



HOUSE BILL 1847

By Butler

AN ACT to amend Tennessee Code Annotated, Title 5;
Title 6; Title 7; Title 13 and Title 65, relative to data
centers.

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

SECTION 1. Tennessee Code Annotated, Title 13, is amended by adding the following
as a new chapter:

13-12-101.

As used in this chapter:

(1) "Cooling equipment" means cooling systems, cooling towers, and
other temperature control infrastructure used primarily for and necessary to the
operation of a data center;

(2) "Cost of infrastructure" means:

(A) All costs that may be capitalized under generally accepted
accounting principles for purchasing, constructing, installing, and
equipping infrastructure; and

(B) The fees or costs imposed by a municipality or utility service
provider:

(i) Related to the construction or installation of
infrastructure; or

(ii) As a condition to the delivery of utility services to the
data center;

(3) "Data center" means a building, either newly constructed, expanded,
or remodeled, that primarily contains electronic equipment used to process,

store, and transmit digital information, and environmental control equipment and cooling equipment necessary to maintain the proper conditions for the operation of the electronic equipment, including cooling equipment;

(4) "Electric cooperative" means a nonprofit electric cooperative or electric membership corporation, whether organized or operating under title 65, chapter 25, that distributes electric power purchased from the Tennessee valley authority;

(5) "Electric service" means the furnishing of electric power and energy for lighting, heating, power, or any other purpose for which electric power and energy can be used;

(6) "Electric utility" means a utility that provides and transmits electricity to individuals and entities located within the jurisdiction of the utility, including:

(A) A municipal electric authority created pursuant to title 7, chapter 36;

(B) A municipal electric plant operated pursuant to title 7, chapter 52, part 1;

(C) A public utility, as defined under § 65-4-101, that provides electricity;

(D) The electric utility of a county, metropolitan government, municipality, or incorporated town or city; and

(E) An electric cooperative;

(7) "Infrastructure" means the streets, roads and road access, bridges, and sidewalks, and the water, wastewater, natural gas, electric, electric transmission lines, substations, and transformers, telecommunications, fiber optic

connections, and storm water facilities, required for the development and construction of a data center, and benefitting the data center;

(8) "Local government" means a county, metropolitan government, municipality, city, or other political subdivision of this state;

(9) "Other commercial or industrial customer" means an electric utility customer that is:

(A) Classified as a commercial or industrial customer; and

(B) Not a data center; and

(10) "Public electric utility" means a public utility, as defined under § 65-4-101, that provides electric services.

13-12-102.

(a) The owner or operator of a data center, including a proposed data center or an existing data center seeking expansion, shall pay for the full cost of infrastructure needed to support the data center, including expansions or upgrades to existing utility infrastructure necessary to both support the proposed or existing data center and continue providing the same services to the utility's existing customers.

(b) Subsection (a) does not prohibit a local government, the state, or a utility from entering into an agreement regarding infrastructure needed to support the data center; provided, that the agreement does not allow the cost of infrastructure to be paid for by an entity or individual other than the owner or operator of the data center.

13-12-103.

(a) An electric utility shall:

(1) Conduct the electric utility's ratemaking to ensure that the cost of infrastructure needed to support provision of electric services to a data center, including a proposed data center or an existing data center seeking expansion,

and provision of electric services to such data center, is paid solely by the owner or operator of the data center; and

(2) Not raise the rate charged to residential customers or other commercial or industrial customers due to increased electric demand caused by a proposed data center, existing data center, or expansion of an existing data center.

(b) In addition to the requirements of subdivisions (a)(1) and (a)(2), an electric utility shall not distribute the cost, or otherwise require an affected electric membership or power distribution group or organization to pay, for the cost of infrastructure or electric demand caused by a proposed data center, existing data center, or expansion of an existing data center.

(c) Notwithstanding § 65-4-115, § 65-4-122, or another law, an electric utility may create a new customer class for a data center if necessary to effectuate this section.

(d) Before an electric utility imposes a rate increase, the electric utility shall make:

(1) A written finding that the rate increase is not attributable to the data center; and

(2) The written finding described in subdivision (d)(1) publicly available.

(e) A residential or other commercial or industrial customer, or electric membership or power distribution group or organization, that believes that an electric utility has violated this section may submit a complaint in accordance with the following:

(1) If the electric utility is an electric cooperative or public electric utility, to the Tennessee public utility commission; or

(2) If the electric utility is a county-owned, municipal-owned, or metropolitan-owned utility that provides electric services to the public, to the utility's governing board, or, if there is no designated governing board for the utility, to the local government that owns or operates the electric utility.

SECTION 2. This act takes effect January 1, 2027, the public welfare requiring it, and applies to conduct occurring and contracts or agreements entered into, amended, or renewed on or after that date.

Amendment No. 1 to HB1847

Vaughan
Signature of Sponsor

AMEND Senate Bill No. 2128

House Bill No. 1847*

by deleting all language after the enacting clause and substituting:

SECTION 1. Tennessee Code Annotated, Title 7, is amended by adding the following as a new chapter:

7-70-101. Chapter definitions.

As used in this chapter:

(1) "Cost of electrical infrastructure" means the costs, capitalized under generally accepted accounting principles, of purchasing, constructing, installing, or equipping infrastructure that are incurred by a developer, owner, or operator of a data center, a municipality, or an electric utility and that would not be incurred but for the actual or expected increase in electric demand resulting from a newly constructed or expanded data center;

(2) "Data center":

(A) Means a building that:

(i) Primarily contains:

(a) Electronic equipment used to process, store, or transmit digital information; and

(b) Environmental control equipment necessary to maintain proper operating conditions for the electronic equipment described in subdivision (2)(A)(i)(a); and

(ii) Is projected to have a peak electric demand of fifty megawatts (50 MW) or more during the first three (3) years of operation; and

(B) Does not include:

(i) A facility owned or operated by the state of Tennessee; or

(ii) A facility owned or operated by a provider of telecommunications, broadband, internet, cable, mobile, or wireless telecommunications services, or by a broadband internet access provider, if the facility primarily supports telecommunications or wireless telecommunications network operations or broadband internet access services;

(3) "Electric cooperative" means a nonprofit cooperative organized under, or otherwise subject to, the Rural Electric and Community Services Cooperative Act, compiled in title 65, chapter 25;

(4) "Electric service" means the furnishing of electricity for lighting, heating, power, or other uses;

(5) "Electric utility" means:

(A) A municipal electric authority created pursuant to chapter 36 of this title;

(B) A municipal electric plant operated pursuant to chapter 52, part 1 of this title;

(C) A public electric utility;

(D) An electric utility operated by a county, metropolitan government, municipality, or other political subdivision of this state; or

(E) An electric cooperative;

(6) "Independent power producer" means an individual, partnership, cooperative, association, corporation, joint stock company, limited liability company, or other entity, including the entity's lessees, trustees, or receivers appointed by a court, that:

(A) Owns, operates, manages, or controls, within this state, a facility, system, plant, or equipment used to generate or store electric energy;

(B) Sells, or agrees to sell, electric energy, capacity, or other related or ancillary services from the facility, system, plant, or equipment described in subdivision (6)(A) pursuant to one (1) or more written agreements with one (1) or more of the following:

(i) A data center owner or operator for the end-use consumption of the electric energy, capacity, or other related or ancillary services; or

(ii) A wholesale purchaser of the electric energy, capacity, or other related or ancillary services, including an electric utility or the Tennessee valley authority; and

(C) Does not include an individual or entity that holds out electric energy, capacity, or other related or ancillary services for sale to a customer other than a data center owner or operator described in subdivision (6)(B)(i) or a wholesale purchaser described in subdivision (6)(B)(ii);

(7) "Infrastructure" means electrical transmission and distribution facilities, including transmission and distribution lines, service lines and conductors, substations, transformers, switching stations, metering equipment, protection and control equipment, and related equipment and appurtenances, and includes rights-of-way and easements necessary to construct, operate, or

maintain the facilities, if the facilities are owned by an electric utility or a municipality;

(8) "Municipality" means a county, metropolitan government, or incorporated city or town in this state; and

(9) "Public electric utility" means a public utility, as defined in § 65-4-101, that provides electric service.

7-70-102. No subsidies for cost of electrical infrastructure – Independent power production to serve data centers.

(a) Except as otherwise provided in this section, a municipality or electric utility shall not pay, or otherwise absorb, the cost of electrical infrastructure incurred to serve a data center.

(b) An electric utility may assign or allocate a portion of the electric utility's costs associated with the cost of electrical infrastructure to general utility system improvements if:

(1) The associated improvements include improvements beyond those necessary to deliver electric service to the data center;

(2) The associated improvements may be used to deliver electric service outside the data center while continuing to provide the same electric service to the electric utility's existing customers;

(3) The costs are incurred in connection with the repair, maintenance, or replacement of infrastructure for which a person other than the electric utility originally incurred the cost of electrical infrastructure; and

(4) The assignment or allocation is made in accordance with the electric utility's contribution-in-aid-of-construction policies, or the electric utility's other policies or practices, governing the assignment or allocation of the costs.

(c) An electric utility may reimburse a data center owner or operator for the cost of electrical infrastructure incurred by the data center owner or operator if:

(1) The reimbursement is made in accordance with the electric utility's standard policies or procedures;

(2) The policies or procedures apply to customers receiving comparable service from the electric utility;

(3) The policies or procedures are not exclusively applicable to data centers;

(4) The policies or procedures do not result in more favorable reimbursement to the data center than to other customers receiving comparable service; and

(5) The reimbursement does not cause existing customers to incur a rate increase.

(d) A municipality or electric utility is not liable to an individual or entity for refusing to honor an obligation that is void under this section.

(e) A data center may purchase and receive electric energy, capacity, or other related or ancillary services from an independent power producer located in this state. An independent power producer located in this state may generate, store, sell, or deliver electric energy, capacity, or other related or ancillary services to a data center through:

(1) A direct interconnection behind the data center's meter if the data center does not take service from an electric utility;

(2) A direct interconnection behind the data center's meter with the written approval of the applicable electric utility if the data center takes service from an electric utility; or

(3) Access to transmission or distribution facilities owned or operated by one (1) or more electric utilities or the Tennessee valley authority.

(f) The activities authorized by subsection (e) are subject to applicable federal law.

(g) Except to the extent federal law provides otherwise, access to transmission or distribution facilities under subdivision (e)(3) is provided at the election of, and on terms and conditions established by, the owner of the transmission or distribution facilities.

(h) This section does not supersede an obligation imposed upon an electric utility by federal law or a binding order of a federal agency of competent jurisdiction.

(i) If this section conflicts with a term, condition, rate schedule, or requirement of the Tennessee valley authority, then the term, condition, rate schedule, or requirement of the Tennessee valley authority controls, and an electric utility is not required to comply with this section to the extent of the conflict.

SECTION 2. Tennessee Code Annotated, Section 65-4-101(6), is amended by adding the following as a new subdivision:

(E) "Public utility" does not include an independent power producer, as defined in § 7-70-101, solely because the independent power producer owns, operates, manages, or controls an electric generating or storage facility in this state and sells or delivers electric energy, capacity, or other related or ancillary services to a data center pursuant to an agreement under § 7-70-102(e).

SECTION 3. The headings in this act are for reference purposes only and do not constitute a part of the law enacted by this act. However, the Tennessee Code Commission is requested to include the headings in any compilation or publication containing this act.

SECTION 4. This act takes effect July 1, 2026, the public welfare requiring it, and applies to conduct occurring and contracts or agreements entered into, amended, or renewed on or after that date.

Amendment No. 2 to HB1847

Butler
Signature of Sponsor

AMEND Senate Bill No. 2128

House Bill No. 1847*

by deleting the effective date section and substituting:

SECTION 4. This act takes effect upon becoming a law, the public welfare requiring it, and applies to conduct occurring and contracts or agreements entered into, amended, or renewed on or after that date.