



# 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.*

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<b>Bill Number:</b>	H. 3756	Introduced on January 15, 2025
<b>Subject:</b>	Storm Damage Recovery	
<b>Requestor:</b>	House Labor, Commerce, and Industry	
<b>RFA Analyst(s):</b>	Manic	
<b>Impact Date:</b>	February 20, 2025	

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### Fiscal Impact Summary

The bill allows electrical utilities to include as storm recovery costs for Hurricane Helene only, its cost of capital from the date of the storm through the issuance of storm recovery bonds. The bill further allows electrical utilities to defer the review and approval of a financing order by the Public Service Commission (PSC). Also, the bill defines the term qualified independent third party that may need to be designated and retained by PSC.

PSC indicates that the bill will have no expenditure impact since current law stipulates that any costs incurred by PSC or the Office of Regulatory Staff (ORS) for any outside consultants that are retained in connection to the securitization of storm recovery costs are part of the utilities' financing costs. PSC further indicates that it provides utilities with an invoice to pay the consultant directly.

ORS indicates that it will need to hire 1.0 FTE (Analyst) to manage the additional workload related to the review of Hurricane Helene storm recovery costs. The recurring salary, fringe, and administrative annual expense for this Other Funds position is expected to total approximately \$125,000 beginning in FY 2025-26. The agency further specifies that because there are multiple utilities that may request a one-time securitization of the storm recovery cost associated with Hurricane Helene, the review process can take multiple years, and the expenditure will be recurring until the agency completes the securitization with each utility. Since ORS is other funded, its revenues are derived from the gross receipts assessments made to regulated utilities. As a result, the agency indicates that its request to increase Other Funds authorization in the form of gross receipts billed to the regulated utilities will offset the recurring annual expense for its additional staffing requirement.

### Explanation of Fiscal Impact

#### Introduced on January 15, 2025

##### State Expenditure

The bill specifies that due to the widespread destruction of electrical utility infrastructure and the extraordinary level of expenses incurred by utilities to repair, restore, and rebuild that infrastructure, electrical utilities are allowed to include as storm recovery costs for Hurricane Helene only, its cost of capital from the date of the storm through the issuance of storm recovery bonds. The bill also specifies that cost of capital will be determined by the interest rate paid by

the utility to borrow funds that are necessary to cover the restoration and recovery efforts after Hurricane Helene, as long as the interest rate percentage does not exceed the utility's total weighted average cost of capital percentage established in the utility's most recent base rate case proceeding.

The bill further allows electrical utilities to defer the review and approval of a financing order by PSC to either a future base rate proceeding or a separate proceeding to be established at the request of the utility. Also, the bill defines the term qualified independent third party as the person or entity that may need to be designated and retained by PSC who has relevant expertise in accounting, finance, or utility regulation, sufficient to make professional judgements necessary to certify whether the sale of storm recovery bonds complies with the requirements of current law.

PSC indicates that the bill will have no expenditure impact since Section 58-27-1105(7)(f) stipulates that any costs incurred by PSC or ORS for any outside consultants that are retained in connection to the securitization of storm recovery costs are part of the utilities' financing costs. PSC further indicates that it provides utilities with an invoice to pay the consultant directly.

ORS indicates that it will need to hire 1.0 FTE (Analyst) to manage the additional workload related to the review of Hurricane Helene storm recovery costs. ORS expects the recurring salary, fringe, and administrative annual expense for this Other Funds position to total approximately \$125,000 beginning in FY 2025-26. The agency further specifies that because there are multiple utilities that may request a one-time securitization of the storm recovery cost associated with Hurricane Helene, the review process can take multiple years, and the expenditure will be recurring until the agency completes the securitization with each utility.

### **State Revenue**

The bill allows electrical utilities to include as storm recovery costs for Hurricane Helene its cost of capital from the date of the storm through the issuance of storm recovery bonds.

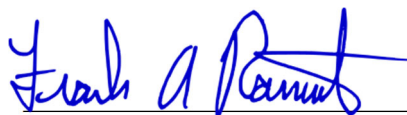
ORS indicates it will need to increase the assessments from its regulated utilities to cover its expense for hiring additional staff who will review storm recovery costs associated with Hurricane Helene. Since ORS is other funded, its revenues are derived from the gross receipts assessments made to regulated utilities. As a result, the requested authorization to increase gross receipts billed to the regulated utilities will offset the recurring annual expense for its additional staffing requirement.

### **Local Expenditure**

N/A

### **Local Revenue**

N/A



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