



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number: H.3194 Amended by House Ways and Means Santee Cooper Ad Hoc Committee on January 6, 2021

Author: Lucas

Subject: Public Service Authority

Requestor: House Ways and Means

RFA Analyst(s): Payne, Coomer, and Williams

Impact Date: January 12, 2021

Fiscal Impact Summary

South Carolina Public Service Authority

The fiscal impact of this bill on the Other Funds of the South Carolina Public Service Authority (PSA or Authority) is pending, contingent upon a response from the Authority.

South Carolina Public Service Commission

This bill is estimated to increase the Other Funds expenditures of the South Carolina Public Service Commission (PSC or Commission) by \$1,040,000 to hire outside experts and consultants. The outside experts would assist the PSC in four potential proceedings for the PSA's proposed cost savings agreements, Integrated Resource Plan (IRP), analysis of the Authority's operating plans, and evaluating applications for the issuance of new securities. This bill is also estimated to increase the Other Funds revenue of the PSC by \$1,040,000, as the PSC is funded through assessments on the utilities it regulates.

Office of Regulatory Staff

The fiscal impact of this bill on the Other Funds expenditures and revenues of the Office of Regulatory Staff (ORS) is pending, contingent upon a response from the agency.

Department of Administration

This bill will not impact the General Fund, Federal Funds, or Other Funds of the Department of Administration (DOA) as they anticipate being able to comply with the requirements of this bill using existing resources.

Department of Consumer Affairs

The Department of Consumer Affairs (DCA) estimates this bill will increase the agency's General Fund expenditures by \$120,000 per rate increase proceeding, and \$40,000 annually for the review of the PSA's annual cost report.

Department of Commerce

This bill will not have an impact on the General Fund, Federal Funds, or Other Funds of the Department of Commerce as the agency anticipates being able to comply with the requirements of this bill using existing resources.

Explanation of Fiscal Impact

Amended by House Ways and Means Santee Cooper Ad Hoc Committee on January 6, 2021

State Expenditure

Section 1. This section authorizes the sale of the assets of the Authority and the assumption or defeasance of its liabilities in the manner provided by the provisions of this bill.

Section 2. This section establishes a six member committee to further negotiate the terms and conditions of the preferred sale proposal recommended by the DOA pursuant to Act 95 of 2019. The committee shall consist of three members from each house. Once the special committee completes deliberations, they are to recommend a proposal to sell the PSA. Once the proposal has been approved by the House and Senate and considered by the Governor, the DOA is responsible for executing the documents necessary to effectuate the sale proposal once approved.

Department of Administration

This bill requires that the Department of Administration execute any documents necessary to complete the approved sale proposal of Santee Cooper. The DOA anticipates being able to comply with the requirements of this bill using existing resources. Therefore, this bill will not have an impact on the department's expenditures.

Section 4A. This section makes changes to the selection process, structure, and terms for the directors appointed and approved to serve on the board of directors (BOD or board) of the PSA. Once the bill becomes effective, this section of the bill will cause the current board members' terms to expire, so that they may be replaced following the provisions of this section.

South Carolina Public Service Authority

This section of the bill changes the manner in which the board members of the PSA are selected and provides additional selection criteria of education and work experience for board candidates. This section also changes the directors' term length from seven to five years while prohibiting them from serving more than two consecutive terms. This section prohibits directors from making campaign contributions to the Governor who appointed them in the election cycle immediately preceding their appointment.

This section establishes three nonvoting ex officio board members who are entitled to attend all meetings, including any executive sessions. This section directs the board to annually elect a chairman as well as any officers they find appropriate. Once the bill becomes effective, this section of the bill will cause the current board members' terms to expire so that they may be replaced following the provisions of this section.

The expenditure impact of this section on the Other Funds of the PSA is pending, contingent upon a response from the agency.

Department of Commerce

This bill designates the Secretary of Commerce or his designee as a nonvoting ex officio member of the board of the Public Service Authority. The Department of Commerce anticipates being able to comply with the requirements of this bill using existing resources. Therefore, this bill will not have an impact on the department's expenditures.

Section 4B. This section directs the PSA BOD to establish subcommittees and directs the board to select a chief executive officer who shall be responsible for the staffing needs of the PSA.

South Carolina Public Service Authority

This section directs the PSA board to establish subcommittees. There shall be subcommittees dedicated to finance and audit, public information, water services and resource management, generation and power supply planning, and executive and governance issues. This section also directs the board to select a chief executive officer who shall be responsible for the staffing needs of the PSA.

The expenditure impact of this section on the Other Funds of the PSA is pending, contingent upon a response from the agency regarding board and staffing costs.

Section 4C. This section establishes a fiduciary duty of care to the state of South Carolina for directors serving on the PSA board.

Section 4D. This section directs the PSA to explore joint cost-savings opportunities and to seek agreements with other electrical utilities, subject to approval by the Commission. This section requires the PSA to prepare and submit an annual report detailing its efforts regarding implementation of this section.

South Carolina Public Service Authority

This section directs the PSA to explore joint cost-savings opportunities and to enter into agreements with one or more third-party electrical utilities. Any cost savings agreement shall be approved by the PSC with a finding that the agreement is in the public interest. In exploring joint cost-savings opportunities, the PSA shall give first preference to electrical utilities providing electric service in this state.

This section requires the PSA to prepare and submit an annual report detailing its efforts regarding implementation of this section. The annual report shall be submitted to the Governor, Speaker of the House, President of the Senate, ORS, and the PSC.

The expenditure impact of this section on the Other Funds of the PSA is pending, contingent upon a response from the agency.

South Carolina Public Service Commission

This section directs the PSA to explore joint cost-savings opportunities and to seek agreements with other electrical utilities. Any cost savings agreement shall be approved by the PSC with a finding that the agreement is in the public interest. Based on experience with similar

proceedings, the PSC estimates this section of the bill will increase Other Funds expenditures by \$260,000 for the hiring of outside consultants and experts. The PSC assumed an hourly rate of two hundred and fifty dollars for forty hours a week for twenty-six weeks. This increase in expenses would only occur if the PSA proposed a joint cost savings agreement before the Commission.

Section 4E. This section requires the PSA to develop an IRP that incorporates the loads and resources portion of the reform plan submitted to the General Assembly pursuant to Act 95 of 2019.

This section directs the PSC, in consultation with ORS and the PSA, to develop, publicize and keep current an analysis of the PSA's energy and capacity needs, electrical generating facility needs, forecasted electricity use growth, and electrical generation mix.

South Carolina Public Service Authority

This section requires the PSA to develop an IRP that incorporates the loads and resources portion of the reform plan submitted to the General Assembly pursuant to Act 95 of 2019. Within thirty days of the passage of this bill, the PSA shall work with ORS and Central Electric Cooperative (Central) to establish a process that allows public input in the reform plan and IRP process. Within 180 days of the passage of this bill, the PSA shall submit their IRP incorporating the revised reform plan to the PSC, at which time the PSC shall open a docket for the review of the IRP proposal.

The expenditure impact of this section on the Other Funds of the PSA is pending, contingent upon a response from the agency.

South Carolina Public Service Commission

This section requires the PSC to review and approve the PSA's IRP incorporating the revised reform plan. No later than 300 days after the PSA files their IRP, the PSC shall issue an order approving, modifying, or denying the IRP. Based on experience with similar proceedings, the PSC estimates this section of the bill will increase Other Funds expenditures by \$260,000 to hire outside consultants and experts. In calculating this estimate the PSC assumed an hourly rate of two hundred and fifty dollars for forty hours a week for twenty-six weeks.

This section also directs the PSC, in consultation with ORS and the PSA to develop, publicize and keep current an analysis of the PSA's energy and capacity needs, electrical generating facility needs, forecasted electricity use growth, and electrical generation mix. This analysis shall be used by the PSC in making determinations on PSA petitions related to the construction or acquisition of a major utility facility as well as other long-term energy procurement means exceeding five years in duration. Each year the PSC shall submit a report to the Governor and appropriate committees of the General Assembly detailing the status of the PSC's analysis and plan. Based on experience with similar proceedings, the PSC estimates this section of the bill will increase Other Funds expenditures by \$260,000 to hire outside consultants and experts. In calculating this estimate, the PSC assumed an hourly rate of two hundred and fifty dollars for forty hours a week for twenty-six weeks.

Office of Regulatory Staff

This section of the bill requires the ORS to work with the PSA and Central to establish a process that allows consumer input in the IRP process.

This section also requires the ORS to work in consultation with the PSC and PSA to develop, publicize, and keep current an analysis of the PSA's energy and capacity needs, electrical generating facility needs, forecasted electricity use growth, and electrical generation mix.

The expenditure impact of this section on the Other Funds of the ORS is pending, contingent upon a response from the agency.

Section 4F. This section of the bill establishes new procedures for the BOD in setting retail rates of the PSA. Currently the BOD has discretion to adjust the retail rates of the PSA as necessary to maintain operation of the system through their own consideration and voted approval.

The PSA shall provide at least two public meetings for affected customers to provide their input. At least 30 days before the BOD votes on a proposed rate increase, they shall hold a public hearing that allows any interested party, including the ORS and the Consumer Affairs Office, to present testimony and recommendations. At the appropriate time, the BOD shall schedule a meeting to vote on the proposed rate increase.

The BOD is directed to establish a set of pricing principles which shall be taken into consideration when establishing new rates. The BOD shall prepare and submit an annual pricing report to the ORS and the consumer advocate, and the ORS shall issue comments on the report after review.

South Carolina Public Service Authority

No less than 180 days prior to a vote by the BOD to increase retail rates, the PSA shall provide notice to all customers affected by a proposed rate increase, as well as the ORS and Department of Consumer Affairs. Customers who will be affected by a proposed rate increase have 120 days from the date of notice to prepare and submit written comments to be considered by the board before any vote concerning a proposed increase.

In addition to the public notice, the PSA shall make available for review a comprehensive review of the PSA's rates and rate structure, a written report with management's rate adjustment recommendations, and an opportunity for affected customers to review this information. The PSA shall provide at least two public meetings for affected customers to provide their input.

The proposed rate schedule, revenue requirement, cost of service analysis, and rate/tariff design will be subject to an inspection, audit and examination by the ORS or intervening parties. At least 30 days before the BOD votes on a proposed rate increase, they shall hold a public hearing that allows any interested party including the ORS and the Department of Consumer Affairs (DCA) to present testimony and recommendations.

At the appropriate time, the BOD shall schedule a meeting at which they will take into consideration the record of the retail rate proceedings and vote on the proposed rate increase. The BOD shall use counsel that is independent from counsel used by PSA's management, and they may hire independent outside experts and consultants as necessary to carry out their duties pursuant to this section.

The board is directed to establish a set of pricing principles which shall be taken into consideration when establishing new rates. The BOD shall prepare and submit an annual pricing report to the ORS and consumer advocate. The report shall include an analysis of the adherence to the pricing principles, current and projected rates with a comparison to inflation and other utilities, and an analysis of the rates and cost allocations amongst customer classes. The ORS shall issue comments on the report after review.

The expenditure impact of this section on the Other Funds of the PSA is pending, contingent upon a response from the agency.

Office of Regulatory Staff

This section requires the PSA to include ORS as a party in any cases regarding future proposed rate increases. ORS is required to perform an inspection, audit, and examination of the proposed rate schedule, revenue requirement, cost of service analysis, and rate/tariff design made available by the PSA. This section also allows the ORS to be a party to, and present testimony and evidence at, the public hearing to be held by the PSA BOD prior to voting on the proposed rate increase. Currently, the ORS performs inspections, audits, and examinations on investor owned electric utilities and other utility companies with regard to proposed rate increases in this state but not for the PSA.

This section also requires the PSA to prepare and submit an annual pricing report to the ORS. The ORS shall review the report and issue comments.

The expenditure impact of this section on the Other Funds of the ORS is pending, contingent upon a response from the agency.

South Carolina Department of Consumer Affairs

This section requires the PSA to serve notice to the DCA as a party to any future proposed rate increases. This section also allows the DCA to be a party to, and present testimony and evidence at the public hearing to be held by the PSA BOD prior to voting on the proposed rate increase. Currently the DCA is an automatic party to proposed rate increase regulatory proceedings of the regulated utilities before the PSC in this state. Based on previous experience as an intervener to PSC rate increase proceedings, DCA estimates an increase in General Fund expenditures of \$120,000 for the hiring of outside experts to provide testimony for a proceeding. DCA stated these expenses would not be recurring, but rather a one-time expense, per rate increase proceeding.

This section requires the PSA to prepare and submit an annual pricing report to the DCA for their review. Based on prior experience as a party to proceedings before the Commission, DCA

estimates an increase in General Fund expenditures of \$40,000 for the hiring of outside experts in their review. This increase in expenditures would be recurring, since the report is to be filed each year.

Section 4G. This section of the bill establishes a regulatory process for the ORS and PSC to review and approve long-term securities representing new debt that the PSA seeks to enter into. The ORS shall make an investigation into the securities application as necessary, and the PSA may be heard before the Commission regarding the ORS's investigation.

South Carolina Public Service Authority

This section of the bill establishes a regulatory process for the ORS and PSC to review and approve any long-term securities representing new debt that the PSA seeks to enter into. Prior to the issuance of new securities, the PSA shall file an application with the PSC and provide a copy to the ORS. The application shall detail the nature of the securities, details of any projects related to the securities, and the financial condition of the PSA.

The ORS is required to make an investigation into the securities application as necessary, and the PSA may be heard before the Commission regarding the ORS's investigation. Within ninety days of receiving the application, the Commission shall issue a determination as to the prudence and support for the new revenue obligation securities.

The expenditure impact of this section on the Other Funds of the PSA is pending, contingent upon a response from the agency.

South Carolina Public Service Commission

This bill requires the PSA to file an application with the PSC for approval before issuing new long-term securities representing new debt. The application is to be investigated by the ORS, and as part of that investigation, the PSA is entitled to a hearing before the PSC. Within ninety days of receiving and application, the PSC shall issue a determination as to the prudence and support for the new securities. Currently the PSC must approve the issuance of similar securities by the electrical utilities it regulates in this state. Based on experience with similar proceedings, the PSC estimates this section of the bill will increase Other Funds expenditures by \$260,000 for the hiring of outside consultants and experts. In calculating this estimate the PSC assumed an hourly rate of two hundred and fifty dollars for forty hours a week for twenty-six weeks.

Office of Regulatory Staff

This bill requires ORS to make an investigation into the application for approval to issue long-term securities representing new debt made by the PSA. Currently the ORS must make investigations into applications of similar securities from the electrical utilities regulated by the PSC in this state.

The expenditure impact of this section on the Other Funds of the ORS is pending, contingent upon a response from the agency.

Section 4H. This section of the bill expands the investigative and examination authority of the ORS to include the PSA in their jurisdiction. The investigative authorities include the ability to examine the condition and management of utility and to review of the property, financial records, employees, and tax returns of an electric utility.

South Carolina Public Service Authority

This section of the bill expands the investigative and examination authority of the ORS to include the PSA in their jurisdiction. Currently, sections 160, 190, 200, 210, and 220 of Chapter 27, Title 58 enumerate the investigation and examination authority of the ORS in regards to electric utilities. This section of the bill expands these existing authorities of the ORS to include jurisdiction over the PSA.

The expenditure impact of this section on the Other Funds of the PSA is pending, contingent upon a response from the agency.

Office of Regulatory Staff

This section of the bill expands the investigative and examination authority of the ORS to include the PSA in their jurisdiction. Currently, sections 160, 190, 200, 210, and 220 of Chapter 27, Title 58 enumerate the investigation and examination authority of the ORS in regards to electric utilities. This section of the bill expands these existing authorities of the ORS to include jurisdiction over the PSA.

The expenditure impact of this section on the Other Funds of the ORS is pending, contingent upon a response from the agency.

Section 4O. This section of the bill states that any lawful expenses of the ORS or PSC shall be defrayed by assessments made by the Comptroller General against the PSA. Due to the provisions of this section, the ORS and PSC anticipate that any increase in expenditures pursuant to the provisions of this bill will be offset by revenue in the same amount.

South Carolina Public Service Authority

The expenditure impact of this section on the Other Funds of the PSA is pending, contingent upon a response from the agency.

State Revenue

Section 4O. This section of the bill states that any lawful expenses of the ORS or PSC shall be defrayed by assessments made by the Comptroller General against the PSA. Due to the provisions of this section, the ORS and PSC anticipate that any increase in expenditures pursuant to the provisions of this bill will be offset by revenue in the same amount.

Office of Regulatory Staff

The revenue impact of this section on the Other Funds of the ORS is pending, contingent upon a response from the agency.

South Carolina Public Service Commission

The PSC estimates the provisions of this bill will increase the Other Funds expenditures of the agency by \$1,040,000 in total. This section of the bill directs the Comptroller General to defray any costs incurred by the PSC through assessments on the PSA. Therefore, this section of the bill is estimated to increase Other Fund revenues of the PSC by \$1,040,000 to defray the estimated increase in expenditures.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director