

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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SENATE BILL 1076
State and Local Government Committee Substitute Adopted 5/12/26

Short Title: Limit Electric/Natural Gas Revenue Uses. (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 PROHIBIT THE TOWN OF LOUISBURG FROM
5 TRANSFERRING THE REVENUES OF ITS ELECTRIC SYSTEM TO OTHER
6 MUNICIPAL FUNDS; AND TO DISALLOW THE TOWN OF LOUISBURG FROM
7 USING REVENUE DERIVED FROM RATES FOR ELECTRIC SERVICE FOR
8 ECONOMIC DEVELOPMENT PROJECTS.

9 The General Assembly of North Carolina enacts:

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

11 "§ 159B-39. Permitted uses of revenue from electric power rates.

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

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

- 23 (1) Debt service payments on indebtedness incurred for the electric system or
24 secured by revenues of the electric system.
25 (2) Capital improvements or equipment for the electric system.
26 (3) Payments for the cost of power purchased under contractual arrangements.
27 (4) Debt service, maintenance, renewal, and replacement or other reserves
28 required by legal documents entered into by the municipality in connection
29 with the issuance of bonds or other indebtedness for the electric system.
30 (5) Reserves deemed necessary by the governing body of the municipality to
31 assure that funds are available to maintain the financial and operational
32 integrity of the electric system.
33 (6) Maintaining a rate stabilization fund to minimize the impact of periodic rate
34 changes that would otherwise be required to reflect changes in costs of
35 operations and demand for electric service.



1 (7) 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 electric system.

4 (8) 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 electric system.

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

12 (1) ~~Three percent (3%) of the gross capital assets of the electric system at the end~~
13 ~~of the preceding fiscal year.~~

14 (2) ~~Five percent (5%) of the gross annual revenues of the electric system for the~~
15 ~~preceding fiscal year.~~

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

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

24 **SECTION 1.(b)** This section applies only to the City of Rocky Mount and the Town
25 of Louisburg.

26 **SECTION 2.** S.L. 2021-103 is repealed.

27 **SECTION 3.** 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 4.** This act is effective when it becomes law.