COMMITTEE REPORT

April 2, 2014

**S. 1011**

Introduced by Senator Hembree

S. Printed 4/2/14--S.

Read the first time February 6, 2014.

**THE COMMITTEE ON JUDICIARY**

To whom was referred a Bill (S. 1011) to amend Chapter 37, Title 58 of the 1976 Code, relating to energy supply and efficiency, by adding Section 58‑37‑60, to provide that, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by striking on page 2, lines 25-29 and inserting:

/ shielded from hostile foreign interests. Now, therefore, /

Renumber sections to conform.

Amend title to conform.

Majority favorable. Minority unfavorable.

LUKE A. RANKIN SHANE R. MARTIN

For Majority. For Minority.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:

Minimal (Some additional costs expected but can be absorbed)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:

See Below

**EXPLANATION OF IMPACT:**

Clemson University

Clemson University indicates this bill would have minimal impact on the agency’s general funds. The additional costs associated with the institution’s use of impacted electrical utility companies can be absorbed according to the institution.

The institution anticipates generating other fund revenue in the amount of $2 million to cover the implementation costs associated with supporting 6.20 FTEs, operating costs, equipment maintenance contracts, and travel over two years. The projected other fund costs are estimated using an average of 30% of the overall facility operating costs for the Wind Turbine facility at Clemson University Restoration Institute.

Public Service Commission

The Public Service Commission estimates this bill will have no fiscal impact on the state general fund or on federal and/or other funds.

**SPECIAL NOTES:**

The Board of Economic Advisors is the appropriate entity to address any revenue impact associated with this bill.

*Approved By:*

Brenda Hart

Office of State Budget

**A** **BILL**

TO AMEND CHAPTER 37, TITLE 58 OF THE 1976 CODE, RELATING TO ENERGY SUPPLY AND EFFICIENCY, BY ADDING SECTION 58‑37‑60, TO PROVIDE THAT “OFFSHORE WIND RESEARCH AND DEVELOPMENT ACTIVITIES” MEANS INITIATIVES UNDERTAKEN BY AN ELECTRICAL UTILITY FOR THE LONG‑TERM ADVANCEMENT OF THE ECONOMIC DEVELOPMENT AND CLEAN ENERGY BENEFITS RELATED TO OFFSHORE WIND, AND TO PROVIDE THAT THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION SHALL ADOPT REGULATIONS THAT ENCOURAGE ELECTRICAL UTILITIES SUBJECT TO THE JURISDICTION OF THE COMMISSION TO INVEST IN OFFSHORE WIND RESEARCH AND DEVELOPMENT ACTIVITIES THAT PROVIDE INCENTIVES AND COST RECOVERY FOR ENERGY SUPPLIERS AND DISTRIBUTORS WHO INVEST IN OFFSHORE WIND RESEARCH AND DEVELOPMENT ACTIVITIES THAT ARE INTENDED TO RESULT IN ECONOMIC DEVELOPMENT OPPORTUNITIES RELATED TO THE MANUFACTURING AND DEPLOYMENT OF OFFSHORE WIND, AND THAT THE COMMISSION SHALL ADOPT REGULATIONS ENCOURAGING INVESTMENT IN OFFSHORE WIND RESEARCH AND DEVELOPMENT ACTIVITIES NO LATER THAN JANUARY 1, 2015.

Whereas, South Carolina is well suited to meet the workforce and infrastructure needs related to offshore wind energy development along the East Coast and such development would create long‑term, well‑paying jobs for the community; and

Whereas, the thirty‑three wind energy manufacturing facilities currently operating in South Carolina employ over 1,100 people, generate $530 million of output annually in the State, and support 1,797 indirect and induced jobs statewide; and

Whereas, the Clemson University Restoration Institute’s “Wind Energy Supply Chain Survey and Offshore Wind Economic Impact Study” determined that the installation of a 1,000 megawatt wind farm will have a vast economic impact on the State, particularly in the ten‑year construction phase; and

Whereas, Clemson University’s Wind Turbine Drivetrain Testing Facility in North Charleston is one of a kind and the largest in the world and is well positioned to serve a central role in the further development of a wind energy industry hub for South Carolina, attracting manufacturers; and

Whereas, General Electric operates one of the largest wind turbine manufacturing facilities in the United States in the Upstate; and

Whereas, South Carolina’s shallow‑water offshore wind resource is the second largest of the East Coast states and represents a long‑term economic investment opportunity, as well as a long‑term opportunity for in‑state energy production; and

Whereas, offshore wind energy is a domestic source of energy shielded from hostile foreign interests; and

Whereas, South Carolina maintains a robust electrical grid that can accommodate a significant amount of offshore wind. Now, therefore,

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Chapter 37, Title 58 of the 1976 Code is amended by adding:

“Section 58‑37‑60. (A) For the purposes of this section, ‘offshore wind research and development activities’ means initiatives undertaken by an electrical utility for the long‑term advancement of the economic development and clean energy benefits related to offshore wind.

(B) The South Carolina Public Service Commission shall adopt regulations that encourage electrical utilities subject to the jurisdiction of the commission to invest in offshore wind research and development activities.

(C) These regulations must:

(1) provide incentives and cost recovery for energy suppliers and distributors who invest in offshore wind research and development activities that are intended to result in economic development opportunities related to offshore wind energy; and

(2) allow energy suppliers and distributors to recover costs and obtain a reasonable rate of return that is at least as financially attractive as construction of new traditional generating facilities on their investment in an offshore wind facility of less than seventy‑five megawatts.

(D) Offshore wind research and development activities undertaken by an electrical utility may include, but are not limited to:

(1) offshore wind potential studies;

(2) demonstration projects of less than seventy‑five megawatts developed in collaboration with regional electrical utility partners or other electrical utility partners of this State;

(3) utility transmission and distribution system improvements associated with a demonstration wind project;

(4) regional initiatives that include out‑of‑state partnerships for data gathering activities related to future offshore wind deployment; and

(5) partnership initiatives with colleges and universities.

(E) The commission shall adopt regulations no later than January 1, 2015.

(F) Nothing in this section shall be construed as requiring an electrical utility subject to the jurisdiction of the commission to invest in offshore wind research and development activities.”

SECTION 2. This act takes effect upon approval by the Governor.

‑‑‑‑XX‑‑‑‑