COMMITTEE REPORT

May 1, 2018

**H. 4304**

Introduced by Reps. Duckworth, Loftis, Finlay, Henderson, Stavrinakis, Clary, McCoy, Taylor, Cogswell, Hewitt, Erickson, Crawford, Johnson, Jordan, Atwater, Spires, Fry, Clemmons, Putnam, McCravy, Huggins, Davis, Kirby, Arrington, Bennett, Collins, Felder, Ballentine, Bannister, Bedingfield, Blackwell, Cole, Forrest, Gagnon, Hardee, Herbkersman, Hiott, Hixon, Lowe, Lucas, V.S. Moss, Pope, S. Rivers, Simrill, G.R. Smith, Thayer, Wheeler, Willis, Murphy, Brown, Elliott, Ott, Norrell, McGinnis, Caskey, Mace, Trantham, Ridgeway and B. Newton

S. Printed 5/1/18--S.

Read the first time April 9, 2018.

**THE COMMITTEE ON JUDICIARY**

To whom was referred a Bill (H. 4304) to amend the Code of Laws of South Carolina, 1976, by adding Section 58‑37‑60 so as to provide that “offshore wind resource development activities” means, 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 all after the enacting language and inserting:

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

“Section 58‑37‑60. (A) For purposes of this section, ‘offshore wind-resource development activities’ means initiatives undertaken by or on behalf of an electrical utility for the long‑term advancement of economic development and clean‑energy benefits resulting from offshore wind.

(B) The South Carolina Public Service Commission may adopt procedures that encourage electrical utilities subject to the jurisdiction of the commission to invest in offshore wind-resource development activities if the commission determines that adopting these procedures would be in the best interest of South Carolina ratepayers.

(C) In considering an application under this act, the commission must not approve an application without making findings that approval of the application is reasonably expected to result in the development of energy resources that benefit South Carolina and are in ratepayers’ best interest considering:

(1) reduced electric rates;

(2) economic development benefits for residents within the State; and

(3) environmental impacts.

(D) Offshore wind resource development activities undertaken by an electrical utility may include only:

(1) offshore wind-potential studies;

(2) a demonstration project developed in collaboration with wind energy developers, 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) Nothing in this section is meant to require an electrical utility subject to the jurisdiction of the commission to invest in offshore wind-resource development activities.

(F) In considering an application for approval under this act of any offshore wind-resource development activities in areas that comprise a portion of the Military Training Areas bordering South Carolina or Georgia, the commission must not approve an application without the prior written concurrence of the applicable federal, state and local authority.

(G) A structure installed to accomplish the purposes of this chapter must not be visible by the human eye from land.”

SECTION 2. Chapter 37, Title 58 of the 1976 Code is amended by adding:

/ Section 58-37-65. The Public Service Commission may approve a pilot program to encourage the construction, purchase, or lease of renewable generation resources, as defined by Section 58-39-120(F), on a former hazardous waste site that is within the Department of Health and Environmental Control’s oversight. The provisions of Section 12-6-3770(A) shall be applicable in the event a taxpayer constructs, purchases or leases renewable generation resources on a former hazardous waste site within the Department of Health and Environmental Control’s oversight; however, ‘public funds’ would not include funds expended by the Department in the course of its oversight duties. Any tax credits earned pursuant to Section 12-6-3770(A) for income tax years beginning in 2018 shall apply until the credits have been fully claimed.

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

Renumber sections to conform.

Amend title to conform.

LUKE A. RANKIN for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Amended by the House of Representatives on April 3, 2018**

**State Expenditure**

This bill allows the Public Service Commission (PSC) to adopt procedures that encourage electrical utilities to invest in offshore wind resource development activities if the procedures would be in the best interest of ratepayers of this state. The bill also identifies the activities that may be undertaken by an electrical utility relating to offshore wind resource development. PSC must not approve an application that comprises a portion of the military training areas bordering South Carolina or Georgia without the prior written concurrence of the applicable federal, state, and local authority. Additionally, a structure installed to accomplish the purposes of this bill must not be visible by the human eye from land. The bill takes effect upon approval by the Governor.

**Public Service Commission (PSC).** PSC indicates that this bill is expected to increase Other Funds expenses by $165,000 in FY 2018-19 and $146,000 each year thereafter. Of this amount, recurring expenses of $135,000 is for 2 FTEs, including an engineer and a rate analyst, and $11,000 is for IT equipment rentals, office supplies, training, and professional development. Nonrecurring expenses are expected to total $19,000 for IT equipment purchases, office furniture, and office renovations in FY 2018-19.

**Office of Regulatory Staff (ORS).** ORS indicates that this bill does not operationally or fiscally impact the agency. Therefore, the bill will have no expenditure impact on other funds. Since ORS operates solely on other funds, the bill will have no expenditure impact on the general fund or federal funds either.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 58‑37‑60 SO AS TO PROVIDE THAT “OFFSHORE WIND RESOURCE DEVELOPMENT ACTIVITIES” MEANS INITIATIVES UNDERTAKEN BY AN ELECTRICAL UTILITY FOR THE LONG‑TERM ADVANCEMENT OF ECONOMIC DEVELOPMENT AND CLEAN ENERGY BENEFITS RESULTING FROM OFFSHORE WIND, TO PROVIDE THAT THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION MAY ADOPT PROCEDURES THAT ENCOURAGE ELECTRICAL UTILITIES SUBJECT TO THE JURISDICTION OF THE COMMISSION TO INVEST IN OFFSHORE WIND RESOURCE DEVELOPMENT ACTIVITIES THAT PROVIDE COST RECOVERY FOR ENERGY SUPPLIERS AND DISTRIBUTORS WHO INVEST IN OFFSHORE WIND RESOURCE DEVELOPMENT ACTIVITIES THAT ARE REASONABLY EXPECTED TO RESULT IN ECONOMIC DEVELOPMENT FROM THE MANUFACTURING AND DEPLOYMENT OF OFFSHORE WIND.

Whereas, South Carolina is well suited to meet the workforce and infrastructure needs related to offshore wind‑energy development along the East Coast and this 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, 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, 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, Santee Cooper has demonstrated leadership in offshore wind assessment through buoy and SODAR projects collecting wind data in partnership with Coastal Carolina University, and through designing an offshore meteorological platform for further data collection; and

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

Whereas, the South Carolina coastline is also the location of 52,000 square miles comprising the Regional Military Operating Area bordering coastal Florida, Georgia, and South Carolina (“Military Operating Areas”) which provide critical flight training areas to support the mission of military aviation forces in the southeastern United States; and

Whereas, it is recognized that the military use of the Military Operating Areas must not be impaired by the installation of wind turbines in areas incompatible with their continued use for vital military training purposes. 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 purposes of this section:

(1) ‘offshore wind-resource development activities’ means initiatives undertaken by an electrical utility for the long‑term advancement of economic development and clean‑energy benefits resulting from offshore wind;

(2) ‘used and useful’ means an electric utility facility has commenced commercial operations and is presently providing actual electric utility service to customers; and

(3) ‘prudent’ or ‘prudence’ means and requires a high standard of care in making decisions and taking actions in order to protect the public interest.

(B) The South Carolina Public Service Commission may adopt procedures that encourage electrical utilities subject to the jurisdiction of the commission to invest in offshore wind-resource development activities if the commission determines that adopting these procedures would be in the best interest of South Carolina ratepayers.

(C) In considering an application under this act, the commission must not approve an application without making findings that approval of the application is reasonably expected to result in the development of energy resources that benefit South Carolina and are in ratepayers’ best interest considering:

(1) reduced electric rates;

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(E) Nothing in this section is meant to require an electrical utility subject to the jurisdiction of the commission to invest in offshore wind-resource development activities.

(F) In considering an application for approval under this act of any offshore wind-resource development activities in areas that comprise a portion of the Military Training Areas bordering South Carolina or Georgia, the commission must not approve an application without the prior written concurrence of the applicable federal, state and local authority.

(G) A structure installed to accomplish the purposes of this chapter must not be visible by the human eye from land.”

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

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