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Dennis Wamsted || Energy Finance Analyst

Time to put the brakes on Dominion's Fuel cost securitizations

Process obscures the real cost of gas generation for consumers

- The Virginia State Corporation Commission (SCC) has approved a securitization plan allowing Dominion Energy to collect unrecovered fuel costs from the previous year over seven years instead of the conventional 12 months.
- The plan approved by the SCC will allow Dominion to securitize $922.1 million in fuel costs that the utility did not recover through its regular billing process from June 2025 to July 2026.
- For the second time since 2023, the SCC is allowing Dominion to securitize large under-recovery deferral balances caused by volatile natural gas prices.
- A more rapid build-out of renewable energy resources, dispatchable battery storage, energy efficiency, and demand side management (DSM) measures could reduce the need for such huge securitizations.

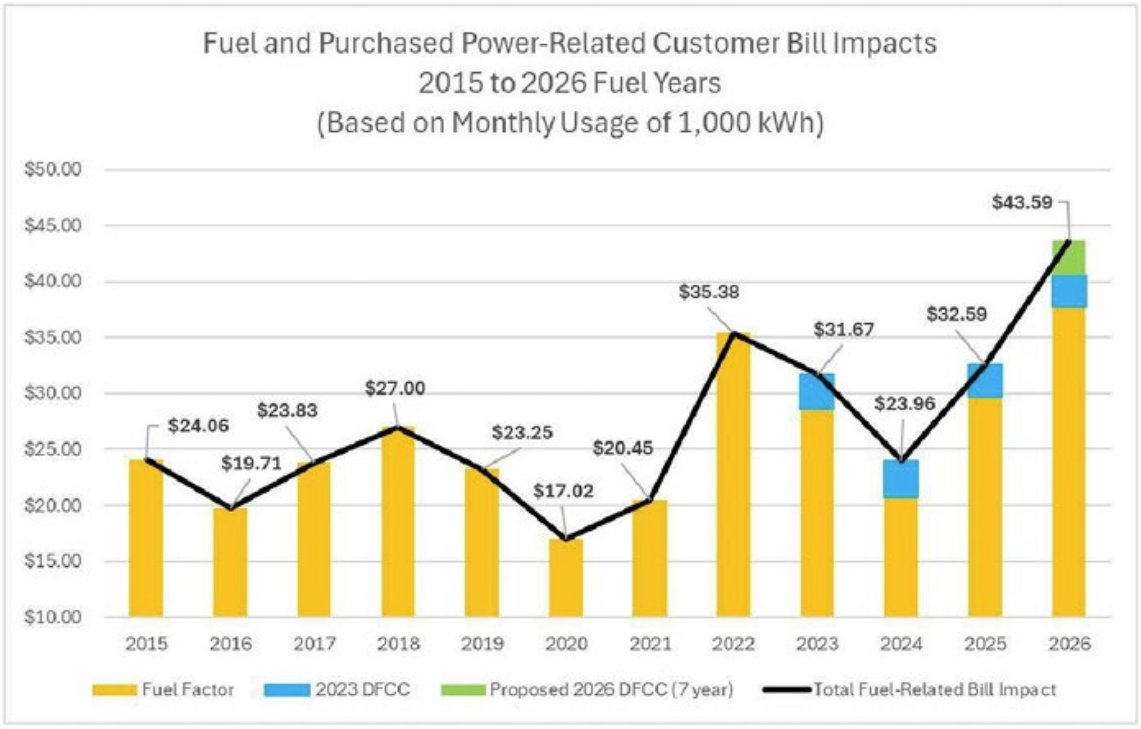
For the second time in three years, the Virginia State Corporation Commission (SCC) has approved a securitization plan allowing Dominion Energy to collect unrecovered fuel costs from the previous year. These costs are largely gas-related and will be charged to consumers over seven years instead of the conventional 12 months. IEEFA believes these pay-over-time measures are bad public policy that obscure the true cost of fossil-fuel power generation, particularly gas-fired plants.

The plan, approved by the SCC in September, will allow Dominion to securitize $922.1 million in fuel costs that the utility did not recover through its regular billing process from June 2025 to July 2026. The company will now collect that money through a non-bypassable charge on its Virginia customers' bills over the next seven years.[1] [2]

Dominion secured SCC approval for a similar securitization plan in 2023 to recover fuel costs from 2022-23 that were pushed above projections by cold weather, the Russian invasion of Ukraine, and several other post-COVID-19 pandemic supply issues. The result was a significant under-recovery of Dominion's actual fuel costs. That year, state regulators approved a plan allowing Dominion to securitize $1.28 billion in unrecovered fuel costs and have consumers pay for them over seven years.[3]

Consequently, by the end of 2026 Dominion consumers will be paying for $2.2 billion in past fuel costs, plus charges for the current year. For a customer using 1,000 kilowatt-hours (kWh) a month, this could push their share of Dominion's fuel and purchased-power up by about 14%, to roughly $43.59 a month, the highest level in at least a decade. With securitization, these charges will now persist for years, and there is no guarantee that additional fuel price volatility will not lead to further under-recoveries in the coming years, prompting more rounds of securitization. The growing impact of these fuel costs is shown in the following graphic, which was prepared by SCC staff as part of the 2026 proceeding to set Dominion's fuel charges for the coming year.[4]

Figure 1: Climbing Fuel and Purchased Power Costs at Dominion Virginia



Source: Virginia SCC staff testimony

Expanding on the graphic, Carol Myers, deputy director of the SCC's Division of Utility Accounting and Finance, testified: "The growing and volatile customer bill impacts of the company's fuel and purchased power expenses in recent years, coupled with two proposed securitizations of large under-recovery deferral balances since 2023, are concerning."[5]

IEEFA agrees. Left unsaid by Myers, but clear from the data is that much of this volatility is due to Dominion's gas-heavy generation fleet and its rising reliance on power purchases from the PJM market, where gas generally sets the marginal cost. The result is that gas price volatility plays a key role in determining how much Dominion pays for its fuel each year, and certainly was a key factor behind the utility's push for its 2023 and 2026 securitization plans.

The impact of gas price volatility is evident in the fuel cost swings at Dominion's Greensville combined cycle facility, the utility's newest and most efficient gas-fired power plant. Russia's invasion of Ukraine in February 2022 set the stage for a year of extremely high gas prices in the U.S. The upswing was driven in part by liquefied natural gas (LNG) exporters looking to push supplies to Europe to replace lost Russian exports and

then by a major winter storm in December 2022 that led to rolling blackouts at some East Coast utilities and reinforced the upward gas price pressures.

In 2022, the price of gas used to operate Greensville averaged $7.35 per thousand cubic feet (mcf), 74 percent higher than in 2021, data from the Energy Information Administration (EIA) show. That pushed total fuel costs at the plant to $518.7 million, up $211 million or 68% from 2021.[6]

Similarly, in January 2026, a two-week cold snap capped by a major winter storm across the East Coast sent prices soaring for Dominion's gas plants. Fuel costs at the utility's combined cycle gas turbine (CCGT) plants averaged between $16.58/mcf and $16.79/mcf for the month, more than double the level in January 2025, according to EIA data. At Greensville, as well as Dominion's two other large CCGT facilities in Brunswick and Warren counties, this pushed monthly fuel expenses to more than $100 million—increases of over 125% at each plant compared to 2025.[7]

The January price spike accounted for more than half of the company's unrecovered fuel costs for the year—$567 million of the total projected shortfall of $1.078 billion, the company said in its initial filings.[8] Rolling these volatile costs into rates and recovering them over the following 12-month period, as is customary, would have raised bills significantly for Dominion customers. In its first filing, the utility projected that doing so would raise the monthly bill for residential customers by $14.72; the company subsequently cut that monthly cost to about $13 using updated numbers and estimates of the number of customers participating in its prepay option. In comparison, its proposed securitization plan will add about $2.26 to monthly bills over the seven-year term.[9]

IEEFA believes that as difficult as the conventional 12-month recovery process would be, spreading the costs out over time simply serves to hide the true costs of Dominion's gas-dependent generation capacity. It also raises fairness issues, since the fee is non-bypassable, meaning customers new to the state will have to pay it as well, even though they were not responsible for any of the costs. Finally, as noted above, there is the very real possibility that another event, driven by international geopolitical factors, domestic weather or another unforeseen issue, could push fuel costs upward again and prompt Dominion to seek yet another securitization package.

SCC staff raised concerns about just such a recurrence during consideration of the first securitization process in 2023. They restated those concerns during this year's proceeding, writing that while the 2026 plan is a "reasonable option for the commission to consider for recovery of the 2025/2026 deferral in this

proceeding, staff submits that repeated securitizations of deferred fuel costs on an ongoing basis [are] untenable."[10]

Again, IEEFA agrees. But the volatility of gas prices makes yet another fuel cost securitization process highly likely, particularly if the utility plows forward with its plans to build out new gas-fired generation facilities to meet forecasted demand growth. The utility currently has plans to build a 3,000-megawatt (MW) CCGT power plant in Cumberland County, west of Richmond,[11] and a 2,600-MW CCGT facility near its existing Mt. Storm coal-fired power plant in West Virginia.[12]

These plants will undoubtedly be state-of-the-art units similar to the utility's efficient Greensville CCGT. But efficiency alone will not shield either plant (or any additional units announced in the utility's soon-to-be-released long range capacity plan) from the price spikes that have hit the utility since 2022.

Instead, a more rapid build out of renewable energy resources, dispatchable battery storage, energy efficiency, and demand side management (DSM) measures can help blunt the severity of those spikes.

Offshore wind is a great resource for Dominion.[13] Utility executives have said that the nearly complete 2,600-MW Coastal Virginia Offshore Wind (CVOW) will save consumers $500 million a year during its first 10 years of operation. Offshore wind farms have a lifespan significantly longer than 10 years, meaning the fuel savings should be substantially higher than $5 billion. Dominion should be moving forward now with plans for its next offshore facility: It already owns the site for a second project and its first-of-its-kind U.S.-built installation ship, *Charybdis*, is ready to go. Delays will not save ratepayers anything.

Solar and dispatchable storage, both paired and individually, are also good options for Dominion, particularly to lower peak prices by pushing inefficient gas combustion turbines out of the market.

Finally, efficiency measures, demand side management, and virtual power plants are economic options that can dampen gas-related price spikes. Efficiency efforts obviate the need for generation to start with, meaning Dominion's next new gas plant may not even be needed or at the very least could be downsized. DSM enables flexible load sources to curtail their demand at peak periods, saving them money and helping the utility meet remaining load without resorting to high-priced, often gas-fired resources. And virtual power plants, whether utility or third-party controlled, have shown their ability to contribute to peak demand needs in programs nationwide.

Virginia regulators, politicians, and consumers need to push Dominion to slow its pell-mell rush to gas. The 2023 and 2026 securitization initiatives underscore how costly gas-fired power can be. Factoring those real-world costs into Dominion's long-term resource plans should help tilt the playing field toward fuel-free options, benefiting consumers and helping the utility comply with the state's fossil fuel phase-out goals.

Endnotes

[1] Virginia State Corporation Commission. Case No. PUR-2026-00058. September 29, 2026.
[2] Dominion has an annual proceeding at the SCC where it estimates its fuel costs for the coming year. Once approved by the commission those costs, measured on a cents per kilowatt-hour basis, are added to customer bills for the next year. Unrecovered fuel costs from the current year are generally rolled into the new rate set in that proceeding and collected over the following 12 months.
[3] Virginia State Corporation Commission. Case No. PUR-2023-00112. November 3. 2023.
[4] Testimony of Carol Myers, PUR-2026-00058 and PUR-2026-00078. July 14, 2026. Page 10.
[5] Myers, *op. cit.*, p. 11.
[6] S&P Capital IQ (proprietary). Data accessed October 7, 2026.
[7] Data taken from the EIA-923 report, Monthly Generation and Fuel Consumption, for January 2025 and 2026.
[8] Testimony of J. Scott Gaskill. Case No. PUR-2026-00058, May 1, 2026. Page 6.
[9] Mathias Roussy, Jr. Chief Hearing Examiner's Report. Case No. PUR-2026-00078 and Case No. PUR 2026-00058. August 25,2026. Page 60.
[10] Myers, *op. cit.*, p. 42.
[11] Dominion. Cumberland Energy Center. Accessed October 6, 2026.
[12] Dominion. Mount Storm Energy Center. Accessed October 6, 2026.
[13] IEEFA. Dominion-NextEra merger plan may slow clean energy transition. October 8, 2026.

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About the Author

Dennis Wamsted

Dennis Wamsted is an IEEFA energy finance analyst who has covered energy and environmental policy and technology issues for 30 years. He is the former editor of The Energy Daily, a Washington, D.C.-based newsletter.