

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2025

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SENATE BILL 1076  
State and Local Government Committee Substitute Adopted 5/12/26  
PROPOSED HOUSE COMMITTEE SUBSTITUTE S1076-PCS15491-TQ-63

Short Title: Rocky Mount/Louisburg Utility Rev./Advisory.

(Local)

Sponsors:

Referred to:

May 6, 2026

1 A BILL TO BE ENTITLED  
2 AN ACT TO PROHIBIT THE CITY OF ROCKY MOUNT FROM TRANSFERRING THE  
3 REVENUES OF ITS ELECTRIC AND NATURAL GAS SYSTEMS TO OTHER  
4 MUNICIPAL FUNDS; TO ESTABLISH A PUBLIC UTILITIES ADVISORY  
5 COMMITTEE IN THE CITY OF ROCKY MOUNT; TO PROHIBIT THE TOWN OF  
6 LOUISBURG FROM TRANSFERRING THE REVENUES OF ITS ELECTRIC SYSTEM  
7 TO OTHER MUNICIPAL FUNDS; AND TO DISALLOW THE TOWN OF LOUISBURG  
8 FROM USING REVENUE DERIVED FROM RATES FOR ELECTRIC SERVICE FOR  
9 ECONOMIC DEVELOPMENT PROJECTS.

10 The General Assembly of North Carolina enacts:

11 **SECTION 1.(a)** G.S. 159B-39 reads as rewritten:

12 **"§ 159B-39. Permitted uses of revenue from electric power rates.**

13 (a) A municipality as authorized in this Chapter shall use revenue derived from rates for  
14 electric service to ~~(i) pay the direct and indirect costs of operating the electric system and (ii)~~  
15 ~~transfer to other funds of the municipality a sum that reflects a rate of return on the investment~~  
16 ~~in the electric system to the extent allowed in subsection (c) of this section.~~ system. Any  
17 remaining revenue shall be used to produce lower rates on electric service within the area served  
18 by the municipal electric system and to make additional debt service payments on bonds or other  
19 indebtedness incurred by the municipality to finance improvements to the electric system. A  
20 municipality shall not otherwise transfer revenue from an electric utility fund to any other fund  
21 of the municipality for any other purpose not explicitly authorized by law.

22 (b) The direct and indirect costs of operating the electric system include all of the  
23 following:

- 24 (1) Debt service payments on indebtedness incurred for the electric system or  
25 secured by revenues of the electric system.  
26 (2) Capital improvements or equipment for the electric system.  
27 (3) Payments for the cost of power purchased under contractual arrangements.  
28 (4) Debt service, maintenance, renewal, and replacement or other reserves  
29 required by legal documents entered into by the municipality in connection  
30 with the issuance of bonds or other indebtedness for the electric system.  
31 (5) Reserves deemed necessary by the governing body of the municipality to  
32 assure that funds are available to maintain the financial and operational  
33 integrity of the electric system.



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- 1 (6) Maintaining a rate stabilization fund to minimize the impact of periodic rate  
2 changes that would otherwise be required to reflect changes in costs of  
3 operations and demand for electric service.
- 4 (7) Making payments in lieu of taxes to other governmental units to reflect  
5 property taxes that would have been collected by the other governmental unit  
6 if the municipality were not the owner of the electric system.
- 7 (8) Making transfers to the general fund or other funds of the municipality to  
8 reimburse the general fund or other funds for costs paid from the fund that are  
9 reasonably allocable to the electric system.

10 (e) ~~The total amount transferred to other funds of the municipality authorized as a rate of~~  
11 ~~return on the investment of the municipality in the electric system shall be calculated using~~  
12 ~~amounts reported in the municipality's audited financial statements for the preceding fiscal year.~~  
13 ~~The amount transferred may be less than the following, but in no event may the amount~~  
14 ~~transferred exceed the greater of the following:~~

- 15 (1) ~~Three percent (3%) of the gross capital assets of the electric system at the end~~  
16 ~~of the preceding fiscal year.~~
- 17 (2) ~~Five percent (5%) of the gross annual revenues of the electric system for the~~  
18 ~~preceding fiscal year.~~

19 (d) The restrictions in this section shall not apply to any action required to be taken for a  
20 municipality by the Local Government Commission in accordance with G.S. 159-181(c).

21 (e) This section applies only to the following cities and towns that are members of the  
22 North Carolina Eastern Municipal Power Agency: Apex, Ayden, Belhaven, Benson, Clayton,  
23 Edenton, Elizabeth City, Farmville, Fremont, Greenville, Hamilton, Hertford, Hobgood,  
24 Hookerton, Kinston, LaGrange, Laurinburg, Louisburg, Lumberton, New Bern, Pikeville, Red  
25 Springs, Robersonville, Rocky Mount, Scotland Neck, Selma, Smithfield, Southport, Tarboro,  
26 Wake Forest, Washington, and Wilson."

27 **SECTION 1.(b)** Article 16 of Chapter 160A of the General Statutes is amended by  
28 adding a new section to read:

29 **"§ 160A-314.2. Permitted uses of revenue from natural gas rates.**

30 (a) A municipality that operates a natural gas utility shall use revenue derived from rates  
31 for natural gas service to pay the direct and indirect costs of operating the natural gas system.  
32 Any remaining revenue shall be used to produce lower rates on natural gas service within the  
33 area served by the municipal natural gas system and to make additional debt service payments  
34 on bonds or other indebtedness incurred by the municipality to finance improvements to the  
35 natural gas system. A municipality shall not otherwise transfer revenue from a natural gas utility  
36 fund to any other fund of the municipality for any other purpose not explicitly authorized by law.

37 (b) The direct and indirect costs of operating the natural gas system include all of the  
38 following:

- 39 (1) Debt service payments on indebtedness incurred for the natural gas system or  
40 secured by revenues of the natural gas system.
- 41 (2) Capital improvements or equipment for the natural gas system.
- 42 (3) Debt service, maintenance, renewal, and replacement or other reserves  
43 required by legal documents entered into by the municipality in connection  
44 with the issuance of bonds or other indebtedness for the natural gas system.
- 45 (4) Reserves deemed necessary by the governing body of the municipality to  
46 assure that funds are available to maintain the financial and operational  
47 integrity of the natural gas system.
- 48 (5) Maintaining a rate stabilization fund to minimize the impact of periodic rate  
49 changes that would otherwise be required to reflect changes in costs of  
50 operations and demand for natural gas service.

1           (6) Making payments in lieu of taxes to other governmental units to reflect  
2           property taxes that would have been collected by the other governmental unit  
3           if the municipality were not the owner of the natural gas system.

4           (7) Making transfers to the general fund or other funds of the municipality to  
5           reimburse the general fund or other funds for costs paid from the fund that are  
6           reasonably allocable to the natural gas system.

7           (c) The restrictions in this section shall not apply to any action required to be taken for a  
8           municipality by the Local Government Commission in accordance with G.S. 159-181(c).

9           (d) This section applies only to the City of Rocky Mount."

10           **SECTION 1.(c)** This section applies only to the City of Rocky Mount.

11           **SECTION 1.(d)** This section is effective when it becomes law and expires January  
12           1, 2029.

13           **SECTION 2.(a)** Article 16 of Chapter 160A of the General Statutes is amended by  
14           adding a new section to read:

15           "§ 160A-339. Rocky Mount Public Utilities Advisory Committee.

16           (a) Creation; Purpose. – For the purpose of providing informed citizen review of, and  
17           recommendations concerning, the public utilities of the City of Rocky Mount, both within the  
18           corporate limits of the City and in the areas outside the corporate limits served by the City, an  
19           advisory committee to be designated as the Rocky Mount Public Utilities Advisory Committee  
20           (Committee) is hereby established. The Committee is advisory only and shall have no authority  
21           to manage, operate, maintain, or control the City's public utilities, to fix rates, to expend or hold  
22           funds, or to employ or discharge personnel; all such authority is reserved to the City Council and,  
23           as delegated, to the City Manager.

24           (b) Membership. – The Committee shall consist of nine voting members appointed by the  
25           City Council. Five members shall be bona fide residents of the City, and four members shall be  
26           customers of the City's utility system who reside or are located outside the city limits within the  
27           utility service area, consisting of one residential customer and one commercial or industrial  
28           customer who reside or are located outside the city limits within Nash County and one residential  
29           customer and one commercial or industrial customer who reside or are located outside the city  
30           limits within Edgecombe County. All voting members shall be customers of the City's utility  
31           system. The City Manager, or the City Manager's designee, shall serve as an ex officio, nonvoting  
32           member. Each appointed member shall hold office for a term of three years, with the terms  
33           staggered so that, as nearly as practicable, an equal number expire each year on June 30, and  
34           shall serve until reappointed or replaced by the City Council. To establish staggered terms, the  
35           City Council shall designate the initial appointees' terms as expiring one, two, or three years from  
36           the next succeeding June 30. No appointed member shall serve more than two consecutive  
37           three-year terms.

38           (c) Appointment; Qualification; Vacancies. – Members shall be appointed by the City  
39           Council at its regular monthly meeting in June of each year. The membership of the Committee  
40           should include some members with utilities, financial, engineering, environmental, technical, or  
41           development backgrounds, and should reflect a diverse cross section of the customers served.  
42           The four members residing or located outside the city limits shall be appointed from nominees  
43           of the Nash County Board of Commissioners and the Edgecombe County Board of  
44           Commissioners. Each board shall nominate two residential customers and two commercial or  
45           industrial customers who reside or are located outside the city limits within that county, and the  
46           City Council shall appoint, from the nominees provided, one residential customer and one  
47           commercial or industrial customer from each county. As the term of a member residing or located  
48           outside the city limits expires or such a seat otherwise becomes vacant, the City Council shall  
49           request a nomination from the board of the county that nominated that seat, and that board shall  
50           nominate two customers of the same customer class who reside or are located outside the city  
51           limits within that county, and the City Council shall appoint the replacement from the nominees

1 provided. The members residing or located outside the city limits shall at all times consist of one  
2 residential customer and one commercial or industrial customer from Nash County and one  
3 residential customer and one commercial or industrial customer from Edgecombe County. If a  
4 county board fails to recommend a qualifying nominee within 60 days of the date requested by  
5 the City Council, the City Council may appoint any individual meeting the applicable residency,  
6 customer, and customer class requirements. No person who is an officer or employee of the City,  
7 Nash County, or Edgecombe County shall be eligible for appointment as a voting member, except  
8 that the City Manager or the City Manager's designee shall serve ex officio as provided in  
9 subsection (b) of this section. A vacancy shall be filled for the unexpired term by the City Council  
10 in the same manner provided in this subsection for the appointment to that seat.

11 (d) Organization; Meetings. – The Committee shall organize by electing one of its voting  
12 members as chair and one as vice-chair, each to serve a term of one year. The Committee shall  
13 meet at least once each quarter at a time and place it designates, and the Committee and the City  
14 Council shall meet at least biannually to discuss matters of mutual interest concerning the City's  
15 public utilities. Minutes shall be kept of all meetings and forwarded to the City Council, and all  
16 meetings shall be conducted in compliance with Article 33C of Chapter 143 of the General  
17 Statutes. Members shall serve without compensation, except that the City Council may authorize  
18 reimbursement of actual and necessary expenses.

19 (e) Duties. – The Committee shall review and make recommendations to the City Council  
20 concerning the management, operation, maintenance, improvement, and extension of the public  
21 utilities of the City, which utilities include electric, natural gas, water, and sewer services. The  
22 Committee shall do all of the following:

- 23 (1) Review and advise the City Council on proposed utility rates, fees, and  
24 rate-setting methodology, and review any customer concerns regarding rates  
25 that are referred to it.
- 26 (2) Review and comment on the proposed annual utility budget, the capital  
27 improvement program, and major utility construction contracts before their  
28 consideration by the City Council.
- 29 (3) Review and advise the City Council on utility extension and service policies.
- 30 (4) Review periodic financial and operating reports of the utility system,  
31 including the status of the utility enterprise funds.
- 32 (5) Review and advise the City Council on any proposed transfer of funds from a  
33 utility enterprise fund to the general fund or any other fund, and on the use of  
34 utility revenues.
- 35 (6) Advise the City Council on such other utility matters as the City Council may  
36 refer to the Committee or as the Committee deems appropriate.

37 (f) Provision of Information. – City staff shall provide the Committee with such reports,  
38 data, and information as are reasonably necessary for the Committee to perform its advisory  
39 functions; provided, however, that nothing in this section shall require disclosure to the  
40 Committee or to the public of information that the City is obligated to keep confidential under  
41 its power supply, power sales, or related agreements, or that is otherwise confidential or  
42 competitively sensitive under applicable law. The Committee shall have no authority to direct,  
43 supervise, employ, discipline, or discharge any officer, agent, contractor, or employee of the City.

44 (g) Budget Review. – In connection with the City's annual budget process under Chapter  
45 159 of the General Statutes, the City Manager shall transmit the proposed utility budget to the  
46 Committee for review, and the Committee shall submit a written recommendation to the City  
47 Council prior to adoption of the budget. The recommendation of the Committee shall be advisory  
48 and shall not be a condition of, or a substitute for, City Council approval of the budget.

49 (h) Annual Report. – The Committee shall make an annual report to the City Council  
50 summarizing its activities and recommendations and shall make such additional reports as the  
51 City Council may request.

1 (i) Applicability. – This section applies only to the City of Rocky Mount."

2 **SECTION 2.(b)** This section becomes effective July 1, 2027. The Committee is  
3 established July 1, 2028. Notwithstanding G.S. 160A-339(c), as enacted by this section, within  
4 30 days after this section becomes effective, the City Council shall request nominations for the  
5 four members residing or located outside the city limits from the Nash County Board of  
6 Commissioners and the Edgecombe County Board of Commissioners. The appointing authorities  
7 shall make the initial appointments on or before May 31, 2028, so that the Committee may hold  
8 its first meeting on or after July 1, 2028. The terms of the initial appointees begin July 1, 2028.

9 **SECTION 3.(a)** G.S. 159B-39 reads as rewritten:

10 **"§ 159B-39. Permitted uses of revenue from electric power rates.**

11 (a) A municipality as authorized in this Chapter shall use revenue derived from rates for  
12 electric service to ~~(i) pay the direct and indirect costs of operating the electric system and (ii)~~  
13 ~~transfer to other funds of the municipality a sum that reflects a rate of return on the investment~~  
14 ~~in the electric system to the extent allowed in subsection (c) of this section. system.~~ Any  
15 remaining revenue shall be used to produce lower rates on electric service within the area served  
16 by the municipal electric system and to make additional debt service payments on bonds or other  
17 indebtedness incurred by the municipality to finance improvements to the electric system. A  
18 municipality shall not otherwise transfer revenue from an electric utility fund to any other fund  
19 of the municipality for any other purpose not explicitly authorized by law.

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21 following:

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23 secured by revenues of the electric system.
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27 required by legal documents entered into by the municipality in connection  
28 with the issuance of bonds or other indebtedness for the electric system.
- 29 (5) Reserves deemed necessary by the governing body of the municipality to  
30 assure that funds are available to maintain the financial and operational  
31 integrity of the electric system.
- 32 (6) Maintaining a rate stabilization fund to minimize the impact of periodic rate  
33 changes that would otherwise be required to reflect changes in costs of  
34 operations and demand for electric service.
- 35 (7) Making payments in lieu of taxes to other governmental units to reflect  
36 property taxes that would have been collected by the other governmental unit  
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39 reimburse the general fund or other funds for costs paid from the fund that are  
40 reasonably allocable to the electric system.

41 ~~(c) The total amount transferred to other funds of the municipality authorized as a rate of~~  
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43 ~~amounts reported in the municipality's audited financial statements for the preceding fiscal year.~~  
44 ~~The amount transferred may be less than the following, but in no event may the amount~~  
45 ~~transferred exceed the greater of the following:~~

- 46 (1) ~~Three percent (3%) of the gross capital assets of the electric system at the end~~  
47 ~~of the preceding fiscal year.~~
- 48 (2) ~~Five percent (5%) of the gross annual revenues of the electric system for the~~  
49 ~~preceding fiscal year.~~

50 (d) The restrictions in this section shall not apply to any action required to be taken for a  
51 municipality by the Local Government Commission in accordance with G.S. 159-181(c).

1       (e) This section applies only to the following cities and towns that are members of the  
2 North Carolina Eastern Municipal Power Agency: Apex, Ayden, Belhaven, Benson, Clayton,  
3 Edenton, Elizabeth City, Farmville, Fremont, Greenville, Hamilton, Hertford, Hobgood,  
4 Hookerton, Kinston, LaGrange, Laurinburg, Louisburg, Lumberton, New Bern, Pikeville, Red  
5 Springs, Robersonville, Rocky Mount, Scotland Neck, Selma, Smithfield, Southport, Tarboro,  
6 Wake Forest, Washington, and Wilson."  
7           **SECTION 3.(b)** S.L. 2021-103 is repealed.  
8           **SECTION 3.(c)** This section applies only to the Town of Louisburg.  
9           **SECTION 4.** Except as otherwise provided, this act is effective when it becomes  
10 law.