July 1, 2026, to June 30, 2028, VEPGA Contract Overview

MEMORANDUM

TO: VEPGA Members
FROM: Steve Burr, Chair of VEPGA, John Lord, Vice-Chair of VEPGA
DATE: July 17, 2026
RE: July 1, 2026-June 30, 2028 VEPGA Contract Overview

Dear VEPGA Members:

We are pleased to report that the final agreement has been executed between VEGPA and Virginia Electric and Power Company ("Dominion"), effective from July 1, 2026, through June 30, 2028. This memorandum provides an overview of the contract updates and highlights including the revenue requirement updates, non-revenue terms and conditions enhancements, contract negotiation process and a brief summary of current and future energy market trends that impacted the contract.

The following materials have been posted on the VEPGA website, linked here: Contract Materials- July 1, 2026 to June 30, 2028 - VEPGA

Contract materials include:

- Executed Copy of the 2026-2028 Dominion Master Agreement
- Executed Copy of the 2026-2028 Dominion Master Agreement- Redlined Version
- Side Letter Agreement
- Combined Attachments- Terms and Conditions, Rate Schedules and Riders
- Combined Attachments- Terms and Conditions, Rate Schedules and Riders Redlined Version
- 2026-2028 Contract Overview Memorandum

VEPGA was assisted in its contract negotiations by its consultants, Glenn Watkins (Technical Associates, Inc.) and its legal team of Tim McCormick (Christian & Barton L.L.P.) and Cliona Robb (Thompson McMullan P.C.). These consultants, along with the VEPGA Chair and the VEPGA Vice-Chair, constituted the VEPGA Negotiation Team.

Summary and Overview

Although the VEPGA Negotiation Team successfully negotiated for a lower revenue requirement than originally sought by Dominion, a significant increase to the revenue requirement was unavoidable for this contract term. The large increases are attributed to Dominion's cost to provide service, both in base rates and in fuel. The VEPGA Negotiation Team was also successful in utilizing strategic revenue deferrals to further mitigate rate shock over the contract term and achieved several favorable updates to the terms and conditions.

Based on Dominion's initial revenue requirement proposal, the VEPGA Negotiation Team notified members in February 2026 that members could see a rate increase of up to a 32%. Moreover, between February and June of 2026, the costs that Dominion sought to recover starting on July 1, 2026 increased even more, as discussed below. But, as a result of the VEPGA Negotiation Team's efforts, on average, members will see an approximately 25% increase as of July 1, 2026. An at least 12% additional increase will also occur on July 1, 2027.

Revenue Requirement

Below is a summary of overall revenue requirement increases in the categories of costs:

- <u>Base Rates:</u>
    - Initially, Dominion proposed an annual $65.4 million increase to VEPGA base rates, starting on July 1, 2026 (a **$130.8 million** increase over the two-year contract period) to provide safe and reliable service. Moreover, during contract negotiations, Dominion updated its cost calculations and requested an *additional* $12 million in purchased capacity costs (effectively increasing the base rate component of their increase to **$142.8 million** over the two-year contract period).
    - For comparison, during the 2019 contract negotiations, Dominion's initial offer was a $9.25 million annual increase ($27.75 million increase over a three-year contract period).
    - The VEPGA Negotiating Team was able to secure a 2-year contract term with a $42 million base rate increase plus an additional $12 million base rate increase in Year 2 associated with purchased capacity costs. Thus, over the two-year contract period, VEPGA's base rates will increase by **$96 million**. This agreement results in base rates that are <u>**$46 million lower than what Dominion proposed,** over the two-year contract period</u>.

  - In addition, the VEPGA Negotiating Team was successful in delaying, for one year, over half of the $96 million increase, with base rates will increase by $42 million as of 7/1/2026, with an incremental increase of $12 million on 7/1/2027 (resulting in a total base rate increase of $54 million compared to current base rates in the contract year starting on 7/1/2027).

- Fuel:
  - The largest component of VEPGA's total increase is associated with fuel costs. In January of this year, Dominion initially proposed a **$105.7 million** (111%) increase in fuel revenues for the 2026-2027 rate year.
  - Fuel costs are primarily driven by market forces beyond the control of either VEPGA or Dominion. Dominion fuel costs are a "pass through" to customers with no profits and are **therefore not subject to negotiation.**
  - To make matters worse, by May 2026, VEPGA's under-recovered fuel balance increased much more than what Dominion forecasted in early January. This was primarily due to the extremely cold weather during the month of January.
  - The negotiating team recognized the need to mitigate rate shock to its members. The parties were able to negotiate for an increase of only $92 million in the 2026-2027 contract year, with Dominion agreeing to defer over $54 million in fuel costs to the 2027-2028 contract year **with no carrying costs being applied,** which is a significant accommodation on Dominion's part.
  - More details about the cost increases in the energy sector are described in the *Energy Markets Summary* section below.

- Rate Design: This contract also made incremental adjustments that were agreed to in concept during the last contract negotiation process to better align rates to the cost of providing service to individual rate schedules. As a s resulting the streetlighting rates received larger than average increases, which were necessary to avoid cost shifting between rate schedules. In this regard, it should be noted that, even with these changes, streetlighting rates are still being charged rates below their full "cost of service."

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- Rate Comparison: VEPGA's core objective is to obtain the lowest electricity supply service from Dominion through the contract negotiation process. Pursuant to the existing contract, VEPGA requested Dominion provide a comparison of the revenue requirement for all of VEPGA's accounts as if they were billed on SCC jurisdictional customers rates at a given time. Although a useful negotiation tool, such a comparison offers only a snapshot in time. Jurisdictional base rates are adjusted on a different schedule than VEPGA rates, with certain costs recovered over longer or shorter periods of time. As a result, a comparison of VEPGA rates to jurisdictional rates over the term of VEPGA's two-year contract term is difficult. For example:
    - VEPGA adjusted its base rates on July 1, 2025;
    - Jurisdictional base rates increased significantly on January 1, 2026 and are set to increase again on January 1, 2027;
    - New VEPGA base rates went into effect July 1, 2026, with an increase on July 1, 2027, with such rates remaining in effect until June 30, 2028.
    - Next year, Dominion will file a base rate petition to adjust its rates again, with changes to become effective January 1, 2028. It is currently unknown what Dominion will propose in the 2027 base rate case, much less what the State Corporation Commission will approve.
- The VEPGA Negotiation Team will provide additional information for members explaining how jurisdictional rates compare to VEPGA rates.

Non-Revenue, Terms and Conditions Items- The VEPGA Negotiation Team secured several important improvements in the VEPGA contract for its members. A full list of non-revenue items are listed in the *Chart of Contract Issues* section, with specific highlights noted below:

- Extended the deadline for when a payment is considered "late" from "Net 30" days to "Net 60" days.
- The new "Net Energy Metering 2.0" provisions will not apply to VEPGA customers during the entire contract period (7/1/2026-6/30/2028).
- Dominion and VEPGA have agreed to participate in a collaborative meeting, to be facilitated by a neutral third party at Dominion's expense, to "discuss and review the current outdoor lighting offerings, gaps where VEPGA members are encountering limitations with current offerings and pragmatic opportunities to better align outdoor lighting offerings with VEPGA members needs."

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- Protections for VEPGA for issues that may arise from the pending Dominion / NextEra merger. For example, if the SCC approves a bill credit or rate increase as part of its approval for such a merger, Dominion has promises that such benefits or other impacts will flow through to VEPGA on an equal basis.
- Avoided several proposed changes from Dominion that would not have been in VEPGA members' interest. See the Contract Issues Chart for details.
- Dominion agreed that customer bills may be adjusted for under charges within one year, significantly less than the previous three-year "look back" period.
- Dominion has agreed to discuss a range of potential service options, which may include:
    - Options for a new "virtual power plant" tariff
    - Options for anew "shared solar" tariff
    - Options for new electric vehicle ("EV") tariffs, and
    - Revisions on the sourcing of renewable and "clean" energy certificates.

Chart of Contract Issues

Below is the complete list of contract issues addressed in the Master Agreement and the Terms & Conditions:

Customer Service Issues: Billing	
Major system changes	Dominion will notify the JAC in advance of system replacements and provide the JAC with a reasonable opportunity to provide feedback *(Master Agreement, Section E.5)*
Late fee deadline	The late fee deadline is extended from 30 days to 60 days. *(Terms & Conditions, VII.B, XII.I)*
Billing errors	The previous contract called for a 36-month look back period to correct both for undercharges and overcharges. The new contract keeps 36 months to correct for overcharges but limits undercharges to 12 months. *(Terms & Conditions, VI.C)*
Bill credits	Upon request, Dominion will issue checks for refunds of overbilling if the customer prefers that to doing bill credits. *(Terms & Conditions, VI.C)*
Electronic payments	On 4/17/2026, Dominion has sent the JAC the list of available 3rd party vendors.
Construction bills	For underground conversion work, a **written** agreement is specified. Dominion's attempt to remove liquidated damage provisions were not successful. *(Terms & Conditions, XII.E.2)*
Consolidated billing	Dominion's attempts to eliminate consolidated billing were not successful, and it will stop its practice of declining to add new parent accounts.
Contract minimums	Dominion's attempts to revise the contract minimum provisions were not successful.
Customer Service Issues: Oversizing and Project Delays	
Concerns regarding transformers being oversized, resulting	To address Dominion insisting on a large transformer when a customer knows that a smaller transformer will suffice, these provisions were added to Section XII F 3 of the Terms & Conditions: *If the Customer disputes the size of the transformer the Company plans to install, on and after July 1, 2026, such customer shall; (i.) demonstrate that the authorized representative for signing Electric Service Agreements signed*

in excessive contract minimums.	*the load letter and work request documentation, in addition to any contractor working on behalf of the customer, consistent with Section III (Load Letter) and (ii.) provide documented notification to the Customer's Key Account manager that the transformer size is in dispute, before signing the Letter of Authorization (LOA). The foregoing shall be documented via a letter, attached to the LOA, detailing the transformer dispute and include notification of Key Account Manager involvement. In the event that the load does not materialize in the future, then upon Customer request, the Company will investigate whether the lower load is due to error(s) identified by the Customer in the documentation attached to the LOA. If it is determined the Company made an error, then the Company will reduce the contract minimum demand at no cost to the customer and billing will be revised consistent with the timeframe set forth in Section VI.C (Improper Billing – Other Than Incorrect Calibration or Tampering) of the Terms and Conditions. The Company shall not be required to reduce the contract minimum demand at no cost to the Customer if it is determined that the Company did not make an error and such load was reasonably determined based on the information provided to the Company by the Customer at the time of the LOA (including information related to the transformer size being disputed).*
Concerns regarding project timelines	To address concerns regarding insufficient communication with Dominion regarding project time lines, Section XII G 3 in the Terms & conditions is revised by (a) saying that at the beginning of each project, Dominion will provide contact information for the Project Designer, Design Supervisor and Key Account Manager to the Customer and (b) specifying that Dominion email addresses will be provided.
Customer Service Issues: Street Lights	
Design support	To provide support for street lighting, Dominion will provide guidance in an annual webinar.*(Master Agreement, Section G 3).*
Cleaning & relamping	Once per year, Dominion will supply a map to the JAC, by grid that can be connected to each VEPGA member, with the cleaning and relamping schedule *(Master Agreement, Section X.E.2).*
Bills for LED upgrades	To address concerns regarding bills for LED upgrades, the letter of authorization will specify the location of the work and the contact information for the Customer's billing point of contact. *(Terms & Conditions, Section XII. I)*
Chesapeake audit	A side letter agreement will address Dominion working with the City of Chesapeake regarding a streetlight audit.
Expanding LED options	To provide a comprehensive method to address expanding LED options, extensive provisions regarding Dominion engaging in a collaborative process are set forth in Attachment F to the Master Agreement. *(Master Agreement, Section G)*
Replacing with LED fixtures	Mercury vapor and metal halide fixtures will be replaced with LED fixtures over a period of 4 years starting on 7/1/2026 using a preferred fixture specified by the Customer. *(Terms & Conditions, Section X. E)*
Customer Service Issues: Clean Energy Offerings	
EV tariff	By 9/1/2026, Dominion will meet with VEPGA members to better understand such members' interest in developing EV rate schedules and to evaluate the need for a future program. *(Master Agreement, Section G.6.)*
Net energy metering	NEM 2.0 will not apply to customers during the term of the 7/1/2026 agreement. *(Terms & Conditions, Section XIV, item 3)*
Standby charges	Schedule C standby charges will not apply to interconnection applications approved by Dominion as of 7/1/2026. *(Terms & Conditions, Section XIV). .*
RECs	By 9/1/2026, Dominion will meet with VEPGA members regarding Rider G-CM pricing and sourcing to evaluate future changes to Rider G-CM. *(Master Agreement, Section F. 3. C)*
Virtual Power Plants	By 9/1/2026, Dominion will meet with VEPGA members to better understand such members' interest in developing a virtual power plant ;pilot and to evaluate the need for a future program. *(Master Agreement, Section F.7)*
Shared solar	By 9/1/2026, Dominion will meet with VEPGA members to better understand such members' interest in developing a virtual power plant ;pilot and to evaluate the need for a future program. (*Master Agreement, Section F.8)*
Customer Service Issues: Updating Rate Schedules	

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Schedule 132	As of 7/1/2028, Schedule 132 will be revised to resemble jurisdictional Rate Schedule 10.
Schedule 110	Schedule 110 has been revised to state that the use of gas withing a school kitchen will not disqualify a customer from using Schedule 110.
Customer Service Issues: Rate Comparisons	
Internal rate comparisons	Dominion, within 6 months of 7/1/2026, will provide rate comparisons to VEPGA members who would, within certain parameters, save by switching to a different VEPGA rate schedule. *(Master Agreement, Section H.4.a. and Terms & Conditions, VII. B)*
Jurisdictional rate comparisons	Dominion will conduct a comparison of VEPGA base rates to jurisdictional base rates that are effective as of 1/1/2028, with such comparison to be provided by 2/15/2028 (*Master Agreement, Section F 5)*
Dominion "Clean Up" Items	
Blue book website	Section II.C of the Terms & Conditions is revised to update the website for the Blue Book.
Meter location	Section IV.D of the Terms & Conditions is revised to tweak meter location provisions
Sample load letter	Section II. H. of the Terms & Conditions is revised to specify the July 2026 load letter
Meter units	Section VI.A of the Terms & Conditions is revised to delete meters being read in 10kWh units
Written form	Section XII.F. of the Terms & Conditions is revised to specify a written form
Interval meters and contact closures	Section VI.F. of the Terms & Conditions is revised to delete interval meter provisions and to increase costs for contact closures.
Damage to streetlights	Section X.B of the Terms & Conditions is revised to delete provisions addressing Dominion providing innovative solutions to repeated acts of vandalism to streetlights are deleted.
Merger Items	
Benefits from Transfer Proceeding	Agreed that VEPGA Customers will receive the same benefits (or costs) as jurisdictional customers arising from the possible NextEra / Dominion merger proceeding.
Negotiate	Parties agreed that if, because of the contemplated merger between Dominion and NextEra, either party is unable to perform their respective obligation, then the Parties will meet and confer to negotiate reasonable amendments to the Agreement as may be necessary.

Contract Negotiation Process Overview

Contract negotiations occurred on a compressed timeline after Dominion's base rate case, which did not resolve until late 2025. As VEPGA members are aware, the timing of the VEPGA contact negotiations does not align with member budgeting process, but the VEPGA Negotiation Team made every effort to share updates with VEPGA member during the negotiation process. Below is a timeline of the contract negotiation process, including key milestones and communications to VEPGA members:

- VEPGA Negotiation Team solicited contract issues from members through a survey sent to all members, quarterly board meetings and annual meeting to prepare for the contract negotiation priorities and incorporate feedback from VEPGA members.
- Dominion's 2025 biennial review resulted in significant changes in Dominion's service, which led to VEPGA not receiving Dominion's proposal or supporting workpapers until late-January 2026.

- On February 5, 2026, the VEPGA Negotiation Team met with the Dominion team to hear its proposal. Based on this information, the VEPGA Negotiation Team notified VEPGA members of the potential 32% rate increase.
- During the months of February and March, VEPGA's consultants and reviewed the workpapers provided by Dominion. In a SCC case, this process takes a large team of Commission experts four to five months, but the VEPGA negotiation team was able to complete its review in a much shorter amount of time.
- The VEPGA Negotiation Team consulted with the VEPGA Board as part of the Annual Meeting held on April 14. At that meeting, the VEPGA Board authorized the Negotiation Team to make a counteroffer.
- The VEPGA Negotiation Team provided a counteroffer on non-revenue items in late April and a counteroffer on revenue requirement issues on May 5.
- On May 13, the VEPGA Negotiation Team and Dominion met again for another full day of negotiations. During this meeting, the parties reached an agreement in principle on both revenue requirement and non-revenue requirement issues.
- In late May, Dominion provided the VEPGA Negotiation Team with a draft of the revised rates. The parties exchanged drafts and workpapers throughout the month of June to ensure the contract reflected the mutual intent of the parties.
- On June 18, the VEPGA Chair sent an e-mail to the members explaining that VEPGA will have an overall increase of 24.9%, but that this figure will vary by rate schedule.
- On June 30, the VEPGA Negotiating Team and Dominion agreed to implement the new rates on an interim basis effective July 1, 2026, with final execution of the contract to following.
- On July 15, the parties executed the new contract.

Energy Market Summary

As referenced in the Revenue Requirement section, the following information includes the general energy market trends and drivers for the cost of energy higher for VEPGA and entire energy sector:

<u>Natural Gas Prices:</u>

- Dominion's fuel costs closely track natural gas market prices. In January 2025, virtually all forecasts predicted that natural gas prices would remain relatively constant during 2025 with a slight increase during 2026. However, natural gas

prices increased more than expected during 2025 and spiked considerably in January 2026 due to the abnormally cold weather. Furthermore, the Iranian War has increased energy prices across the board, including natural gas.
- Because of these market forces Dominion significantly under recovered its fuel costs for both jurisdictional and non-jurisdictional customers and requires the need for the increase.
- Dominion provides monthly fuel report updates to VEPGA and will continue to report on such trends and balances to the VEPGA board.

PJM Capacity Cost:
- PJM, the regional grid operator for Virginia, is experiencing a significant shortfall in generation capacity throughout the entire region, but especially within Dominion's transmission zone. This is largely because of rapid growth in demand (primarily but not exclusively driven by data centers) that has outstripped available generation supply. This dynamic has led to significantly higher prices for capacity throughout PJM.

SCC Jurisdictional Customer Impacts:
- Dominion has proposed to finance approximately $1.2 billion in deferred fuel costs for jurisdictional customers, whereby such costs would be recovered over the next 7-10 years with interest. Jurisdictional customers (but not VEPGA members) are already paying for previously incurred deferred fuel costs from 2022 that were "securitized" with interest.
- VEPGA members have not, and will not, be subject to the jurisdictional securitization (which includes interest) because VEPGA members have "paid as we go" and because the VEPGA Negotiating Team secured an interest-free deferral of certain fuel costs until the upcoming rate year.
- Fuel costs, including purchased electricity from PJM, will be borne by both non-jurisdictional customers (like VEPGA members) and jurisdictional customers.

Future Costs Outlook

July 1, 2027, Contract Incremental Increase
- Effective July 1, 2027, VEPGA will begin paying for an additional $12 million in deferred capacity costs
- Dominion has agreed to defer at least $56 million in fuel costs to rate year 2027 (with no interest or "carrying costs"), although this number may increase based on

Dominion's actual fuel expenses. VEPGA's fuel rates will be adjusted upward to recover this deferred amount starting next year.

- The deferred costs mentioned above are the minimum 12% increase next year that has been communicated to members by VEPGA and does not include other costs, such as fuel factor increases and RGGI rider.
- VEPGA members can also anticipate the potential for additional increases in the fuel factor.

Virginia Reentering RGGI Market

- The Virginia General Assembly has directed that the Commonwealth reenter the Regional Greenhouse Gas Initiative ("RGGI"). This will result in a significant new rider, starting in 2027.
- RGGI rider becoming effective will further increase rates for the 2027-2028 rate year

Merger Potential Impacts

- As noted above, Dominion has announced a potential merger with NextEra – valued at $67 billion. Such a transaction would need to be approved by the SCC and would likely be closely scrutinized.
- If there is a refund or revenue credit offered as part of the transfer approval case, VEPGA members would receive a similar credit. The likelihood of such a refund or revenue credit is unknown.

PJM Market Outlooks

- Recent news reports indicate that PJM forecasts continued high prices for generation capacity.

VEPGA's Critical and Continued Mission

As the energy sector continues to evolve VEPGA remains committed to its core mission of providing long-term electricity contracts at the most cost-effective rate possible to save money for local governments and their taxpayers.

If you have any questions or need additional information, please contact VEPGA Secretary/Treasurer Sandy Harrington at sharrington@vml.org.