**A** **BILL**

TO AMEND SECTION 58‑31‑310 OF THE 1976 CODE, RELATING TO PROVIDING ELECTRIC SERVICE, TO PROVIDE DEFINITIONS; AND TO AMEND TITLE 31, CHAPTER 58, RELATING TO PROVIDING ELECTRIC SERVICE, BY ADDING SECTION 58‑31‑470 TO AUTHORIZE A PILOT PROGRAM REQUIRING THE PUBLIC SERVICE AUTHORITY TO SELL POWER TO ELECTROLYTIC PROCESSORS AT MARKET-BASED PRICES WHILE PROTECTING THE PUBLIC SERVICE AUTHORITY’S OTHER CUSTOMERS FROM ANY ADDITIONAL COSTS.

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

SECTION 1. Section 58‑31‑310 of the 1976 Code is amended by adding appropriately numbered items to read:

“( ) The term ‘retail electric consumer’ means a customer or entity that purchases electric power for consumption.

( ) The term ‘wholesale electric customer’ shall mean a customer or entity that purchases electric power for resale to another customer or entity.

( ) The term ‘electrolytic processor’ means a retail electric consumer that:

(a) consumes, will consume, reasonably expects to consume, or has historically consumed at least 1.5 million megawatt hours of energy per year;

(b) consumes, will consume, reasonably expects to consume, or has historically consumed electricity primarily as a raw material in an electrolytic reduction process and not primarily for the purpose of mechanical wheel‑turning or heating ; and

(c) is located within the service area or areas of the Public Service Authority.

( ) The term ‘industrial utility’ means a person, corporation, or other entity, whether located within the state of South Carolina or otherwise, that is affiliated with a electrolytic processor and that sells, offers to sell, or has a contract to sell electricity only to wholesale electric customers.

( ) The term ‘electrolytic reduction process’ means the use of direct electric current to produce a chemical reaction.

( ) The term ‘ancillary services’ means the services necessary or incidental to the transmission and delivery of electric capacity and energy from generating facilities to retail electric consumers, including but not limited to, scheduling and system control and dispatch service; reactive supply and voltage control; and regulation and frequency response, energy imbalance service; but excluding operating and spinning reserves service and supplemental reserve service.”

SECTION 2. Article 3, Chapter 31, Title 58 of the 1976 Code is amended by adding:

“Section 58‑31‑470. (A) Notwithstanding any other provision of law, there is established a pilot program, under the terms provided herein, that allows a electrolytic processor to purchase from the Public Service Authority a portion of its electric requirements at market‑based rates.

(B) For a electrolytic processor existing as of the effective date of this act, the amount of power subject to this pilot program will be up to fifty percent of its peak demand and annual megawatt hour consumption based on 2014 usage; for a new electrolytic processor the amount of power subject to the pilot program will be up to fifty percent of its total expected capacity. The electrolytic processor may purchase amounts in excess of the pilot program amounts under rate schedule CSP‑16 as it exists on the effective date of the act.

(C) The pilot program shall commence on August 1, 2016, and terminate on July 31, 2018, unless extended either by law or by the Public Service Authority.

(D) When an industrial utility acquires firm power from a third‑party supplier and delivers such power to the Public Service Authority’s transmission system, the Public Service Authority shall acquire, deliver and sell such power to the electrolytic processor; provided that:

(1) the Public Service Authority shall purchase the power at the price specified by the Industrial Utility;

(2) the sale price to the electrolytic processor shall be the same as the purchase price plus any applicable state and county fees and the Public Service Authority’s capital improvement fund percentage applied to such sale price; and

(3) the charges for transmission and ancillary services shall be the same as the charges in the Public Service Authority’s then applicable open access transmission tariff plus, if applicable, a lost opportunity charge.

(E) The lost opportunity charge shall be determined as follows: (1) the Public Service Authority shall calculate the charge quarterly, beginning September 30, 2016, and shall submit the calculation to the Joint Oversight Committee on the Public Service Authority for review by the fifteenth day of the month after the end of the quarter to the Joint Oversight Committee on the Public Service Authority for review, modification or verification and approval;

(2) the charge shall be calculated as the net value of actual market purchases that the Public Service Authority was required to forego solely because import transmission capacity had been reserved for the electrolytic processor under this pilot program; and

(3) such net value shall be calculated as the Public Service Authority’s variable generation costs that would have been avoided if the market purchase had been made less the cost of the market power delivered to the Public Service Authority’s system and less the total transmission revenues paid by the electrolytic processor. The electrolytic processor shall pay the lost opportunity charge that has been verified and approved by the Joint Committee, provided the lost opportunity charge shall not exceed a cap equal to the Schedule L‑09 capacity charge in 2016 and the Schedule L‑16 capacity charge in 2017‑18, each applied to twenty‑five percent of the demand taken by the electrolytic processor under the pilot program for the quarter, and less the transmission charges applied to twenty-five percent of the demand taken by the electrolytic processor for the quarter.

(F) Notwithstanding any other provision, the electrolytic processor shall be allowed to terminate any purchases and reduce its contract demand to zero under the pilot program and under Schedule CSP‑16 on sixty days notice.”

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

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