

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

SESSION LAW 2026-27
SENATE BILL 1076

AN ACT TO PROHIBIT THE CITY OF ROCKY MOUNT FROM TRANSFERRING THE REVENUES OF ITS ELECTRIC AND NATURAL GAS SYSTEMS TO OTHER MUNICIPAL FUNDS; TO ESTABLISH A PUBLIC UTILITIES ADVISORY COMMITTEE IN THE CITY OF ROCKY MOUNT; TO PROHIBIT THE TOWN OF LOUISBURG FROM TRANSFERRING THE REVENUES OF ITS ELECTRIC SYSTEM TO OTHER MUNICIPAL FUNDS; AND TO DISALLOW THE TOWN OF LOUISBURG FROM USING REVENUE DERIVED FROM RATES FOR ELECTRIC SERVICE FOR ECONOMIC DEVELOPMENT PROJECTS.

The General Assembly of North Carolina enacts:

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

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

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

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

- (1) Debt service payments on indebtedness incurred for the electric system or secured by revenues of the electric system.
- (2) Capital improvements or equipment for the electric system.
- (3) Payments for the cost of power purchased under contractual arrangements.
- (4) Debt service, maintenance, renewal, and replacement or other reserves required by legal documents entered into by the municipality in connection with the issuance of bonds or other indebtedness for the electric system.
- (5) Reserves deemed necessary by the governing body of the municipality to assure that funds are available to maintain the financial and operational integrity of the electric system.
- (6) Maintaining a rate stabilization fund to minimize the impact of periodic rate changes that would otherwise be required to reflect changes in costs of operations and demand for electric service.
- (7) Making payments in lieu of taxes to other governmental units to reflect property taxes that would have been collected by the other governmental unit if the municipality were not the owner of the electric system.



- (8) Making transfers to the general fund or other funds of the municipality to reimburse the general fund or other funds for costs paid from the fund that are reasonably allocable to the electric system.

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

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

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

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

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

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

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

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

- (1) Debt service payments on indebtedness incurred for the natural gas system or secured by revenues of the natural gas system.
- (2) Capital improvements or equipment for the natural gas system.
- (3) Debt service, maintenance, renewal, and replacement or other reserves required by legal documents entered into by the municipality in connection with the issuance of bonds or other indebtedness for the natural gas system.
- (4) Reserves deemed necessary by the governing body of the municipality to assure that funds are available to maintain the financial and operational integrity of the natural gas system.
- (5) Maintaining a rate stabilization fund to minimize the impact of periodic rate changes that would otherwise be required to reflect changes in costs of operations and demand for natural gas service.
- (6) Making payments in lieu of taxes to other governmental units to reflect property taxes that would have been collected by the other governmental unit if the municipality were not the owner of the natural gas system.
- (7) Making transfers to the general fund or other funds of the municipality to reimburse the general fund or other funds for costs paid from the fund that are reasonably allocable to the natural gas system.

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

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

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

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

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

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

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

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

(c) Appointment; Qualification; Vacancies. – Members shall be appointed by the City Council at its regular monthly meeting in June of each year. The membership of the Committee should include some members with utilities, financial, engineering, environmental, technical, or development backgrounds, and should reflect a diverse cross section of the customers served. The four members residing or located outside the city limits shall be appointed from nominees of the Nash County Board of Commissioners and the Edgecombe County Board of Commissioners. Each board shall nominate two residential customers and two commercial or industrial customers who reside or are located outside the city limits within that county, and the City Council shall appoint, from the nominees provided, one residential customer and one commercial or industrial customer from each county. As the term of a member residing or located outside the city limits expires or such a seat otherwise becomes vacant, the City Council shall request a nomination from the board of the county that nominated that seat, and that board shall nominate two customers of the same customer class who reside or are located outside the city limits within that county, and the City Council shall appoint the replacement from the nominees provided. The members residing or located outside the city limits shall at all times consist of one residential customer and one commercial or industrial customer from Nash County and one residential customer and one commercial or industrial customer from Edgecombe County. If a county board fails to recommend a qualifying nominee within 60 days of the date requested by the City Council, the City Council may appoint any individual meeting the applicable residency, customer, and customer class requirements. No person who is an officer or employee of the City,

Nash County, or Edgecombe County shall be eligible for appointment as a voting member, except that the City Manager or the City Manager's designee shall serve ex officio as provided in subsection (b) of this section. A vacancy shall be filled for the unexpired term by the City Council in the same manner provided in this subsection for the appointment to that seat.

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

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

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

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

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

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

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

SECTION 2.(b) This section becomes effective July 1, 2027. The Committee is established July 1, 2028. Notwithstanding G.S. 160A-339(c), as enacted by this section, within 30 days after this section becomes effective, the City Council shall request nominations for the four members residing or located outside the city limits from the Nash County Board of Commissioners and the Edgecombe County Board of Commissioners. The appointing authorities

shall make the initial appointments on or before May 31, 2028, so that the Committee may hold its first meeting on or after July 1, 2028. The terms of the initial appointees begin July 1, 2028.

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

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

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

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

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

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SECTION 3.(b) S.L. 2021-103 is repealed.

SECTION 3.(c) This section applies only to the Town of Louisburg.

SECTION 4. Except as otherwise provided, this act is effective when it becomes

law.

In the General Assembly read three times and ratified this the 2nd day of July, 2026.

s/ Rachel Hunt
President of the Senate

s/ Destin Hall
Speaker of the House of Representatives