GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2017

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SENATE BILL DRS55024-MHxf-39B (02/08)

Short Title:	Efficient	and Affordable Energy Rates.	(Public)	
Sponsors:	Senators	Woodard, Foushee, and Smith-Ingram (Primary Sponsors).		
Referred to:				
ESTABL PUBLIC, CONSER EFFICIE CERTAII CREATE QUALIF	ISH TIER AND EVATION NCY BAN N ENERG AN ING	A BILL TO BE ENTITLED EQUIRE THE NORTH CAROLINA UTILITIES COMM RED ELECTRICITY RATES FOR RESIDENTIAL, CON INDUSTRIAL CUSTOMERS TO ENCOURAGE AND ENERGY EFFICIENCY; (2) TO CREATE THE IK TO BE USED FOR LOANS TO CUSTOMERS FOR THE Y EFFICIENCY OR RENEWABLE ENERGY PROJECTS; CENTIVE FOR CONSUMERS TO PURCHASE ENER SEHOLD PRODUCTS. of North Carolina enacts:	MMERCIAL, ENERGY E ENERGY E COSTS OF AND (3) TO	
SECTION 1. Article 7 of Chapter 62 of the General Statutes is amended by adding a				
new section to read: "§ 62-155.1. Electric power tiered rates established. The Commission shall develop, for the purpose of promoting energy conservation and energy efficiency, rate structures for residential, commercial, public, and industrial customers of electric power generated by electric public utilities as set forth in this section. The rate structure shall include all of the following elements:				
(1		he rate structure for residential, commercial, and public customers shall have		
	the fo	ollowing characteristics:		
	<u>a.</u>	The rate structure shall be inverted. Under the inverted rethe use of larger quantities of electricity shall result in a high kilowatt hour for the customer; lower usage shall result in a	ther price per	
	<u>b.</u>	The rate structure shall be in the form of tiered blocks. tiered block rate structure shall allow that, when energy us month or other billing period exceeds one tiered block, shall begin to pay a higher rate for energy use in the next block. Electricity used during peak demand periods, as defined by the Commission, shall be charged at a higher to the purpose of leveling out peak demand and minimizing excess polluting generating capacity.	sage within a the customer higher tiered that term is iered rate for	
	<u>c.</u>	The number of inverted tiered blocks and the cost threshold blocks represent shall be developed for the purpose of a goals of promoting energy conservation and energy energy conservation.	chieving the	



provided in this section.

- (2) <u>In addition to the characteristics set forth in subdivision (1) of this section, the inverted tiered rate structure for residential customers shall have the following additional characteristics:</u>
 - a. The rate structure shall be designed to avoid a negative economic impact on low-income families living in rental units. There will be a system of exemptions from higher tiered rates for families living in rental units who have an annual income of less than one hundred fifty percent (150%) of the federally defined poverty level. Previous year State or federal tax returns, Social Security statements, unemployment insurance statements, or other documents deemed as proof of income by the determining State agency shall be acceptable in granting exemptions from higher tiered rates for low-income families living in rental units.
 - b. The rate structure shall be scaled to achieve a forty percent (40%) to sixty percent (60%) statewide reduction in electricity consumption from 2017 levels within 10 years.
- **(3)** The inverted tiered block rate structure for industrial customers shall be tailored on a case-by-case basis to maximize the financial benefit of investing in energy efficiency and job creation. Energy use thresholds for each industry shall be determined through the use of a comprehensive, standardized energy-audit form developed by the Commission in order to determine the minimum energy use required to fulfill the industry's needs and the efficiency with which the industry is using energy. Each industrial customer shall be responsible for submitting a completed energy-audit form every three years to the Commission for rate determination. A determination that the industry is operating at ninety percent (90%) or greater of maximum efficiency potential as determined by the Commission will result in lower tier rates for that customer. A determination that the industry is operating at an efficiency lower than ninety percent (90%) will result in higher tier rates for the portion of energy use in excess of usage had the industry operated with energy efficiency greater than ninety percent (90%).
- (4) All inverted tiered block rate structures shall be designed to guarantee that electric public utilities regulated by the provisions of this Chapter will receive a reasonable rate of return on their capital expenditures as determined by the Commission through a rate-case.
- (5) The Commission shall require each electric public utility in the State to provide all ratepayers a summary of the changes in the rate structure imposed by this section on each monthly utility bill for one year prior to the implementation of the inverted, tiered-block rate structure. The information provided to customers under this subdivision shall include the following:
 - a. A comparison of rates that ratepayers will pay in the event they consume a similar, greater, or lesser amount of energy in the following year.
 - b. Information on the availability of low-interest loans from the Energy Efficiency Bank for energy efficiency projects, rooftop or stand-alone solar energy systems, residential wind energy systems, micro-hydro energy systems, or co-generation systems.
- (6) The Commission shall adopt rules to implement this section. The rules shall include a fine of no less than fifty thousand dollars (\$50,000) for any industrial customer submitting a deliberately falsified energy-audit form under subdivision (3) of this section."

SECTION 2. Article 7 of Chapter 62 of the General Statutes is amended by adding a new section to read:

"§ 62-155.2. Energy Efficiency Bank.

- (a) <u>Loan Fund Created. The Energy Efficiency Bank is created. The Commission shall contract with a third-party administrator or an independent government agency to administer this Bank. The Bank shall consist of funds from any of the following sources:</u>
 - (1) The proceeds from the avoidable pollution tax levied on the sale of energy inefficient household products under Article 5H of Chapter 105 of the General Statutes.
 - (2) The difference in revenues collected from the highest tiered block of the tiered rate structure developed under G.S. 62-155.1 and the revenues that would have been due based upon the next lower tiered rate block of the tiered rate structure.
 - (3) The difference in the rate of return on capital expenditures for an electric public utility prior to the closure of a peak demand electric power facility or other peak demand electric power generating source for that utility and the rate of return on capital expenditures for the utility after the closure.
 - (4) Any interest paid on loans made from the Energy Efficiency Bank.
- (b) Purpose of Bank. The purpose of the Energy Efficiency Bank is to issue loans, subject to subsection (e) of this section, to customers to be used to invest in energy efficiency and renewable energy projects in order to promote energy efficiency, energy conservation, and a reduction in electric energy consumption.
- (c) <u>Loan Payments. Loan payments due to be paid by the customer shall be integrated within each monthly, or other billing period, utility bill and shall reflect the savings that result from the energy efficiency and renewable energy made by the customer as previously determined at the time the customer entered into the loan agreement.</u>
- (d) Eligible Projects. The only efficiency and renewable energy projects that are eligible for loans under this section are projects that can be shown to the satisfaction of the administrator of the Energy Efficiency Bank to result in a lower utility bill for that customer when the utility bill includes the loan payment amount due under subsection (c) of this section.
- (e) Grants to Low-Income Households. The Energy Efficiency Bank may be used to issue grants to low-income ratepayers to be used to invest in energy efficiency and renewable energy projects.
- (f) <u>Definitions. As used in this section, "renewable energy resources" has the same</u> meaning as in G.S. 62-133.8.
- (g) <u>Authority to Adopt Rules. The Commission may adopt rules to implement this</u> section."
- **SECTION 3.** Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 5J.

"Avoidable Pollution Tax for Certain Energy Inefficient Products.

"§ 105-187.91. Definitions.

The definitions in G.S. 105-164.3 apply to this Article, except that the term "sale" does not include lease or rental. The term "energy inefficient product" means a product that (i) is placed in service for residential purposes, (ii) belongs to a product category that is evaluated by the United States Environmental Protection Agency and the United States Department of Energy for purposes of setting energy efficiency guidelines and of qualifying products within the category for the Energy Star label, and (iii) does not qualify for the Energy Star label.

"§ 105-187.92. Tax imposed.

A privilege tax is imposed on an energy inefficient product retailer for each new energy inefficient product that is sold by the retailer. An excise tax is imposed on a new energy inefficient product sold outside the State for storage or use in this State. The rate of the privilege tax and the

1 excise tax is five percent (5%) of the sales price of the energy inefficient product. These taxes are in addition to all other taxes.

"§ 105-187.93. Administration.

The privilege tax this Article imposes on an energy inefficient product retailer is an additional State sales tax, and the excise tax this Article imposes on the storage or use of a new energy inefficient product in this State is an additional State use tax. Except as otherwise provided in this Article, these taxes shall be collected and administered in the same manner as the State sales and use taxes imposed by Article 5 of this Chapter. As under Article 5 of this Chapter, the additional State sales tax paid when an energy inefficient product is sold at retail is a credit against the additional State use tax imposed on the storage or use of the same energy inefficient product.

"§ 105-187.94. Exemptions and refunds.

Except for the exemption for sales a state cannot constitutionally tax, the exemptions and refunds allowed in Article 5 of this Chapter do not apply to the taxes imposed by this Article.

"§ 105-187.95. Use of tax proceeds.

The Secretary must credit the taxes collected under this Article, less the Department of Revenue's allowance for administrative expenses, to the Energy Efficiency Bank Fund created in G.S. 62-155.2. The Secretary may retain the Department's cost of collection, not to exceed four hundred twenty-five thousand dollars (\$425,000) a year, as reimbursement to the Department."

SECTION 4. Section 3 of this act becomes effective January 1, 2018, and applies to tax years beginning on or after that date. The remainder of this act becomes effective January 1, 2018.