*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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| **Bill Number:** | S. 0446 | Introduced on March 12, 2025 |
| Subject: | Electric Rate Stabilization Act | |
| Requestor: | Senate Judiciary | |
| RFA Analyst(s): | Manic | |
| Impact Date: | March 24, 2025 | |

## Fiscal Impact Summary

This bill enacts the "Electric Rate Stabilization Act." The bill stipulates provisions for electric public utilities, at their discretion, to request the Public Service Commission (PSC) to adjust their rates annually, to establish a rate order and set requirements for adjustments in rates. The bill also authorizes the Office of Regulatory Staff (ORS) to add no more than two additional positions for each electric utility regulated pursuant to the proposed legislation. The bill further specifies that all salaries, benefits, and charges incurred by the ORS for the additional positions must be borne by the electric utilities regulated pursuant to the proposed legislation. Also, the bill requires the Department of Revenue (DOR) to assess affected electric utilities an equal portion of these salaries, benefits, expenses, and charges based on a certification from ORS of the amounts to be assessed. Further, the bill requires DOR to collect such assessments from the electric utilities and deposit them into a special fund with the State Treasurer's Office (STO), less DOR's actual incremental increase in the cost of administration.

PSC, DOR, and STO indicate that the bill will have no expenditure impact as the agencies can manage the additional requirements with existing staff and resources.

ORS indicates that it will need 7.0 FTEs (4 Analysts, 2 Directors, and 1 Legal Specialist) to manage the new responsibilities of the bill. The recurring salary, fringe, and administrative annual expenses for these Other Funds positions are expected to total approximately $1,154,000 beginning in FY 2025-26. Additionally, ORS indicates the agency will need to hire specialized consultants annually at an expense of $50,000 to assist with complex technical analysis during contested case proceedings. Overall, ORS expects total annual recurring expenses of approximately $1,204,000 in Other Funds beginning in FY 2025-26. Since ORS is an Other Funds agency, 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 pursuant to the proposed legislation will offset the recurring annual expense for its additional staffing requirement.

PSA indicates that the bill will have no expenditure impact because it does not affect the agency. The agency specifies that PSA's ratemaking does not fall under the regulatory jurisdiction of PSC and that its ratemaking authority is protected specifically under Section 58-31-10 as well as the state's constitution's contract clause.

The Municipal Association of South Carolina (MASC) indicates that the bill will have no expenditure impact on municipal governments because municipal ratemaking does not fall under the regulatory jurisdiction of PSC.

## Explanation of Fiscal Impact

**Introduced on March 12, 2025**
**State Expenditure**
This bill enacts the "Electric Rate Stabilization Act." The bill allows electric public utilities, at their discretion, to have the terms of the proposed act apply to their rates and charges at any time by filing a notice of election with PSC and serving a copy of the notice to ORS on the same day. Upon receipt of the election notice, PSC is required to establish the procedures required for adjustments in base rates under this act based on approved rates, charges, revenues, expenses, capital structure, returns, and other matters established in the public utility's most recent general rate proceeding pursuant to Section 58-27-860 as long as the most recent order was issued by PSC no more than five years prior to the initial election to come under the terms of the proposed act and the utility files an application for a general rate proceeding every five years after such election.

The bill sets twelve-month periods with specific ending dates for which utilities must file monitoring reports with PSC and ORS and specifies that various financial information must be included in the reports. The bill specifies that the monitoring report for the period ending December 31 filed by utilities that elected to have the terms of the proposed act apply to their rates and charges must include certain information. Upon receipt of the monitoring reports, ORS is required to audit each report to determine the reasonableness and prudency of all the matters and to specify any changes needed to correct errors as well as to propose adjustments that ORS determines to be required to bring the report into compliance. The bill requires ORS to make the audit report available to all parties of record no later than June 1. Also, the bill specifies that in cases when the monitoring report indicates that rate adjustments are required or if PSC and ORS determine the need for a rate adjustment, PSC is required to issue a Notice of Filing.

Additionally, the bill allows the utility and other parties of record to file verified written comments and submit documentary evidence to PSC and ORS related to ORS's audit report as well as provides for a non-evidentiary hearing before the commission concerning ORS's audit report. The bill requires PSC to issue an Initial Order setting forth the changes required in the utility's request to adjust rates on or before July 15. Further, the bill makes provisions for any aggrieved party to petition the commission for a review of the Initial Order within thirty days of its issuance. After conducting the hearing to review the petition of the aggrieved party, PSC is required to issues a final order by December 31 of the year in which the monitoring report was filed. The bill requires PSC to include the findings in its rate orders issued in the proceedings pursuant to Section 58-27-860, and the bill specifies that the utilities' election must remain in effect until the next general rate proceeding, at which date the public utility may elect to continue or opt out of the provisions of the act.

Further, the bill authorizes ORS to create no more than two additional positions for each electric utility and specifies that all salaries, benefits, expenses, and charges incurred by ORS for these positions are required to be borne by the electric utilities regulated pursuant to the proposed legislation. The bill requires DOR to assess electric utilities regulated pursuant to the proposed legislation an equal portion of these salaries, benefits, expenses, and charges based on a certification from ORS of the amounts to be assessed. Further, the bill requires DOR to collect such assessments from the electric utilities and deposit them into a special fund with the STO, less DOR's actual incremental increase in the cost of administration.

PSC, DOR, and STO indicate that the bill will have no expenditure impact as the agencies can manage the additional requirements with existing staff and resources.

ORS indicates that it will need 7.0 FTEs (4 Analysts, 2 Directors, and 1 Legal Specialist) to manage the new responsibilities of the bill. The recurring salary, fringe, and administrative annual expenses for these Other Funds positions are expected to total approximately $1,154,000 beginning in FY 2025-26. Additionally, ORS indicates the agency will need to hire specialized consultants annually at an expense of $50,000 to assist with complex technical analysis during contested case proceedings. Overall, ORS expects total annual recurring expenses of approximately $1,204,000 in Other Funds beginning in FY 2025-26. ORS will request an increase in Other Funds authorization for these expenses.

PSA indicates that the bill will have no expenditure impact because it does not affect the agency. The agency specifies that PSA's ratemaking does not fall under the regulatory jurisdiction of PSC and that its ratemaking authority is protected specifically under Section 58-31-10 as well as the state's constitution's contract clause.

**State Revenue**

The bill authorizes ORS to create no more than two additional positions for each electric utility and specifies that all salaries, benefits, expenses, and charges incurred by ORS for these positions are required to be borne by the electric utilities regulated pursuant to the proposed legislation. The bill requires DOR to assess electric utilities regulated pursuant to the proposed legislation an equal portion of these salaries, benefits, expenses, and charges based on a certification from ORS of the amounts to be assessed. Further, the bill requires DOR to collect such assessments from the electric utilities and deposit them into a special fund with the STO, less DOR's actual incremental increase in the cost of administration.

ORS indicates it will need to increase the assessments from the regulated utilities pursuant to the proposed legislation to cover its expense for hiring additional staff who will review the monitoring reports and rate adjustment requests. Since ORS is an Other Funds agency, 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 pursuant to the proposed legislation will offset the recurring annual expense for its additional staffing requirement.

**Local Expenditure**
This bill enacts the "Electric Rate Stabilization Act." The bill stipulates provisions for electric public utilities, at their discretion, to request PSC to adjust their rates annually, to establish a rate order and set requirements for adjustments in rates. MASC indicates that the bill will have no expenditure impact on municipal governments because municipalities' ratemaking does not fall under the regulatory jurisdiction of PSC. PSC has also confirmed that municipal electric utilities do not fall under the agency's regulatory jurisdiction.

**Local Revenue**
N/A

Frank A. Rainwater, Executive Director