despite a high probability of cost increases,⁷⁶ Dominion made the unusual decision to build, own, and run the project itself rather than use Power Purchase Agreements (PPAs).⁷⁷ With PPAs, the project developer bears much of the risk of cost overruns, but under Dominion's ownership structure, nearly all the risk falls on ratepayers instead.⁷⁸

Dominion's initial petition to receive a certificate of public convenience and necessity from the SCC did not include any consumer protection measures. After several months of litigation, the SCC adopted a measure by which cost overruns that bring project costs between \$9.8 and \$10.3 billion would be covered 100% by ratepayers, between \$10.3 and \$11.3 billion would be split between customers and the company, and between \$11.3 and \$13.7 billion would be covered 100% by the company.⁷⁹ The project is already seeing an estimated 16% cost increase, from \$9.8 billion to \$11.4 billion.⁸⁰

The federal government's recent actions threatening this project create additional uncertainty and risk.⁸¹ When federal decisions cast doubt on whether projects like CVOW will move forward, it makes energy affordability and an already tight energy supply problem worse. Delays or cancellations result in sunk costs and less power coming online when it is needed, which puts additional pressure on the system and can ultimately drive up customers' costs. Regulators and stakeholders must continue to monitor this energy project to ensure it delivers promised benefits without overburdening Virginians.



COST DRIVER 4: Dominion’s overuse of RACs transfers investment risk from shareholders to customers. Today, 53% of Dominion’s costs are recovered through riders or rate adjustment clauses (RACs), and 71% of the company’s upcoming capital expenses are eligible for RAC treatment.⁸² RACs allow Dominion to recover every dollar it spends, plus a guaranteed profit from its customers – even if its spending exceeds budget. This “true-up” removes any real incentive for Dominion to control costs.⁸³

Customers already pay a rate of return on equity (ROE) to compensate shareholders for bearing the financial risk of investing money in utility projects. Under the RAC system, that risk is not actually borne by shareholders or by utility management. It is instead shifted to customers.⁸⁴ This means customers bear the risk of Dominion’s projects, yet must compensate Dominion’s shareholders as if the shareholders were bearing it.

A recent expert review of Virginia’s ratemaking practices, conducted on behalf of the SCC, found that “Virginia’s reliance on RACs relative to total rates is significantly higher than peer jurisdictions,”⁸⁵ noting that “Dominion, in particular, demonstrates a very large proportion of customer bills collected through an assemblage of RACs.”⁸⁶ From 2007 to 2024, almost the entirety of Dominion’s rate increase came in the form of RACs.⁸⁷ This heavy reliance on RACs means customers must compensate Dominion for a large portion of its expenses through a mechanism that lacks effective cost controls and forces them to bear risk meant for shareholders.

Ultimately, a rate structure that depends so heavily on RACs promotes overspending and unfairly shifts risk to customers. The current extensive use of RACs by Virginia utilities is inappropriate.⁸⁸ RACs should be treated as an incentive for the utility and limited to strategic investments, rather than allowed for all types of new infrastructure.

This heavy reliance on RACs means customers must compensate Dominion for a large portion of its expenses through a mechanism that lacks effective cost controls and forces them to bear risk meant for shareholders.

Solutions: Incorporate existing RACs into the base rate and adopt a longer multi-year rate plan and other tools described under Cost Driver 3 to realign utility incentives and encourage cost discipline.

COST DRIVER 5: Virginia places unnecessary limitations on lower-cost projects owned by third parties. The Virginia Attorney General’s office has found that third-party-owned energy projects could be two to three times less expensive than projects built by Dominion.⁸⁹ Despite this finding, state law caps the share of Dominion and APCo’s annual solar and onshore wind generation requirements that can be met with third-party projects at 35%.⁹⁰ The remaining 65% must be owned by the utility, even when utility-owned projects are more expensive. Utility monopolies earn a profit only from projects they own. Thus, this limitation protects utilities’ profits at the expense of greater affordability for customers.

Solution: Eliminate the 35% cap on third-party-owned projects. Third-party-owned projects should be able to compete on equal footing with utility-owned projects so that customers can benefit from the lowest-cost projects.

Problem 2: Dominion’s reliance on fossil fuels and failure to invest sufficiently in more affordable options transfer risk and costs to customers.

COST DRIVER 1: Fossil fuel prices are volatile, and customers – not Dominion – bear the full burden of price spikes. Fossil fuel costs fluctuate significantly. For example, U.S. methane gas prices rose 540% between 2020 and 2022.⁹¹ Similarly, methane gas prices are projected to nearly double between 2024 and 2026.⁹² Dominion passes all fossil fuel costs directly to its customers, regardless of how much prices spike.

This system can result in significant cost burdens for customers. For example, as a result of spiking fuel prices, Dominion’s customers owed the company \$1.27 billion in unpaid fuel costs by 2023.⁹³ Instead of collecting this debt over one year, which would have created a large short-term increase in customer bills, Dominion securitized these costs. This means the company is collecting this debt, plus interest, over several years rather than just one. Securitization lessened the immediate bill increase for customers – without securitization, customer bills would have been \$11.63 higher between mid-2023 and mid-2024.⁹⁴ But securitization also extended the repayment timeline for this fuel debt by years. Customers will still be paying for this fuel price spike until the early 2030s.⁹⁵

In addition to paying a securitization charge, Dominion customers pay for ongoing fossil fuel expenses through an annually adjusted rider. This rider guarantees full cost recovery for the utility.

Fuel price fluctuations mean the cost of this rider frequently changes, making customer bills unpredictable. For instance, fuel costs for Dominion’s average residential customer went up \$8.95 per month in July 2025, driven entirely by the volatility of fossil fuel prices.⁹⁶ Dominion faces no financial exposure when fuel prices surge – as customers bear the full cost – so it has no incentive to pursue a more affordable or predictable energy mix.

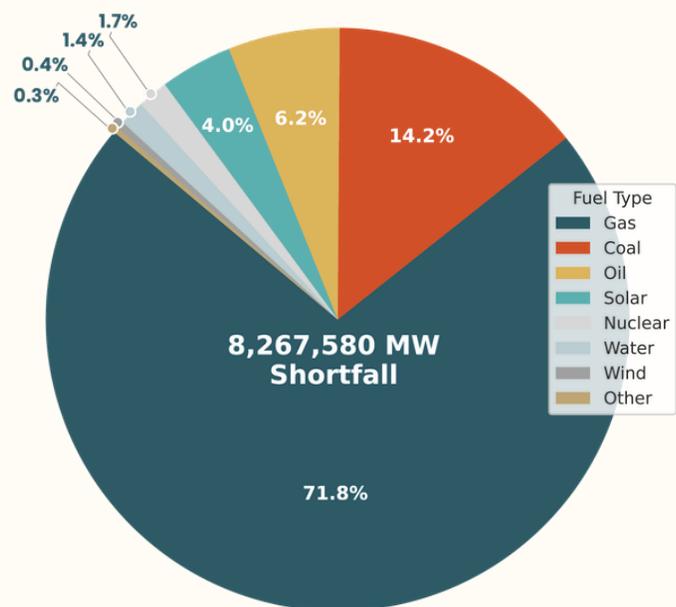
Solutions: Adopt fuel cost sharing to shield ratepayers from the full risk of price spikes. Under this system, utility shareholders would absorb a small portion of higher-than-expected fuel costs, motivating responsible fuel management and providing the utility with a financial incentive to reduce exposure to price spikes.⁹⁷

Stakeholders should also push Dominion to continue to diversify its energy mix away from generation reliant on expensive fuels. To meet its projected energy demand, Dominion has proposed building 8.5 GW of new methane gas generation.⁹⁸ If these plants are built, customers will not only have to pay to build them, but

will also have to pay ongoing fuel costs as long as Dominion keeps using them. This would lock customers into decades of paying unpredictable fuel costs. Legislators can push Dominion to pursue alternative generation sources that will not subject customers to these ongoing, volatile costs.

Additionally, a more diverse energy mix is essential to protecting reliability, as demonstrated by Winter Storm Elliott in 2022. According to PJM, 86% of the energy shortfall during Elliott was attributed to failures at coal and gas facilities, while wind generation exceeded expectations (see Figure 5).⁹⁹

**Figure 5:
Generation Shortfall MW Distribution
by Fuel Type**



COST DRIVER 2: Customers may be paying for Dominion to use its coal plants uneconomically.

Coal plants were originally designed to provide baseload generation, but are increasingly operated as intermediate resources today. Built decades ago for steady, continuous operation, coal facilities perform poorly under this more recent cycling duty.¹⁰⁰ Age-related degradation further reduces their efficiency and increases their ongoing maintenance requirements. As a result, operating coal plants today is often costly. Nonetheless, some utilities continue to run coal units even when it is uneconomic, driving up customers' electricity bills.

Dominion still owns and operates three coal-fired power facilities – Mt. Storm, Clover, and Virginia City Hybrid Energy Center (VCHEC). Experts have found that Dominion frequently self-schedules its coal units under a must-run dispatch status – meaning the plants operate regardless of whether it is economic for them to do so.¹⁰¹ Dominion is able to request SCC approval to charge customers for its losses from uneconomic operations. In 2024, Dominion was among the five worst-offending utilities in the country for uneconomic dispatch, racking up approximately \$260 million in unnecessary costs by operating its coal plants when more cost-effective ways to meet electricity demand were available.¹⁰²

Expert witnesses have raised this issue in past Dominion cases.¹⁰³ In Dominion's 2025 rate case, expert witness Devi Glick testified that to meet its capacity requirements, Dominion was depending on old and uneconomic fossil fuel facilities,¹⁰⁴ even though its coal units had a history of sub-optimal performance.¹⁰⁵ Glick identified 11 occasions when, against the advice of its own analysis, Dominion chose to uneconomically commit a coal-fired power plant, incurring losses that the company could have avoided.¹⁰⁶ Glick predicted that over the next 10 years, two of Dominion's three coal plants would be uneconomic or only marginally economic to operate.¹⁰⁷ Despite this evidence, the SCC's final order found it reasonable to allow recovery of future costs from these plants.¹⁰⁸

Solutions: It may be necessary for the SCC or lawmakers to intervene to ensure that customers are not saddled with unreasonable, avoidable expenses resulting from Dominion's poor management decisions and self-scheduling practices. Decision-makers could prohibit Dominion from charging customers for the costs of dispatching generating units uneconomically, as determined by the SCC. Lawmakers can also urge the SCC to issue ratepayer refunds of any charges paid to support uneconomic dispatch of generating units.

Focus: Clean energy cost savings and health benefits

Dominion's customers could see significant long-term savings as the utility relies less on burning fossil fuels for electricity. Fossil fuel generation is expensive and volatile, exposing customers to sudden spikes in fuel prices. By shifting toward cleaner, low-cost energy sources and energy efficiency solutions, Dominion can stabilize electricity costs and reduce the need for costly fuel purchases.

Dominion forecasts substantial savings in fuel costs as the adoption of new generation technologies increases. For example, in a recent plan to adopt new generation technologies, Dominion estimated that the plan would yield fuel cost savings of \$12.5 billion between 2022 and 2035.¹⁰⁹ Over the full life of the resources in the plan, through 2073, Dominion estimated \$157 billion in fuel cost savings.¹¹⁰ Although there is significant room for improvement in the company's energy efficiency programs, a recent Dominion report estimates that its current programs save about \$21 million a year in total and roughly \$9.36 million a year for residential customers.¹¹¹ Efficiency programs also help avoid substantial carbon emissions every year.¹¹²

Reducing reliance on fossil fuels will also result in substantial health-related savings for Virginians. Fossil fuel use produces harmful pollutants, creating significant health costs for communities. For example, Dominion's 2024 plan to meet energy demand, which relies heavily on fossil fuels, would result in an estimated \$7.4-\$13.9 billion in additional public health costs.¹¹³ Fossil fuel plants in operation, such as gas and coal plants, emit hazardous pollutants, including volatile organic compounds, fine particulate matter, and carbon monoxide.¹¹⁴ These pollutants are associated with greater cancer risk, respiratory illnesses, nervous system conditions, and cardiovascular disease.¹¹⁵ For example, Dominion's proposed new Chesterfield gas plant is estimated to cause 80 deaths in its lifespan because of the release of fine particulate matter, which can lead to lung cancer, stroke, chronic obstructive pulmonary disease, and other long-term health harms.¹¹⁶

A decline in fossil fuel emissions means communities would spend less on emergency care, chronic disease management, and missed days of work or school. These health improvements would translate directly into real, measurable savings for both households and the broader Virginia economy.

COST DRIVER 3: Dominion is failing to meet its energy efficiency goals. Energy efficiency is achieved when less energy is used to complete the same activity.¹¹⁷ Utilities can generate customer savings by implementing energy-efficiency programs and technologies that help customers reduce their energy use. For example, cost-effective efficiency upgrades, such as installation of efficient heat pumps, duct sealing and insulation, and air sealing, can save the average Virginia household hundreds of dollars a year on utility bills.¹¹⁸

Energy efficiency is often the lowest-cost resource available to meet energy needs,¹¹⁹ especially when compared with gas peaker plants and nuclear generation. These resources can cost several times as much as utility energy efficiency programs to meet energy needs.¹²⁰ Strong utility energy efficiency programs reduce overall energy demand, in turn reducing the need to build expensive new power plants. For example, a report in Texas found that a combination of residential energy efficiency and demand response utility programs could provide the same reliability benefits as new methane gas plants, at just 61% or less of the cost.¹²¹

Despite the cost-saving benefits of energy efficiency, Dominion has failed to prioritize it. The 2020 Virginia Clean Economy Act (VCEA) established annual energy efficiency savings targets for Dominion for 2022 through 2025.¹²² But Dominion has put minimal effort into complying with the targets,¹²³ and has fallen far short of achieving them.¹²⁴ For example, it has declined to pursue all available savings opportunities,¹²⁵ fallen behind schedule on multiple new energy savings programs,¹²⁶ and maintained very low customer awareness of its programs.¹²⁷

The consequences are significant. By 2025, the gap between Dominion's projected savings and the savings it is legally required to achieve (2,051,601 megawatt hours) will equate to more than enough energy to power all residential customers in the city of Richmond and nearby Hanover County for an entire year.¹²⁸ Because Dominion profits from building expensive infrastructure to meet energy demand, it has little financial incentive to help its customers reduce their demand or to deliver strong efficiency programs. This leaves customers with higher costs and fewer tools to lower their electric bills.

Last year, Dominion proposed very low targets for its 2026–2028 energy efficiency savings goals, suggesting a requirement of only 2.72% savings by 2028.¹²⁹ This is roughly half of the 5% savings it is supposed to have already achieved by 2025. The SCC ultimately established 2026–2028 targets that were higher than Dominion's request, requiring Dominion to achieve 5% savings by 2028.¹³⁰ But as Dominion was supposed to have achieved this level of savings already by 2025, the SCC-established targets still represent a significant missed cost-saving opportunity for Dominion customers.

Solutions: Dominion is eligible for a financial reward if it exceeds its energy efficiency targets, yet energy efficiency is not a core objective of the company. In practice, efficiency runs counter to Dominion’s fundamental profit incentive to maximize electricity sales. Rather than offering a modest bonus for incremental performance, Virginia law should mandate energy efficiency as the primary objective guiding future IRPs.

Massachusetts effectively prioritizes energy efficiency by requiring utilities to meet electric and gas resource needs through all available, cost-effective energy efficiency and demand-reduction resources first before turning to new supply.¹³¹ Virginia should adopt a similar requirement, with meaningful financial penalties — paid from shareholder earnings, not by ratepayers — for noncompliance. This approach would give Dominion a clear mandate to prioritize energy efficiency and cost-effectiveness.

Additionally, the SCC should set ambitious energy-efficiency targets for Dominion in the future and not allow the utility to use its past underperformance to justify weak targets.

Problem 3: Data centers are adding costs to Dominion’s system and putting residential customers at risk.

Background: Virginia’s rapidly growing data center industry is driving up electricity demand. Virginia has the largest data center market in the world, with hundreds of data centers currently sited in the Commonwealth.¹³² As of 2024, these data centers used around 5 gigawatts (GW) of electricity, or enough to power 60% of Virginia households, according to a report by Virginia’s Joint Legislative Audit and Review Commission (JLARC).¹³³ Dominion’s territory alone has at least 3.6 GW of current data center demand.¹³⁴

Data center demand is also expected to increase exponentially in the future. In the next 15 years alone, projected data center growth could double or even triple the entire demand of Virginia’s electric system.¹³⁵ Although it is uncertain how many capacity requests will come to fruition, Dominion currently has around 47 GW of requests from potential data center customers.¹³⁶ In 2024, the company projected that its data center demand could grow by more than 8 GW by 2039, accounting for more than 86% of its demand growth.¹³⁷

According to JLARC, it would be “very difficult” to build enough infrastructure to power unconstrained data center growth in Virginia, regardless of whether VCEA compliance is considered.¹³⁸ Unconstrained data center growth would require infrastructure buildout at unprecedented scale and speed.¹³⁹ To meet even half of unconstrained data center demand

would still be difficult.¹⁴⁰ Meeting either of these demand levels would require an enormous amount of renewable generation, regardless of whether VCEA compliance is considered.¹⁴¹

Increased energy demand from data centers drives up system costs as utilities build expensive new infrastructure and import more energy to serve these data centers. Data center-created resource constraints create additional price pressures.¹⁴² Dominion estimates that data center load growth will increase its infrastructure costs by more than \$22 billion between 2024 and 2039 alone.¹⁴³ Data center demand could increase the average Dominion residential customer's electric bills by as much as \$276 per year by 2030 and \$444 per year by 2040, according to JLARC.¹⁴⁴

Although Virginia is easily the largest data center market, the data center industry is also rapidly expanding throughout the region,¹⁴⁵ increasing overall cost pressures and making it more challenging to secure affordable energy from other states to meet Virginia's energy needs.

Dominion has worked to attract data centers to be its customers, which helped create Virginia's current strained conditions. For example, its website sought to bring data customers to its territory, advertising that Virginia was "the ideal choice" for them to locate and promising to be "not just the electric utility, [but] a true partner in growing your data center footprint."¹⁴⁶

Because Dominion earns profits from building new infrastructure, attracting more energy-intensive facilities has given it an opportunity to increase its earnings.

During Dominion's recent base rate case, the SCC took steps to protect other customers from financial risks posed by data centers. The Commission approved a set of requirements to ensure other customers are not left with stranded costs from data centers that do not appear in Dominion's system as promised. These requirements include longer contract terms, collateral requirements, and minimum demand charges for large customers. They are intended to commit these customers to paying for much of the power they say they will use, even if they end up using less or none at all.¹⁴⁷ These measures, while a positive step, still leave residential customers at risk from a wide range of data center costs. Some of these cost drivers are outlined below.

Data center demand could increase the average Dominion residential customer's electric bills by as much as \$276 per year by 2030 and \$444 per year by 2040, according to JLARC.

COST DRIVER 1: Unprecedented data center demand, combined with resource interconnection bottlenecks, is driving up costs for the entire PJM region. PJM Interconnection is the largest regional transmission organization in the United States, managing the wholesale electricity markets and regional transmission projects for all or part of 13 states and Washington, D.C. PJM has two main markets, the energy market and the capacity market. In the energy market, companies like Dominion buy and sell electricity in day-ahead and real-time markets to meet customer demand. In the capacity market, PJM secures commitments from power suppliers to ensure future resource availability.

The PJM region is facing a surge in electricity demand, primarily due to rapid data center growth throughout the region.¹⁴⁸ This unprecedented growth is straining PJM's electricity markets, since the growth in data center electricity demand threatens to outpace available electricity supply.¹⁴⁹

These strains have caused PJM capacity auction prices to skyrocket. In 2024, overall auction prices jumped more than nine times over the previous auction's prices. Prices for the Dominion zone, home to a particularly high concentration of data centers, were even higher, 1,500% above the previous auction's overall PJM prices.¹⁵⁰ In summer and winter 2025, capacity auction prices were capped as a result of a settlement agreement.¹⁵¹ Even with that cap in place, overall auction prices jumped another 22% in July 2025 and an additional 1.9% in December 2025, hitting the price caps in both auctions.¹⁵² Without the caps in place, prices would have been significantly higher.¹⁵³ The caps are set to be lifted before the summer 2026 capacity auction, threatening energy affordability throughout the region.¹⁵⁴ Higher capacity auction prices translate into higher costs for electric utilities like Dominion, which are then passed on to ratepayers, raising electric bills.

An analysis of the 2024 capacity auction by PJM's market monitor recently confirmed that data center growth was the primary driver of both that auction's high prices and of "expected capacity market conditions, including total forecast load growth, the tight supply and demand balance, and high prices."¹⁵⁵ The monitor found that, absent the rapid increase in data center demand, PJM would not be facing a significant supply-and-demand imbalance today.¹⁵⁶ Pre-existing challenges in the PJM system make the problem worse. The queue for new generation resources seeking to connect to the PJM grid faces significant delays — often five years or more.¹⁵⁷ PJM has also downgraded its reliability ratings across all resource types, further constraining the supply of eligible energy capacity.¹⁵⁸

These strains on PJM's energy supply are also likely to affect its day-ahead and real-time markets, making it more difficult to obtain affordable energy in these markets to meet customer needs as well.

Solutions: Although data center demand throughout PJM is driving up capacity prices, PJM's Dominion zone is an epicenter of the industry. This led to especially high capacity prices for the Dominion zone during the 2024 capacity auction. Legislators can help lower prices by taking steps to ensure that future data center development in Virginia is responsibly paced and uses the strongest energy efficiency and management practices.

Steps to make it easier for new generation resources to come online can also help make PJM's energy supply less strained. A recent report found that measures to ease capacity constraints in PJM, including clearing the interconnection queue, removing siting barriers, and implementing demand-side measures,¹⁵⁹ could produce significant customer savings. Such measures could save Virginia residential customers \$649 a year on their electric bills by 2030.¹⁶⁰

Legislators could address state-level barriers to energy projects coming online by:

- Creating a comprehensive plan to maximize distributed generation in the built environment.
- Requesting that IOUs accelerate interconnection timelines for customer-owned projects (e.g., rooftop solar).
- Reducing barriers and harmonizing requirements for distributed generation.
- Implementing solutions to interconnection challenges at the local government level.

Finally, although state elected officials cannot govern PJM, they can push the organization to better address its interconnection challenges by:

- Advocating for reforms in PJM to clear the interconnection queue and reduce capacity prices.¹⁶¹
- Requiring Virginia's IOUs – which are voting members of PJM – to disclose their votes on PJM actions and decisions. PJM's governance system allows members like Dominion to vote in secret. This means utilities can vote in ways that may harm customers without accountability.¹⁶² Maryland passed a bill nearly unanimously that will require its utilities to publicly report their PJM votes,¹⁶³ and similar legislation has been proposed in West Virginia, Pennsylvania, Illinois, and Virginia.¹⁶⁴

COST DRIVER 2: Data centers and unchecked utility spending may be driving up transmission costs. Energy transmission is the high-voltage, long-distance movement of energy from where it is generated to where it is needed. Transmission powerlines are the largest wires on the grid and feed into smaller distribution wires that connect to homes and businesses. As of mid-2025, Dominion customers paid \$19.39 per month in transmission charges.¹⁶⁵ Rising data center demand threatens to push those costs higher.

When a large data center customer connects to the electric grid, it often requires new transmission lines to be built to serve it. For example, just between summer 2024 and 2031, Dominion has at least 88 planned transmission projects driven solely by data center customers.¹⁶⁶ These projects are expected to cost more than \$2.4 billion.¹⁶⁷ Data centers may also drive some of the need for up to 37 additional projects, costing \$3.3 billion.¹⁶⁸ Under Dominion’s current policies, the costs of these projects – including those driven solely by data centers – are spread across all customers. This puts non-data center customers at risk of paying higher costs for projects built for a handful of companies.

Dominion’s transmission projects driven solely by data center customers are generally “supplemental” or local transmission projects.¹⁶⁹ These local projects, planned and built by individual utilities, receive far less scrutiny than regional transmission projects. This has led to a nationwide shift in spending away from large, cost-effective regional projects toward smaller, less cost-effective utility-driven upgrades that are rarely evaluated for efficiency or alternatives.¹⁷⁰ More expensive transmission projects provide utilities like Dominion with greater opportunity for profit, while unnecessarily high costs are passed on to customers. These project costs flow directly into customer bills under the Federal Energy Regulatory Commission’s (FERC) formula rate structure, with little chance for oversight by state regulators or advocates.¹⁷¹

Dominion may also be underusing less costly options that reduce the need for more expensive new transmission infrastructure. Grid-enhancing technologies (GETs) are tools that increase the usable capacity of existing transmission lines, reducing the need for costly new transmission investments. In 2024, the Virginia General Assembly passed HB 862, which requested that Dominion include a comprehensive analysis of GETs in its future IRPs.¹⁷² However, the utility’s report on GETs filed in its IRP later that year was inadequate. SCC staff has asked Dominion to provide a clearer and more comprehensive analysis of GETs in the future.¹⁷³ Dominion’s continued reluctance to fully account for the potential of these tools could be contributing to higher costs.

Finally, the high profit that utilities are allowed to earn on transmission expenses also drives up transmission costs and incentivizes overspending on projects. Many of Dominion’s transmission assets receive a rate of return set by FERC, not the SCC. FERC often authorizes a higher rate of return than state commission-set profit levels, based on a complex formula rate-setting process. Additionally, the FERC formula rate allows transmission owners, such as Dominion, to receive a 50-basis-point (0.5%) ROE bonus for facilities that are part of the PJM system.¹⁷⁴

Solutions: Decision-makers have several opportunities to help ensure Dominion’s residential customers are paying only fair and necessary transmission costs, including:

- Assigning costs for transmission projects driven by only one or a few customers directly to the customer(s) creating the need for the projects, rather than spreading the costs for these projects among all customers.

- Exploring opportunities for surplus interconnection, which allows new generation sources to connect to transmission lines that existing power plants underuse.¹⁷⁵ This maximizes existing grid capacity and decreases the need for new infrastructure.
- Requiring Dominion to use GETs, which use tools like dynamic line ratings, power flow controls, and advanced sensors to boost the efficiency and capacity of existing transmission lines.
- Expanding SCC authority to thoroughly examine supplemental transmission projects and deny cost recovery if alternative, less-expensive solutions were available but not evaluated by the utility.
- Pursuing avenues to request improvements in PJM's transmission planning processes.
- Increasing competition and use of public funds for developing state-wide and interstate transmission projects. This could improve project affordability for customers.¹⁷⁶

COST DRIVER 3: Dominion's generation cost allocation methodology shifts too many costs to residential customers relative to data center customers. The way a utility distributes its costs among different customer types (residential, commercial, etc.) significantly impacts how much each customer pays. Several experts have found that Dominion's generation cost allocation methods unfairly disadvantage residential customers.¹⁷⁷

Dominion uses an average and excess (A&E) methodology. This methodology assigns generation costs almost entirely based on each customer class's contribution to Dominion's highest demand point of the year. It largely ignores how demand looks across the rest of the year.¹⁷⁸ This is an issue because most of Dominion's generation investments are built to meet year-round needs, not just the highest points of demand.¹⁷⁹

This system disadvantages customers whose demand varies throughout the day and year – like families – while benefiting customers with more consistent levels of demand 24/7, like data centers.¹⁸⁰ An SCC staff expert found that under A&E, if Dominion builds a significant amount of new generation to serve data center demand, data centers will likely be assigned less than their fair share of these costs. In contrast, other customers will be assigned more.¹⁸¹ Several experts have found that other methodologies would make things fairer for residential customers.¹⁸²

In Dominion's recent base rate case, the SCC found that a change in cost allocation methodology was needed. The SCC ordered Dominion to present alternative cost allocation methodologies for consideration in its next rate case in 2027.¹⁸³ Although this is a positive development, the SCC's decision not to order a change in Dominion's methodology in this rate case was a missed opportunity to help customers now. Under the decision, residential customers will be stuck paying a larger portion of costs under an outdated system until at least 2028. Additionally, the SCC's final order does not require Dominion to analyze the probability of dispatch cost allocation method,

even though several intervenors, including SCC staff, identified it as the fairest and most correct method.¹⁸⁴

Solution: Data centers should pay for all energy and electric infrastructure costs driven by the industry. Decision-makers should act as quickly as possible to update Dominion's cost allocation methodology to one that is more accurate and fairer to residential customers. Additionally, legislators can require Dominion to include the probability of dispatch method as an option alongside the other options it presents to the SCC. This will help ensure that the best methods for distributing costs are brought to the table and considered.

COST DRIVER 4: The high rate of data center growth in Dominion territory creates additional cost impacts for ratepayers. Data center growth is increasing the projected energy demand of Dominion's territory at unprecedented scale and speed. In addition to the cost drivers outlined above, this unconstrained pace of growth poses several additional cost risks to Dominion customers, including the issues outlined below:

1. Unfair distribution of project financing costs: Under current law, Dominion is allowed to charge customers for financing costs for its energy projects before those projects are operational. Dominion will start building – and collecting financing costs – for the infrastructure needed to power future data centers before those data centers come online. Early financing costs for these projects will be paid by the current pool of customers rather than shared with the upcoming data centers that are driving them. Thus, current customers are burdened with costs that should be shared by a larger pool of customers. A system that allows financing costs for a project to be collected before that project comes online will always have some temporal imbalance between who pays costs for a project and who benefits from it. Yet the scale and speed of new data center demand magnify the difference between customers paying costs now and those who will use the energy system in the future. It also increases the magnitude of expenses that are being collected early. These imbalances transform what is normally a more minor inequity into a bigger cost shift.

2. Pursuit of high-cost, high-risk projects: Data centers' high energy usage, and requests for consistent power, provide utilities an opportunity to charge customers for projects that use unproven technologies or have a history of high costs. For example, Dominion is seeking to charge all customers for the costs of building small modular nuclear reactors (SMRs). This technology is not yet proven to be commercially viable, and previous attempts to build SMRs have seen skyrocketing costs.¹⁸⁵ Even if SMRs do come to fruition in Virginia, the costs of building them will likely be very high, and significantly higher than if utilities waited until they were more feasible to start developing them.

3. Increases in overall energy project prices: As data center demand grows in Virginia and around the country, more companies are rushing to build energy projects. As demand increases for resources to build these projects, prices for these resources are likely to rise as well. This will increase the costs of any energy projects, including those needed for reasons other than data center demand. These higher costs will be passed on to all customers.

4. Increased health costs: Data centers often rely on large diesel generators for backup power. These generators produce pollutants that damage the health of those nearby, increasing health costs for residents and communities.¹⁸⁶ Data center development also raises health costs by increasing the utility's reliance on fossil-fuel systems. For example, Dominion's most recent energy plan includes 8.5 GW of new methane gas generation, which produces pollutants with demonstrated health harms. Dominion cited rapid growth in data center demand in justifying the need for this new infrastructure.¹⁸⁷ An expert analysis found that the health costs of Dominion's 2024 energy plan, designed largely to meet growing data center demand, make it \$7.4-\$13.9 billion more expensive than Dominion had reported.¹⁸⁸ Right now, communities are left bearing the full costs of these health impacts, while the data centers that create them pay none of these costs.

Solutions: Decision-makers should take several actions to help protect residential customers from these data center-driven costs:

- Take steps to responsibly pace data center development in Virginia. This includes expanding the SCC's authority so it can require utilities to delay bringing new large loads online until the utility has a clear plan to meet demand reliably while complying with state energy policies.
- Establish stronger standards around data centers' energy usage and pollution, to ensure projects that come to Virginia do not impose unfair costs on residents.
- Limit the use of early cost recovery for project financing costs. In addition to protecting current customers, this would better align Virginia's policies with regulatory best practices.
- Ensure that Dominion does not charge all customers for high-risk projects that are primarily needed to meet data center demand. If data center companies are interested in using high-risk technologies to meet their energy needs, they should be required to finance those projects themselves. For example, Amazon has expressed interest in exploring this type of solution in Virginia.¹⁸⁹
- Protect against any rule changes that allow Dominion to pass on risk from unproven projects to residential customers, such as 2024 legislation that allowed Dominion to charge customers for SMR project development costs before – and regardless of whether – these SMRs come online.¹⁹⁰

Problem 4: Recent trends are also affecting Dominion's costs.

In addition to the cost drivers outlined above, Dominion customers are facing the impacts of national trends that are increasing electricity costs nationwide.

COST DRIVER 1: Federal tariffs are driving up energy infrastructure costs. Recent federal tariffs are likely to raise electricity prices by increasing the cost of materials and contributing to project cancellations and delays. This issue is likely to affect Dominion ratepayers, given the significant infrastructure investments expected to meet rising data center demand.

New tariffs on materials like steel and imported equipment will raise the costs of energy production, grid construction, and grid maintenance. For example, new tariffs have affected imported products needed for energy infrastructure, such as structural steel, aluminum conductors, and copper wiring, as well as pipes, tubes, rods, and connectors.¹⁹¹ These tariffs impact all stages of energy production and delivery. For instance, tariffs on steel and other materials target equipment needed for oil and gas extraction and processing¹⁹² and for the building of transmission infrastructure.¹⁹³ Likewise, tariffs are likely to squeeze the supply chain for gas turbines, driving up prices and construction timelines for methane gas plants.¹⁹⁴ Dominion has already indicated that tariff policies will increase customer costs, noting that new federal tariffs will raise the costs of its offshore wind project by an estimated \$690 million through 2026.¹⁹⁵

Solutions: The impacts of federal tariffs and legislation can be mitigated by:

- Significantly expanding energy efficiency programs. By reducing overall energy demand through robust energy efficiency initiatives (e.g., weatherization programs, appliance rebates), the state can lessen the potential need for new infrastructure and mitigate the affordability impacts of tariffs and federal legislation. This is in addition to other benefits of energy efficiency, like directly lowered energy bills and improved housing conditions.
- Taking steps to responsibly pace data center development in Virginia, which can help pace the need for new energy infrastructure to a more sustainable level and protect residential customers from an outsized cost burden.
- Encouraging Dominion to develop robust demand response programs, to help balance the electric grid by encouraging customers to reduce or shift their energy use during periods of high demand. These programs lower peak demand, improve grid reliability, and reduce the need for costly new power generation.
- Considering state resources and data center contributions to finance rapidly deployable energy sources to help unlock private investment and reduce long-term costs.

COST DRIVER 2: Tax credit reductions are driving up infrastructure costs. The recent federal budget package rolls back or reduces several clean energy tax credits, including the Production Tax Credit (PTC) and the Investment Tax Credit (ITC).¹⁹⁶ Under the Inflation Reduction Act, developers received a 30% tax credit for investments in zero-emission energy projects.¹⁹⁷ Rolling back these incentives has the effect of raising costs for new renewable energy projects. This could slow project pipelines and increase electricity costs.

Experts estimate that the loss of these tax credits will significantly hamper the development of cost-effective electricity generation capacity in Virginia. They predict that Virginia will have 17 GW less generation capacity by 2035 than if the tax credits remained in place, primarily due to the loss of wind, solar, and battery storage projects.¹⁹⁸ According to a report from Energy Innovation Policy & Technology, a nonpartisan think tank, the loss of the tax credits could increase electricity rates by 9-14% for residential, commercial, and industrial consumers in Virginia. This will result in a \$110 annual increase in household energy bills by 2030 and a \$250 annual increase by 2035.¹⁹⁹

Solutions: As with federal tariffs, the impacts of tax credit reductions can be mitigated by efforts to reduce peak energy demand and by state solutions to encourage clean energy investment. These solutions are detailed above.

Part 3:

Additional solutions for more immediate customer relief

Many of the solutions identified above, if implemented, would decrease bills over the medium and long term. Decision-makers should also consider actions to provide short-term relief to Dominion customers.

SOLUTION 1: Strengthen utility payment plans and ratepayer protections.

A utility payment plan is an agreement between a customer and their utility company to pay an outstanding bill over an extended period. This arrangement helps customers avoid service disconnection. Offering payment plans for utility bills is a win-win for utilities and ratepayers. When some people cannot pay their bills, those costs are spread out across all other customers. With better payment plans, the utility avoids raising rates to recover debt. Payment plans and ratepayer assistance could be improved by:

- Increasing the length of long-term payment plans available to customers.
- Offering more flexible alternatives when customers default on their payment plan and allowing renegotiation if circumstances change.
- Capping or eliminating reconnection fees and deposit requirements to restore service.
- Implementing incentives for customers to get back on track with a “Fresh Start” program for customers who have fallen behind on their bills, allowing them to erase their past-owed amounts after 12 months of full, on-time payments.
- Requiring shareholders to increase contributions to low-income energy efficiency and bill assistance programs.

SOLUTION 2: Strengthen low-income energy relief programs.

Virginia currently has three main low-income utility assistance programs, in addition to a program run by Dominion:

- LIHEAP: The Low-Income Home Energy Assistance Program is a federally funded program that helps customers with energy bills, weatherization, and repairs.²⁰⁰
- WAP: The Weatherization Assistance Program helps install energy-saving measures, reducing customers’ energy costs by an average of \$372+ per year.²⁰¹
- PIPP: The Percentage of Income Payment Program caps monthly electric payments at a percentage of income.²⁰²
- EnergyShare: Dominion’s EnergyShare program allows money from company shareholders and other donations to support customers.²⁰³

LIHEAP, WAP, and PIPP all have strict income limits that exclude many vulnerable households. Furthermore, the future of LIHEAP is uncertain. The federal administration’s budget proposed

eliminating the LIHEAP program entirely.²⁰⁵ However, given bipartisan support for the program, Congress rejected the proposal, and both chambers approved approximately \$4 billion for it. The administration still laid off all personnel who administered the program, leaving states without oversight or technical assistance to use the funds.²⁰⁶ Dominion's EnergyShare program is also limited. Though there is no income cap, customers must "demonstrate a crisis" to receive aid, and that aid is capped at \$600 for heating and \$300 for cooling.²⁰⁷ Legislators can preserve benefits for families and provide protections to more customers by:

- Establishing a state fund to secure and expand LIHEAP and WAP programs, targeted to the zip codes with the highest energy burdens (the percentage of income spent on electric bills).
- Re-designing Virginia's data center tax policy to increase state revenue, using this revenue to create a fund to mitigate costs for low-to-moderate income customers who bear the greatest burden from high energy costs driven by the data center industry.

SOLUTION 3: Establish on-bill financing for efficiency upgrades.

On-bill financing allows utility customers to make energy efficiency upgrades – like new insulation or HVAC systems – without upfront costs. Customers repay the upgrade costs through a charge on their monthly electric bill, equal to or less than their expected energy savings, so their bill does not increase. This model makes energy-saving investments more accessible. Once the upgrade is paid off, customers will see lower bills thanks to the ongoing energy savings from their investments. This practice leads to a long-term reduction in monthly utility costs.²⁰⁸

SOLUTION 4: Prohibit rate increases from taking effect during the winter or summer months.

Currently, when the SCC sets new rates for Dominion during its biennial rate cases, the new rates take effect in late fall or winter.²⁰⁹ Because people use their heaters during cold weather, residential electric use during winter tends to be high. This higher use means people are already paying more for electricity in winter than in milder weather. Electric rate increases around winter magnify the rate shock of the increases, as they raise the cost of electricity just as people have to use more of it to heat their homes. Rate increases during the summer months – when electricity use goes up as people run their air conditioners to cope with the heat – have a similar effect.

The General Assembly passed legislation in 2025 that prohibited increases to APCo's base rates and RACs between November and February.²¹⁰ Legislators should consider similar standards to protect Dominion customers. They should also consider expanding these provisions to apply to any base rate, RAC, or fuel factor increase during not just the winter months, but also the summer months with the highest electricity use.

Conclusion:

Since 2007, Dominion customers' electric rates have risen more than 65%, placing a growing burden on Virginia families. If strong consumer protection measures are not put in place, rates are projected to continue climbing, driven largely by data center growth and the costly new power plants and transmission needed to support it. These increases – past and projected – stem from policy and regulatory choices that shift risk onto customers, promote unnecessary utility spending, maintain heavy reliance on expensive fossil fuels, and pass rising data center costs onto households.

Ensuring affordability requires comprehensive improvements to the overall regulatory structure of investor-owned utilities. These improvements include reducing reliance on rate adjustment clauses, increasing accountability for responsible fuel cost management through fuel cost sharing, and strengthening planning and competitive procurement processes. As the utility builds new generation and transmission to expand its system for data center demand and replace its aging fleet with technologies that have lower environmental impact, strong guardrails are critical to ensure it manages costs responsibly.

The state also needs to prioritize ensuring responsible data center development. Achieving this aim includes giving the SCC the authority to manage data center growth at a reasonable level, increasing the industry's required contributions toward energy projects, and ensuring that costs associated with the industry are not transferred to other ratepayers. The state should also take steps to address the current supply and demand imbalance, including by maximizing the benefits of low-cost solutions such as energy efficiency, demand response, grid enhancing technologies, and surplus interconnection; tapping into the full potential of distributed resources in the built environment; making it easier for new resources to connect to the electricity grid; and advocating for PJM reforms.

Policymakers, regulators, and the executive branch have the tools to take immediate and long-term action.

- In the short term, the Commonwealth should mitigate the cost impacts of federal policy shifts and strengthen protections for lower-income households already struggling to keep up.
- Over the long term, bold regulatory reform is essential to reversing rising costs, maintaining system reliability, limiting customer risk, and building a fairer energy future.

Without decisive intervention, prices are likely to continue rising, deepening energy insecurity and economic hardship for hundreds of thousands of Virginians. It is within the power of the General Assembly, the governor, and the SCC to restore balance, lower costs, and ensure utility decisions prioritize affordability, reliability, and the well-being of Virginia's families – not just utility profits.

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Clean Virginia is a nonpartisan advocacy nonprofit with an affiliated political action committee, the Clean Virginia Fund. Clean Virginia works to end utility monopoly corruption in politics to promote clean, affordable energy and a government that works for all Virginians.

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