



Powering Your Every Day.

## Meeting the Demands for Large-Load Customers with Reliable, Affordable, and Increasingly Clean Energy

How we are making prudent capital investments for shareholders while ensuring affordable rates for customers



May 2026

## REPORT

The rapid increase in data centers across our service territory and the U.S. has raised concerns about affordability, fair cost allocation, and potential stranded investments if the market contracts. We share these concerns and focus on making prudent capital investments for shareholders while ensuring affordable rates for customers.

Many worries stem from the suggestion that Dominion Energy (the “Company”) is committing to connect unlimited data centers. While we, as with all regulated utilities, have a duty to serve, we have a higher duty to ensure the grid remains reliable and our actions on behalf of our customers and shareholders are prudent. Dominion Energy recognizes the need to ensure our grid remains reliable, rates remain affordable, and data center industry expansion remains sustainable.

Another frequent point of confusion stems from conflating contract reporting and project planning. To be clear, the Company does not build all the infrastructure needed to meet long-term projected demands at once. Instead, we proceed project by project, based on confirmed and contracted demand forecasts, and only after regulatory commission approval and authorized cost recovery. This approach is consistent with how we have planned and constructed infrastructure for the past 100 years.

To address data center demand, the Company established a queue for data centers. We have assigned energization dates to 25 gigawatts of new data centers between now and 2031 for which we have current or soon-to-be-connected capacity. For an additional 45 gigawatts of new data center projects, however, we have not yet offered future connection dates. Instead, each year, as more infrastructure projects are approved by the regional transmission organization, of which we are a member, and our state regulatory commission, we will update the queue and assign energization dates, generally on a first-in, first-out basis.

It is important to understand the current data center market in Virginia. Cloud-based computing, which dominates the Virginia market, continues to grow at an exponential rate to support the everyday needs of the world. Virtually every system with which our customers interface — from work productivity software like OneDrive or Google Drive, to social media, navigation, and nearly every app or program — is cloud-based. This requires server space and computing power to sustain the exponential global demand.

Against this backdrop, and broader regional trends, Virginia faces a classic supply and demand imbalance. This imbalance will persist until and unless new utility infrastructure is built to accommodate rising demand. The Company is attentive to the risk of those assets becoming stranded if data center demand reduces, as well as to the understandable concern that such costs could be borne by other utility customers.

The Company, however, does not anticipate that the data center industry’s growth will stagnate or foresee technological advancements reducing demands at already energized locations. In addition, our experience is that data center operators leverage existing locations to their fullest extent to maximize computing power. Combined with the fact that every active data center customer has numerous future projects in our queue without energization dates, the Company believes these circumstances substantially minimize any risk of stranded costs.

Nevertheless, we have an obligation to shield customers and shareholders from that scenario, no matter how remote it may appear. The presiding regulatory model for electric utilities in Virginia inherently creates several layers of protection. Virginia regulators recently went further by approving a new rate class for Dominion Energy’s largest electricity users and a suite of new and strengthened contractual provisions.

That ruling amounts to one of the most comprehensive and robust responses to data center electricity demand in the country, and it presages continued oversight of cost allocation and other issues pertaining to high-load customers.

## The Statutory Duty to Serve

As with all regulated utilities, Dominion Energy embraces its duty to serve — in our Virginia service area, state law describes this obligation as a duty “to furnish reasonably adequate service and facilities at reasonable rates to any person, firm or corporation along its lines desiring the same.”<sup>1</sup> Yet, this requirement to furnish service to new customer accounts is subordinate to a higher duty to ensure the reliability of the electric grid and align our actions with existing customers’ best interests and the Company’s fiduciary responsibility to shareholders.

Indeed, although the Company generally cannot outright refuse to provide service to a customer, we maintain some latitude to place reasonable conditions on the provision of electric service. These include conditions related to timing and cost recovery guarantees from the customer in question. For example, longstanding language contained in the Company’s Terms and Conditions provides that Dominion Energy “shall not be required to provide electric service until a reasonable time has elapsed after the Company has obtained or received all suitable permits, certificates, and easements.”<sup>2</sup>

The large-load interconnection queue process we have established reinforces the Company’s reasonable exercise of discretion when it fulfills new requests for electric service. Faced with unprecedented growth in both the number and magnitude of requests to expand capacity in the area where prospective large-load customers will be located, Dominion Energy imposed a structured, transparent framework for managing these “delivery point” requests through a formal queue process. The explicit goal of the queue is to ensure the timely and orderly analysis and connection of large-load customers, while also maintaining safe and reliable service for new and existing customers.

Pursuant to a directive from our Virginia regulators, this queue process has been filed for review in a standalone proceeding, Case No. PUR-2025-00011.<sup>3</sup> State legislators, meanwhile, have passed legislation that affirms the Company’s option to delay the provision of service if necessary to maintain electric grid reliability and avoid exceeding available generation or transmission capacity constraints, among other things.<sup>4</sup>



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<sup>1</sup> § 56-234 A of the Code of Virginia.

<sup>2</sup> Terms and Conditions, Section IV. Service Connections, Paragraph C.

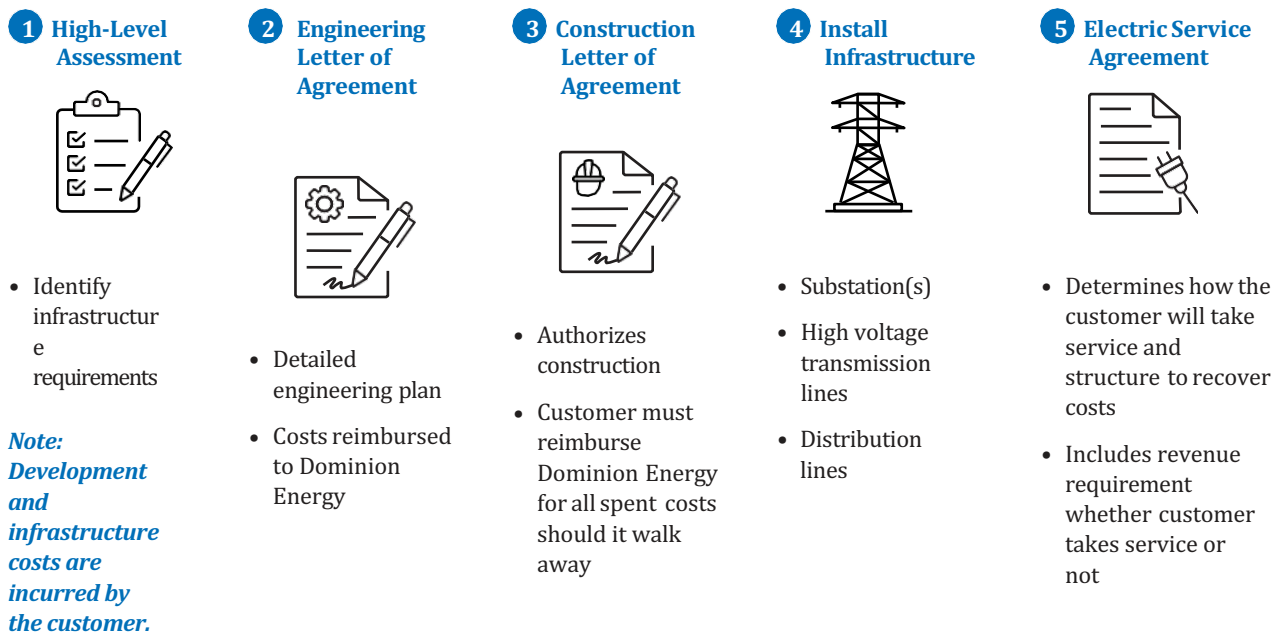
<sup>3</sup> <https://www.scc.virginia.gov/docketsearch#caseDetails/146728>

<sup>4</sup> <https://lis.virginia.gov/bill-details/20261/HB1151>

# The Contracting Process for Data Centers

The connection process begins when data centers submit a request for service and capacity to Dominion Energy’s distribution team. This will include proposals showing a site plan/building layout, schedule of construction, load information (including a ramp schedule and total site load broken down by building, if applicable), and meter delivery method (primary or secondary voltage).

## Typical Data Center Request Process from Contact to Connection



The Company reviews this request and provides information to the customer. This will include a feasibility report to identify any critical flaws and high-level needs for energization. Upon receipt of this information, the customer decides whether to proceed.

If it wishes to proceed, the customer takes the first step in our contracting process by executing an Engineering Letter of Agreement (ELOA). Entry into this agreement protects the Company, as discussed below, and allows the distribution team to add the data center project to our queue and begins the engineering study and design processes that are prerequisites to connect to the grid. At signing, a \$250,000 cash payment is required to support engineering and design work. If the project is complex or changes partway through the design process, resulting in costs exceeding \$250,000, we issue an updated ELOA requiring additional payment for the estimated remaining costs. This protects shareholders and the Company from incurring unnecessary design and engineering costs.

After the project substantially completes the queue process, our distribution team reviews the results of the detailed engineering analysis, including the project being assigned an energization date, with the customer, and issues the customer a Construction Letter of Agreement (CLOA). Here again, the customer must decide whether to proceed by signing the CLOA within 90 days of issuance. The CLOA contracts Dominion Energy to build infrastructure — therefore, no significant capital investments are made until the customer executes this agreement.

Importantly, the CLOA triggers cash deposit payments and 100% reimbursement of all costs incurred if the project is canceled before energization. Where new distribution infrastructure is required to serve a data center,

the customer is required to pay for all engineering, construction, and long-lead-time equipment costs, even if it does not proceed with the project. If a customer requests additional distribution infrastructure beyond what is normally provided for new service connections, then that customer pays the incremental cost of that infrastructure, as provided for in the Company’s regulatorily-approved terms and conditions.

Dominion Energy then commences executing the project plan. Long-lead-time materials are ordered, a construction schedule is finalized, acquisition of third-party easements and permits begins, and onsite easements are provided to the customer or property owner for execution.

The Company (or customer) will pursue substation permitting with the locality. In parallel, the Company will file a proposed transmission route and viable route alternatives with the State Corporation Commission of Virginia, as statutorily required. The Commission reviews and confirms the need for the new infrastructure, including reviewing the data center and its load ramp and energy demand, and ultimately selects and approves the final route after notice and opportunity for hearing.

The final stage of contracting entails an Electric Service Agreement (ESA). Issued within one year of energization — close to the end of construction — this document specifies all pertinent contractual provisions related to the provision of energy, including complying with the Company’s tariffs (discussed below) and terms and conditions. Collateral requirements, which were approved to become more stringent pursuant to a recent Commission ruling, are due to be paid before the customer’s meter is set and its project is energized.



# Dominion Energy's High-Load Customer Proposal

Ensuring that data centers pay their fair share entails additional protections, beyond those imbedded in the Company's contracting process, that benefit other utility customers; the Company's shareholders also are already protected by mechanisms described above and below.

At the request of the Virginia General Assembly, the independent Joint Legislative Audit and Review Commission (JLARC) conducted a study to determine if data centers are paying their fair share of energy costs. Its report, issued in December 2024, concluded that they are.<sup>5</sup> JLARC found that then-existing ratemaking processes have ensured data centers fully cover their contribution to total system costs.

Dominion Energy, nevertheless, acknowledged the need for proactive steps to ensure this continues to be the case, particularly given the magnitude of the current and forecasted growth in the high-load customer segment. Indeed, JLARC's report suggested that additional changes to rate design, cost allocation, and/or terms and conditions of service may be necessary to maintain fairness in the future.

In 2025, the Company proposed several changes in its 2025 biennial base rate proceeding that primarily, though not exclusively, would affect data center customers. First, we recommended creating a new rate class for customers with particularly high demand and load factor characteristics. This would promote greater transparency and precision in how costs are apportioned among rate classes based on each rate class's contribution to system costs. The State Corporation Commission approved the new customer class and its related tariff (called the "GS-5" class and tariff), which will become effective on January 1, 2027.

As part of that approval, the Commission approved a comprehensive set of new and strengthened contractual provisions designed to mitigate risks posed by speculative demand requests or situations where high-load customers otherwise would not fulfill the cost recovery obligations associated with utility investments made to accommodate their requests. These provisions include enhanced deposit and collateral requirements, an extended, 14-year contract term (inclusive of a four-year ramp period); and minimum distribution, transmission, and generation demand charges.

The practical effect of the minimum demand charges is that high-load customers will pay, on a monthly basis, the higher of their actual electric demand or a percentage of the demand for which they contracted. The minimum



<sup>5</sup> <https://jlarc.virginia.gov/pdfs/reports/Rpt598.pdf>

demand charges will be sized at 85% of contracted demand for the transmission and distribution functions and 60% for the power generation function. These thresholds ensure that data center revenues are sufficient to protect other data centers and high-load customers, as well as other customer classes, from incurring an unfair portion of the overall costs.

Meanwhile, the contract term and collateral requirements ensure that if a data center shuts down completely, the minimum revenue threshold is still met. A high-load customer that ceases operations before the end of its 14-year contract will incur exit fees equal to the minimum demand charges that would have accrued over the unexpired term. Even customers who continue taking service for the duration of the 14-year contract will still face minimum demand charges in subsequent years.

The Commission-approved proposal also includes limited capacity reassignment provisions. These allow high-load customers to reduce their contracted demand, and thus the minimum demand charges applicable to them, by 20% (with 36 months' notice) without incurring exit fees and by up to 50% if the capacity can be reallocated to other customers. This is in the best interest of other customers because it strikes a balance between imposing financial commitments relative to high-load customers' original requests, while also incentivizing them to "right size" those requests and release unused capacity. Allowing some flexibility in capacity reassignment helps ensure the Company does not needlessly build additional utility infrastructure to accommodate new high-load customers when others are not using all their requested capacity.

In summary, our Commission-approved high-load customer proposal provides for binding and long-term financial commitments that will ensure that data centers and other high-load customers continue paying their fair share of electric utility infrastructure costs. The approved proposal protects all other customers and the Company's shareholders from stranded costs.

The Commission's oversight of cost allocation and other issues pertaining to high-load customers is ongoing.



## Other Protective Policies and Mechanisms

Grid reliability projects represent the largest portion of Dominion Energy’s forecasted capital expenditures. These are large-scale projects that expand the overall grid and are not tied to any single customer. Examples include backbone transmission projects (230kV, 500kV, 765kV, etc.) and generation projects (solar, wind, battery, nuclear, and natural gas).

For each transmission project intended to be added to the Company’s regulated rate base, as required by statute, we seek regulatory approval and a Certificate of Public Convenience and Necessity (CPCN) from the State Corporation Commission. During the CPCN proceeding, we must demonstrate to the Commission that the project is necessary, reasonably and prudently designed and routed, and reasonably minimizes impacts. Specifically, the Commission is charged with determining, as a condition of approval, “that the line is needed and that the corridor or route chosen for the line will avoid or reasonably minimize adverse impact to the greatest extent reasonably practicable” to various environmental, historic, or cultural assets.<sup>6</sup> These requirements naturally demand detailed evidence of need (i.e., demand), project design, and extensive cost analysis.

In the case of power generation projects, which require a CPCN from the Commission as well as a review of whether cost recovery is reasonable and prudent, the standard of review requires probative evidence that the facilities “will have no material adverse effect upon reliability of electric service provided by any regulated public utility... are required by the public convenience and necessity... and are not otherwise contrary to the public interest.”<sup>7</sup>

At the time of a CPCN petition, the Company has not invested significant capital — only the costs of design and engineering to support a robust submission to the Commission. If the Commission does not approve a requested CPCN, the Company will not invest the capital or proceed with the project unless a subsequent filing results in approval.

CPCNs serve as prerequisites to the expenditure of significant costs to construct and operate new assets, both transmission and generation, which helps mitigate the investment risk borne by shareholders. Customers are likewise protected by the imperative to manage the project well and meet the cost and delivery expectations established in the Commission’s orders issuing CPCNs.



<sup>6</sup> § 56-46.1 B of the Code of Virginia.

<sup>7</sup> § 56-580 D of the Code of Virginia.

A second category of capital expenditures consists of customer-specific projects. While much smaller in scale and cost than grid reliability projects, they are more numerous, as they connect the individual data centers to the grid.

The associated costs generally are subject to Commission approval prior to construction and significant capital expenditure. Every two years, Dominion Energy submits a base rate case to the Commission. Its purpose is twofold: to review how closely base rate revenues matched the Company's actual cost of service over the past two years, and to reset base rates to reflect costs reasonably predicted to be incurred in the coming biennium, including costs related to connecting individual data centers.

The Company must provide extensive documentation, including contracts and project cost estimates, to meet the Commission's evidentiary standards. The Commission's ruling in a biennial review will establish the base rate revenue requirements, inclusive of an authorized return, that Dominion Energy is approved to recover over the next two years. As with grid projects, shareholders are protected because the Company's expenditures intended to be recovered through base rates will have been found prudent and authorized for recovery.

There is a caveat: cost recovery is contingent on project energization. We must complete construction, set a meter, and energize a given customer before base rate recovery of the associated costs can begin. This would create a window during which the Company could incur a liability if the project is canceled prior to energization — but for the Construction Letter of Agreement (CLOA) requirement.

As described previously, once a customer-specific project is approved and an energization date is issued, the customer has 90 days to sign a CLOA. Otherwise, the project will not proceed. The Company does not deploy significant capital until the customer has entered a CLOA because the CLOA is necessary to enforce two major protections for other customers and shareholders during the construction window.

First, it requires deposits for long-lead-time items such as transformers and switchgear, which must be ordered years in advance. The CLOA requires the data center to provide cash deposits for these milestone payments as they approach. Second, the CLOA includes a reimbursement clause. If a customer's project is canceled at any point during construction, but before energization, the customer is contractually responsible for reimbursing the Company for all expenses incurred.

Once energized, the project costs are recovered through base rates. Other customers and shareholders are thereby protected from the risk of stranded assets through biennial rate case approvals and the CLOA provisions during project construction windows.





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