**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 58‑31‑470 SO AS TO ESTABLISH A PILOT PROGRAM THAT ALLOWS ELECTROLYTIC PROCESSORS TO PURCHASE FROM THE PUBLIC SERVICE AUTHORITY A PORTION OF ITS ELECTRIC REQUIREMENTS AT MARKET‑BASED RATES, AMONG OTHER THINGS; AND TO AMEND SECTION 58‑31‑310, RELATING TO DEFINITIONS CONCERNING THE PROVISION OF ELECTRICAL SERVICE AND THE PUBLIC SERVICE AUTHORITY, SO AS TO DEFINE ADDITIONAL TERMS.

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

SECTION 1. Article 3, Chapter 31, Title 58 of the 1976 Code is amended by adding:

“Section 58‑31‑470. (A) Notwithstanding another provision of law, there is established a pilot program that allows an electrolytic processor to purchase from the Public Service Authority a portion of its electric requirements at market‑based rates.

(B) For an electrolytic processor existing on the effective date of this act, the amount of power subject to this pilot program will be up to fifty percent of its peak demand and annual megawatt hour consumption based on 2014 usage. For a new electrolytic processor the amount of power subject to the pilot program will be up to fifty percent of its total expected capacity. The electrolytic processor may purchase amounts in excess of the pilot program amounts under rate schedule CSP‑16 as it exists on the effective date of the act.

(C) The pilot program must commence on August 1, 2016 and terminate on July 31, 2018, unless extended either by law or by the Public Service Authority.

(D) When an industrial utility acquires firm power from a third‑party supplier and delivers that power to the Public Service Authority’s transmission system, the Public Service Authority shall acquire, deliver and sell that power to the electrolytic processor; provided the:

(1) Public Service Authority shall purchase the power at the price specified by the industrial utility;

(2) sale price to the electrolytic processor must be the same as the purchase price plus any applicable state and county fees and the Public Service Authority’s capital improvement fund percentage applied to the sale price; and

(3) charges for transmission and ancillary services must be the same as the charges in the Public Service Authority’s then applicable open access transmission tariff plus, if applicable, a lost opportunity charge.

(E) The lost opportunity charge must be determined as follows:

(1) the Public Service Authority shall calculate the charge quarterly, beginning September 30, 2016, and shall submit the calculation to the Office of Regulatory Staff for review by the fifteenth day of the month after the end of the quarter to the Office of Regulatory Staff for review, modification or verification and approval;

(2) the charge must be calculated as the net value of actual market purchases that the Public Service Authority was required to forego solely because import transmission capacity had been reserved for the electrolytic processor under this pilot program; and

(3) the net value must be calculated as the Public Service Authority’s variable generation costs that would have been avoided if the market purchase had been made, less the cost of the market power delivered to the Public Service Authority’s system and less the total transmission revenues paid by the electrolytic processor. The electrolytic processor shall pay the lost opportunity charge that has been verified and approved by the Office of Regulatory Staff, provided the lost opportunity charge may not exceed a cap equal to the Schedule L‑09 capacity charge in 2016 and the Schedule L‑16 capacity charge in 2017‑2018, each applied to fifty percent of the demand taken by the electrolytic processor under the pilot program for the quarter, and less the transmission charges applied to twenty‑five percent of the demand taken by the electrolytic processor for the quarter.

(F) Notwithstanding another provision of law, the electrolytic processor must be allowed to terminate a purchase and reduce its contract demand to zero under the pilot program and under Schedule CSP‑16 on six months notice.”

SECTION 2. Section 58‑31‑310 of the 1976 Code is amended to read:

“Section 58‑31‑310. The following words and phrases as used in this article, unless a different meaning is plainly required by the context, shall have the following meanings:

(1) ‘Ancillary service’ means a service necessary or incidental to the transmission and delivery of electric capacity and energy from generating facilities to retail electric consumers:

(a) including but not limited to:

(i) scheduling and system control and dispatch service;

(ii) reactive supply and voltage control; and

(iii) regulation and frequency response, energy imbalance service; and

(b) excluding operating and spinning reserves service and supplemental reserve service.

(2) ~~The term~~ ‘Electrical utility’ includes persons and corporations, their lessees, assignees, trustees, receivers or other successors in interest owning or operating in this State equipment or facilities for generating, transmitting, delivering or furnishing electricity for street, railway or other public uses or for production of light, heat or power to or for the public for compensation; but it shall not include an electric cooperative or municipality and shall not include a person, corporation furnishing electricity only to himself or itself, their residents, employees or tenants when such electricity is not resold or used by others.

(3) ‘Electrolytic processor’ means a retail electric consumer that:

(a) consumes, will consume, reasonably expects to consume, or has historically consumed at least 1.5 million megawatt hours of energy each year;

(b) consumes, will consume, reasonably expects to consume, or has historically consumed electricity primarily as a raw material in an electrolytic reduction process and not primarily for the purpose of mechanical wheel‑turning or heating; and

(c) is located within the service area or areas of the Public Service Authority.

(4) ‘Electrolytic reduction process’ means the use of direct electric current to produce a chemical reaction.

(5) ‘Industrial utility’ means a person, corporation, or other entity, whether located within the state of South Carolina or otherwise, that is affiliated with an electrolytic processor and that sells, offers to sell, or has a contract to sell electricity only to wholesale electric customers.

(6) ‘Line’ means any electric conductors operating at a nominal voltage level of 25 KV or less, measured phase‑to‑phase, except (a) in the case of overhead construction, conductors from the pole or tower nearest the premises of a consumer to the premises, or conductors from a line tap to the premises, and (b) in the case of underground construction, conductors from the transformer (or junction point, if there is one) nearest, on or in the premises of the consumer to the premises. The term ‘line’ includes any electric conductor operating at a nominal voltage level in excess of 25 KV when it is agreed between the Public Service Authority and an affected electric cooperative serving in the county where the conductor is located that the primary purpose and use of the conductor on January 1, 1984, was for the distribution of electric power and not for the transmission of bulk power from one area to another.

(7) ‘Premises’ means the building, structure or facility including any expansions or additions thereto, to which electricity is being or is to be furnished; provided, that two or more buildings, structures or facilities which are located on one tract or contiguous tracts of land and are utilized by one electric consumer for farming, business, commercial, industrial, institutional or governmental purposes, shall together constitute one ‘premises’ regardless of whether they are separately metered and the charges for such service are calculated independently of charges for service to any other building, structure or facility. Premises are considered as being served by the Public Service Authority if on July 9, 1973 a contract between the electric consumer and the Public Service Authority has been signed, or any of the facilities for electric service belonging to the Public Service Authority are attached to such premises.

(~~2~~8) ~~The term~~ ‘Present service area’ means the area or areas hereinafter described, within which the Public Service Authority shall have the right to furnish electrical service to the exclusion of other electrical utilities.

~~(3)~~ ~~The term ‘premises’ means the building, structure or facility including any expansions or additions thereto, to which electricity is being or is to be furnished; provided, that two or more buildings, structures or facilities which are located on one tract or contiguous tracts of land and are utilized by one electric consumer for farming, business, commercial, industrial, institutional or governmental purposes, shall together constitute one ‘premises’ regardless of whether they are separately metered and the charges for such service are calculated independently of charges for service to any other building, structure or facility.~~

~~Premises are considered as being served by the Public Service Authority if on July 9, 1973 a contract between the electric consumer and the Public Service Authority has been signed, or any of the facilities for electric service belonging to the Public Service Authority are attached to such premises.~~

~~(4)~~ ~~The term ‘line’ means any electric conductors operating at a nominal voltage level of 25 KV or less, measured phase‑to‑phase, except (a) in the case of overhead construction, conductors from the pole or tower nearest the premises of a consumer to the premises, or conductors from a line tap to the premises, and (b) in the case of underground construction, conductors from the transformer (or junction point, if there is one) nearest, on or in the premises of the consumer to the premises. The term “line” includes any electric conductor operating at a nominal voltage level in excess of 25 KV when it is agreed between the Public Service Authority and an affected electric cooperative serving in the county where the conductor is located that the primary purpose and use of the conductor on January 1, 1984, was for the distribution of electric power and not for the transmission of bulk power from one area to another.~~”

SECTION 3. This act takes effect upon approval by the Governor.

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