



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H. 3145 Amended by House Labor, Commerce, and Industry on March 20, 2019  
**Author:** Ott  
**Subject:** Electrical Coops, Audits  
**Requestor:** Senate Judiciary  
**RFA Analyst(s):** Gallagher  
**Impact Date:** April 22, 2019

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### **Fiscal Impact Summary**

This bill will not impact the Public Service Commission's (PSC) Other Funds. The agency anticipates that it can accomplish the duties enumerated in this bill within existing resources and appropriations.

This bill will increase the Office of Regulatory Staff's (ORS) Other Funds expenditures by \$3,500 a year for additional travel expenses. As ORS' Other Funds are provided for by the entities the agency regulates, these travel expenses will be offset by a charge to the audited electric cooperative. This will result in an increase to Other Funds revenue of \$3,500 to offset the expenditure.

#### **Amended by House Labor, Commerce, and Industry on March 20, 2019**

##### **State Expenditure**

This bill vests ORS with the authority and jurisdiction to make inspections, audits, and examinations of electric cooperatives, pursuant to current provisions relating to the compliance of electric cooperatives. Following the completion of an authorized inspection, audit, or examination, ORS must report its findings to the management and board of the electric cooperative and attempt to resolve any identified compliance issues with management and the board of trustees. Any individual aggrieved by a violation of Section 33-49-255, which dictates when an electric cooperative may and may not disrupt service to residential customers, must make a complaint to ORS for redress.

This bill amends voting restrictions for electrical cooperative members and enacts time requirements for polling stands to be open in the case of a trustee election. Further, when a race for a cooperative trustee is contested, cooperatives must determine a method for members to vote in the election before the annual meeting day and with reasonable accommodations for working, elderly, disabled, and infirmed members. By May 15 of each year, the board of trustees is required to visibly disclose all compensation and benefits paid to or provided for board members during the previous calendar year on its website.

This bill adds time and visibility requirements for the reporting of board of trustees and cooperative membership meetings. Further, this bill puts restrictions on who can become a trustee and expressly prohibits a trustee from using their position for economic or personal gain.

This bill recognizes the organization of an association formed by several electric cooperatives to represent the interests of electric cooperatives in the State. The bill places certain restrictions on compensation and benefits paid to the association's trustees and qualifies reporting requirements regarding trustee's compensation and benefits information and total association revenue and expenses. ORS is vested with the authority and jurisdiction to make inspections, audits, and examinations of the association. Following the completion of an authorized inspection, audit, or examination, ORS must report its findings to the management and board and attempt to resolve any identified compliance issues with management and the board. PSC is vested with the authority and jurisdiction to resolve any disputed issues arising from these inspections, audits, or examinations.

The provisions of this bill referring to the vested authority of ORS to conduct inspections, audits, and examinations of electric cooperatives take effect January 1, 2020. Provisions regarding visible disclosure of all compensation and benefits paid to or provided for board members during the previous calendar year on the electric cooperative's websites take effect May 1, 2020. Provisions regarding time and visibility requirements for the reporting of board of trustees and cooperative membership meetings and restrictions on who can become a trustee take effect on the first day of the fifteenth calendar month after the month of signature by the Governor. All other provisions of this bill take effect upon approval by the Governor.

**Public Service Commission.** This bill gives PSC the authority and jurisdiction to resolve any disputed issues arising from an inspection, audit, or examination conducted by ORS. This bill will not have an expenditure impact on PSC's Other Funds. The Commission is an adjudicative body whose existing authority includes resolving investor-owned public utility disputes. The enactment of this bill would expand PSC's already existing role as an adjudicator. PSC does not anticipate that the caseload resulting from the implementation of this bill would result in a significant increase in the number of hearings held by the PSC. As such, the agency does not anticipate an expenditure impact as a result of implementing this bill.

**Office of Regulatory Staff.** As a result of this bill, ORS anticipates it will audit, inspect, or examine one-third of electric cooperatives a year. This will result in additional Other Funds expenditure of \$3,500 annually for travel expenses. As ORS' Other Funds are provided for by the entities they regulate, these expenses will be offset by a charge to the audited cooperative. Further, ORS anticipates billing audited cooperatives \$117,012 for the direct involvement of ORS staff, including the Deputy Director of Utility Rates and a Utility Rates Analyst, Attorney, and Auditor. As ORS charges the entities they regulate a proportion of their expenses arising from this regulation, billing electric cooperatives for staff involvement will shift the source of ORS' Other Funds revenue but not add additional Other Funds revenue.

### **State Revenue**

As a result of conducting audits, examinations, and inspections of electric cooperatives, ORS will incur \$3,500 in travel related expenses. As ORS' Other Funds are provided for by the entities the agency regulates, these travel expenses will be offset by a charge to the audited cooperative. This will result in an increase in Other Funds revenue of \$3,500 to offset the expenditure.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director