

Energy Law: Month in Review - January 2026

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Welcome to Dorsey's Energy Law: Month in Review for January 2026. We provide this update to our clients to identify significant developments in the previous month. Please reach out to any of the listed authors to discuss these issues.

LITIGATION AND DISPUTES

Illinois Supreme Court Allows \$7-Billion Grain Belt Power Line Project to Move Forward

On January 23, 2026, the Illinois Supreme Court held that Grain Belt Express LLC ("GBX") can move forward with plans to extend a high-voltage, direct-current transmission line across nine counties in southern Illinois. The decision reverses a lower appellate court's conclusion that the Illinois Commerce Commission ("ICC") had erred in granting GBX a financing certificate because GBX had not properly shown it could finance the project. In a unanimous opinion, the Court reversed, holding that GBX had, in fact, shown it could fund the 800-mile, 5,000-MW transmission line crossing Kansas, Missouri, Illinois, and Indiana. Under the Public Utilities Act, a utility must show it "is capable of financing the proposed construction without significant adverse financial consequences for the utility or its customers." The Court construed the plain meaning of the term "capable of" to mean the "capacity, power or fitness" to finance a project or "the traits conducive to or features permitting project financing." The plain meaning thus does not require GBX to show it can fully finance the project *at the time it applies* for ICC approval. The Court observed that holding otherwise would also stall future energy projects, undermining the state's ability to reach its clean-energy goals.

D.C. Circuit Court Vacates FERC Decision on PJM Capacity Results for the Delmarva Zone

On January 13, 2026, the U.S. Court of Appeals for the D.C. Circuit vacated the Federal Energy Regulatory Commission's ("FERC") decision to reject a complaint related to

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capacity prices for the Delmarva Power & Light Co. South Zone (“DPL South”) for the 2024–25 capacity year. The dispute centers on a capacity auction that PJM Interconnection (“PJM”) conducted in December 2022. After the auction but before PJM released the results, the grid operator found that the results for DPL South were “anomalous” and failed to match supply-and-demand conditions due to a flawed planning parameter, driving up prices for DPL South by about \$183 million. FERC approved PJM’s plan to revise its rules so the grid operator could use the correct parameters for DPL South, which resulted in lower capacity prices as compared to the original results. But after the Third Circuit overturned FERC’s plan, FERC approved PJM’s plan to revert to its original auction results. A coalition of parties challenged the plan, including under section 206 of the Federal Power Act (“FPA”), giving rise to the present case. The D.C. Circuit held that FERC erred in rejecting the complaint first because FERC failed to consider the difference between FPA sections 205 and 206. “The Third Circuit’s decision rejecting FERC’s efforts to modify PJM’s auction process under section 205 simply did not resolve whether FERC might later use its section 206 authority to set aside the auction result.” In some cases, like when ordering refunds, FERC can approve what are effectively retroactive rate decisions.

U.S. District Court Concludes that the DOE Unlawfully Cut Clean-Energy Grants

On January 12, 2026, the U.S. District Court for the District of Columbia concluded that the Department of Energy’s (“DOE”) decision to cancel \$7.5 billion in clean-energy grants violated the Fifth Amendment because the DOE made cancellation decisions based on whether the projects were located in states that Donald Trump carried during the 2024 election. The court concluded that there is “no rational relationship” between the location-based grant terminations and the government’s stated interest in aligning grant funding with agency priorities. The court’s decision impacts seven grants totaling \$27.6 million. The DOE’s October terminations included more than \$7.5 billion in grants for clean-energy projects in states that Kamala Harris carried in 2024.

LEGISLATION

Illinois Sets 3-GW Energy-Storage Target and Requires Utilities to Develop Virtual Power Plants

On January 8, 2026, Illinois Governor J.B. Pritzker signed into law the Clean and Reliable Grid Affordability Act, which aims to combat rising electricity costs through development of battery storage and virtual power plants, new planning processes, energy-efficient investments, residential solar, and other initiatives. The law directs Illinois utilities to install 3 GW of grid-scale energy storage by 2030 and to develop programs to pay customers to use resources like batteries, smart thermostats, and EV chargers. It also lifts a moratorium on large nuclear-reactors. The law will double the allowed size of community solar projects to 10 MW. It also extends clean-energy siting reforms to storage projects, allows the Illinois Commerce Commission to accelerate

renewables projects before federal tax credits expire, establishes a solar bill of rights for consumers, and ties the state's Renewable Portfolio Standard budget cap to inflation to avoid disruptions to clean-energy procurement.

REGULATORY DEVELOPMENTS

DOE Revokes \$1.8-billion Clean-Energy Loan Commitment to Arizona Public Service

On January 29, 2026, the DOE confirmed that it cancelled a \$1.8-billion clean-energy loan commitment it had made on January 7, 2025, to Arizona Public Service ("APS"). APS's goal is to retire all coal-fired generation by 2031 and to supply 100% carbon-free electricity to customers by 2050. At the time DOE announced its loan commitment, it stated that the loan would help finance the utility's "new or upgraded transmission projects, renewable power generation, and grid-integrated energy-storage systems." According to the DOE, the loan cancellation followed "an exhaustive first-year review" of the Biden Administration's loan commitments.

Appropriations Bill Funds DOE's Wind and Solar Programs

Despite proposing zero funding to DOE's wind and solar programs, Donald Trump signed an appropriations bill ("Appropriation") providing \$3.1 billion to the DOE's Office of Energy Efficiency and Renewable Energy ("EERE"), including \$320 million to wind and solar programs. The \$3.1 billion is an overall decrease from the \$3.46 billion it received in 2025. But the Appropriation increases EERE's budget for solar projects from \$41.9 million to \$220 million and its wind projects from \$29.8 million to \$100 million.

Minnesota PUC Adopts Fuel Life Cycle Analysis Framework for Carbon Free Standard Compliance

On January 16, 2026, the Minnesota Public Utilities Commission ("PUC") approved a Fuel Life Cycle Analysis ("LCA") framework to guide compliance with the state's Carbon Free Standard ("CFS"). The CFS requires utilities to supply 100% carbon-free electricity by 2040. For more complex, waste-derived fuels—including municipal solid waste, renewable natural gas, and secondary biomass—utilities must conduct an LCA. CFS compliance requires that the greenhouse-gas emissions of the proposed generation resource (other than primary biomass, which is categorically ineligible for CFS compliance) must be less than the emissions of the alternative disposal method. Utilities are required to submit a facility-specific LCA for any new or existing facilities that (i) use waste-derived fuel, and (ii) would be subject to fuel-mix reporting and reevaluation requirements.

Two Days Before Planned Retirement, DOE Orders 446-MW Colorado Coal Unit to Continue Running

On December 30, 2025, two days before the coal-fired, 446-MW Craig Unit 1 ("Craig Unit 1") in Colorado was set to retire, the Department of Energy ("DOE") ordered the Craig Unit 1 to remain running. Citing a North American Electric Reliability Corp. long-term reliability assessment, a July 2025 DOE report, and various executive orders, DOE

Secretary Chris Wright supported the action on the ground that the Rocky Mountain region faces an energy emergency. According to Craig Unit 1's operator, Tri-State Generation and Transmission Association, Inc., running Craig Unit 1 for an additional 90 days will cost approximately \$21 million.