~~Indicates Matter Stricken~~

Indicates New Matter

AS PASSED BY THE SENATE

April 7, 2022

**S. 1077**

Introduced by Senators Alexander, Rankin, Massey, K. Johnson, Sabb, Garrett, Gambrell, McElveen, Kimbrell, Stephens, McLeod, M. Johnson, Kimpson, Hutto, Grooms, Climer, Davis, Gustafson, Williams, Loftis, Fanning, Adams and Scott

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Read the first time February 17, 2022.

**A** **BILL**

TO AMEND CHAPTER 27, TITLE 58 OF THE 1976 CODE BY ADDING ARTICLE 8, TO ALLOW THE PUBLIC SERVICE COMMISSION TO AUTHORIZE THE ISSUANCE OF BONDS FOR THE PURPOSES OF OFFSETTING AND REDUCING PRUDENTLY INCURRED COSTS FOR STORM RECOVERY ACTIVITY AND TO ESTABLISH THE REQUIREMENTS AND PROCESSES FOR THE AUTHORIZATION OF THESE BONDS; AND TO AMEND SECTION 36-9-109 TO MAKE FURTHER CONFORMING CHANGES.

Amend Title To Conform

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

SECTION 1. Chapter 27, Title 58 of the 1976 Code is amended by adding:

“Article 8

Section 58‑27‑1100. Upon application by an electrical utility, the commission may by order authorize the issuance of bonds for the purposes of offsetting and reducing prudently incurred costs due to storm recovery activity. It is in the interest of the State and its citizens to encourage and facilitate the use of securitized bonds as a method for enabling electrical utilities to lower the cost of financing the costs of these activities under certain conditions, and to empower the commission to review a securitization mechanism to determine whether it is consistent with the public interest and worthy of approval. In order for the commission to authorize the issuance of these bonds, it must find that an electrical utility’s use of this financing mechanism will provide quantifiable net benefits to customers on a present value basis as compared to the costs that would have been incurred absent the issuance of storm recovery bonds, and will result in the lowest storm recovery charges consistent with market conditions at the time the storm recovery bonds are priced and the terms set forth in a financing order issued by the commission.

Section 58‑27‑1105. When used in this article:

(1) The term ‘ancillary agreement’ means a bond, insurance policy, letter of credit, reserve account, surety bond, liquidity or credit support arrangement, or other financial arrangement entered into in connection with recovery bonds.

(2) The term ‘assignee’ means a legally recognized entity to which an electrical utility assigns, sells, or transfers, other than as a security, all or a portion of its interest in or right to storm recovery property. The term includes a corporation, limited liability company, general partnership or limited partnership, public authority, trust, financing entity, or any entity to which an assignee assigns, sells, or transfers, other than as security, all or a portion of its interest in or right to storm recovery property.

(3) The term ‘bondholder’ means a person who holds a storm recovery bond.

(4) The term ‘code’ means The Uniform Commercial Code, Title 36 of the South Carolina Code of Laws.

(5) The term ‘commission’ means the Public Service Commission of South Carolina.

(6) The term ‘electrical utility’ is as defined in Section 58‑27‑10(7).

(7) The term ‘financing costs’ includes all of the following:

(a) interest and acquisition, defeasance, or redemption premiums payable on recovery bonds;

(b) any payment required under an ancillary agreement and any amount required to fund or replenish a storm reserve account or other accounts established under the terms of any indenture, ancillary agreement, or other financing documents pertaining to recovery bonds;

(c) any other cost related to issuing, supporting, repaying, refunding, and servicing storm recovery bonds, including servicing fees, accounting and auditing fees, trustee fees, legal fees, consulting fees, structuring adviser fees, administrative fees, placement and underwriting fees, independent director and manager fees, capitalized interest, rating agency fees, stock exchange listing and compliance fees, security registration fees, filing fees, information technology programming costs, and any other costs necessary to otherwise ensure the timely payment of recovery or other amounts or charges payable in connection with the bonds, including costs related to obtaining the financing order;

(d) any taxes and license fees or other fees imposed on the revenues generated from the collection of a storm recovery charge or otherwise resulting from the collection of storm recovery charges, in any such case whether paid, payable, or accrued;

(e) any state and local taxes, franchise, gross receipts, and other taxes or similar charges, including regulatory assessment fees, whether paid, payable, or accrued;

(f) any costs incurred by the commission or the Office of Regulatory Staff for any outside consultants, including counsel and advisors, retained in connection with the securitization of storm recovery costs.

(8) The term ‘financing order’ means an order that authorizes the issuance of storm recovery bonds; the imposition, collection, and periodic adjustments of a storm recovery charge; the creation of storm recovery property; and the sale, assignment, or transfer of storm recovery property to an assignee.

(9) The term ‘financing party’ means bondholders and trustees, collateral agents, any party under an ancillary agreement, or any other person acting for the benefit of bondholders.

(10) The term ‘financing statement’ is as defined in Section 36-9-102.

(11) The term ‘pledgee’ means a financing party to which an electrical utility or its successors or assignees mortgages, negotiates, pledges, or creates a security interest or lien on all or any portion of its interest in or right to storm recovery property.

(12) The term ‘storm’ means, individually or collectively, a named tropical storm or hurricane, a tornado, ice storm or snowstorm, flood, an earthquake, or other significant weather or natural disaster.

(13)(a) The term ‘storm recovery activity’ means an activity or activities by an electrical utility, its affiliates, or its contractors directly and specifically in connection with the restoration of service and infrastructure associated with electric power outages affecting customers of an electrical utility as the result of a storm or storms, including activities related to mobilization, staging, and construction, reconstruction, replacement, or repair of electric generation, transmission, distribution, or general plant facilities.

(b) No electric utility is required to securitize nor is it prohibited from securitizing those capital improvements or infrastructure upgrades that have a quantifiable net benefit to consumers and that improve the resiliency of the transmission and distribution system.

(14) The term ‘storm recovery bonds’ means bonds, debentures, notes, certificates of participation, certificates of beneficial interest, certificates of ownership, or other evidences of indebtedness or ownership that are issued by an electrical utility or an assignee pursuant to a financing order, the proceeds of which are used directly or indirectly to recover, finance, or refinance commission‑approved storm recovery costs and financing costs, and that are secured by or payable from storm recovery property. If certificates of participation or ownership are issued, references in this article to principal, interest, or premium shall be construed to refer to comparable amounts under those certificates.

(15) The term ‘storm recovery charge’ means the amounts authorized by the commission to repay, finance, or refinance storm recovery costs and financing costs and that are nonbypassable charges (i) imposed on and part of all retail customer bills, (ii) collected by an electrical utility or its successors or assignees, or a collection agent, in full, separate and apart from the electrical utility’s base rates, and (iii) paid by all existing or future retail customers receiving transmission or distribution service, or both, from the electrical utility or its successors or assignees under commission‑approved rate schedules or under special contracts, even if a customer elects to purchase electricity from an alternative electricity supplier following a fundamental change in regulation of electrical utilities in this State.

(16) The term ‘storm recovery costs’ means:

(a) all incremental costs, including capital costs, appropriate for recovery from existing and future retail customers receiving transmission or distribution service from an electrical utility that an electrical utility has incurred or expects to incur as a result of the applicable storm that are caused by, associated with, or remain as a result of undertaking storm recovery activity.

(b) Storm recovery costs shall be net of applicable insurance proceeds, tax benefits, income tax savings, and any other amounts intended to reimburse the electrical utility for storm recovery activities such as government grants, or aid of any kind and where determined appropriate by the commission, and may include adjustments for capital replacement and operating costs previously considered in determining normal amounts in the electrical utility’s most recent general rate proceeding. Storm recovery costs may include, to the extent determined appropriate by the commission, the cost to replenish and fund any storm reserves, the costs of retiring any existing indebtedness relating to storm recovery activities, and carrying costs.

(c) With respect to storm recovery costs that the electrical utility expects to incur, any difference between costs expected to be incurred and actual, reasonable and prudent costs incurred, or any other rate‑making adjustments appropriate to fairly and reasonably assign or allocate storm cost recovery to customers over time, shall be addressed in a future general rate proceeding, as may be facilitated by other orders of the commission issued at the time or prior to such proceeding; provided, however, that the commission’s adoption of a financing order and approval of the issuance of storm recovery bonds may not be revoked or otherwise modified.

(17) The term ‘storm recovery property’ means:

(a) All rights and interests of an electrical utility or successor or assignee of the electrical utility under a financing order, including the right to impose, bill, charge, collect, and receive storm recovery charges authorized under the financing order and to obtain periodic adjustments to such charges as provided in the financing order.

(b) All revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in the financing order, regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds.

Section 58‑27‑1110. (A) An electrical utility may petition the commission for a financing order. The petition shall include all of the following:

(1) a description of the storm recovery activities that the electrical utility has undertaken or proposes to undertake and the reasons for undertaking the activities, or if the electrical utility is subject to a settlement agreement that governs the type and amount of principal costs that could be included in storm recovery costs, a description of the settlement agreement;

(2) the storm recovery costs and an estimate of the costs of any storm recovery activities that are being undertaken but are not completed;

(3) the level of the storm recovery reserve, if any, that the electrical utility proposes to establish or replenish and has determined would be appropriate to recover through storm recovery bonds and is seeking to so recover, and such level that the electrical utility is funding or will seek to fund through other means, together with a description of the factors and calculations used in determining the amounts and methods of recovery;

(4) an indicator of whether the electrical utility proposes to finance all or a portion of the storm recovery costs using storm recovery bonds. If the utility proposes to finance a portion of such costs, the electrical utility must identify the specific portion in the petition. By requesting not to finance a portion of such storm recovery costs using storm recovery bonds, an electrical utility shall not be deemed to waive its right to seek to recover such costs pursuant to a separate proceeding with the commission;

(5) an estimate of the financing costs related to the storm recovery bonds;

(6) an estimate of the storm recovery charges necessary to recover the storm recovery costs, including the storm recovery reserve amount, if any, determined appropriate by the commission, and financing costs and the period for recovery of such costs;

(7) a comparison between the net present value of the costs to customers that are estimated to result from the issuance of storm recovery bonds based on current market conditions and the costs that would result from the application of the traditional method of financing and recovering storm recovery costs from customers. The comparison should demonstrate that the issuance of storm recovery bonds and the imposition of storm recovery charges are expected to provide quantifiable net benefits to customers on a present value basis as compared to the costs that would have been incurred absent the issuance of storm recovery bonds; and

(8) direct testimony, exhibits, and supporting workpapers supporting the petition, testimony, and exhibits. Such workpapers may be filed under seal to the extent necessary to protect confidential, proprietary, or sensitive information. The electrical utility shall provide functional exhibits and workpapers to the Office of Regulatory Staff and to the commission, subject to any appropriate confidentiality designations.

(B) If the principal costs the electrical utility proposes to finance using storm recovery bonds were not already subject to review by the commission in a general rate proceeding, then the electrical utility must file a petition with the commission for review and approval of those costs no later than one hundred eighty days before filing a petition for a financing order pursuant to this section.

(1) Any petition for review and approval of the principal costs shall be accompanied by direct testimony, exhibits, and supporting workpapers supporting the petition, testimony, and exhibits. Such workpapers may be filed under seal to the extent necessary to protect confidential, proprietary, or sensitive information. The electrical utility shall provide functional exhibits and workpapers to the Office of Regulatory Staff and to the commission, subject to any appropriate confidentiality designations.

(2) If the electrical utility must file a petition for review and approval of the principal costs, the electrical utility shall not be required to provide additional notice prior to filing a petition for a financing order pursuant to this section; otherwise, the utility shall file a notice of its intent to file a petition for a financing order pursuant to this article not less than thirty days prior to filing any such petition.

(C)(1) Proceedings on a petition for a financing order submitted pursuant to this section begin with the petition by an electrical utility, filed subject to the time frame specified in subsection (B) of this section, as applicable, and shall be disposed of in accordance with the requirements of this chapter and the rules of the commission, except as follows:

(a) within fourteen days after the date the petition is filed, the commission shall establish a procedural schedule that permits a commission decision no later than one hundred thirty-five days after the date the petition is filed; and

(b) no later than one hundred thirty-five days after the date the petition is filed, the commission shall issue a financing order or an order rejecting the petition. A party to the commission proceeding may petition the commission for reconsideration of the financing order within the time prescribed in Section 58‑27‑2150.

(2) A financing order issued by the commission to an electrical utility shall include all of the following elements and shall not issue unless each of the following elements is met:

(a) except for changes made pursuant to the formula‑based mechanism authorized under this section, the amount of storm recovery costs, including the level of storm recovery reserves, if any, to be financed using storm recovery bonds. The commission shall describe and estimate the amount of financing costs that may be recovered through storm recovery charges and specify the period over which storm recovery costs and financing costs may be recovered;

(b) a finding that the proposed issuance of recovery bonds and the imposition and collection of a storm recovery charge will provide quantifiable net benefits to customers on a present value basis as compared to the costs that would have been incurred absent the issuance of storm recovery bonds;

(c) a finding that the structuring, marketing, and pricing of the storm recovery bonds will result in the lowest storm recovery charges consistent with market conditions at the time the storm recovery bonds are priced and the terms set forth in such financing order. The financing order must provide detailed findings of fact addressing cost effectiveness and associated rate impacts upon retail customers and retail customer classes;

(d) a requirement that, for so long as the storm recovery bonds are outstanding and until all financing costs have been paid in full, the imposition and collection of storm recovery charges authorized under a financing order shall be nonbypassable and paid by all existing and future retail customers receiving transmission or distribution service, or both, from the electrical utility or its successors or assignees under commission‑approved rate schedules or under special contracts, even if a customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of electrical utilities in this State;

(e) a determination of what portion, if any, of the storm recovery reserves, if any, must be held in a funded reserve and any limitations on how the reserve may be held, accessed, or used;

(f) a formula‑based true‑up mechanism for making, at least annually, expeditious periodic adjustments in the storm recovery charges that customers are required to pay pursuant to the financing order and for making any adjustments that are necessary to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of storm recovery bonds, financing costs, and other required amounts and charges payable in connection with the storm recovery bonds;

(g) the storm recovery property that is or shall be created in favor of an electrical utility or its successors or assignees, and that shall be used to pay or secure storm recovery bonds and all financing costs;

(h) the degree of flexibility to be afforded to the electrical utility in establishing the terms and conditions of the storm recovery bonds including, but not limited to, repayment schedules, expected interest rates, and other financing costs, and subject to any conditions in the financing order, including the pre‑bond issuance review process which the commission shall establish;

(i) how storm recovery charges will be allocated among customer classes;

(j) a requirement that, after the final terms of an issuance of storm recovery bonds have been established and before the issuance of storm recovery bonds, the electrical utility determines the resulting initial storm recovery charge in accordance with the financing order and that such initial storm recovery charge be final and effective upon the issuance of such storm recovery bonds without further commission action so long as the recovery charge is consistent with the financing order and the pre‑bond issuance review process established by the commission in the financing order is complete;

(k) a method of tracing funds collected as storm recovery charges, or other proceeds of storm recovery property, and the determination that such method shall be deemed the method of tracing such funds and determining the identifiable cash proceeds of any storm recovery property subject to a financing order under applicable law; and

(l) any other conditions not otherwise inconsistent with this section that the commission determines are appropriate.

(3) A financing order issued to an electrical utility may provide that creation of the electrical utility’s storm recovery property is conditioned upon, and simultaneous with, the sale or other transfer of the storm recovery property to an assignee and the pledge of the storm recovery property to secure storm recovery bonds.

(4) If the commission issues a financing order and the storm recovery bonds are issued, the electrical utility shall file with the commission at least annually a petition or a letter applying the formula‑based mechanism and, based on estimates of consumption for each rate class and other mathematical factors, requesting administrative approval to make the applicable adjustments. The review of the filing shall be limited to determining whether there are any mathematical or clerical errors in the application of the formula‑based mechanism relating to the appropriate amount of any overcollection or undercollection of storm recovery charges and the amount of an adjustment. The adjustments shall ensure the recovery of revenues sufficient to provide for the payment of principal, interest, acquisition, defeasance, financing costs, or redemption premium and other fees, costs, and charges with respect to storm recovery bonds approved under the financing order. Within sixty days after receiving an electrical utility’s request pursuant to this paragraph, the commission shall either approve the request or inform the electrical utility of any mathematical or clerical errors in its calculation. If the commission informs the electrical utility of mathematical or clerical errors in its calculation, the electrical utility may correct its error and refile its request. The time frames previously described in this paragraph shall apply to a refiled request.

(5) Subsequent to the transfer of storm recovery property to an assignee or the issuance of storm recovery bonds authorized thereby, whichever is earlier, a financing order is irrevocable and, except for changes made pursuant to the formula-based mechanism authorized in this article, the commission may not amend, modify, or terminate the financing order by any subsequent action or reduce, impair, postpone, terminate, or otherwise adjust recovery charges approved in the financing order. After the issuance of a financing order, the electrical utility retains sole discretion regarding whether to assign, sell, or otherwise transfer storm recovery property or to cause storm recovery bonds to be issued, including the right to defer or postpone such assignment, sale, transfer, or issuance, unless otherwise provided in the financing order.

(6) If required by the commission in a financing order, within one business day after the final terms of the storm recovery bonds are determined, the electrical utility shall provide an issuance advice letter to the commission.

(a) Such issuance advice letter shall be in the form approved in a financing order and include the final terms of the storm recovery bond issuance, up‑front financing costs and on‑going financing costs. Such issuance advice letter shall include a certification from the electrical utility, the primary underwriter(s), and a qualified independent third‑party designated by the commission, as a condition to closing, certifying whether the sale of storm recovery bonds complies with the requirements of this article and the financing order. The certifications of the electrical utility and independent third‑party shall certify whether the issuance of recovery bonds and the imposition and collection of a storm recovery charge will in fact provide quantifiable net benefits to customers on a present-value basis as compared to the costs that would have been incurred absent the issuance of storm recovery bonds. The certifications of the electrical utility, primary underwriter(s), and independent third‑party shall certify whether the structuring, marketing, and pricing of the storm recovery bonds will in fact result in the lowest storm recovery charges consistent with market conditions at the time the storm recovery bonds were priced and the terms set forth in the financing order.

(b) Unless otherwise provided in the financing order, by no later than noon on the fourth business day after the final terms of the storm recovery bonds are determined, the commission shall either accept the issuance advice letter or deliver an order to the electrical utility to prevent the issuance of the storm recovery bonds. To the extent the commission does not deliver an order to prevent the issuance of the storm recovery bonds within the time period prescribed in the financing order, the storm recovery bonds may be issued without further action of the commission.

(D) At the request of an electrical utility, the commission may commence a proceeding and issue a subsequent financing order that provides for refinancing, retiring, or refunding storm recovery bonds issued pursuant to the original financing order if the commission finds that the subsequent financing order satisfies all of the criteria specified in this article for a financing order. Effective upon retirement of the refunded storm recovery bonds and the issuance of new storm recovery bonds, the commission shall adjust the related storm recovery charges accordingly.

(E) Within thirty days after the commission issues a financing order or a decision denying a request for reconsideration or, if the request for reconsideration is granted, within thirty days after the commission issues its decision on reconsideration, an adversely affected party may petition for judicial review in the Supreme Court of South Carolina. Review on appeal shall be based solely on the record before the commission and briefs to the court and is limited to determining whether the financing order, or the order on reconsideration, conforms to the State Constitution and to state and federal law, and is within the authority of the commission under this article. The Supreme Court of South Carolina shall proceed to hear and determine the action as expeditiously as practicable and give the action precedence over other matters not accorded similar precedence by law.

(F)(1) A financing order remains in effect and storm recovery property under the financing order continues to exist until storm recovery bonds issued pursuant to the financing order have been paid in full or defeased and, in each case, all commission‑approved financing costs of such storm recovery bonds have been recovered in full.

(2) A financing order issued to an electrical utility remains in effect and unabated notwithstanding the reorganization, bankruptcy or other insolvency proceedings, merger, or sale of the electrical utility or its successors or assignees.

Section 58‑27‑1115. (A) The commission may not, in exercising its powers and carrying out its duties regarding any matter within its authority pursuant to this chapter, consider the storm recovery bonds issued pursuant to a financing order to be the debt of the electrical utility other than for federal income tax purposes, consider the storm recovery charges paid under the financing order to be the revenue of the electrical utility for any purpose, or consider the storm recovery costs or financing costs specified in the financing order to be the costs of the electrical utility, nor may the commission determine any action taken by an electrical utility which is consistent with the financing order to be unjust or unreasonable unless the electrical utility abandons the issuance of storm recovery bonds or the electrical utility’s petition for a financing order is ultimately denied.

(B) The commission may not order or otherwise directly or indirectly require an electrical utility to use storm recovery bonds to finance any project, addition, plant, facility, extension, capital improvement, equipment, or any other expenditure except as permitted under this article. After the issuance of a financing order, the electrical utility retains sole discretion regarding whether to cause the storm recovery bonds to be issued, including the right to defer or postpone such sale, assignment, transfer, or issuance, unless otherwise provided in the financing order. Nothing shall prevent the electrical utility from abandoning the issuance of storm recovery bonds under the financing order by filing with the commission a statement of abandonment and the reasons therefor. The commission may not refuse to allow an electrical utility to recover storm recovery costs in an otherwise permissible fashion, or refuse or condition authorization or approval of the issuance and sale by an electrical utility of securities or the assumption by the electrical utility of liabilities or obligations, solely because of the potential availability of storm recovery bond financing.

Section 58‑27‑1120. The electric bills of an electrical utility that has obtained a financing order and caused recovery bonds to be issued must comply with the provisions of this section; however, the failure of an electrical utility to comply with this section does not invalidate, impair, or affect any financing order, storm recovery property, recovery charge, or recovery bonds. The electrical utility must do the following:

(1) explicitly reflect that a portion of the charges on such bill represents recovery charges approved in a financing order issued to the electrical utility and, if the storm recovery property has been transferred to an assignee, must include a statement to the effect that the assignee is the owner of the rights to recovery charges and that the electrical utility or other entity, if applicable, is acting as a collection agent or servicer for the assignee. The tariff applicable to customers must indicate the recovery charge and the ownership of the charge; and

(2) include the recovery charge on each customer’s bill as a separate line item and include both the rate and the amount of the charge on each bill.

Section 58‑27‑1125. (A) Provisions applicable to storm recovery property:

(1) All storm recovery property that is specified in a financing order constitutes an existing, present intangible property right or interest therein, notwithstanding that the imposition and collection of recovery charges depends on the electrical utility to which the financing order is issued performing its servicing functions relating to the collection of recovery charges and on future electricity consumption. The property exists (i) regardless of whether or not the revenues or proceeds arising from the property have been billed, have accrued, or have been collected and (ii) notwithstanding the fact that the value or amount of the property is dependent on the future provision of service to customers by the electrical utility or its successors or assignees and the future consumption of electricity by customers.

(2) Storm recovery property specified in a financing order exists until recovery bonds issued pursuant to the financing order are paid in full and all financing costs and other costs of such recovery bonds have been recovered in full.

(3) All or any portion of storm recovery property specified in a financing order issued to an electrical utility may be transferred, sold, conveyed, or assigned to a successor or assignee, that is wholly owned, directly or indirectly, by the electrical utility and created for the limited purpose of acquiring, owning, or administering storm recovery property or issuing storm recovery bonds under the financing order. All or any portion of storm recovery property may be pledged to secure recovery bonds issued pursuant to the financing order, amounts payable to financing parties and to counterparties under any ancillary agreements, and other financing costs. Any transfer, sale, conveyance, assignment, grant of a security interest in or pledge of storm recovery property by an electrical utility or an affiliate of the electrical utility, to an assignee, to the extent previously authorized in a financing order, does not require the prior consent and approval of the commission.

(4) If an electrical utility defaults on any required payment of charges arising from storm recovery property specified in a financing order, a court, upon application by an interested party, and without limiting any other remedies available to the applying party, shall order the sequestration and payment of the revenues arising from the storm recovery property to the financing parties or their assignees. Any such financing order remains in full force and effect notwithstanding any reorganization, bankruptcy, or other insolvency proceedings with respect to the electrical utility or its successors or assignees.

(5) The interest of a transferee, purchaser, acquirer, assignee, or pledgee in storm recovery property specified in a financing order issued to an electrical utility, and in the revenue and collections arising from that property, is not subject to setoff, counterclaim, surcharge, or defense by the electrical utility or any other person or in connection with the reorganization, bankruptcy, or other insolvency of the electrical utility or any other entity.

(6) Any successor to an electrical utility, whether pursuant to any reorganization, bankruptcy, or other insolvency proceeding or whether pursuant to any merger or acquisition, sale, or other business combination, or transfer by operation of law, as a result of electrical utility restructuring or otherwise, must perform and satisfy all obligations of, and have the same rights under a financing order as, the electrical utility under the financing order in the same manner and to the same extent as the electrical utility, including collecting and paying to the person entitled to receive the revenues, collections, payments, or proceeds of the storm recovery property. Nothing in this subsection is intended to limit or impair any authority of the commission concerning the transfer or succession of interests of electrical utilities.

(7) Recovery bonds shall be nonrecourse to the credit or any assets of the electrical utility other than the storm recovery property as specified in the financing order and any rights under any ancillary agreement.

(B) Provisions applicable to security interests:

(1) The creation, perfection, and enforcement of any security interest in storm recovery property to secure the repayment of the principal and interest and other amounts payable in respect of recovery bonds, amounts payable under any ancillary agreement, and other financing costs are governed by this section and not by the provisions of the code.

(2) A security interest in storm recovery property is created, valid, and binding and perfected at the later of the times that: (i) the financing order is issued, (ii) a security agreement is executed and delivered by the debtor granting such security interest, (iii) the debtor has rights in such storm recovery property or the power to transfer rights in such storm recovery property, or (iv) value is received for the storm recovery property. The description of storm recovery property in a security agreement is sufficient if the description refers to this article and the financing order creating the storm recovery property.

(3) A security interest shall attach without any physical delivery of collateral or other act, and, upon the filing of a financing statement with the office of the Secretary of State, the lien of the security interest shall be valid, binding, and perfected against all parties having claims of any kind in tort, contract, or otherwise against the person granting the security interest, regardless of whether the parties have notice of the lien. Also upon this filing, a transfer of an interest in the storm recovery property shall be perfected against all parties having claims of any kind, including any judicial lien or other lien creditors or any claims of the seller or creditors of the seller, and shall have priority over all competing claims other than any prior security interest, ownership interest, or assignment in the property previously perfected in accordance with this section.

(4) The Secretary of State shall maintain any financing statement filed to perfect any security interest under this article in the same manner that the Secretary maintains financing statements filed by transmitting utilities under the code. The filing of a financing statement under this article shall be governed by the provisions regarding the filing of financing statements in the code.

(5) The priority of a security interest in storm recovery property is not affected by the commingling of storm recovery charges with other amounts. Any pledgee or secured party shall have a perfected security interest in the amount of all storm recovery charges that are deposited in any cash or deposit account of the qualifying utility in which storm recovery charges have been commingled with other funds and any other security interest that may apply to those funds shall be terminated when they are transferred to a segregated account for the assignee or a financing party.

(6) No application of the formula‑based adjustment mechanism as provided in this article will affect the validity, perfection, or priority of a security interest in or transfer of storm recovery property.

(7) If a default or termination occurs under the storm recovery bonds, the financing parties or their representatives may foreclose on or otherwise enforce their lien and security interest in any storm recovery property as if they were secured parties with a perfected and prior lien under the code, and the commission may order amounts arising from storm recovery charges be transferred to a separate account for the financing parties’ benefit, to which their lien and security interest shall apply. On application by or on behalf of the financing parties, the Circuit Court of Richland County shall order the sequestration and payment to them of revenues arising from the recovery charges.

(C) Provisions applicable to the sale, assignment, or transfer of storm recovery property:

(1) Any sale, assignment, or other transfer of storm recovery property shall be an absolute transfer and true sale of, and not a pledge of or secured transaction relating to, the seller’s right, title and interest in, to, and under the storm recovery property if the documents governing the transaction expressly state that the transaction is a sale or other absolute transfer other than for federal and state income tax purposes. For all purposes other than federal and state income tax purposes, the parties’ characterization of a transaction as a sale of an interest in storm recovery property shall be conclusive that the transaction is a true sale and that ownership has passed to the party characterized as the purchaser, regardless of whether the purchaser has possession of any documents evidencing or pertaining to the interest. A transfer of an interest in storm recovery property may be created only when all of the following have occurred: (i) the financing order creating the storm recovery property has become effective; (ii) the documents evidencing the transfer of storm recovery property have been executed by the assignor and delivered to the assignee; and (iii) value is received for the storm recovery property. After such a transaction, the storm recovery property is not subject to any claims of the transferor or the transferor’s creditors, other than creditors holding a prior security interest in the storm recovery property perfected in accordance with subsection (B) of this section.

(2) The characterization of the sale, assignment, or other transfer as an absolute transfer and true sale and the corresponding characterization of the property interest of the purchaser shall not be affected or impaired by the occurrence of any of the following factors:

(a) commingling of storm recovery charges with other amounts;

(b) the retention by the seller of (i) a partial or residual interest, including an equity interest, in the storm recovery property, whether direct or indirect, or whether subordinate or otherwise, or (ii) the right to recover costs associated with taxes, franchise fees, or license fees imposed on the collection of storm recovery charges;

(c) any recourse that the purchaser may have against the seller;

(d) any indemnification rights, obligations, or repurchase rights made or provided by the seller;

(e) the obligation of the seller to collect storm recovery charges on behalf of an assignee;

(f) the transferor acting as the servicer of the storm recovery charges or the existence of any contract that authorizes or requires the electrical utility, to the extent that any interest in storm recovery property is sold or assigned, to contract with the assignee or any financing party that it will continue to operate its system to provide service to its customers, will collect amounts in respect of the storm recovery charges for the benefit and account of such assignee or financing party, and will account for and remit such amounts to or for the account of such assignee or financing party;

(g) the treatment of the sale, conveyance, assignment, or other transfer for tax, financial reporting, or other purposes;

(h) the granting or providing to bondholders a preferred right to the storm recovery property or credit enhancement by the electrical utility or its affiliates with respect to such storm recovery bonds; or

(i) any application of the formula‑based adjustment mechanism as provided in this article.

(3) Any right that an electrical utility has in the storm recovery property before its pledge, sale, or transfer or any other right created under this article or created in the financing order and assignable under this article or assignable pursuant to a financing order is property in the form of a contract right or a chose in action. Transfer of an interest in storm recovery property to an assignee is enforceable only upon all of the following items having been attained: (i) the issuance of a financing order, (ii) the assignor having rights in such storm recovery property or the power to transfer rights in such storm recovery property to an assignee, (iii) the execution and delivery by the assignor of transfer documents in connection with the issuance of storm recovery bonds, and (iv) the receipt of value for the storm recovery property. An enforceable transfer of an interest in storm recovery property to an assignee is perfected against all third parties, including subsequent judicial or other lien creditors, when a notice of that transfer has been given by the filing of a financing statement in accordance with item (B)(3) of this section. The transfer is perfected against third parties as of the date of filing.

(4) The Secretary of State shall maintain any financing statement filed to perfect any sale, assignment, or transfer of storm recovery property under this section in the same manner that the Secretary maintains financing statements filed by transmitting utilities under the code. The filing of any financing statement under this article shall be governed by the provisions regarding the filing of financing statements in the code. The filing of such a financing statement is the only method of perfecting a transfer of storm recovery property.

(5) The priority of a transfer perfected under this article is not impaired by any later modification of the financing order or storm recovery property or by the commingling of funds arising from storm recovery property with other funds. Any other security interest that may apply to those funds, other than a security interest perfected under subsection (B) of this section, is terminated when they are transferred to a segregated account for the assignee or a financing party. If storm recovery property has been transferred to an assignee or financing party, any proceeds of that property must be held in trust for the assignee or financing party.

(6) The priority of the conflicting interests of assignees in the same interest or rights in any storm recovery property is determined as follows:

(a) conflicting perfected interests or rights of assignees rank according to priority in time of perfection. Priority dates from the time a filing covering the transfer is made in accordance with item 3 of subsection (B) of this section;

(b) a perfected interest or right of an assignee has priority over a conflicting unperfected interest or right of an assignee;

(c) a perfected interest or right of an assignee has priority over a person who becomes a lien creditor after the perfection of such assignee’s interest or right.

Section 58‑27‑1130. The description of storm recovery property being transferred to an assignee in any sale agreement, purchase agreement, or other transfer agreement, granted or pledged to a pledgee in any security agreement, pledge agreement, or other security document, or indicated in any financing statement is only sufficient if such description or indication refers to the financing order that created the storm recovery property and states that the agreement or financing statement covers all or part of the property described in the financing order. This section applies to all purported transfers of, and all purported grants or liens or security interests in, storm recovery property, regardless of whether the related sale agreement, purchase agreement, other transfer agreement, security agreement, pledge agreement, or other security document was entered into, or any financing statement was filed.

Section 58‑27‑1135. All financing statements referenced in this article are subject to Part 5 of Chapter 9 of the code, except that the requirement as to continuation statements does not apply.

Section 58‑27‑1140. The law governing the validity, enforceability, attachment, perfection, priority, and exercise of remedies with respect to the transfer of an interest or right or the pledge or creation of a security interest in any storm recovery property shall be the laws of this State.

Section 58‑27‑1145. Neither the State, its agencies, and instrumentalities, nor its political subdivisions are liable on any storm recovery bonds, and the bonds are not a debt or a general obligation of the State or any of its political subdivisions, agencies, or instrumentalities nor are they special obligations or indebtedness of the State, its agencies, or its political subdivisions. An issue of storm recovery bonds does not, directly, indirectly, or contingently obligate the State or its agencies, instrumentalities, or political subdivisions, to levy any tax or make any appropriation for payment of the storm recovery bonds, other than in their capacities as consumers of electricity. All storm recovery bonds must contain on the face thereof a statement to the following effect: ‘Neither the full faith and credit nor the taxing power of the State of South Carolina is pledged to the payment of the principal of, or interest on, this bond, nor shall the holder of this bond have any recourse against the State, its agencies, instrumentalities, or political subdivisions for the payment of the principal of, or interest on, this bond.’

Section 58‑27‑1150. All of the following entities may legally invest any sinking funds, moneys, or other funds in storm recovery bonds:

(1) the South Carolina Pooled Investment Fund established pursuant to Section 6‑6‑10;

(2) banks and bankers, savings and loan associations, credit unions, trust companies, savings banks and institutions, investment companies, insurance companies, insurance associations, and other persons carrying on a banking or insurance business;

(3) personal representatives, guardians, trustees, and other fiduciaries; and

(4) all other persons authorized to invest in bonds or other obligations of a similar nature.

Section 58‑27‑1155. (A) The State and its agencies, including the commission, pledge and agree with bondholders, the owners of the storm recovery property, and other financing parties that the State and its agencies will not take any action listed in this section as to any outstanding storm recovery bonds, storm recovery charges, or storm recovery property. This paragraph does not preclude limitation or alteration if full compensation is made by law for the full protection of the storm recovery charges collected pursuant to a financing order and of the bondholders and any assignee or financing party entering into a contract with the electrical utility. The prohibited actions are as follows:

(1) altering the provisions of this article, which authorize the commission to create an irrevocable contract right or chose in action by the issuance of a financing order, to create storm recovery property, and make the storm recovery charges imposed by a financing order irrevocable, binding, or nonbypassable charges;

(2) taking or permitting any action that impairs or would impair the value of storm recovery property or the security for the storm recovery bonds, or revises the storm recovery costs for which storm recovery is authorized;

(3) in any way impairing the rights and remedies of the bondholders, assignees, and other financing parties; and

(4) except for changes made pursuant to the formula‑based adjustment mechanism authorized under this section, reducing, altering, or impairing storm recovery charges that are to be imposed, billed, charged, collected, and remitted for the benefit of the bondholders, any assignee and any other financing parties until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any contracts to be performed in connection with the related storm recovery bonds, have been paid and performed in full.

(B) Any person or entity that issues storm recovery bonds may include the language specified in this section in the storm recovery bonds and related documentation.

Section 58‑27‑1160. An assignee or financing party is not an electrical utility or person providing electric service by virtue of engaging in the transactions described in this section.

Section 58‑27‑1165. If there is a conflict between this article and any other law regarding the attachment, assignment, perfection, effect of perfection, priority of, assignment or transfer of, or security interest in storm recovery property, this article shall govern.

Section 58‑27‑1170. In connection with its responsibilities under this article, the commission may retain independent outside consultants to serve as advisors and counsel to the commission. Such consultants shall not have authority to direct how the electrical utility places the storm recovery bonds to market. Any such consultants will be subject to the same ex parte prohibitions contained in Chapter 3, Title 58 as are applicable to the employees of the commission. The commission shall endeavor to retain such consultants in order to best control costs ultimately paid by customers. The compensation paid to such consultants may not exceed compensation generally paid by the regulated industry for such specialists. The consultants’ duty will be to the commission, and the consultants shall not have any financial interest in the storm recovery bonds or participate in the underwriting or secondary market trading of the storm recovery bonds. The commission is exempt from complying with the State Procurement Code in the selection and hiring of independent outside consultants authorized by this section.

Section 58‑27‑1175. If any provision of this section is held invalid or is invalidated, superseded, replaced, repealed, or expires for any reason, that occurrence does not affect the validity of any action allowed under this section which is taken by an electrical utility, an assignee, a financing party, a collection agent, or a party to an ancillary agreement; and any such action remains in full force and effect with respect to all storm recovery bonds issued or authorized in a financing order issued under this section before the date that such provision is held invalid or is invalidated, superseded, replaced, or repealed, or expires for any reason.

Section 58‑27‑1180. A violation of this article or of a financing order issued under this article subjects the utility that obtained the order to penalties under Article 19 of this chapter and to any other penalties or remedies that the commission determines are necessary to achieve the intent of this article and the intent and terms of the financing order and to prevent any increase in financial impact to the utility’s ratepayers above that set forth in the financing order. If the commission orders a penalty or a remedy for a violation, the monetary penalty or remedy and the costs of defending against the proposed penalty or remedy may not be recovered from the ratepayers. The commission may not make adjustments to recovery charges for any such penalties or remedies.”

SECTION 2. Section 36‑9‑109(d) is amended to read:

“(13) an assignment of a deposit account in a consumer transaction, but Sections 36‑9‑315 and 36‑9‑322 apply with respect to proceeds and priorities in proceeds; ~~or~~

(14) a transfer by a government or governmental unit; or

(15) the creation, perfection, priority, or enforcement of any sale, assignment of, pledge of, security interest in, or other transfer of, any interest or right or portion of any interest or right in any storm recovery property as defined in Section 58‑27‑1105(17).”

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

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