



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 5118 Amended by House Labor, Commerce, and Industry on March 21, 2024
Author: G.M. Smith
Subject: Electrical Utilities, Electricity Regulation, and Economic Development
Requestor: House Labor, Commerce, and Industry
RFA Analyst(s): Manic and Wren
Impact Date: March 26, 2024

Fiscal Impact Summary

The bill enacts the South Carolina Energy Security Act. It changes the composition and compensation of the Public Service Commission (PSC) and its responsibilities related to oversight and approval of renewable energy programs, oversight of energy efficiency and demand-side resources, and allows the establishment of a small modular nuclear reactor pilot program in addition to other responsibilities.

The bill requires the Office of Regulatory Staff (ORS) to prepare a comprehensive state energy assessment and ten-year action plan and sets specific requirements for this plan. The bill requires ORS to engage directly with electrical utilities to assess the state's electrical grid and transmission system needs and with natural gas providers to assess the state's needs of natural gas supply, and to determine the state's ability to address current and future energy needs in a cost-effective manner, while maintaining system reliability and economic growth.

Additionally, the bill requires ORS to conduct a study to evaluate the potential costs and benefits of various administrator models for energy efficiency programs and other demand-side management programs. The bill also permits ORS to retain the services of an expert or consultant with expertise and experience in the successful implementation of energy efficiency programs. The bill also transfers all duties, functions, responsibilities, appropriations, and full-time equivalent positions of the Division of Consumer Advocacy in the Department of Consumer Affairs (Consumer Affairs) related to appearances before PSC to ORS.

Further, the bill moves the Governor's Nuclear Advisory Council from the Department of Administration's (Admin) supervision to that of the Executive Director of ORS and also adds the development of a strategic plan to advance the development of small modular reactors to the list of the council's duties. Also, the bill makes changes to the council's membership and stipulates that the director of the council must be a full-time employee of ORS. The bill also removes the Department of Consumer Affairs (Consumer Affairs) from intervening in matters impacting consumers' utility rates and the ability to advocate on behalf of consumers before PSC and transfers these duties to ORS.

In addition, the bill permits the Public Service Authority (PSA) to jointly own electrical generation and transmission facilities with investor-owned electric utilities, and the bill provides the requirements for joint ownership. The bill further encourages electrical utilities and PSA to consider deploying nuclear facilities.

The bill specifies that the Department of Commerce (Commerce) must first determine whether the utility's proposed rates would increase the probability of attracting transformational customers to the state prior to an electrical utility entering into agreements to provide energy infrastructure to transformational customers.

The bill also establishes the South Carolina Energy Policy Research and Economic Development Institute (EPI). The bill requires this institute to be established by the University of South Carolina (USC) and specifies the membership of the EPI's board.

Additionally, the bill makes changes to the process by which the Department of Health and Environmental Control (DHEC), the Department of Natural Resources (DNR), and the Department of Parks, Recreation and Tourism (PRT) must review applications for certification of major utility facilities.

PSC reports that the bill will result in a cost savings for the agency. Reducing the number of commission members from seven to three, adjusting the salary for the three commissioners, including the annual payout for former commissioners, and adjusting the subsistence for the commissioners will result in a cost savings of \$516,966. The agency indicates an additional cost savings of \$250,000 every other year due to the repeal of the statute allowing PSC to hire avoided cost consultants. Further, the agency indicates the need to hire 2.0 FTEs (Law Clerks) with total salary and fringe of \$324,000 and expects training costs for six employees to total \$84,450. This will result in a net cost savings of \$358,516 in Other Funds beginning in FY 2024-25. Further, PSC indicates that the impact of the bill related to Section-37-20(C), according to which the commission is authorized to appoint a third-party administrator, is undetermined due to the lack of clarity on the specific entity that is to pay for the expenses associated with the third-party administrator.

ORS indicates that it will need to hire 13.0 FTEs (3 Directors, 3 Engineers, 2 Analysts, 3 Legal Specialists, and 2 Auditors) to manage the new responsibilities of the bill that are required and are not subject to funding. The recurring salary, fringe, and administrative annual expenses for these Other Funds positions are expected to total \$2,111,000 beginning in FY 2024-25. The agency will request an increase in Other Funds authorization for these expenses. ORS also indicates that it will need \$791,000 in General Fund appropriations beginning in FY 2024-25 to establish and operate the Division of Consumer Advocacy. These expenses that are not subject to funding total \$2,902,000. Separately, ORS indicates the agency will need \$350,000 to conduct the study related to energy efficiency programs and other demand-side management programs, which are subject to funding. Further, ORS indicates that the agency will need 1.0 additional FTE to prepare the comprehensive energy assessment plan. The recurring salary, fringe, and administrative annual expenses for this position are expected to total \$186,000 beginning in FY 2024-25. ORS also indicates the need to employ consultants at an expense of \$500,000 to assist

with the preparation of the comprehensive energy assessment plan. These expenses, which total \$686,000, are also subject to funding. Overall, ORS expects total expenses of \$1,036,000 that will be subject to funding. In summary, ORS's expenses will total \$2,111,000 in Other Funds and \$1,827,000 in General Funds beginning in FY 2024-25 including all expenses.

ORS also expects that the Energy Office will need approximately \$31,000 to develop and publish materials on demand-side management programs. However, ORS indicates that the Energy Office does not receive funding from the State pursuant to Section 48-52-470 and that the additional responsibilities required by the bill for the Energy Office would be subject to the office receiving additional federal funding from the U.S. Department of Energy.

This bill will have no expenditure impact on Consumer Affairs for the transfer of all duties, functions, responsibilities, appropriations, and full-time equivalent positions of the Division of Consumer Advocacy in Consumer Affairs related to appearances before PSC to ORS.

Admin indicates that the bill will have no fiscal impact on the agency as a result of moving the Governor's Nuclear Advisory Council from its supervision to that of ORS. Currently, Proviso 93.11 of the FY 2023-24 Appropriations Act requires ORS to reimburse Admin for travel expenses associated with the Governor's Nuclear Advisory Council.

PSA estimates no expenditure impact to the agency given the permissive nature of the bill. The agency indicates it has plans of constructing the natural gas-fired combined cycle generation facility even in the absence of legislation and notes that the bill would likely make the future implementation of the project much more cost effective. Also, the agency does not have plans of deploying nuclear facilities or building a small modular nuclear reactor. Moreover, PSA indicates it can manage the additional requirements related with the integrated resource plan reporting with existing staff and resources.

USC reports that they expect to incur additional recurring expenses of at least \$750,000 starting in FY 2024-25. The agency plans to request an increase in General Fund appropriations to cover these expenses. This is a preliminary estimate from USC, and we will update this impact statement if USC revises this response.

The overall expenditure impact of this bill on DHEC is undetermined. DHEC indicates that it will need additional staff to process the expedited permits. However, the number of additional FTEs required will depend on the number of expedited permit requests, which is unknown. DHEC expects that the fees collected from the expedited licensing program will offset a portion of the department's cost for implementation of the program. Nevertheless, because expedited fees follow economic conditions, alternative funding will be needed to support staff during times of reduced demand for expedited permits. Therefore, DHEC will request both an increase in General Fund appropriations and an increase in Other Funds authorization to cover expenses associated with the expedited licensing process.

This bill specifies that Commerce, with input from PSA, may allocate or resell natural gas capacity procured for economic development needs upon approval of the Coordinating Council

for Economic Development. This responsibility would increase recurring General Fund expenses of Commerce by an estimated \$500,000 beginning in FY 2024-25 to hire third-party subject matter experts or contractors to allocate or resell natural gas capacity procured for economic development purposes on behalf of the department as necessary.

The Administrative Law Court (ALC), Judicial, the House of Representatives, the Senate, DNR, and PRT indicate that this bill will have no expenditure impact since any expenses can be managed with existing staff and resources. Further, this bill is not expected to have an expenditure impact on the Governor's Office as we anticipate that expenses can be managed within existing appropriations.

The bill establishes the Energy Investment and Economic Development Fund (EIEDF) to be held in an operating account by PSA to further the initiatives of increasing energy capacity and delivery in order to support the economic growth of the state. Subject to the approval of the Joint Bond Review Committee (JBRC), the EIEDF may be funded by with the annual amount the agency is required to pay the State, net of the costs billed by ORS and PSC. Based upon the Board of Economic Advisors' General Fund Forecast as of November 16, 2023, RFA estimates that PSA will pay the State \$17,807,000 in FY 2024-25. In addition, PSA estimates that the annual combined cost to ORS and PSC would not exceed \$2,000,000. Therefore, if approved by JBRC, the bill will decrease General Fund revenues by approximately \$15,807,000 beginning in FY 2024-25. Likewise, the bill will increase revenue of PSA by \$15,807,000 for the EIEDF.

This bill specifies that Commerce, with input from PSA, may allocate or resell natural gas capacity procured for economic development needs upon approval of the Coordinating Council for Economic Development. The proceeds of any sales of natural gas capacity must be deposited in the General Fund. The increase in General Fund revenue from this portion of the bill is undetermined since the amount of natural gas that may be allocated or resold for economic development needs is unknown at this time.

This bill shifts \$200,000 in General Fund appropriations from Consumer Affairs to ORS in FY 2024-25 since the bill transfers all duties, functions, responsibilities, appropriations, and full-time equivalent positions of the Division of Consumer Advocacy in Consumer Affairs related to appearances before PSC to ORS. Consumer Affairs further indicates that this is the amount that is currently delegated for expert witnesses to work on these matters. In addition, Consumer Affairs notes that the agency employes 4.0 FTEs in the Advocacy Division. However, none of these employees solely work on utility matters and, as a result, does not expect any FTEs to be transferred to ORS.

The impact to Other Funds revenue of DHEC is undetermined. However, the department indicates that it will charge a fee for expedited permit requests, and the amount of the fee will be determined using stakeholder input. Any revenue from these fees will be used solely to offset the costs of DHEC's expedited permitting program.

MASC indicates that the bill's requirements for governmental agencies to provide an expedited review of energy projects will have an undetermined expenditure impact on municipal

governments. MASC also indicates that the cost of review will depend on the scope of the project and type of local review/permit required. Further, MASC states that since the bill does not provide a definition for the transmission and distribution resource plan that must be included in the utilities' integrated resource plans, any potential impact on municipal electrical utilities is unknown. Additionally, MASC indicates that while some municipalities may offer an expedited review for a fee, not all do. As a result, the revenue impact of the bill's requirement of an expedited review of energy infrastructure bills on municipal governments is undetermined.

Explanation of Fiscal Impact

Amended by House Labor, Commerce, and Industry on March 21, 2024

State Expenditure

The bill enacts the South Carolina Energy Security Act. The bill reduces the number of commissioners on PSC from seven to three. Also, the bill requires PSC members to receive a salary in an amount equal to 97.5 percent of the salary fixed for Associate Justices of the Supreme Court and requires commissioners to be full time and not engage in any other employment, business, profession, or vocation during the normal business hours of the commission. The bill also authorizes PSC to hire an independent third-party consultant to help with matters before the commission as well as sets requirements for this consultant's engagement in the commission's proceedings. Further, the bill provides additional requirements and considerations for PSC in reviewing and approving voluntary renewable energy programs. Additionally, the bill makes changes related to utilities' avoided cost methodologies and related process in order to authorize competitive procurement programs for renewable energy, capacity, and storage as well as to permit competitive procurement of new renewable energy capacity and set requirements for non-competitive procurement programs. The bill also adds a process for the competitive procurement of renewable energy facilities. Further, the bill removes language related to PSC hiring third-party experts for these competitive procurement proceedings.

In addition, the bill requires PSC to take into consideration the economic impact of its regulatory measures and mandates that are to be followed by electrical utilities, including PSA. Further, the bill describes the state policy towards PSC in matters involving electrical utilities and PSA. The bill also establishes procedures and a schedule for certain testimony and discovery in contested proceedings. Further, the bill requires PSC to allow electrical utility customers to address the commission as public witnesses on issues related to customer service, utility operations, reliability, economic hardship, affordability, environmental concerns, or other matters that affect them individually. Also, the bill makes changes to the communication process between PSC and parties in order to modify requirements for allowable ex parte communications and briefings as well as to permit, under specific circumstances, PSC to have tours of utility plants or other facilities.

The bill further requires PSC to evaluate and approve electrical utilities' integrated resource plans seeking to reduce emissions and modernize the electric grid that also include utilities' transmission and distribution resource plans. The bill also requires all parties to the review and approval process of the integrated resource plan to bear their own costs in proceedings before the

commission. Additionally, the bill requires PSC to provide for energy efficiency and demand-side resources through cost-effective energy efficient technologies and energy conservation programs to be developed by utilities as well as to review an annual report that is required from electrical utilities describing demand-side programs implemented by these utilities in the previous year. The bill also requires PSC to review each investor-owned electrical utility's portfolio of demand-side management programs' alignment with their integrated resource plans on at least a triennial basis. The bill makes further changes to permit programs and customer incentives to encourage or promote demand-side management programs for customer-sited distribution resources and to provide considerations for such programs. The bill also requires PSC to issue orders for such demand-side management programs as expeditiously as practicable and it also instructs the commission to ensure that such programs are cost-effective.

The bill specifies the state policy that promotes the development and operation of nuclear facilities, including small modular nuclear reactors. The bill permits PSC to establish a small modular nuclear reactor pilot program with guidance from the Nuclear Advisory Council and provides for the requirements of the pilot program. Also, the bill provides for several new considerations related to the certification of major utility facilities by PSC. The bill further imposes additional reporting requirements on the agency. Finally, in relation to agreements for energy efficiency and conservation measures, the bill establishes terms and rate recovery for financing agreements and installing energy efficiency and conservation measures.

Public Service Commission. PSC reports that the bill will result in a cost savings for the agency. Reducing the number of commission members from seven to three, adjusting the salary for the three commissioners, including the annual payout for former commissioners, and adjusting the subsistence for the commissioners will result in a cost savings of \$516,966. The agency indicates an additional cost savings of \$250,000 every other year due to the repeal of the statute allowing PSC to hire avoided cost consultants. Further, the agency indicates the need to hire 2.0 FTEs (Law Clerks) with total salary and fringe of \$324,000 and expects training costs for six employees to total \$84,450. This will result in a net cost savings of \$358,516 in Other Funds beginning in FY 2024-25. PSC also indicates that the impact of the bill related to Section-37-20(C), according to which the commission is authorized to appoint a third-party administrator, is undetermined due to the lack of clarity on the specific entity that is to pay for the expenses associated with the third-party administrator.

Office of Regulatory Staff. The bill requires ORS to prepare a comprehensive state energy assessment and ten-year action plan and sets specific requirements for this plan. Additionally, the bill requires ORS to conduct a study to evaluate the potential costs and benefits of various administrator models for energy efficiency programs and other demand-side management programs with a focus on investor-owned electrical utilities serving more than 100,000 customers. The bill also permits ORS to retain the services of an expert or consultant with expertise and experience in the successful implementation of energy efficiency programs.

Further, the bill moves the Governor's Nuclear Advisory Council from Admin's supervision to that of the Executive Director of ORS and adds the development of a strategic plan to advance the development of small modular reactors to the list of the council's duties. Also, the bill makes

changes to the council's membership and stipulates that the director of the council must be a full-time employee of ORS.

ORS indicates that it will need to hire 13.0 FTEs (3 Directors, 3 Engineers, 2 Analysts, 3 Legal Specialists, and 2 Auditors) to manage the new responsibilities of the bill that are required and are not subject to funding. The recurring salary, fringe, and administrative annual expenses for these Other Funds positions are expected to total \$2,111,000 beginning in FY 2024-25. The agency will request an increase in Other Funds authorization for these expenses. ORS also indicates that it will need \$791,000 in General Fund appropriations beginning in FY 2024-25 to establish and operate the Division of Consumer Advocacy. These expenses that are not subject to funding total \$2,902,000. Separately, ORS indicates the agency will need \$350,000 to conduct the study related to energy efficiency programs and other demand-side management programs, which are subject to funding. Further, ORS indicates that the agency will need 1.0 additional FTE to prepare the comprehensive energy assessment plan. The recurring salary, fringe, and administrative annual expenses for this position are expected to total \$186,000 beginning in FY 2024-25. ORS also indicates the need to employ consultants at an expense of \$500,000 to assist with the preparation of the comprehensive energy assessment plan. These expenses, which total \$686,000, are also subject to funding. Overall, ORS expects total expenses of \$1,036,000 that will be subject to funding. In summary, ORS's expenses will total \$2,111,000 in Other Funds and \$1,827,000 in General Funds beginning in FY 2024-25 including all expenses.

ORS also expects that the Energy Office will need approximately \$31,000 to develop and publish materials on demand-side management programs. However, ORS indicates that the Energy Office does not receive funding from the State pursuant to Section 48-52-470 and that the additional responsibilities required by the bill for the Energy Office would be subject to the office receiving additional federal funding from the U.S. Department of Energy.

Department of Administration. The bill moves the Governor's Nuclear Advisory Council from Admin's supervision to that of the Executive Director of ORS. Admin states that the bill will have no fiscal impact on the agency. We anticipate that Admin staff who provided support to the Council will be reallocated to other program areas. Currently, Proviso 93.11 of the FY 2023-24 Appropriations Act requires ORS to reimburse Admin for travel expenses associated with the Governor's Nuclear Advisory Council.

Governor's Office. The bill moves the Governor's Nuclear Advisory Council from Admin's supervision to that of the Executive Director of ORS and also adds the development of a strategic plan to advance the development of small modular reactors to the list of the council's duties. Also, the bill makes changes to the council's membership and stipulates that the director of the council must be a full-time employee of ORS. We anticipate that any expenses associated with the provisions of the bill can be managed with existing staff and appropriations. We will update this impact statement if the agency provides a different response.

Department of Consumer Affairs. This bill will have no expenditure impact on Consumer Affairs for the transfer of all duties, functions, responsibilities, appropriations, and full-time

equivalent positions of the Division of Consumer Advocacy in Consumer Affairs related to appearances before PSC to ORS.

Public Service Authority. The bill encourages Dominion Energy South Carolina and PSA to evaluate the potential for the construction of a natural gas-fired combined cycle generation facility of up to 2,000 MW capacity. Also, the bill encourages Duke Energy Carolinas and Duke Energy Progress to determine the feasibility of constructing a second powerhouse as well as a hydrogen-capable natural gas generation facility. In addition, the bill permits PSA to jointly own electrical generation and transmission facilities with investor-owned electric utilities and the bill provides the requirements for joint ownership. The bill further encourages electrical utilities and PSA to consider deploying nuclear facilities and those pursuing deployment of such facilities are required to submit progress reports to PSC and the Public Utilities Review Committee.

The bill further requires PSC to evaluate and approve electrical utilities' integrated resource plans seeking to reduce emissions and modernize the electric grid that also include utilities' transmission and distribution resource plans. The bill also requires all parties to the review and approval process of the integrated resource plan to bear their own costs in proceedings before the commission.

PSA states that the bill will have no expenditure impact on the agency's expenditures given its permissive nature. The agency indicates that it does not have plans to deploy nuclear facilities or a small modular nuclear reactor. PSA indicates that there are plans to build a natural gas-fired combined cycle generation facility even in the absence of legislation and notes that the bill would likely make the future implementation of the project much more cost effective. Further, PSA indicates it can manage the additional requirements related with the integrated resource plan reporting with existing staff and resources.

Administrative Law Court. The bill allows an order tolling any deadlines on a proceeding subject to an ex parte communication complaint at the ALC to the extent the proceeding was prejudiced so that PSC could not consider the matter impartially. The ALC indicates that this bill will have no expenditure impact on the agency since any expenses can be managed with existing staff and resources.

Department of Commerce. The bill authorizes PSA, in consultation with Commerce, to serve as an anchor subscriber of natural gas and pipeline capacity for the state. The bill also establishes the Energy Investment and Economic Development Fund to be held in an operating account by PSA to further the initiatives of increasing energy capacity and delivery in order to support the economic growth of the state. In this regard, the bill requires Commerce to report at least once per year to JBRC as to the level and need of funding.

The bill also establishes economic development rates for electric utilities that provide utility services for new commercial or industrial customers agreeing to locate their operations in the state or existing customers expanding their existing establishment under specific requirements. The bill identifies Commerce as an entity to whom electrical utilities can provide their rate proposal containing the terms and conditions to incentivize prospective customers to make

capital investments and employ additional workforce in the electrical utility's service territory. Prior to an electrical utility entering into agreements to provide energy infrastructure to transformational customers, the bill specifies that Commerce must first determine whether the utility's proposed rates would increase the probability of attracting transformational customers to the state. Also, the bill lists considerations for PSC to determine whether the rates, terms, and conditions negotiated with a transformational customer are just and reasonable. Further, the bill specifies that Commerce, with input from PSA, may allocate or resell natural gas capacity procured for economic development needs upon approval of the Coordinating Council for Economic Development.

The new responsibility to allocate or resell natural gas capacity, would increase General Fund expenses of Commerce by \$500,000 beginning in FY 2024-25 to hire third-party subject matter experts or contractors to conduct these sales on behalf of the department if necessary. Commerce reports that the department has no experience in this activity.

University of South Carolina. The bill establishes the EPI. The bill requires this institute to be established by USC. USC reports that they expect to incur additional recurring expenses of at least \$750,000 starting in FY 2024-25. These expenses will be allocated towards salaries and benefits (\$450,000), office space, equipment, and utilities (\$200,000), and research and data dissemination (\$100,000). The agency plans to request an increase in General Fund appropriations to cover these expenses. This is a preliminary estimate from USC. We will update this impact statement if USC revises this response.

House of Representatives and Senate. The bill specifies that the EPI will be governed by a board of six members or their designee including the Speaker of the House, the President of the Senate, the Chairman of the House Ways and Means Committee, the Chairman of the Senate Finance Committee, the Chairman of the House Labor, Commerce and Industry Committee, and the Chairman of the Senate Judiciary Committee.

The bill also establishes the EIEDF to be held in an operating account by PSA to further the initiatives of increasing energy capacity and delivery in order to support the economic growth of the state. In this regard, the bill requires Commerce to report at least once per year to JBRC as to the level and need of funding.

The House and Senate report that the bill will have no impact on the legislative bodies as they can manage the per diem, subsistence, and travel expenses of the members attending board meetings of the EPI as well as those of JBRC with existing funds. For reference, members would be reimbursed at the federal rate for mileage, \$50 per diem, and \$231.73 for subsistence on non-session days.

Judicial. The bill specifies that applicants whose private rights are affected by an agency's decision or action on an application for a permit for any energy infrastructure project are allowed to appeal such a decision or action to the South Carolina Supreme Court and requires the Court to provide for an expedited briefing and hearing of appeal. In addition, the bill also permits any party to appeal all or any portion of any final order or decision by PSC to the Supreme Court of

South Carolina without petition for rehearing or reconsideration and the bill requires the Court to provide for an expedited briefing and hearing of the appeal. Judicial indicates that, in the past decade, fewer than ten such appeals were filed with the Court of Appeals. Given the small number of cases impacted, Judicial anticipates that any expenditure increases would be minimal and could be managed within existing appropriations.

Department of Health and Environmental Control. The bill makes changes to the process by which DHEC, DNR, and PRT must review applications for certification of major utility facilities.

The bill further instructs all state agencies to give expedited review of applications for energy infrastructure projects as well as to assist applicants during the application process. Also, the bill instructs all state agencies to recognize the importance of reducing the environmental, aesthetic, and socioeconomic impacts incurred while supporting the safe, reliable, and economic provision of energy when energy infrastructure projects can be located in existing energy corridors or on brownfield energy sites in the state. The bill requires agencies to review all applications for sufficiency and provide applicants the list of any deficiencies and to make a decision within a specified time period.

DHEC will become the Department of Public Health and the Department of Environmental Services beginning July 1, 2024. DHEC indicates that it will need additional staff to process the expedited permits. However, the number of additional FTEs required will depend on the number of expedited permit requests, which is unknown. Also, DHEC expects that the fees collected from the expedited licensing program will offset a portion of the department's cost for implementation of the program. Nevertheless, because expedited fees follow economic conditions, alternative funding will be needed to support staff during times of reduced demand for expedited permits. Therefore, the overall expenditure impact of this bill on DHEC is undetermined, and the agency will request both an increase in General Fund appropriations and an increase in Other Funds authorization to cover expenses associated with the expedited licensing process.

Department of Natural Resources. The bill makes changes to the process by which DHEC, DNR, and PRT must review applications for certification of major utility facilities. DNR reports that the bill will not have an impact on the agency because the changes to the process of certification of major utility facilities do not affect its role and responsibilities. As a result, the agency indicates it can manage these responsibilities with existing staff and resources.

Department of Parks, Recreation, and Tourism. The bill makes changes to the process by which DHEC, DNR, and PRT must review applications for certification of major utility facilities. PRT reports that the bill will not have an impact on the agency because the changes to the process of certification of major utility facilities do not affect its role and responsibilities. As a result, the agency indicates it can manage these responsibilities with existing staff and resources.

State Revenue

The bill authorizes PSA, in consultation with Commerce, to serve as an anchor subscriber of natural gas and pipeline capacity for the state. The bill also establishes the EIEDF to be held in an operating account by PSA to further the initiatives of increasing energy capacity and delivery in order to support the economic growth of the state. Subject to approval by JBRC, the EIEDF may be funded by the annual amount the agency is required to pay the State, net of the costs billed by ORS and PSC, which is currently credited to the General Fund. Based upon the Board of Economic Advisors' General Fund Forecast as of November 16, 2023, RFA estimates that PSA will pay the state \$17,807,000 in FY 2024-25. In addition, PSA estimates that the annual combined cost to ORS and PSC would not exceed \$2,000,000. Therefore, if approved by JBRC, the bill will decrease General Fund revenue by approximately \$15,807,000 beginning in FY 2024-25. Likewise, the bill will increase revenue of PSA by \$15,807,000 for the EIEDF.

This bill specifies that Commerce, with input from PSA, may allocate or resell natural gas capacity procured for economic development needs upon approval of the Coordinating Council for Economic Development. The proceeds of any sales of natural gas capacity must be deposited in the General Fund. The increase in General Fund revenue from this portion of the bill is undetermined since the amount of natural gas that may be allocated or resold for economic development needs is unknown at this time.

This bill shifts \$200,000 in General Fund appropriations from Consumer Affairs to ORS in FY 2024-25 since the bill transfers all duties, functions, responsibilities, appropriations, and full-time equivalent positions of the Division of Consumer Advocacy in Consumer Affairs related to appearances before PSC to ORS. Consumer Affairs further indicates that this is the amount that is currently delegated for expert witnesses to work on these matters. In addition, Consumer Affairs notes that the agency employs 4.0 FTEs in the Advocacy Division. However, none of these employees solely work on utility matters and, as a result, does not expect any FTEs to be transferred to ORS.

The bill instructs all state agencies to give expedited review of applications for energy infrastructure projects as well as to assist applicants during the application process. Also, the bill instructs all state agencies to recognize the importance of reducing the environmental, aesthetic, and socioeconomic impacts incurred while supporting the safe, reliable, and economic provision of energy when energy infrastructure projects can be located in existing energy corridors or on brownfield energy sites in the state. The bill requires agencies to review all applications for sufficiency and provide applicants the list of any deficiencies and to make a final decision within a specified time period.

Although the bill does not specify the list of agencies responsible for the review and approval of energy infrastructure projects, RFA has obtained a response from DHEC indicating that it will charge a fee for expedited permit requests, and the amount of the fee will be determined using stakeholder input. However, due to the unknown number of expedited permit requests, the revenue impact is undetermined. Nevertheless, the department indicates that any revenue from these fees will be used solely to offset the costs of DHEC's expedited permitting program.

Local Expenditure

MASC indicates that the bill's requirements for governmental agencies to provide an expedited review of projects will have an undetermined expenditure impact on municipal governments. MASC also indicates that the cost of review will depend on the scope of the project and type of local review/permit required.

Further, MASC states that since the bill does not provide a definition for the transmission and distribution resource plan that must be included in the utilities' integrated resource plans, any potential impact on municipal electrical utilities is unknown.

Local Revenue

MASC indicates that while some municipalities may offer an expedited review for a fee, not all do. As a result, the revenue impact of the bill's requirement of an expedited review of energy infrastructure bills on municipal governments is undetermined.

Introduced on February 15, 2024

State Expenditure

The bill enacts the South Carolina Ten-Year Energy Transformation Act. The bill reduces the number of commissioners in the PSC from seven to three. Also, the bill requires PSC members to receive a salary in an amount equal to 97.5 percent of the salary fixed for Associate Justices of the Supreme Court and requires commissioners to devote full time to their duties and not engage in any other employment, business, profession, or vocation during the normal business hours of the commission. The bill also authorizes the PSC to hire an independent third-party consultant to help with matters before the commission as well as sets requirements for this consultant's engagement in the commission's proceedings. Further, the bill provides additional requirements and considerations for PSC in reviewing and approving voluntary renewable energy programs. Additionally, the bill makes changes related to utilities' avoided cost methodologies and related process in order to authorize competitive procurement programs for renewable energy, capacity, and storage as well as to permit competitive procurement of new renewable energy capacity and set requirements for non-competitive procurement programs. The bill also adds a process for the competitive procurement of renewable energy facilities. Further, the bill removes language related to PSC hiring third-party experts for these competitive procurement proceedings.

In addition, the bill requires the PSC to take into consideration the economic impact of its regulatory measures and mandates that are to be followed by electrical utilities, including the PSA. Further, the bill describes the state policy towards the PSC in matters involving electrical utilities and the PSA. The bill also establishes procedures and a schedule for certain testimony and discovery in contested proceedings. Further, the bill requires the PSC to allow electrical utility customers to address the commission as public witnesses on issues related to customer service, utility operations, reliability, economic hardship, affordability, environmental concerns, or other matters that affect them individually. Also, the bill makes changes to the communication process between the PSC and parties in order to modify requirements for allowable ex parte communications and briefings as well as to permit, under specific circumstances, the PSC to have tours of utility plants or other facilities.

The bill further requires the PSC to evaluate and approve electrical utilities' integrated resource plans seeking to reduce emissions and modernize the electric grid that also include utilities' transmission and distribution resource plans. The bill also requires all parties to the review and approval process of the integrated resource plan to bear their own costs in proceedings before the commission. Additionally, the bill requires the PSC to provide for energy efficiency and demand-side resources through cost-effective energy efficient technologies and energy conservation programs to be developed by utilities as well as to review an annual report that is required from electrical utilities describing demand-side programs implemented by these utilities in the previous year. The bill also requires the PSC to review each investor-owned electrical utility's portfolio of demand-side management programs' alignment with their integrated resource plans on at least a triennial basis. The bill makes further changes to permit programs and customer incentives to encourage or promote demand-side management programs for customer-sited distribution resources and to provide considerations for such programs. The bill also requires the PSC to issue orders for such demand-side management programs as expeditiously as practicable and it also instructs the commission to ensure that such programs are cost-effective.

The bill permits the PSC to approve requests for any electric supplier or the PSA to serve any transformational economic development project customer under specific conditions. The bill specifies the state policy that promotes the development and operation of nuclear facilities, including small modular nuclear reactors. The bill permits the PSC to establish a small modular nuclear reactor pilot program with guidance from the Nuclear Advisory Council and provides for the requirements of the pilot program. Also, the bill provides for several new considerations related to the certification of major utility facilities by the PSC. The bill further imposes additional reporting requirements on the agency. Finally, in relation to agreements for energy efficiency and conservation measures, the bill establishes terms and rate recovery for financing agreements and installing energy efficiency and conservation measures.

Public Service Commission. PSC reports that the bill will result in a cost savings for the agency. Reducing the number of commission members from seven to three, adjusting the salary for the three commissioners, including the annual payout for former commissioners, and adjusting the subsistence for the commissioners will result in a cost savings of \$516,966. The agency indicates an additional cost savings of \$250,000 every other year due to the repeal of the statute allowing PSC to hire avoided cost consultants. Further, the agency indicates the need to hire 2.0 FTEs (Law Clerks) with total salary and fringe of \$324,000 and expects training costs for six employees to total \$84,450. This will result in a net cost savings of \$358,516 in Other Funds beginning in FY 2024-25.

Office of Regulatory Staff. The bill requires the ORS to prepare a comprehensive state energy assessment and ten-year action plan and sets specific requirements for this plan. ORS is further required to update this plan after five years and submit a report to the PSC and the Public Utilities Review Committee. The bill further specifies that ORS must take specific actions based on the comprehensive plan and aggregated data on availability of adequate, reliable, and economical supply of energy resources. The bill also requires ORS to engage directly with electrical utilities to assess the state's electrical grid and transmission system needs and with

natural gas providers to assess the state's needs of natural gas supply, and to determine the state's ability to address current and future energy needs in a cost-effective manner while maintaining system reliability and economic growth.

Additionally, the bill requires the ORS, with assistance from the Energy Office, to conduct a study to evaluate the potential costs and benefits of establishing a nonprofit entity to serve as a third-party administrator for energy efficiency programs and other demand-side management programs. The bill also permits ORS to retain the services of an expert or consultant with expertise and experience in the successful implementation of independently administered, ratepayer-funded energy efficiency programs.

Further, the bill moves the Governor's Nuclear Advisory Council from Admin's supervision to that of the Executive Director of the ORS and adds the development of a strategic plan to advance the development of small modular reactors to the list of the council's duties. Also, the bill makes changes to the council's membership and stipulates that the director of the council must be a full-time employee of the ORS.

ORS reports that the bill will have a significant impact on expenditures. The agency indicates that it will need to hire 15.0 new FTEs (7 leadership positions, 1 Engineer, 3 Analysts, 2 Legal Specialists, 1 Administrative position, and 1 Auditor) to manage the new responsibilities of the bill. The total recurring salary, fringe, and administrative annual expenses for these positions is expected to be \$2,395,934 beginning in FY 2024-25. In addition, ORS indicates that non-recurring expenses are expected to total \$1,210,295, and expenses that will occur every five years are expected to total \$690,125. Both the non-recurring expenses and the expenses occurring every five years are associated with the comprehensive SC energy assessment and action plan requirement of the bill. Since the bill specifies that this requirement is subject to availability of funding, the agency expects to hire 4.0 temporary FTEs for the preparation of the comprehensive action plan and 2.0 temporary FTEs to update this plan every five years. The non-recurring expense of \$1,210,295 includes \$500,000 for hiring a consultant and the \$690,125 occurring every five years includes \$300,000 for hiring a consultant. The agency will request an increase in Other Funds authorization to cover these expenses. Further, the agency also expects that the Energy Office will need to hire 1.0 FTE with salary, fringe, and administrative annual expenses of \$62,808. However, ORS indicates that the Energy Office does not receive funding from the State pursuant to Section 48-52-470 and that the additional responsibilities required by the bill for the Energy Office would be subject to the Office receiving additional funding from the U.S. Department of Energy.

Department of Administration. The bill moves the Governor's Nuclear Advisory Council from Admin's supervision to that of the Executive Director of the ORS. Admin states that the bill will have no fiscal impact on the agency. We anticipate that Admin staff who provided support to the Council will be reallocated to other program areas. Currently, Proviso 93.11 of the FY 2023-24 Appropriations Act requires ORS to reimburse Admin for travel expenses associated with the Governor's Nuclear Advisory Council.

Governor's Office. The bill moves the Governor's Nuclear Advisory Council from Admin's supervision to that of the Executive Director of the ORS and also adds the development of a strategic plan to advance the development of small modular reactors to the list of the council's duties. Also, the bill makes changes to the council's membership and stipulates that the director of the council must be a full-time employee of the ORS. We anticipate that any expenses associated with the provisions of the bill can be managed with existing staff and appropriations. We will update this impact statement if the agency provides a different response.

Department of Consumer Affairs. The bill removes Consumer Affairs from intervening in matters impacting consumers' utility rates and the ability to advocate on behalf of consumers before the PSC and transfers these duties to the ORS. Consumer Affairs indicates that implementation of the bill is expected to generate a General Fund cost savings for the agency of approximately \$200,000 as a result of removing responsibilities to intervene in utility rate filings. The agency further indicates that this is the amount that is currently delegated for expert witnesses to work on the aforementioned matters.

Public Service Authority. The bill encourages Dominion Energy South Carolina and the PSA to evaluate the potential for the construction of a natural gas-fired combined cycle generation facility of up to 2,000 MW capacity. Also, the bill encourages Duke Energy Carolinas and Duke Energy Progress to determine the feasibility of constructing a second powerhouse as well as a hydrogen-capable natural gas generation facility. In addition, the bill permits the PSA to jointly own electrical generation and transmission facilities with investor-owned electric utilities and the bill provides the requirements for joint ownership. The bill further encourages electrical utilities and the PSA to consider deploying nuclear facilities and those pursuing deployment of such facilities are required to submit progress reports to the PSC and the Public Utilities Review Committee.

The bill further requires the PSC to evaluate and approve electrical utilities' integrated resource plans seeking to reduce emissions and modernize the electric grid that also include utilities' transmission and distribution resource plans. The bill also requires all parties to the review and approval process of the integrated resource plan to bear their own costs in proceedings before the commission.

PSA states that the bill will have no expenditure impact on the agency's expenditures given its permissive nature. The agency indicates that it does not have plans to deploy nuclear facilities or a small modular nuclear reactor. PSA indicates that there are plans to build a natural gas-fired combined cycle generation facility even in the absence of legislation and notes that the bill would likely make the future implementation of the project much more cost effective. Further, PSA indicates it can manage the additional requirements related with the integrated resource plan reporting with existing staff and resources.

Administrative Law Court. The bill allows an order tolling any deadlines on a proceeding subject to an ex parte communication complaint at the ALC to the extent the proceeding was prejudiced so that the PSC could not consider the matter impartially. ALC indicates that this bill

will have no expenditure impact on the agency since any expenses can be managed with existing staff and resources.

Department of Commerce. The bill authorizes the PSA, in consultation with Commerce, to serve as an anchor subscriber of natural gas and pipeline capacity for the state. The bill also establishes the Energy Investment and Economic Development Fund to be held in an operating account by the PSA to further the initiatives of increasing energy capacity and delivery in order to support the economic growth of the state. In this regard, the bill requires Commerce to report at least once per year to the Joint Bond Review Committee as to the level and need of funding.

The bill also establishes economic development rates for electric utilities that provide utility services for new commercial or industrial customers agreeing to locate their operations in the state or existing customers expanding their existing establishment under specific requirements. The bill identifies Commerce as an entity to whom electrical utilities can provide their rate proposal containing the terms and conditions to incentivize prospective customers to make capital investments and employ additional workforce in the electrical utility's service territory. Prior to an electrical utility entering into agreements to provide energy infrastructure to transformational customers, the bill specifies that Commerce must first determine whether the utility's proposed rates would increase the probability of attracting transformational customers to the state. Also, the bill lists considerations for the PSC to determine whether the rates, terms, and conditions negotiated with a transformational customer are just and reasonable.

Commerce indicates that the bill will have no expenditure impact on the agency because it can manage the additional requirements with existing staff and resources. The agency also indicates that PSA has agreed to cover the majority of these responsibilities and that Commerce will work together with PSA on any reporting that will be due to the General Assembly.

University of South Carolina. The bill establishes the EPI. The bill requires this institute to be established by USC. USC reports that they expect to incur additional recurring expenses of at least \$750,000 starting in FY 2024-25. These expenses will be allocated towards salaries and benefits (\$450,000), office space, equipment, and utilities (\$200,000), and research and data dissemination (\$100,000). The agency plans to request an increase in General Fund appropriations to cover these expenses. This is a preliminary estimate from USC. We will update this impact statement if USC revises this response.

House of Representatives and Senate. The bill specifies that the EPI will be governed by a board of six members or their designee including the Speaker of the House, the President of the Senate, the Chairman of the House Ways and Means Committee, the Chairman of the Senate Finance Committee, the Chairman of the House Labor, Commerce and Industry Committee, and the Chairman of the Senate Judiciary Committee.

The bill also establishes the EIEDF to be held in an operating account by the PSA to further the initiatives of increasing energy capacity and delivery in order to support the economic growth of the state. In this regard, the bill requires Commerce to report at least once per year to the JBRC as to the level and need of funding.

The House and Senate report that the bill will have no impact on the legislative bodies as they can manage the per diem, subsistence, and travel expenses of the members attending board meetings of the EPI as well as those of the JBRC with existing funds. For reference, members would be reimbursed at the federal rate for mileage, \$50 per diem, and \$231.73 for subsistence on non-session days.

Judicial. The bill specifies that applicants whose private rights are affected by an agency's decision or action on an application for a permit for any energy infrastructure project are allowed to appeal such a decision or action to the South Carolina Supreme Court and requires the Court to provide for an expedited briefing and hearing of appeal. In addition, the bill also permits any party to appeal all or any portion of any final order or decision by the PSC to the Supreme Court of South Carolina without petition for rehearing or reconsideration and the bill requires the Court to provide for an expedited briefing and hearing of the appeal. Judicial indicates that, in the past decade, fewer than ten such appeals were filed with the Court of Appeals. Given the small number of cases impacted, Judicial anticipates that any expenditure increases would be minimal and could be managed within existing appropriations.

Department of Health and Environmental Control. The bill makes changes to the process by which DHEC, DNR, and PRT must review applications for certification of major utility facilities.

The bill further instructs all state agencies to give expedited review of applications for energy infrastructure projects as well as to assist applicants during the application process. Also, the bill instructs all state agencies to recognize the importance of reducing the environmental, aesthetic, and socioeconomic impacts incurred while supporting the safe, reliable, and economic provision of energy when energy infrastructure projects can be located in existing energy corridors or on brownfield energy sites in the state. The bill requires agencies to review all applications for sufficiency and provide applicants the list of any deficiencies and to make a decision within a specified time period.

DHEC will become the Department of Public Health and the Department of Environmental Services beginning July 1, 2024. DHEC indicates that it will need additional staff to process the expedited permits. However, the number of additional FTEs required will depend on the number of expedited permit requests, which is unknown. Also, DHEC expects that the fees collected from the expedited licensing program will offset a portion of the department's cost for implementation of the program. Nevertheless, because expedited fees follow economic conditions, alternative funding will be needed to support staff during times of reduced demand for expedited permits. Therefore, the overall expenditure impact of this bill on DHEC is undetermined, and the agency will request both an increase in General Fund appropriations and an increase in Other Funds authorization to cover expenses associated with the expedited licensing process.

Department of Natural Resources. The bill makes changes to the process by which DHEC, DNR, and PRT must review applications for certification of major utility facilities. DNR reports

that the bill will not have an impact on the agency because the changes to the process of certification of major utility facilities do not affect its role and responsibilities. As a result, the agency indicates it can manage these responsibilities with existing staff and resources.

Department of Parks, Recreation, and Tourism. The bill makes changes to the process by which DHEC, DNR, and PRT must review applications for certification of major utility facilities. PRT reports that the bill will not have an impact on the agency because the changes to the process of certification of major utility facilities do not affect its role and responsibilities. As a result, the agency indicates it can manage these responsibilities with existing staff and resources.

State Revenue

The bill authorizes the PSA, in consultation with Commerce, to serve as an anchor subscriber of natural gas and pipeline capacity for the state. The bill also establishes the EIEDF to be held in an operating account by the PSA to further the initiatives of increasing energy capacity and delivery in order to support the economic growth of the state. Subject to approval by the JBRC, the EIEDF may be funded by the annual amount the agency is required to pay the State, net of the costs billed by the ORS and PSC, which is currently credited to the General Fund. Based upon the Board of Economic Advisors' General Fund Forecast as of November 16, 2023, RFA estimates that PSA will pay the state \$17,807,000 in FY 2024-25. In addition, PSA estimates that the annual combined cost to the ORS and PSC would not exceed \$2,000,000. Therefore, if approved by JBRC, the bill will decrease General Fund revenue by approximately \$15,807,000 beginning in FY 2024-25. Likewise, the bill will increase revenue of PSA by \$15,807,000 for the EIEDF.

The bill instructs all state agencies to give expedited review of applications for energy infrastructure projects as well as to assist applicants during the application process. Also, the bill instructs all state agencies to recognize the importance of reducing the environmental, aesthetic, and socioeconomic impacts incurred while supporting the safe, reliable, and economic provision of energy when energy infrastructure projects can be located in existing energy corridors or on brownfield energy sites in the state. The bill requires agencies to review all applications for sufficiency and provide applicants the list of any deficiencies and to make a final decision within a specified time period.

Although the bill does not specify the list of agencies responsible for the review and approval of energy infrastructure projects, RFA has obtained a response from DHEC indicating that it will charge a fee for expedited permit requests, and the amount of the fee will be determined using stakeholder input. However, due to the unknown number of expedited permit requests, the revenue impact is undetermined. Nevertheless, the department indicates that any revenue from these fees will be used solely to offset the costs of DHEC's expedited permitting program.

Local Expenditure

MASC indicates that the bill's requirements for governmental agencies to provide an expedited review of projects will have an undetermined expenditure impact on municipal governments.

MASC also indicates that the cost of review will depend on the scope of the project and type of local review/permit required.

Further, MASC states that since the bill does not provide a definition for the transmission and distribution resource plan that must be included in the utilities' integrated resource plans, any potential impact on municipal electrical utilities is unknown.

Local Revenue

MASC indicates that while some municipalities may offer an expedited review for a fee, not all do. As a result, the revenue impact of the bill's requirement of an expedited review of energy infrastructure bills on municipal governments is undetermined.



Frank A. Rainwater, Executive Director