

SENATE BILL 1959

By Walley

AN ACT to amend Tennessee Code Annotated, Title 7 and Title 65, relative to the Tennessee Natural Gas Innovation Act.

WHEREAS, natural gas utilities provide a critical source of energy to Tennessee homes and businesses; and

WHEREAS, increasing the resilience of natural gas supplies is in the public interest; and

WHEREAS, technology continues to advance allowing natural gas companies to reduce their emissions while creating economic development opportunities; and

WHEREAS, the Tennessee General Assembly finds that is in the public interest to capture excess methane for beneficial use; and

WHEREAS, beneficial use of those excess methane products can create new revenue streams for farmers, municipalities, and others while increasing resilience by adding new sources of fuel; and

WHEREAS, natural gas utilities are leading the way in reducing their emissions profile in all phases of the supply chain; and

WHEREAS, the Tennessee General Assembly finds that is in the public interest for utilities to invest in multiple ways in a manner that maintains American competitiveness and energy affordability and reliability while creating a pathway to reducing greenhouse gas emissions in the State; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 65, Chapter 5, Part 1, is amended by adding the following as a new section:

(a) This section is known and may be cited as the "Tennessee Natural Gas Innovation Act."

(b) As used in this section:

(1) "Biogas" means gas produced by the anaerobic digestion of biomass, gasification of biomass, or other effective conversion processes;

(2) "Commission" means the Tennessee public utilities commission;

(3) "Farm gas" means a gas derived from agricultural waste;

(4) "Hydrogen" means hydrogen gas produced through:

(A) Carbon capture and storage;

(B) The use of renewable energy to break down water into hydrogen and oxygen through electrolysis;

(C) The breakdown of methane into hydrogen and solid carbon through pyrolysis; or

(D) Other means determined by the commission to be lower carbon;

(5) "Incremental innovative natural gas cost" means costs that are above the published price index for natural gas, applicable to the geographic location closest in proximity to the innovative natural gas resource;

(6) "Innovative natural gas resource" includes, but is not limited to, farm gas, biogas, renewable natural gas, hydrogen, carbon capture, qualified offsets, renewable natural gas attributes, RSG, and energy efficiency resources;

(7) "Qualified offsets" means a reduction in greenhouse gas emission or an increase in carbon storage;

(8) "Renewable natural gas" means a pipeline-compatible gaseous fuel derived from a biogenic substance, or other renewable sources that has lower lifecycle carbon dioxide emissions than geological natural gas;

(9) "Renewable natural gas attributes" means the environmental attributes associated with renewable natural gas; and

(10) "Responsibly sourced gas" or "RSG" means conventional natural gas that has been produced by companies whose operations have been independently verified as meeting certain environmental, social, and governance (ESG) standards set by the Sustainability Accounting Standards Board, including primarily air emission reductions.

(c) A public utility may request, and the commission may authorize, a mechanism to recover the costs related to the use or development of infrastructure to facilitate use of innovative natural gas resources for natural gas utility customers, if the commission finds that the costs are in the public interest. Such a mechanism may include:

(1) Capital investments for the production, processing, pipeline interconnection, storage, and distribution of innovative natural gas resources;

(2) Incremental operating costs associated with capital investments in infrastructure for the production, processing, pipeline interconnection, storage, and distribution of innovative natural gas resources; or

(3) Incremental innovative natural gas costs to procure innovative natural gas resources from third parties.

(d)

(1) The commission shall grant recovery and authorize a separate recovery mechanism, or adjust rates through a utility's existing annual review

process described under § 65-5-103(d)(6), to recover operational expenses or capital costs, or both, associated with the investment in natural gas innovation resources, including a return on the innovative natural gas resource capital investments, utilizing, at a minimum, the authorized return on equity approved by the commission at the public utility's most recent general rate case pursuant to §§ 65-5-101 and 65-5-103(a), upon a finding that the mechanism or adjustment is in the public interest.

(2) An incremental rate adjustment due to the investment in innovative natural gas resources must not exceed two percent (2%) of a utility's latest approved annual revenue requirement.

(e) Expenses described in subdivision (c)(3) may be reflected in a utility's purchased gas adjustment; provided, the total incremental natural gas cost cannot exceed three percent (3%) of the annual cost of gas. For purposes of establishing a recovery cap, three percent (3%) of total annual gas costs must be computed from the most current audited and approved gas costs for the public utility in a Tennessee public utility commission docket as of the first day of the month, twelve (12) months prior to the first day of the period under audit.

SECTION 2. This act takes effect upon becoming a law, the public welfare requiring it.