



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3659 Amended by House Labor, Commerce, and Industry on February 14, 2019
Author: McCoy
Subject: South Carolina Energy Freedom Act
Requestor: House Labor, Commerce, and Industry
RFA Analyst(s): Gallagher
Impact Date: April 4, 2019 Updated for Additional Agency Response

Fiscal Impact Summary

This bill will increase non-recurring Other Funds expenditures for the Public Service Commission (PSC) by a range of \$500,000 to \$1,000,000 for contractual services and agreements with experts in the utility field in FY 2019-20. However, the bill will have an undetermined impact to Other Funds expenditures of PSC in subsequent years, as the future need for consultancy hours for the periodic hearings required by this bill is unpredictable.

This bill will increase recurring Other Funds expenditures for the Office of Regulatory Staff (ORS) by \$356,800 for the hire of four FTEs and additional operating expenses. This fiscal impact statement has been updated based on a response from PSC.

Explanation of Fiscal Impact

Updated for Additional Agency Response on April 4, 2019
Amended by House Labor, Commerce, and Industry on February 14, 2019
State Expenditure

This bill enacts the “South Carolina Energy Freedom Act”. This act enumerates specific rights for electrical utility customers, provides for judicial review of the violation of electrical utility customer’s rights, and establishes procedures for periodic hearings to review and approve electrical utilities avoided cost methodologies, standard offers, form contracts, and commitment to sell forms. The bill requires electrical utility companies to file a voluntary renewable energy program for the commission’s review and approval, to enumerate program requirements, and to establish a neighborhood community solar program plan. This bill removes the solar leasing cap and requires a procurement process overseen by an independent evaluator chosen by ORS prior to the construction of a major utility facility. The bill includes any independent power producer that is proposing an alternative to the major utility facility as a party to a certification proceeding. This bill allows for integrated resource plans to provide for the evaluation of the adoption of renewable energy, energy efficiency, and demand response, as well as to introduce certain reporting requirements. This bill amends the definition of “customer-generator” and requires electrical utilities to make net energy metering available to customer-generators until the total installed nameplate generating capacity of net energy metering systems equals at least two percent of the previous five-year average of the electrical utility’s retail peak demand. Lastly, the bill provides for a successor net energy metering tariff.

Public Service Commission (PSC). This bill permits PSC to independently employ third-party consultants and experts to carry out the duties enumerated in the legislation. These duties include conducting periodic hearings to review and approve electrical utilities' avoided cost methodologies, standard offers, form contracts and commitment to sell forms and requiring the PSC to promulgate interconnection standards. PSC anticipates the cost for consultants will be approximately \$300 per hour. PSC anticipates they could expend between \$500,000 to \$1,000,000 in non-recurring Other Funds expenditures in FY 2019-20. However, the Other Funds expenditure impact to PSC for subsequent years is undetermined, as the potential consultancy hours needed for the periodic hearings required by this bill is unpredictable. These funds will be used for contractual services and agreements with experts in the utility field. Pursuant to Section 58-3-100, PSC expenses are provided for by the public utilities subject to the commission's jurisdiction.

Office of Regulatory Staff (ORS). This bill allows PSC, in coordination with ORS, to initiate an independent study to evaluate the integration of renewable energy and emerging energy technologies into the electric grid for the public good. ORS is also tasked with reviewing updates to integrated resource plans, developing consumer protection regulations, and choosing an independent evaluator to oversee the procurement process for the building of major utility facilities. The bill requires the ORS to provide analyses and testify before the PSC during periodic hearings regarding electrical utilities' avoided cost methodologies, standard offers, form contracts, and commitment to sell forms.

This bill permits ORS to independently employ third-party consultants or experts to carry out the duties enumerated in the legislation. The agency expects they will have \$346,800 in recurring Other Funds expenses in FY 2019-20 to enact this legislation. Of these funds, \$346,800 will be used to employ four FTEs. The remaining \$10,000 will be utilized for other operating costs, which will include computers and data processing services, telephone services, and general office supplies.

This fiscal impact statement has been updated based on a response from PSC.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A

Updated for Additional Agency Response on March 21, 2019

Amended by House Labor, Commerce, and Industry on February 14, 2019

State Expenditure

This bill enacts the "South Carolina Energy Freedom Act". This act enumerates specific rights for electrical utility customers, provides for judicial review of the violation of electrical utility customer's rights, and establishes procedures for periodic hearings to review and approve

electrical utilities avoided cost methodologies, standard offers, form contracts, and commitment to sell forms. The bill requires electrical utility companies to file a voluntary renewable energy program for the commission's review and approval, to enumerate program requirements, and to establish a neighborhood community solar program plan. This bill removes the solar leasing cap and requires a procurement process overseen by an independent evaluator chosen by ORS prior to the construction of a major utility facility. The bill includes any independent power producer that is proposing an alternative to the major utility facility as a party to a certification proceeding. This bill allows for integrated resource plans to provide for the evaluation of the adoption of renewable energy, energy efficiency, and demand response, as well as to introduce certain reporting requirements. This bill amends the definition of "customer-generator" and requires electrical utilities to make net energy metering available to customer-generators until the total installed nameplate generating capacity of net energy metering systems equals at least two percent of the previous five-year average of the electrical utility's retail peak demand. Lastly, the bill provides for a successor net energy metering tariff.

Public Service Commission (PSC). This bill permits PSC to independently employ third-party consultants and experts to carry out the duties enumerated in the legislation. These duties include conducting periodic hearings to review and approve electrical utilities' avoided cost methodologies, standard offers, form contracts and commitment to sell forms and requiring the PSC to promulgate interconnection standards. PSC anticipates the cost for consultants will be approximately \$300 per hour. PSC anticipates they could expend up to \$500,000 in non-recurring Other Funds in FY 2019-20. However, the expenditure impact to PSC for subsequent years is undetermined, as the potential consultancy hours needed for the periodic hearings required by this bill is unpredictable. These funds will be used for contractual services and agreements with experts in the utility field. Pursuant to Section 58-3-100, PSC expenses are provided for by the public utilities subject to the commission's jurisdiction.

Office of Regulatory Staff (ORS). This bill allows PSC, in coordination with ORS, to initiate an independent study to evaluate the integration of renewable energy and emerging energy technologies into the electric grid for the public good. ORS is also tasked with reviewing updates to integrated resource plans, developing consumer protection regulations, and choosing an independent evaluator to oversee the procurement process for the building of major utility facilities. The bill requires the ORS to provide analyses and testify before the PSC during periodic hearings regarding electrical utilities' avoided cost methodologies, standard offers, form contracts, and commitment to sell forms.

This bill permits ORS to independently employ third-party consultants or experts to carry out the duties enumerated in the legislation. The agency expects they will have \$346,800 in recurring Other Funds expenses in FY 2019-20 to enact this legislation. Of these funds, \$346,800 will be used to employ four FTEs. The remaining \$10,000 will be utilized for other operating costs, which will include computers and data processing services, telephone services, and general office supplies.

This fiscal impact statement has been updated based on a response from PSC.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A

Updated for Additional Agency Response on February 20, 2019

Amended by House Labor, Commerce, and Industry on February 14, 2019

State Expenditure

This bill enacts the “South Carolina Energy Freedom Act”. This act enumerates specific rights for electrical utility customers, provides for judicial review of the violation of electrical utility customer’s rights, and establishes procedures for periodic hearings to review and approve electrical utilities avoided cost methodologies, standard offers, form contracts, and commitment to sell forms. The bill requires electrical utility companies to file a voluntary renewable energy program for the commission’s review and approval, to enumerate program requirements, and to establish a neighborhood community solar program plan. This bill removes the solar leasing cap§ and requires a procurement process overseen by an independent evaluator chosen by ORS prior to the construction of a major utility facility. The bill includes any independent power producer that is proposing an alternative to the major utility facility as a party to a certification proceeding. This bill allows for integrated resource plans to provide for the evaluation of the adoption of renewable energy, energy efficiency, and demand response, as well as to introduce certain reporting requirements. This bill amends the definition of “customer-generator” and requires electrical utilities to make net energy metering available to customer-generators until the total installed nameplate generating capacity of net energy metering systems equals at least two percent of the previous five-year average of the electrical utility’s retail peak demand. Lastly, the bill provides for a successor net energy metering tariff.

Public Service Commission (PSC). This bill permits PSC to independently employ third-party consultants and experts to carry out the duties enumerated in the legislation. These duties include conducting periodic hearings to review and approve electrical utilities’ avoided cost methodologies, standard offers, form contracts and commitment to sell forms and requiring the PSC to promulgate interconnection standards. PSC anticipates the cost for consultants will be approximately \$300 per hour. The number of consultancy hours needed is being reviewed by the agency. PSC expects that recurring Other Funds expenditures will increase due to the cost of the consultants by an undetermined amount. These funds will be used for contractual services and agreements with experts in the utility field. Pursuant to Section 58-3-100, PSC expenses are provided for by the public utilities subject to the commission’s jurisdiction.

Office of Regulatory Staff (ORS). This bill allows PSC, in coordination with ORS, to initiate an independent study to evaluate the integration of renewable energy and emerging energy technologies into the electric grid for the public good. ORS is also tasked with reviewing updates to integrated resource plans, developing consumer protection regulations, and choosing an independent evaluator to oversee the procurement process for the building of major utility facilities. The bill requires the ORS to provide analyses and testify before the PSC during

periodic hearings regarding electrical utilities' avoided cost methodologies, standard offers, form contracts, and commitment to sell forms.

This bill permits ORS to independently employ third-party consultants or experts to carry out the duties enumerated in the legislation. The agency expects they will have \$346,800 in recurring Other Funds expenses to enact this legislation. \$346,800 of these funds will be used to employ four FTEs. The remaining \$10,000 will be utilized for other operating costs, which will include computers and data processing services, telephone services, and general office supplies.

This fiscal impact statement has been updated based on a response from PSC and ORS.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A

Amended by House Labor, Commerce, and Industry on February 14, 2019

State Expenditure

This bill establishes certain rights for the customers of an electrical utility. It provides that an electrical utility will make net energy metering available to customer-generators. The bill mandates review and approval proceedings by PSC for electrical utilities and establishes voluntary renewable energy programs to provide for neighborhood community solar program plans. The bill requires a procurement process overseen by an independent evaluator chosen by ORS prior to the construction of a major utility facility. The bill includes any independent power producer that is proposing an alternative to the major utility facility as a party to a certification proceeding. It provides that PSC will promulgate standards for the interconnection of renewable energy facilities and other nonutility-owned generation to an electrical utility's distribution and transmission system. The bill provides certain requirements for interconnection standards and provides for the resolution of disputes.

The expenditure impact of this bill is pending, contingent upon further analysis and discussion with PSC and ORS.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director