



State of Tennessee

PUBLIC CHAPTER NO. 478

SENATE BILL NO. 1325

By McNally, Ketrone, Bowling, Norris

Substituted for: House Bill No. 868

By Keisling, Holt, Doss, Weaver, Moody, Timothy Hill, Powers

AN ACT to amend Tennessee Code Annotated, Title 43 and Title 68, relative to state plans to implement Section 111(d) guidelines.

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

SECTION 1. Tennessee Code Annotated, Title 68, Chapter 201, Part 1, is amended by adding the following language as a new section:

(a) As used in this section:

(1) "Covered electric-generating unit" means an existing fossil-fuel-fired electric-generating unit located within this state that is subject to regulation under EPA emission guidelines;

(2) "Environmental protection agency" or "EPA" means the United States environmental protection agency;

(3) "Federal emission guidelines" means any final rules, regulations, guidelines, or other requirements that the EPA adopts for regulating carbon dioxide emissions from covered electric-generating units under Section 111(d) of the federal Clean Air Act, compiled in 42 U.S.C. § 7401 et seq.;

(4) "State" means the state of Tennessee;

(5) "State plan" means any plan to establish and enforce carbon dioxide emission control measures adopted by the department to implement the obligations of the state under the federal emission guidelines; and

(6) "TACIR" means the Tennessee Advisory Commission on Intergovernmental Relations.

(b) Upon submission of the final state plan to EPA by the department, TACIR shall prepare a report as described in this subsection. To the extent the department can produce the information without additional expenditures and using the department's existing resources, the department shall provide available information to TACIR upon request. The report shall assess the effects of the state plan on:

(1) The electric power sector, including:

(A) The ability of this state to provide affordable electricity through diversified sources of electricity generation;

(B) The type and amount of electric-generating capacity within this state that the electric power sector is likely to retire or replace with other energy sources;

(C) Stranded investment in electric-generating capacity and other infrastructure;

(D) The amount of investment necessary to offset the retirement of electric-generating capacity and maintain generation reserve margins;

(E) Potential risks to reliable sources of electricity, including resource adequacy risks and transmission constraints; and

(F) The amount by which retail electricity prices within this state are predicted to increase;

(2) Electricity consumers within this state, including any disproportionate impacts of electricity and other energy price increases on middle-income and lower-income households;

(3) Employment within this state, both directly and indirectly, including jobs lost within affected sectors of this state's economy;

(4) Economic development in this state, including the effects on manufacturing, commercial, and other sectors of this state's economy;

(5) The competitive position of this state relative to neighboring states and other economic competitors;

(6) State and local governments, including the potential impacts resulting from changes in tax revenues; and

(7) Existing state laws, and any proposed legislation that may be necessary to implement the state plan.

(c) After the development of the report described in subsection (b), TACIR shall transmit a copy of the report to the chairs of the government operations committees of the senate and the house of representatives and shall present the findings of the report at the next regularly scheduled meeting of the joint government operations committee.

(d) Notwithstanding subsection (b), a report does not have to be prepared by TACIR if the final federal emission guidelines approved by the EPA:

(1) Do not establish carbon dioxide emission control requirements for this state that are based on the decrease in carbon dioxide emissions resulting from the operation of new nuclear-generating facilities currently under construction in this state; and

(2) Authorize this state to receive full credit for the decrease in carbon dioxide emissions resulting from nuclear-generating facilities under construction as of the effective date of this act, for purposes of demonstrating compliance with carbon dioxide emission control requirements under the final EPA emission guidelines.

SECTION 2. The commissioner of environment and conservation shall notify the secretary of state and the executive secretary of the Tennessee code commission of the effective date of federal emission guidelines as soon as reasonably practical after the effective date is known.

SECTION 3. This act shall take effect concurrently with the effective date of federal emission guidelines, the public welfare requiring it.

SENATE BILL NO. 1325

PASSED: April 22, 2015



RON RAMSEY
SPEAKER OF THE SENATE



BETH HARWELL, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 19th day of MAY 2015



BILL HASLAM, GOVERNOR

Research Plan: Public Chapter 478, Acts of 2015, Clean Power Plan

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Deputy Executive Director Approval: Initial:  Date: 5/27/15

Executive Director Approval: Initial:  Date: 5/27/15

Purpose

Public Chapter 478, Acts of 2015, directs the Commission to evaluate the state's final plan submitted by the Tennessee Department of Environment and Conservation to the US Environmental Protection Agency to establish and enforce carbon dioxide emission control measures adopted to implement the obligations of the state under federal emission guidelines, including its effects on the state's electric power sector, consumers, employment, economic development, competitive position, state and local governments, and state laws.

Background

The US Environmental Protection Agency is proposing emission guidelines for states to reduce greenhouse gas emissions from existing fossil-fuel-fired electric generating units. The proposal give states flexibility in how they meet the carbon dioxide goals set by the EPA, but the plans will be evaluated on whether they include enforceable, quantifiable, and verifiable measures, project meeting the EPA's emission performance goals and timelines, and include a process for reporting on plan implementation, progress toward achieving carbon dioxide goals, and implementation of any necessary corrective actions.

Under the proposal, states must either submit a plan by June 30, 2016, or if they need additional time, submit an initial plan by the same date documenting the reasons more time is needed and including commitments to concrete steps to ensure that the state will submit a completed plan by June 30, 2017. If the state is submitting as part of a multi-state plan, it may be eligible for an extension to June 30, 2018. If a state does not submit a plan, or if the EPA does not approve a state's plan, then the EPA must establish a plan for the state.

The Commission's study is due at the next regularly scheduled meeting of the joint government operations committee following the report's development, which cannot occur until the plan is submitted to the EPA. The plan itself cannot be developed until the EPA regulations are finalized, something that is unlikely to happen before the end of this year. The study will not be required if the EPA's carbon dioxide emission control requirements for

Tennessee credit the state for the decreases in carbon dioxide emissions that result from nuclear-generating facilities already under construction.

Step 1. Define the Problem

How to best balance public health and safety and environmental impacts and effects on consumers, energy-related businesses, and the state's overall economy.

Step 2. Assemble Some Evidence

- Review committee hearings on the legislation that became Public Chapter 478 and summarize comments and concerns of committee members, the bill sponsors, and others speaking for or against the bill.
- Interview the sponsor, bill proponents, and other stakeholders.
- Review the federal Clean Air Act and other pertinent federal laws and related regulations.
- Review related state laws.
- Review literature on emissions standards and their economic impact; seek opinions of subject matter experts.
- Study in detail the clean power plan developed by TDEC, meeting with TDEC staff to develop a thorough understanding of their alternatives, recommendations, and methodology and to gather information about production cost effects of the plan.
- Gather additional data to support analysis of effect of CPP on state's electric power sector, consumers, employment, economic development, competitive position, state and local governments, and state laws.
 - Energy prices
 - Tennessee compared to other states
 - Current prices
 - Trends
 - Factors affecting prices
 - Sources of electricity generation
 - Potential risks to reliable sources of electricity and other technical information (ideally from the Tennessee Valley Authority, which generates nearly all of the electricity distributed in Tennessee)
 - Electric-generating capacity in Tennessee
 - Current capacity

- Likely changes to from retirement or replacement with other energy sources
- Stranded investment
- Investment in electric-generating capacity and other infrastructure
 - Stranded investment
 - Amount necessary to offset retirement of capacity and maintain reserves
- Electricity as portion of household income by income level
- Employment within energy-related sector
- Employment in other sectors and their dependence on electric capacity and pricing
- Energy prices as component of overall costs in other sectors
- State and local government revenue
 - Sale of electricity
 - Revenue indirectly affected by energy prices and availability
- Review any available analyses of other states' clean power plans.

Step 3. Construct Alternatives

Alternatives will be the recommended approach or approaches developed by TDEC in their clean power plan.

These approaches will be described specifically enough to project outcomes in Step 5.

Step 4. Select Criteria

The report shall assess the effects of the state plan on

- (1) The electric power sector, including:
 - a. The ability of this state to provide affordable electricity through diversified sources of electricity generation;
 - b. The type and amount of electric-generating capacity within this state that the electric power sector is likely to retire or replace with other energy sources;

- c. Stranded investment in electric-generating capacity and other infrastructure;
 - d. The amount of investment necessary to offset the retirement of electric-generating capacity and maintain generation reserve margins;
 - e. Potential risks to reliable sources of electricity, including resource adequacy risks and transmission constraints; and
 - f. The amount by which retail electricity prices within this state are predicted to increase;
- (2) Electricity consumers within this state, including any disproportionate impacts of electricity and other energy price increases on middle-income and lower income households;
 - (3) Employment within this state, both directly and indirectly, including jobs lost within affected sectors of this state's economy;
 - (4) Economic development in this state, including the effects on manufacturing, commercial, and other sectors of this state's economy;
 - (5) The competitive position of this state relative to neighboring states and other economic competitors;
 - (6) State and local governments, including the potential impacts resulting from changes in tax revenues; and
 - (7) Existing state laws, and any proposed legislation that may be necessary to implement the state plan.

Step 5. Project Outcomes

Project the outcomes using a combination of

- the production cost modeling results that will be prepared as part of TDEC's CPP development,
- information about potential risks to reliable sources of electricity and other technical information, ideally provided by the Tennessee Valley Authority,
- results of economic impact analyses by staff and contractors, including analyses of the effect on the state's
 - electric power sector,
 - consumers,
 - employment,

- economic development,
- competitive position
- state and local government revenue, and
- analysis of other effects by staff.

Step 6. Confront Trade-offs

Not applicable

Step 7. Decide which alternatives to present to the Commission

Not applicable

Step 8. Produce the Draft Report

Develop and present a draft for review and comment to the Commission.

Revisit Steps 5 through 8.

- Respond to feedback from Commission.
- Revise and edit the draft to reflect comments of the Commission.

Submit final report to the Commission for approval.

The timeline depends on when the clean power plan is adopted. The following assumes the plan is adopted in June 2016. The timeline will be refined as the CPP schedule becomes clearer.

