



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

Bill Number: S. 1077 Introduced on February 17, 2022
Author: Alexander
Subject: Authorize Issuance of Bonds for Purposes of Offsetting and Reducing Prudently Incurred Costs
Requestor: Senate Judiciary
RFA Analyst(s): Gallagher and Tipton
Impact Date: March 16, 2022

Fiscal Impact Summary

This bill allows the Public Service Commission (PSC) to authorize an electric utility's issuance of securitized bonds to offset and reduce costs incurred for storm recovery activity. This bill authorizes the Office of Regulatory Staff (ORS) and PSC to hire outside consultants to serve as advisors and provide counsel.

ORS and PSC both report they will require specialized consulting services when an electrical utility files an application for a financing order with PSC. ORS estimates an increase in Other Funds expenditures by \$1,000,000 for specialized financial services and \$1,000,000 for specialized legal assistance, resulting in a total increase in ORS' Other Funds expenditures by \$2,000,000 per financing order. PSC estimates this bill will increase Other Funds expenditures by \$395,000 for consulting services for each financing order. However, pursuant to Sections 58-3-100 and 58-4-60, these expenses will be borne by the impacted utility. Further, the timing of this impact will depend on when an electric utility files an application for a financing order with PSC.

This bill further requires the Secretary of State to maintain financing statements filed to perfect any security interest under the article in the same manner in which it maintains financing statements filed by transmitting utilities. The Secretary of State reports that this will take place under normal filing procedures and will have no expenditure impact.

Explanation of Fiscal Impact

Introduced on February 17, 2022

State Expenditure

This bill allows PSC to authorize an electric utility's issuance of securitized bonds to offset and reduce costs incurred for storm recovery activity. PSC is responsible for reviewing securitization mechanisms to determine approval, which may only be granted if the electric utility's use of this mechanism provides quantifiable net benefits to customers and will result in the lowest storm recovery charges. This bill further establishes the requirements and process for the authorization of these bonds. As part of the requirements and processes, electric utilities are required to provide functional exhibits and workpapers to PSC and ORS supporting petition, testimony, and

exhibits. Pursuant to Section 58-27-1105(f), any costs incurred by PSC or ORS for any outside consultation retained in connection with the securitization of storm recovery costs is included in financing costs, which may be paid with a utility's recovery bonds.

Section 58-27-1170 specifically permits PSC to retain independent outside consultants to serve as advisors to the commission. This section specifies that the compensation paid to these consultants may not exceed compensation generally paid by the regulated industry for such specialists.

Office of Regulatory Staff and Public Service Commission. This bill authorizes ORS and PSC to hire outside consultants to serve as advisors and provide counsel. Costs associated with these consultants are included in the definition of financing costs pursuant to Section 58-27-1105(f) and will be borne by the impacted utility pursuant to Sections 58-3-100 and 58-4-60. ORS and PSC report they will require specialized consulting services when an electric utility files an application for a financing order with PSC. ORS estimates this will increase Other Funds expenditures by \$1,000,000 for specialized financial services and \$1,000,000 for specialized legal assistance, resulting in a total increase in ORS' Other Funds expenditures by \$2,000,000 per financing order. PSC, meanwhile, estimates this bill will increase Other Funds expenditures by \$395,000 for consulting services for each financing order. The timing of this impact will depend on when electric utilities file an application for a financing order with PSC.

Secretary of State. This bill requires the Secretary of State to maintain financing statements filed to perfect any security interest under the article in the same manner in which it maintains financing statements filed by transmitting utilities. The Secretary of State reports that this will take place under normal filing procedures and will have no expenditure impact.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director