



Members,

In our efforts to educate the members of the General Assembly on matters of importance to you as they have requested, we inform legislators of SC BIPECPAC Rated Bills. Below, please find a list of the new SC BIPECPAC Rated Bills. While a more complete version of SC BIPECPAC Rated Bills is available to you online in the Billtracker section of our website, this will provide you with a quick look at the business and industry related matters that are currently before the legislature.

<b><u>Newly Rated Bills</u></b>	
<b>Business Negative Bills</b>	
H.4375	<p>Current and prospective business and industry interests in South Carolina rely on an environment where strategic decisions may be made with some degree of certainty. Repeal of existing laws and retroactive application of punitive measures does not contribute to a stable environment. This law generates even greater uncertainty and is thus Business Negative.</p> <p>Specifically, Section 2 removes all rate increases associated with the nuclear project construction, i.e., the 18% from customers bills and prevents customers from paying any additional costs of the abandoned project.</p> <p>Section 3 redefines terms in the original Base Load Review Act and would apply them retroactively to the utility while adding liability of contractors and subcontractors to the utility.</p> <p>H.4375 and S.754 will reduce the target utility's revenues by 18% or \$445 million. That rate reduction would result in approximately a 1/3 reduction in net income. The passage of these bills could trigger an immediate reduction in shareholders' equity. This will lead to a debt to equity ratio which will violate certain financial covenants pertaining to the utility's short-term lines of credit. This may prevent the utility from accessing short-term cash to fund ongoing daily operations. Any debt outstanding under these lines of credit could be due immediately. Replacement financing could be needed immediately and would likely be very expensive.</p> <p>The rating agencies may downgrade the utility's debt ratings to below investment grade or junk status. This will lead to much higher debt costs. The utility could be required to post significant cash collateral for larger supply contracts. Posting this collateral could be challenging given the loss of access to various lines of credit.</p> <p>In order to restore its debt to equity ratio, the utility would need to issue additional shares of common stock. These shares would have to be sold (at a lower price) to balance the debt to equity ratio and that would result in a further dilution to earnings. This could lead to the suspension of the utility's dividend to shareholders, which would further lower the share price and dilute earnings even more. The cost of raising money or capital would likely then become more expensive because of the limited sources of financing available under these circumstances.</p>
H.4380	<p>Current and prospective business and industry interests in South Carolina rely on an environment where strategic decisions may be made with some degree of certainty. Repeal of existing laws and retroactive application of punitive measures does not contribute to a stable environment. This law generates even greater uncertainty and is thus Business Negative.</p> <p>Specifically, this bill orders a refund to customers of all amounts collected for nuclear project-related costs under the BLRA if the PSC finds that the costs are not actually "used and useful" until the facility "commences commercial operations and is presently providing actual electric utility service to customers" as defined in new Section 58-34-110.</p> <p>H.4380 authorizes ratepayer refunds for costs attributed to projects constructed under the BLRA. The utility does not have enough cash on hand to make such a payment which means it would have to raise the cash to make the refunds. Raising this level of cash would be more expensive and put further negative pressure on the utility's financial situation.</p>
S.754	<p>Current and prospective business and industry interests in South Carolina rely on an environment where strategic decisions may be made with some degree of certainty. Repeal of existing laws and retroactive application of punitive measures does not contribute to a stable environment. This law generates even greater uncertainty and is thus Business Negative.</p> <p>Specifically, Section 1 adds new Section 58-33-300, which provides in (A) that no costs associated with a plant that is not generating power may be recovered from customers through rate increases or otherwise and also provides in (C) that a utility may not include in rates any amount attributable to a base load review project that is not generating power as of January 1, 2018.</p> <p>Section 3 of this bill requires the PSC to reduce the utility's rates by 18% or \$445 Million for the portion attributable to the abandoned Project, effective January 1, 2018. That rate reduction would result in approximately a 1/3 reduction in net income.</p> <p>Section 7 amends the BLRA to allow reopening of a base load review order.</p> <p>Section 9 amends the BLRA by eliminating the abandonment provisions in Section 58-33-280(K).</p> <p>H.4375 and S.754 will reduce the target utility's revenues by 18% or \$445 million. The passage of these bills could trigger an immediate reduction in shareholders' equity. This will lead to a debt to equity ratio which will violate certain financial covenants pertaining to the utility's short-term lines of credit. This may prevent the utility from accessing short-term cash to fund ongoing daily operations. Any debt outstanding under these lines of credit could be due immediately. Replacement financing could be needed immediately and would likely be very expensive.</p> <p>The rating agencies may downgrade the utility's debt ratings to below investment grade or junk status. This will lead to much higher debt costs. The utility could be required to post significant cash collateral for larger supply contracts. Posting this collateral could be challenging given the loss of access to various lines of credit.</p> <p>In order to restore its debt to equity ratio, the utility would need to issue additional shares of common stock. These shares would have to be sold (at a lower price) to balance the debt to equity ratio and that would result in a further dilution to earnings. This could lead to the suspension of the utility's dividend to shareholders, which would further lower the share price and dilute earnings even more. The cost of raising money or capital would likely then become more expensive because of the limited sources of financing available under these circumstances.</p>

Please contact me by phone at 803-254-0476 or by email at [deloach@scbipec.com](mailto:deloach@scbipec.com) with any questions regarding the BIPECPAC Rated Bills.