**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 58‑40‑15 SO AS TO ESTABLISH A PROCEDURE WHEREBY ELECTRICAL UTILITIES SHALL FILE NEW CONFORMING NET METERING RATES; BY ADDING SECTION 58‑40‑30 SO AS TO ESTABLISH REVISED NET ENERGY METERING RATES; BY ADDING SECTION 58‑40‑40 SO AS TO PROVIDE THAT THE RATES TO COMPENSATE CUSTOMER‑GENERATORS ARE LIMITED TO AND FOR THE BENEFIT OF THE ORIGINAL CUSTOMER‑GENERATOR ONLY AND ARE NOT TRANSFERABLE TO SUBSEQUENT CUSTOMER‑GENERATORS AT THE SAME LOCATION; BY ADDING SECTION 58‑40‑50 SO AS TO PROVIDE FOR THE RECOVERY OF CERTAIN COSTS BY ELECTRICAL UTILITIES; TO AMEND SECTION 58‑40‑10, RELATING TO DEFINITIONS APPLICABLE TO NET ENERGY METERING, SO AS TO DEFINE THE TERMS “TRANSITION DATE”, “NEW NET METERING RATES”, “VALUE OF SOLAR”, AND “TWO PERCENT CAPACITY LIMIT”; AND TO AMEND SECTION 58‑40‑20, RELATING TO NET ENERGY METERING, SO AS TO REVISE NET ENERGY METERING REQUIREMENTS AND THE RESPONSIBILITIES OF THE PUBLIC SERVICE COMMISSION AND THE OFFICE OF REGULATORY STAFF.

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

SECTION 1. Chapter 40, Title 58 of the 1976 Code is amended by adding:

“Section 58‑40‑15. (A) Each electrical utility shall file new net metering rates that conform with Section 58‑40‑30 for approval by the commission within thirty days after the effective date of this section. The commission shall issue an order no later than August 31, 2019, to enable electrical utilities to implement approved new net metering rates.

(B) The retail rate net energy metering compensation framework and incentives developed pursuant to Act 236 of 2014 and the applicable commission order in effect on the effective date of this section, including the rates at which customer‑generators are credited and the cost recovery provisions for an electrical utility’s unrecovered costs, shall remain in effect for all new and existing customer‑generators that are paid pursuant to this chapter, except as provided in Section 58‑40‑30(B).

Section 58‑40‑30. (A) Customer‑generators who submit an application for interconnection for net energy metering before the transition date may remain on existing net energy metering rates until December 31, 2025. After December 31, 2025, such customer‑generators must be paid the value of solar for all exported energy.

(B) After the transition date, customer‑generators shall receive new net metering rates as described below. The exact rate the customer‑generator will receive is based upon the total nameplate generating capacity of customer‑generators that have applied for interconnection to the electrical utility:

(1) If the aggregate interconnection applications from customer‑generators is greater than two percent but less than two and one‑half percent of the previous five‑year average of the electrical utility’s South Carolina retail peak demand, customer‑generators must be paid ninety percent of the applicable retail energy rate for exported energy.

(2) If the aggregate interconnection applications from customer‑generators is at least two and one‑half percent but less than three percent of the previous five‑year average of the electrical utility’s South Carolina retail peak demand, customer‑generators must be paid eighty percent of the applicable retail energy rate for exported energy.

(3) If the aggregate interconnection applications from customer‑generators is at least three percent but less than three and one‑half percent of the previous five‑year average of the electrical utility’s South Carolina retail peak demand, customer‑generators must be paid seventy percent of the applicable retail energy rate for exported energy.

(4) If the aggregate interconnection applications from customer‑generators is least three and one‑half percent but less than four percent of the previous five‑year average of the electrical utility’s South Carolina retail peak demand, customer‑generators must be paid sixty percent of the applicable retail energy rate for exported energy.

(5) If the aggregate interconnection applications from customer‑generators is at least four percent of the previous five‑year average of the electrical utility’s South Carolina retail peak demand, customer‑generators shall be paid the value of solar for exported energy.

(C) For customer‑generators paid pursuant to subsection (B), the customer‑generator must be credited for all power exported to the utility at the applicable rate each month as specified herein. An electrical utility may not net the energy exported by the customer‑generator against the energy imported by the customer. The electrical utility shall net the amount owed to the customer for the exported energy against the amount owed by the customer to the electrical utility under its applicable retail rate schedule for its energy imports and electric service for each billing period. In the event that the customer has a net credit balance at the end of the billing period, the credit shall roll over to the next billing cycle. The electrical utility shall pay the customer‑generator any outstanding credit balance at the time they discontinue service.

(D) In the event that the percentage of the customer‑generator’s retail energy rate is less than the value of solar, the customer‑generator must be paid the value of solar for exported energy.

(E) The rates provided in subsection (B) must be available to customer‑generators that apply for interconnection no later than December 31, 2022. Customer‑generators may remain on the net metering rates under this section until December 31, 2027, at which time all customer‑generators must be paid the value of solar for all exported energy.

(F) Customer‑generators that apply for interconnection after December 31, 2022, must be paid the value of solar for all exported energy.

(G) For electrical utilities that have not achieved the two percent capacity limit on the transition date, customer‑generators must be compensated pursuant to commission Order No. 2015‑194 until the earlier of December 31, 2020, or the date on which the electrical utility reaches the two percent capacity limit.

(H) Customer‑generators who are compensated pursuant to the rates approved by the commission after January 1, 2015, and before January 1, 2019, may remain on such rates until December 31, 2025. After December 31, 2025, such customer‑generators must be paid the value of solar for all exported energy.

Section 58‑40‑40. All rates to compensate a customer‑generator are limited to and for the benefit of the original customer‑generator only and may not transfer to a subsequent customer‑generator at the same location. The subsequent customer‑generator must be considered a new customer‑generator and must be paid under the new net metering rate applicable at the time the subsequent customer‑generator takes residence.

Section 58‑40‑50. Electrical utilities shall receive the same cost recovery set forth in Commission Order No. 2015‑194 until the earlier of December 31, 2020, or the date on which the electrical utility reaches the two percent capacity limit. After this time, the following cost recovery treatment shall apply:

(1) An electrical utility shall collect any amount paid to customer‑generators in excess of the value of solar as an incremental cost of the distributed energy resource program pursuant to Section 58‑27‑865.

(2) An electrical utility may recover amounts paid to customer‑generators at the value of solar as an avoided cost of net metering pursuant to Section 58‑27‑865.

(3) Electrical utilities shall recover any cost for incremental employees, information technology or billing system changes, or any other similar cost necessary to effectuate the requirements of this chapter as an incremental cost of net metering pursuant to Section 58‑27‑865.”

SECTION 2. Section 58‑40‑10 of the 1976 Code is amended by adding appropriately lettered subsections to read:

“( ) ‘Transition date’ means October 1, 2019.

( ) ‘New net metering rates’ means the compensation provided to customer‑generators that must be in effect after an electrical utility achieves the two percent capacity limit or December 31, 2020, whichever occurs first.

( ) ‘Value of solar’ means the value of energy produced by net energy metering facilities, as approved by the commission, based upon the methodology for calculating such benefits and costs approved by the commission as of this definition’s effective date.

( ) ‘Two percent capacity limit’ occurs when the total nameplate generating capacity of net energy metering systems that have applied for interconnection to the electrical utility equals two percent of the previous five‑year average of the electrical utility’s South Carolina retail peak demand.”

SECTION 3. Section 58‑40‑20 of the 1976 Code is amended to read:

“Section 58‑40‑20. (A) Net energy metering rates approved by the commission under the terms of this chapter ~~shall~~ must be the exclusive net energy metering rates available to customer‑generators~~.~~, ~~Upon commission approval, such~~ including new net ~~energy~~ metering rates ~~shall supersede all prior net energy metering rates~~ pursuant to Section 58‑40‑30. Customer‑generators whose net energy metering facilities were energized prior to the availability of net energy metering rates approved by the commission ~~under the terms of this chapter~~ pursuant to Act 236 of 2014 may remain in historic net energy metering programs through December 31, 2020.

(B) ~~An electrical utility shall make net energy metering available to customer‑generators on a first‑come, first‑served basis until the total nameplate generating capacity of net energy metering systems equals two percent of the previous five‑year average of the electrical utility’s South Carolina retail peak demand. No electrical utility shall be required to approve any application for interconnection from net energy metering customer‑generators if the total rated generating capacity of all applications for interconnection from net energy metering customer‑generators already approved to date by the electrical utility equals or exceeds two percent of the previous five‑year average of the electrical utility’s South Carolina retail peak demand.~~

~~(C)~~ If determined to be prudent by the commission, the electrical utility may furnish, install, own, and maintain metering equipment needed to measure the kilowatt‑hours purchased by the customer‑generator from the utility, the kilowatt‑hours generated or delivered to the electrical utility, and, if applicable under the utility’s tariffs, to measure the kilowatt demand delivered by the electrical utility to the customer‑generator. The electrical utility shall have the right to install special metering and load research devices on the customer‑generator’s equipment and the right to use the customer‑generator’s communication devices for communication with electrical utility’s and the customer‑generator’s equipment.

~~(D)~~(C) The net electrical energy measurement and billing practices ~~shall~~ must be calculated in the following manner for customer‑generators that have submitted an application for interconnection to an electrical utility that has not achieved the two percent capacity limit before December 31, 2020, but in no event shall the below apply to customer‑generators paid pursuant to Section 58‑40‑30(B):

(1) ~~For a customer‑generator, an electrical utility shall measure the net electrical energy produced or consumed during the billing period in accordance with normal metering practices for customers in the same rate class, either by employing a single, bidirectional meter that measures the amount of electrical energy produced and consumed, or by employing multiple meters that separately measure the customer‑generator’s consumption and production of electricity;~~

~~(2)~~ If the electricity supplied by the electrical utility exceeds the electricity generated by the customer‑generator during a billing period, the customer‑generator ~~shall~~ must be billed for the net electricity supplied by the electrical utility in accordance with normal practices for customers in the same rate class;

~~(3)~~(2) Any energy generated by the customer‑generator that exceeds the energy supplied by the electrical utility during a billing period ~~shall~~ must not be used to offset the nonvolumetric electricity charges for that billing period;

~~(4)~~(3) The utility shall maintain an account of any net excess kWh credits accruing from the customer‑generator’s excess generation and allow those kWh credits to be used to offset the customer‑generator’s energy usage during future billing periods. Annually, the utility shall pay the customer‑generator for any accrued net excess generation at the utility’s avoided cost for qualified facilities, zeroing‑out the customer‑generator’s account of net excess kWh credits.

~~(E)~~(D) Each electrical utility shall submit an annual net metering report to the Public Service Commission, with a copy to the Office of Regulatory Staff, including the following information for the previous calendar year:

(1) the total number of customer‑generator facilities;

(2) the estimated gross generating capacity of its net‑metered customer‑generators;

(3) the estimated net kilowatt hours received from customer‑generators.

~~(F)~~(E) Any and all costs prudently incurred pursuant to the provisions of this chapter by an electrical utility as approved by the commission and any and all commission approved benefits conferred by a customer‑generator shall be recoverable by each entity respectively in the electrical utility’s rates in accordance with these provisions:

(1) The electrical utility’s general rates, tariffs, and any additional monthly charges or credits, in addition to any other charges or credits authorized by law, to recover the costs and confer the benefits of net energy metering shall include such measures necessary to ensure that the electrical utility recovers its cost of providing electrical service to customer‑generators and customers who are not customer‑generators.

(2) ~~Any charges or credits prescribed in item (1), and the terms and conditions under which they may be assessed shall be in accordance with a methodology established through the proceeding described in item (4). The methodology shall be supported by an analysis and calculation of the relative benefits and costs of customer generation to the electrical utility, the customer‑generators, and those customers of the electrical utility that are not customer‑generators.~~

~~(3)~~ ~~Upon approval of the methodology provided for in item (4), each electrical utility shall file its analysis of the net cost to serve customer‑generators using the approved methodology and shall propose new net energy metering rates.~~

~~(4)~~ ~~No later than thirty days after the enactment of this act, the commission shall initiate a generic proceeding for purposes of implementing the requirements of this chapter with respect to the net energy metering rates, tariffs, charges, and credits of electrical utilities, specifically to establish the methodology to set any necessary charges and credits as required under items (1) and (2). All interested parties shall be allowed to participate. In its notice initiating such proceeding the commission must require the electrical utilities to propose methodologies required by item (1) and shall allow intervening parties to propose methodologies required by item (2). The Office of Regulatory Staff, pursuant to the requirements of Section 58‑4‑50, shall represent the public interest in this proceeding and shall serve as a facilitator to resolve disputes and issues between the parties to this proceeding.~~

~~(5)~~ In evaluating the ~~benefits and costs of customer generation as required by item (2), and the methodology for calculating such benefits and costs~~ value of solar, the Office of Regulatory Staff may engage third parties with relevant prior experience conducting distributed generation cost‑benefit studies. The cost of any experts and consultants engaged by the Office of Regulatory Staff for purposes of this proceeding shall be assessed to the electrical utilities pro rata based on their five‑year average of retail peak demand and shall be recoverable by those electrical utilities through the base rate for fuel costs established pursuant to Section 58‑27‑865.

~~(6)~~(3) In the event that the commission determines that future benefits from net energy metering are properly reflected in net metering rates because they provide quantifiable benefits to the utility system, its customers, or both, and to the degree such benefits are not then being recovered by the electrical utility in its base rates, then such future benefits shall be deemed an avoided cost and shall be recoverable pursuant to Section 58‑27‑865 by the electrical utility as an incremental cost of the distributed energy resource program.

~~(G)~~(F) In no event shall the net energy metering provisions of this chapter be construed as allowing customer‑generators to engage in meter aggregation, group/joint billing projects, and/or virtual net metering.

~~(H)~~ ~~The commission shall approve an electrical utility’s proposed net energy metering rates that meet the requirements of this chapter, provided that the commission has previously approved that electrical utility’s application to participate in a distributed energy resource program pursuant to Chapter 39, Title 58.~~”

SECTION 4. This act takes effect upon approval by the Governor.

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