

## STATE CORPORATION COMMISSION

AT RICHMOND, MAY 13, 2025

*State Corporation Commission  
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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

CASE NO. PUR-2024-00120

*Ex Parte:* In the matter of promulgating regulations establishing a single, consistent cost-effectiveness test for use in evaluating proposed energy efficiency programs

ORDER ESTABLISHING RULEMAKING

Chapters 794 and 818 of the 2024 Virginia Acts of Assembly (“Acts”), *inter alia*, amended and reenacted §§ 56-576 and 56-596.2 of the Code of Virginia (“Code”). Pursuant to their second enactment clauses, Chapters 794 and 818 of the Acts direct the State Corporation Commission (“Commission”) to, no later than September 30, 2025, “promulgate regulations establishing a single, consistent cost-effectiveness test for use in evaluating proposed energy efficiency programs” (“EEP Cost-Effectiveness Test Regulations”).<sup>1</sup> In developing these regulations:

The Commission shall (i) refer to the cost-benefit analysis framework and process contained in the National Energy Screening Project’s National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources, in addition to any other materials deemed relevant by the Commission; (ii) utilize a stakeholder process to develop such regulations, facilitated by an independent monitor with technical assistance provided by a group with experience in the process set forth in the National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources, compensated under the funding provided pursuant to subsection E of § 56-592.1 of the Code of Virginia; and (iii) design such regulations to further the Commonwealth’s energy policy requirements and goals, including

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<sup>1</sup> Senate Bill 565, 2024 Va. Acts ch. 794, and identical House Bill 746, 2024 Va. Acts ch. 818.

furthering compliance with the standards set forth under § 56-596.2 of the Code of Virginia, as amended by this act.<sup>2</sup>

On July 17, 2024, the Commission issued an Order Initiating Stakeholder Process that, among other things, docketed the matter; initiated a stakeholder process (“Stakeholder Process”) to commence the development of the EEP Cost-Effectiveness Test Regulations; directed the Commission’s Staff (“Staff”) to conduct the Stakeholder Process, facilitated by an independent monitor (“Independent Monitor”); provided an opportunity for interested persons to participate in the Stakeholder Process through a schedule of stakeholder group meetings (“Stakeholder Group Meetings”); and directed the Independent Monitor to provide to Staff a summary of the Stakeholder Group Meetings to inform Staff’s development of proposed regulations.

In July 2024, Keystone Policy Center (“Keystone”) was contracted as the Independent Monitor to facilitate the Stakeholder Process.<sup>3</sup> Organizations interested in participating in the Stakeholder Group Meetings submitted their interest to Keystone, and a roster for the Stakeholder Group Meetings was developed by September 2024.<sup>4</sup> The first Stakeholder Group Meeting occurred on September 18, 2024, and 7 additional meetings occurred approximately every two weeks through January 14, 2025.<sup>5</sup>

On March 25, 2025, the Independent Monitor provided Staff with a final report on the Stakeholder Group Meetings (“Stakeholder Group Report”) and draft EEP Cost-Effectiveness Test Regulations (“Draft Regulations”). On March 26, 2025, Staff filed the Stakeholder Group

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<sup>2</sup> *Id.*

<sup>3</sup> Stakeholder Group Report at 5.

<sup>4</sup> *Id.*

<sup>5</sup> *See id.*

Report and Draft Regulations in this docket. The Draft Regulations are appended to this Order Establishing Rulemaking.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that interested persons should have an opportunity to file comments on the Draft Regulations, and that Staff should be directed to investigate the Draft Regulations and present its findings and recommendations concerning such regulations and any comments thereon in a report (“Staff Report”). The Commission further finds that a copy of the Draft Regulations should be sent to the Office of the Registrar for publication in the *Virginia Register of Regulations*.

To promote administrative efficiency and timely service of filings upon participants, the Commission will, among other things, direct the electronic filing of comments unless they contain confidential information, and require electronic service on participants in this proceeding.

Accordingly, IT IS ORDERED THAT:

(1) All comments or other documents and pleadings filed in this matter shall be submitted electronically to the extent authorized by Rule 5 VAC 5-20-150, *Copies and format*, of the Commission’s Rules of Practice and Procedure.<sup>6</sup> Confidential and Extraordinarily Sensitive Information shall not be submitted electronically and shall comply with Rule 5 VAC 5-20-170, *Confidential information*, of the Rules of Practice. Any person seeking to hand deliver and physically file or submit any pleading or other document shall contact the Clerk’s Office Document Control Center at (804) 371-9838 to arrange the delivery.

(2) Pursuant to 5 VAC 5-20-140, *Filing and service*, of the Rules of Practice, the Commission directs that service on participants and Staff in this matter shall be accomplished

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<sup>6</sup> 5 VAC 5-20-10 *et seq.* (“Rules of Practice”).

by electronic means. Concerning Confidential or Extraordinarily Sensitive Information, participants and Staff are instructed to work together to agree upon the manner in which documents containing such information shall be served upon one another, to the extent practicable, in an electronically protected manner, even if such information is unable to be filed in the Office of the Clerk, so that no participant or Staff is impeded from participating in this matter.

(3) On or before June 17, 2025, any interested person may file comments on the Draft Regulations by following the instructions found on the Commission's website: [scc.virginia.gov/case-comments/submit-public-comments](https://scc.virginia.gov/case-comments/submit-public-comments). Those unable, as a practical manner, to file comments electronically may file such comments by U.S. mail to the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. All comments shall refer to Case No. PUR-2024-00120. Individuals should be specific in their comments on the Draft Regulations and should address only those issues pertaining to the second enactment clauses of Chapters 794 and 818 of the 2024 Acts of Assembly addressed herein. Issues outside the scope of these enactment clauses will not be open for consideration.

(4) On or before August 5, 2025, Staff shall investigate the Draft Regulations and file with the Clerk of the Commission a Staff Report containing its findings and recommendations concerning such regulations, together with any responses Staff may wish to provide concerning comments submitted to the Commission regarding the Draft Regulations.

(5) An electronic copy of the Draft Regulations may be obtained by submitting a request to Allison Samuel, Deputy Director in the Commission's Division of Public Utility Regulation at the following email address: [allison.samuel@scc.virginia.gov](mailto:allison.samuel@scc.virginia.gov). An electronic copy of the Draft

Regulations can also be found at the Division of Public Utility Regulation's website:

[https://www.scc.virginia.gov/regulated-industries/utility-regulation/pur-](https://www.scc.virginia.gov/regulated-industries/utility-regulation/pur-responsibilities/rulemaking)

[responsibilities/rulemaking](https://www.scc.virginia.gov/regulated-industries/utility-regulation/pur-responsibilities/rulemaking). Interested persons may also download unofficial copies of this

Order Establishing Rulemaking and the Draft Regulations from the Commission's website:

[scc.virginia.gov/pages/case-information](https://www.scc.virginia.gov/pages/case-information).

(6) Within ten (10) business days hereof, Staff shall provide copies of this Order Establishing Rulemaking by electronic transmission, or when electronic transmission is not possible, by mail, to individuals, organizations, and companies who have been identified by Staff as potentially being interested in this proceeding and the Draft Regulations.

(7) The Commission's Office of General Counsel shall forward a copy of this Order Establishing Rulemaking and the Draft Regulations to the Registrar of Regulations for publication in the *Virginia Register of Regulations*.

(8) The Director of the Commission's Division of Information Resources promptly shall post a copy of this Order Establishing Rulemaking on the Commission's website.

(9) Any documents filed in paper form with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, except as modified herein, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

(10) This matter is continued.

A COPY hereof shall be sent electronically by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission.

**Project 8321 - Proposed****State Corporation Commission****Chapter 304 Rules Governing Cost/Benefit Measures Required for Demand-Side  
Management Programs****20VAC5-304-20. Cost/benefit measures.**

Through 2028, Utility utility applicants shall analyze a proposed program from a multi-perspective approach using, at a minimum, the Participants Test, the Utility Cost Test, the Ratepayer Impact Measure Test, and the Total Resource Cost Test. Utilities may file for approval of programs individually or as a package. However, any application which includes a package of DSM programs shall also provide an analysis of the cost/benefit of each program individually.

Beginning with efficiency plans for 2029 and any subsequent years, utilities shall analyze cost-effectiveness primarily using a Virginia jurisdiction-specific test (JST). The JST includes all utility system impacts that are material to energy efficiency and/or demand response measures, as shown in Table 1 below, as well as other fuel impacts, greenhouse gas emission impacts, and other environmental impacts shown in Table 2 below. The only other cost-effectiveness test utilities are required to use for 2029 and subsequent years is the Total Resource Cost (TRC) test. Beginning with efficiency plans for 2029, the TRC test must include (1) all applicable utility system impacts included in the JST; (2) other fuel impacts; and (3) host customer (program participant) costs and benefits, including non-energy costs and benefits (as shown in Tables 3 and 4 below). Estimates of non-energy costs or benefits may be used on Virginia-specific studies when available, studies from other jurisdictions when applicable to Virginia and/or adapted to address differences between Virginia and other states, or proxy adders to avoided costs. The basis for any proxy adders must be provided. Beginning with efficiency plans for 2029 and any subsequent

years, utilities shall use a real discount rate of 2.0% in analyses conducted under both the JST and the TRC.

**Table 1: JST USI Applicability and Materiality**

**ELECTRIC UTILITY SYSTEM IMPACTS**

Impact Type	Impact	EE	DR
Energy	Energy Generation	✓	✓
	Capacity	✓	✓
	Environmental Compliance	✓	✓
	RPS/CES Compliance	✓	NM
	Market Price Effects	✓	✓
	Ancillary Services	NM	NM
Transmission	Transmission Capacity	✓	✓
	Transmission System Losses	✓	✓
Distribution	Distribution Capacity	✓	✓
	Distribution System Losses	✓	✓
	Distribution O&M	✓	✓
	Distribution Voltage	NM	NM
General	Financial Incentives	✓	✓
	Program Administration	✓	✓
	Utility Performance Incentives	✓	✓
	Credit and Collection	NM	NM
	Risk	✓	✓
	Reliability	NM	NM
	Resilience	NM	NM

✓ Impacts that are both applicable and material  
 NM Not material, or not large enough to merit routine inclusion

**Table 2: JST Recommendation for Non-USI Applicability**

**NON-UTILITY SYSTEM IMPACTS**

Impact Type	EE	DR
<b>Other Fuels</b>		
Fuel and O&M	✓	✓
Delivery Costs (incl. other fuel T&D)	✓	Embedded
Environmental Compliance	Embedded	Embedded
Market Price Effects	✓	✓
<b>Societal</b>		
Greenhouse Gas Emissions	✓	✓
Other Environmental Impacts	✓	✓
Public Health	Embedded	Embedded
Resilience	NM	NM
Economic Development and Jobs	N/A to BCA but consider analyzing alongside BCA given policy goals	
Equity		
Energy Security		

Table 3: TRC Recommendation for USIs

<b>ELECTRIC UTILITY SYSTEM IMPACTS</b>			
<b>Impact Type</b>	<b>Impact</b>	<b>EE</b>	<b>DR</b>
Energy	Energy Generation	✓	✓
	Capacity	✓	✓
	Environmental Compliance	✓	✓
	RPS/CES Compliance	✓	NM
	Market Price Effects	✓	✓
	Ancillary Services	NM	NM
Transmission	Transmission Capacity	✓	✓
	Transmission System Losses	✓	✓
Distribution	Distribution Capacity	✓	✓
	Distribution System Losses	✓	✓
	Distribution O&M	✓	✓
	Distribution Voltage	NM	NM
General	Financial Incentives	✓	✓
	Program Administration	✓	✓
	Utility Performance Incentives	✓	✓
	Credit and Collection	NM	NM
	Risk	✓	✓
	Reliability	NM	NM
	Resilience	NM	NM

✓ Impacts that are both applicable and material  
 NM Not material, or not large enough to merit routine inclusion

Table 4: TRC Recommendation for Non-USIs

<b>Impact Type</b>	<b>EE</b>	<b>DR</b>
<b>Other Fuels</b>		
Fuel and O&M	✓	✓
Delivery Costs (incl. other fuel T&D)	✓	Embedded
Environmental Compliance	Embedded	Embedded
Market Price Effects	✓	✓
<b>Host Customer</b>		
Measure Costs	✓	✓
Transaction Costs	✓	✓
Risk	✓	✓
Reliability	✓	✓
Resilience	✓	✓
Tax Incentive	✓	✓
Non-Energy Impacts (Non-Low-Income)	✓	✓
Non-Energy Impacts (Low-Income)	✓	✓