



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

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Bill Number: H. 3309 Amended by House Labor, Commerce, and Industry on February 6, 2025
Subject: Electrical Utilities
Requestor: House Labor, Commerce, and Industry
RFA Analyst(s): Manic
Impact Date: February 12, 2025

Fiscal Impact Summary

The bill enacts the South Carolina Energy Security Act. It changes the responsibilities of the Public Service Commission (PSC) 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 if such a program is endorsed by the Nuclear Advisory Council in addition to other responsibilities. Also, the bill changes the compensation level of the PSC members.

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.

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 establishment of a strategic plan to promote the development of advanced nuclear generation such as small modular reactors, molten salt reactors, spent nuclear fuel recycling facilities, and fusion energy 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.

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 fusion energy and advanced 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 Environmental Services (DES), 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 additional costs for the agency. Adjusting the commissioners' salary will result in a cost increase of approximately \$661,000. The agency indicates a cost saving 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 1.0 FTE (Law Clerk) with salary and fringe of approximately \$113,800, expects training costs for the new employee to total approximately \$14,100, and travel costs associated with site visits to equal \$2,400. With the \$250,000 savings from the avoided cost consultants every other year, this will result in a total cost increase of approximately \$541,300 in Other Funds beginning in FY 2025-26. Further, PSC indicates that the impact of the bill related to Section 58-37-20(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 12.0 FTEs (3 Directors, 3 Engineers, 2 Analysts, 2 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 approximately \$2,073,000 beginning in FY 2025-26. Separately, ORS indicates the agency will need to hire consultants at an expense of \$350,000 as well as 1.0 additional FTE with a salary, fringe, and administrative total annual expense of approximately \$92,000 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 \$190,000 beginning in FY 2025-26. 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 \$690,000, are also subject to funding. Moreover, ORS indicates that the agency will require funding to hire 1.0 additional FTE responsible for the provisions related to the Governor's Nuclear Advisory Council with recurring salary, fringe, and administrative annual expenses totaling \$257,000. Overall, ORS expects total expenses of \$1,389,000 that will be subject to funding. In summary, ORS's

expenses will total \$2,073,000 in Other Funds and \$1,389,000 in General Funds beginning in FY 2025-26.

ORS also expects that the Energy Office will need approximately \$32,000 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.

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 2025-26. The agency plans to request an increase in General Fund appropriations to cover these expenses.

DES indicates that this bill will increase the department's recurring General Fund expenses by approximately \$836,000 beginning in FY 2025-26. The agency anticipates it will need to hire 6.0 FTEs (2 environmental health managers for reviewing coastal zone applications and the 401 Water Quality Certifications, 3 engineers for technical review, and 1 project manager to ensure timeframes are met). The annual salary and fringe expenses for these 6.0 FTEs is expected to total approximately \$682,000 beginning in FY 2025-26. The additional staff are needed to meet with applicants and associated partners prior to the application to ensure all parties are aware of content and supporting materials needed for processing the application efficiently. DES also estimates annual expenses to total approximately \$154,000 for travel to site visits and ongoing staff training activities, office supplies and equipment, software licenses, and overhead costs beginning in FY 2025-26. DES further anticipates non-recurring expenses of \$4,700 to acquire laptops for the additional staff. DES will request an increase in General Fund appropriations to cover these expenses.

The bill 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 also requires the Department of Commerce (Commerce) to determine whether the utilities' proposed agreements to provide energy to high priority sites would increase the probability of

attracting transformational customers to the state. Commerce indicates that the bill will have no expenditure impact as the agency can manage the additional requirements with existing resources.

The Administrative Law Court (ALC), Judicial, the House of Representatives, the Senate, the Governor's Office, DNR, and PRT indicate that this bill will have no expenditure impact since any expenses can be managed with existing staff and resources.

The bill further allows PSC to assess fines for utilities that violate safety, maintenance, and inspection standards. Also, the bill stipulates in relation to the review process of integrated resource plans that intervenors will bear their own costs of participating in proceedings before the commission. According to PSC, jurisdictional public utilities must bear the commission's expenses incurred by processing, reading, and/or examining the intervenors' filings at the commission. Based on the amount of time spent by the commission's employees on reviewing intervenors' filings, an assessment of the cost is included in invoices that are sent to intervenors for payment. PSC indicates that the level of expected future fines and assessments of intervenor costs of participating in proceedings before the commission is unknown. As a result, the revenue impact of these provisions on the agency is undetermined.

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.

Explanation of Fiscal Impact

Amended by House Labor, Commerce, and Industry on February 6, 2025

State Expenditure

The bill enacts the South Carolina Energy Security Act. The bill requires PSC members to receive a salary in an amount equal to 90 percent of the salary fixed for the circuit court judges 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 processes 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 additional costs for the agency. Adjusting the commissioners' salary will result in a cost increase of approximately \$661,000. The agency indicates a cost saving 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 1.0 FTE (Law Clerk) with salary and fringe of approximately \$113,800, expects training

costs for the new employee to total approximately \$14,100, and travel costs associated with site visits to equal \$2,400. With the \$250,000 savings from the avoided cost consultants every other year, this will result in a total cost increase of approximately \$541,300 in Other Funds beginning in FY 2025-26. PSC also indicates that the impact of the bill related to Section 58-37-20(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 12.0 FTEs (3 Directors, 3 Engineers, 2 Analysts, 2 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 approximately \$2,073,000 beginning in FY 2025-26. The agency will request an increase in Other Funds authorization for these expenses. Separately, ORS indicates the agency will need to hire consultants at an expense of \$350,000 as well as 1.0 additional FTE with a salary, fringe, and administrative total annual expense of approximately \$92,000 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 \$190,000 beginning in FY 2025-26. 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 \$690,000, are also subject to funding. Moreover, ORS indicates that the agency will require funding to hire 1.0 additional FTE responsible for the provisions related to the Governor's Nuclear Advisory Council with recurring salary, fringe, and administrative annual expenses totaling \$257,000. The agency indicates that proviso 93.11 of the FY 2024-25 Appropriations Act allows the Department of Administration to receive reimbursement of the travel expenses of the Governor's Nuclear Advisory Council from the Nuclear Waste Disposal Receipts Disbursement Fund. However, the additional responsibilities proposed under Sections 13-7-810 through 13-7-860 do not include a similar provision. In addition, the Gross Receipts assessment on regulated utilities does not currently support the expense of the Governor's Nuclear Advisory Council. Overall, ORS expects total expenses of

\$1,389,000 that will be subject to funding. In summary, ORS's expenses will total \$2,073,000 in Other Funds and \$1,389,000 in General Funds beginning in FY 2025-26.

ORS also expects that the Energy Office will need approximately \$32,000 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. The Governor's Office indicates that the bill will have no expenditure impact as any expenses associated with the provisions of the bill can be managed with existing staff and appropriations.

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 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. 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 agreements to provide energy to high priority sites 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. Commerce indicates that the bill will have no expenditure impact as the agency can manage the additional requirements with existing resources.

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 beginning in FY 2025-26. 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.

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 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 with existing funds. For reference, members would be reimbursed at the federal rate for mileage, \$50 per diem, and \$240.07 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 Environmental Services. The bill makes changes to the process by which DES, 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. In addition, the bill requires applicants for energy infrastructure projects not to submit an application for the project prior to conducting a preapplication meeting with the agency in order to establish the milestones within a six-month review period. The bill also provides for the energy infrastructure project applicant and state and local agencies to mutually agree in writing to extend the six-month review period.

DES indicates that this bill will increase the department's recurring General Fund expenses by approximately \$836,000 beginning in FY 2025-26. The agency anticipates it will need to hire 6.0 FTEs (2 environmental health managers for reviewing coastal zone applications and the 401 Water Quality Certifications, 3 engineers for technical review, and 1 project manager to ensure timeframes are met). The annual salary and fringe expenses for these 6.0 FTEs is expected to total approximately \$682,000 beginning in FY 2025-26. The additional staff are needed to meet with applicants and associated partners prior to the application to ensure all parties are aware of content and supporting materials needed for processing the application efficiently. DES also estimates annual expenses to total approximately \$154,000 for travel to site visits and ongoing staff training activities, office supplies and equipment, software licenses, and overhead costs beginning in FY 2025-26. DES further anticipates non-recurring expenses of \$4,700 to acquire laptops for the additional staff. DES will request an increase in General Fund appropriations to cover these expenses.

Department of Natural Resources. The bill makes changes to the process by which DES, 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 DES, 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 requires PSC to promulgate regulations to establish safety, maintenance, and inspection standards for the public utilities, and it allows the agency to assess fines for utilities that violate such standards. Also, the bill provides considerations for integrated resource plans by electrical utilities, electric cooperatives, municipally owned electric utilities, and PSA, which need to be reviewed by PSC. The bill further stipulates in relation to the review process of integrated resource plans that intervenors will bear their own costs of participating in proceedings before the commission. According to PSC, jurisdictional public utilities must bear the commission's expenses incurred by processing, reading, and/or examining the intervenors' filings at the commission. Based on the amount of time spent by the commission's employees on reviewing intervenors' filings, an assessment of the cost is included in invoices that are sent to intervenors for payment. PSC indicates that the level of expected future fines and assessments of intervenor costs of participating in proceedings before the commission is unknown. As a result, the revenue impact of these provisions on the agency is undetermined.

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

N/A



Frank A. Rainwater, Executive Director