

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC CONSIDERATION OF THE</b>	)	
<b>IMPLEMENTATION OF NORTH AMERICAN</b>	)	<b>CASE NO.</b>
<b>ENERGY STANDARDS BOARD'S</b>	)	<b>2023-00272</b>
<b>RECOMEMENTATIONS ON GAS AND ELECTRIC</b>	)	
<b>HARMONIZATION</b>	)	

**RESPONSES TO NAESB RECOMMENDATIONS**  
**BY EAST KENTUCKY POWER COOPERATIVE, INC.**  
**DATED AUGUST 25, 2023**

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**BEFORE THE PUBLIC SERVICE COMMISSION**

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**CERTIFICATE**

**STATE OF KENTUCKY** )  
                                          )  
**COUNTY OF CLARK** )

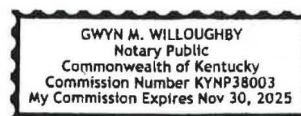
Chris Adams, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the NAESB Recommendations in the above-referenced case dated August 25, 2023, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

*Chris Adams*

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Subscribed and sworn before me on this 27th day of November 2023.

*Gwyn M. Willoughby*  
Notary Public



**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**CASE NO. 2023-00272**  
**RESPONSES TO NAESB RECOMMENDATIONS**

**NAESB RECOMMENDATION DATED AUGUST 25, 2023**

**RECOMMENDATION 7**

**RESPONSIBLE PARTY:** Chris Adams

**Recommendation 7.** State public utility commissions and applicable state authorities in states with competitive energy markets should engage with producers, marketers and intrastate pipelines to ensure that such parties' operations are fully functioning on a 24/7 basis in preparation for and during events in which extreme weather is forecasted to cause demand to rise sharply for both electricity and natural gas, including during weekends and holidays. (States could consider the approaches adopted in FERC regulations affecting the interstate pipelines.) In instances where state authorities lack enabling authority to take such actions, the FERC should adopt regulations to achieve identical outcomes within its authority.

**Response 7.** The Kentucky Public Service Commission ("PSC") has jurisdiction to affect this recommendation. EKPC has policies in place that address this recommendation. EKPC generates and transmits electrical power on a 24/7 basis. As such, EKPC generating plants and control centers are fully functioning on a 24/7 basis in all weather conditions. Additionally, PJM issues cold weather alerts when forecasted temperatures approach 10 degrees Fahrenheit and hot weather alerts if projected temperatures are to exceed 90 degrees. EKPC complies with PJM's required actions for both types of alerts, which include:

- Prepare to take freeze protection actions such as erecting temporary windbreaks or shelters, positioning heaters, verifying heat trace systems, or draining equipment prone to freezing
- Review weather forecasts, determine any forecasted operational changes, and notify PJM of any changes
- Members are to update Markets Gateway (the operational interface between EKPC & PJM) by entering unit-specific operation limitations associated with cold weather preparedness.

Operating limitations include:

- Generator capability and availability
  - Fuel supply and inventory concerns
  - Fuel switching capabilities
  - Environmental constraints
  - Generating unit minimums (design temperature, historical operating temperature or current cold weather performance temperature as determined by an engineering analysis)
- Generation dispatchers update their unit parameters, including the Start-up and Notification, Min Run Time, Max Run Time, Eco Min, Eco Max, etc. in Markets Gateway.
  - Generation dispatchers report to PJM Dispatch any and all resource limited facilities as they occur via Markets Gateway, and update PJM Dispatch as appropriate.
  - Generation dispatchers with dual fuel determine whether alternate fuel will be made available to PJM for dispatch. If made available, any known alternate fuel resource limitations will be communicated via Markets Gateway

- Generation dispatchers, based on direction received from PJM call in or schedule personnel in sufficient time to ensure that all combustion turbines and diesel generators that are expected to operate are started and available for loading when needed for the morning pick up. This includes operations, maintenance, and technical personnel that are necessary to gradually start all equipment during the midnight period. The units are brought on at engine idle, where possible, and loaded as necessary to maintain reliability. Once units are started, they remain on-line until PJM dispatcher recommends the units be shut down. Running CTs to provide for Synchronized Reserve is monitored closely for units where fuel and delivery may be hampered. Each generator owner attempts to start their most troublesome or unreliable units first.
- Generation dispatchers review their combustion turbine capacities, specifically units burning No. 2 fuel oil that do not have sufficient additive to protect them from the predicted low temperature.
- Generation dispatchers review fuel supply/delivery schedules in anticipation of greater than normal operation of units.
- Generation dispatchers monitor and report projected fuel limitations to PJM dispatcher and update the unit Max Run field in Markets Gateway if less than 24 hours of runtime remaining.
- Generation dispatchers contact PJM Dispatch if it is anticipated that spot market gas is unavailable, resulting in unavailability of bid-in generation.

- Transmission/Generation dispatchers review plans to determine if any maintenance or testing, scheduled or being performed, on any monitoring, control, transmission, or generating equipment can be deferred or cancelled.
- Generation dispatchers will update the “early return time” for any Planned generator outages.

Lastly, EKPC schedules extra personnel in the generating plants and control centers in anticipation of extreme weather conditions to ensure proper management of the increased workload.

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**RECOMMENDATION 10**

**RESPONSIBLE PARTY:** Chris Adams

**Recommendation 10.** State public utility commissions should encourage local distribution companies within their jurisdictions to structure incentives for the development of natural gas and electric demand-response programs in preparation for and during events in which demand is expected to rise sharply for both electricity and natural gas.

**Response 10.** The PSC has jurisdiction to encourage incentives or the development of natural gas and electric demand-response programs. EKPC, in partnership with its 16 Owner-Member Cooperatives offer cost-effective demand response programs. Those programs are the Direct Load Control program and the interruptible program. The PSC approved tariffs for each. The demand response programs are designed to accomplish precisely the goal of NAESB recommendation 10; provide incentives to encourage participation in the demand response programs that lowers demand by shifting energy use during events in which demand is expected to rise sharply.

The objective of the Direct Load Control program is to reduce peak demand and energy usage through the installation of load control devices on residential central air conditioners and heat pumps or by controlling the thermostat setting. The peak load reduction lowers EKPC's need for

generation and capacity obligations to PJM. EKPC controls central air conditioners and heat pumps during these extreme peak hours and days each year to lower air conditioning load during PJM and system peaks. Peak demand reduction is accomplished by cycling equipment on and off according to a predetermined control strategy. Central air conditioning and heat pump units are cycled on and off, while water heater loads are curtailed. When managing the thermostat instead of special control devices, the cycling is accomplished by raising the thermostat setting for the duration of the control event. The typical control duration is three to four hours. Participating customers receive an annual incentive. EKPC offers an incentive of \$10 per year for each water heater under control, and \$20 per year for each air conditioner being controlled by a switch or a thermostat.

The load drop (MW) from Direct Load Control switches and thermostats participates in PJM's Peak-Shaving Adjustment program. The EKPC load contribution (MW) is reduced annually by the amount of (MW) load drop from the Direct Load Control program resulting in EKPC paying PJM less money for the annual load contribution.

The interruptible demand response program is designed to allow for PJM-called reliability interruptions and EKPC-called economic interruptions during high energy prices in the PJM market. Program participants must reduce load to a firm service level per their agreement with EKPC when PJM calls a reliability interruption. The participants are provided a \$5.60/kW-month demand rate incentive for up to 400 total hours of possible economic and reliability interruptions annually.



The interruptible load is sold by EKPC in PJM's Capacity Performance Demand Response program and EKPC is directly compensated by PJM per MW of load drop based on the Base Residual Auction value per MW-Day.

EKPC firmly believes the PSC is encouraging the electric distribution companies to structure incentive for demand response programs when; 1) electric capacity is needed by the electric company and, 2) when the demand response programs are cost-effective.

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RECOMMENDATION 11

RESPONSIBLE PARTY: Chris Adams

**Recommendation 11:** State public utility commissions should encourage local distribution companies within their jurisdictions to provide voluntary conservation public service announcements for residential, commercial and industrial customers in preparation for and during events in which demand is expected to rise sharply for both electricity and natural gas.

**Response 11.** The PSC has jurisdiction to encourage voluntary conservation public service announcements, but to what extent is not clear. Legislation could bolster this recommendation to clearly state that such programs should exist.

EKPC is required to maintain a procedure under NERC reliability standards and PJM Interconnection's emergency operating procedures to notify its 16 owner-member distribution cooperatives of potential emergency curtailment events, including public appeals for voluntary conservation measures. As part of that procedure, EKPC provides its distribution cooperatives with suggested text/direct messages to end-use members; social media posts; and press statements/releases regarding voluntary conservation measures they can take to help maintain reliability during periods of high demand. EKPC also provides talking points for distribution

cooperatives to discuss voluntary conservation measures with their large commercial and industrial members.

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**RECOMMENDATION 12**

**RESPONSIBLE PARTY:** Chris Adams

**Recommendation 12.** Joint and cross-market, long-term planning should be expanded by relevant gas and electric market parties with an increased focus on fuel adequacy. FERC should encourage this planning coordination using its oversight roles for interstate pipelines, regulated RTO/ISO interstate transmission, and Electric Reliability Organization (ERO)-related Planning Authorities and collaborate with state public utility commissions and applicable state authorities.

**Response 12.** EKPC supports the expansion of Joint and cross-market long-term planning by gas and electric market parties focusing on fuel adequacy. The State Public Service Commission's working with FERC to encourage planning between markets would be beneficial. FERC authority over interstate gas and electric transmission could encourage cooperation between Markets. There is no existing State Policy for interstate planning and EKPC does not have a policy for planning of gas pipelines. It is not clear whether the PSC could implement a planning policy other than for distribution pipelines. Statutory or Regulatory changes would be needed for the PSC to have authority over expansion planning of interstate facilities.

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RECOMMENDATION 13

RESPONSIBLE PARTY: Chris Adams

**Recommendation 13.** The FERC, state public utility commissions, and applicable state authorities in states with competitive energy markets should consider whether market mechanisms are adequate to ensure that jurisdictional generators have the necessary arrangements for secure firm transportation and supply service and/or storage to avoid and/or mitigate natural gas supply shortfalls during extreme cold weather events, and if not, (a) determine whether non-market solutions are warranted, including funding mechanisms borne or shared by customers and (b) if warranted, adopt such non-market solutions.

**Response 13.** Energy prices during extreme events within the PJM market provide an incentive for generators to perform. However, PJM unit commitment currently procures generation for the next day only while ignoring the possibility of multi-day extreme events. Within the PJM Critical Issue Fast Path – Resource Adequacy Stakeholder process, EKPC presented a proposal which included PJM ownership of the responsibility to commit units in advance of extreme events in order for the Generator to procure appropriate amounts of fuel. As the Balancing Authority, PJM is responsible for reliability and should enhance its multi-day unit commitment practices.

**NAESB RECOMMENDATION 13**

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While the PSC does not have jurisdiction to enact changes at PJM, it does have the ability to create and/or clarify funding mechanisms to support firm natural gas transport procurement. This can be accomplished through a rider mechanism, or by amendment to the Fuel Adjustment Clause.

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RECOMMENDATION 14

RESPONSIBLE PARTY: Chris Adams

**Recommendation 14.** Applicable state authorities should consider the adoption of legislation or regulations or other actions to create a secondary market for unutilized intrastate natural gas pipeline capacity, including a requirement for intrastate pipelines to offer some minimum level of firm service and/or support bilateral agreements between end users. In instances where state authorities lack enabling authority to take such actions, the FERC should adopt regulations to achieve identical outcomes within its authority.

**Response 14.** The PSC has jurisdiction to adopt a rule or order to require intrastate pipelines and LDCs with unused capacity to transport natural gas in intrastate commerce. It also has the jurisdiction to ensure that the rates and charges for this transportation are fair, just and reasonable. As EKPC generators are connected to interstate pipelines it is not aware of intrastate pipelines in Kentucky to be utilized for a secondary market for gas storage. There is no existing state policy and no existing EKPC policy. The PSC would have authority over intrastate pipelines. No statutory or regulatory changes are needed.

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**RECOMMENDATION 15**

**RESPONSIBLE PARTY:** Chris Adams

**Recommendation 15.** Applicable state authorities should consider establishing informational posting requirements for intrastate natural gas pipelines to enhance transparency for intrastate natural gas market participants regarding operational capacity data, similar to the reporting and posting requirements mandated by the FERC for interstate natural gas pipelines as part of 18 CFR §284.13. In instances where state authorities lack enabling authority to take such actions, the FERC should adopt regulations to achieve identical outcomes within its authority.

**Response 15.** The PSC has jurisdiction through PHMSA to develop requirements for intrastate natural gas pipelines related to safety. Since this recommendation is for information postings on operational capacity data, it does not appear that this would fall under the safety jurisdiction. It appears that additional authority would be needed for the PSC to require this. According to this recommendation, it suggests that FERC should adopt regulations to achieve this outcome within its authority. EKPC is not aware of intrastate gas pipelines within Kentucky to supply electric utilities and believes this recommendation is not applicable.



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**RECOMMENDATION 16**

**RESPONSIBLE PARTY:** Chris Adams

**Recommendation 16.** Applicable state authorities should consider the development of weatherization guidelines appropriate for their region/jurisdiction to support the protection and continued operation of natural gas production and processing and gathering system facilities during extreme weather events, and require public disclosure concerning weatherization efforts of jurisdictional entities.

**Response 16.** The PSC would have jurisdiction through PHMSA for the natural gas facilities requirements if this could be tied to pipeline safety. Assuming this recommendation is for the weatherization of the natural gas facilities this could possibly be tied to safety jurisdiction. EKPC is not aware of weatherization guidelines of natural gas production and processing facilities within Kentucky. PJM recommends providing winterization requirements in standard gas purchase agreements as a start given the lack of a single standard-setting body such as NERC to require winterization of natural gas facilities. Until there is a standard-setting body with the ability to enforce a gas supplier to winterization standards, EKPC feels that this would not be prudent. EKPC conforms to NERC winterization policies for its facilities.

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**RECOMMENDATION 17**

**RESPONSIBLE PARTY:** Chris Adams

**Recommendation 17.** Many generalized recommendations for resource adequacy and accreditation and market reforms to bolster reliability were offered throughout the NAESB GEH Forum activities; we understand, however, based upon information provided by representatives from the ISO and RTO segment that steps are being taken within the organized markets to consider such reforms through their stakeholder processes. The GEH Forum endorses this evaluation of resource adequacy and accreditation requirements by all ISOs and RTOs and encourages the review of the Forum record.

**Response 17.** The PSC has jurisdiction to take administrative notice of these recommendations and it could take note of the Forum record, but the issue with the generalized recommendations is the same throughout, there is little in the way of legislation that could apply with any significance to general or aspirational recommendations.

PJM stakeholders have been and are currently working to improve reliability through processes such as the Critical Issue Fast Path-Resource Adequacy (CIFP-RA) process where EKPC

## **PSC RECOMMENDATION 17**

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presented a comprehensive resource adequacy reform package. PJM appears to be moving forward with an accreditation proposal that seeks to better assure fuel security for gas resources. While EKPC has some concerns with the details of that proposal, it agrees with the concept. The Reserve Certainty Senior Task Force is working to identify reserve performance issues and develop reserve market incentives to obtain resources with needed reliability characteristics for the future. The Electric/Gas Coordination Senior Task Force is working to identify improvements in order to mitigate impacts of misalignment between the gas and electric markets. There are two categories of proposals, increase situational awareness and ensure gas resources are committed to operate in advance of gas pipeline nomination deadlines. EKPC believes both concepts are worthy of further development and consideration. In addition, EKPC believes that PJM currently has authority to schedule resources so that generators can secure fuel arrangements (or manage their physical operating limitations if they are long-lead resources) to be available to operate to meet system needs, especially during times of system stress. EKPC is and will continue to participate within the PJM stakeholder process to continue to improve reliability of the bulk electric system.