



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

## Legislative Fiscal Note

**Short Title:** Storm Securitization/Alt. Rates.  
**Bill Number:** Senate Bill 559 (First Edition)  
**Sponsor(s):** Senators Rabon, Hise, and Blue

### SUMMARY TABLE

#### FISCAL IMPACT OF S.B. 559, V.1 (\$ in millions)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
<b>State Impact</b>					
Special Fund Revenues	0.65 to 9.75	0.65 to 9.75	0.65 to 9.75	0.65 to 9.75	0.65 to 9.75
<u>Less Expenditures</u>	<u>0.65</u> to <u>9.75</u>	<u>0.65</u> to <u>9.75</u>	<u>0.65</u> to <u>9.75</u>	<u>0.65</u> to <u>9.75</u>	<u>0.65</u> to <u>9.75</u>
<b>Special Fund Impact</b>	- to -	- to -	- to -	- to -	- to -
<b>NET STATE IMPACT</b>	- to -	- to -	- to -	- to -	- to -

### FISCAL IMPACT SUMMARY

Section 1(a) of S.B. 559 authorizes the Utilities Commission (the Commission) and the North Carolina Public Staff (Public Staff) to hire outside consultants during the evaluation of petitions from electric public utilities for financing orders to issue storm recovery bonds. The costs of hiring outside consultants are anticipated to be \$250,000 for the Commission and \$3 million for Public Staff per financing order proceeding. All other additional work to implement S.B. 559 will be undertaken by current staff at the Commission and Public Staff. The number of proceedings depends on 1) how many of the three investor-owned utilities choose to petition for a financing order after a storm and 2) how frequently storms occur in future years. The low-range estimate assumes only one utility petitions for a financing order and an average of one storm necessitating recovery costs occurs in the next five years. The high-range estimate assumes that all three utilities petition for a financing order and that one storm (or a sequence of storms) occurs every year.

### FISCAL ANALYSIS

This estimate assumes the maximum cost anticipated by the Commission and Public Staff for each proceeding related to a financial order petition (\$3,250,000). With this legislative change, should an electric public utility wish to issue a storm recovery bond, they must first petition the Commission for a financing order. The Commission must publish a case schedule for the proceeding related to

the petition within 14 days, and either issue a financing order or reject the petition within 120 days of the petition’s filing. Public Staff will independently evaluate each petition and make a recommendation to the Commission. During this process, both the Commission and Public Staff may need to hire outside consultants for each proceeding. The projected number of proceedings varies with the number of utilities that petition the Commission after storms and the number of storms that incur storm recovery costs for electric public utilities per year.

There are three Investor-Owned Electric Utilities in North Carolina that may petition for a financing order to issue storm recovery bonds following this legislative change (Duke Energy Carolinas, Duke Energy Progress, and Dominion Energy North Carolina). The table below shows the projected expenses for the Commission and Public Staff given varied electric public utility participation and a range of storms in the next five years.

<b>Average Annual Consultant Costs to Commission and Public Staff, Varied by Number of Petitions and Storms</b>					
	Number of Storms in Next Five Years				
	One storm	Two storms	Three storms	Four storms	Five storms
One electric public utility petition	\$650,000	\$1,300,000	\$1,950,000	\$2,600,000	\$3,250,000
Two electric public utility petitions	\$1,300,000	\$2,600,000	\$3,900,000	\$5,200,000	\$6,500,000
Three electric public utility petitions	\$1,950,000	\$3,900,000	\$5,850,000	\$7,800,000	\$9,750,000

The Utilities Commission and Public Staff are entirely receipt-supported, so there will be no General Fund impact regardless of increased costs due to outside consultation hiring. The Commission may increase the regulatory fee imposed on public utilities in response to increased costs.

This estimate has two additional assumptions: that each storm will motivate at most one financial order proceeding. If electric public utilities initiate multiple financial order proceedings after a single storm or within one year, projected costs would change. Additionally, S.B. 559 allows electric public utilities to include estimates of the Commission’s and Public Staff’s consultation costs within the financing costs to be recovered through storm recovery bonds. This estimate assumes that electric public utilities will not include those costs in their petitions.

**TECHNICAL CONSIDERATIONS**

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N/A.

**DATA SOURCES**

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**LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS**

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This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

## **CONTACT INFORMATION**

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Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

## **ESTIMATE PREPARED BY**

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Signed copy located in the NCGA Principal Clerk's Offices