COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC CONSIDERATION OF	)	
THE IMPLEMENTATION OF NORTH	)	
AMERICAN ENERGY STANDARDS	)	**CASE NO. 2023-00272**
BOARD'S RECOMMENDATIONS ON GAS	)	
AND ELECTRIC HARMONIZATION	)	

JOINT COMMENTS OF
LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY

Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, the "Companies"), pursuant to the Commission's August 25, 2022 Order in this proceeding, hereby submit their comments and respond to the Commission questions concerning the implementation of several recommendations of the North American Energy Standards Board ("NAESB") regarding gas and electric harmonization.

I. NAESB Recommendation No. 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.

LG&E/KU Comments

The Commission's current policies do not address or implement this recommendation. LG&E and KU as load serving entities with gas-fired generation have not experienced a problem with service over intrastate pipelines and see no need for state or federal intervention in this area. FERC would not have jurisdiction over retail service to end use customers and should not be asked to improperly attempt to expand its jurisdiction over intrastate pipelines to impose regulations governing intrastate/retail service. As an intrastate pipeline and local distribution company providing firm gas service to LG&E's Mill Creek station, LG&E prepares to serve this load during extreme weather events in the same way it prepares to serve the loads of other firm service customers. LG&E/KU personnel supporting generation operations and the LG&E gas control function are already available on a 24/7 basis to address issues and coordinate as appropriate, including 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.

II. NAESB Recommendation No. 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.

LG&E/KU Comments

Kentucky's existing demand-side management statute, KRS 278.285, fully satisfies Recommendation No. 10. In particular, KRS 278.285(2) provides for full cost recovery for approved DSM programs, including revenues from lost sales, as well as "incentives designed to provide financial rewards to the utility for implementing cost-effective demand-side management programs[.]" In practice, the Commission has approved financial incentives related to cost-effective O&M spending and incentive returns on equity for capital invested in such program measures. This provides more than adequate encouragement for utilities to create such programs, and the Companies have historically had a suite of cost-effective electric DSM and energy efficiency programs, including demand-response programs to help reduce peak loads. The Commission approved the Companies' proposed DSM-EE program plan (Case No. 2022-00402), that included five different electric demand-response programs or measures: Peak Time Rebates, load control for water heaters, load control for air conditioners, Bring Your Own Device -- Smart Thermostats, and Non-Residential Demand Response.

The Companies have for years deployed another form of electric demand response, namely their Curtailable Service Riders. LG&E's As Available Gas Service tariff provides the ability to interrupt these gas customers for any reason. The Commission has repeatedly approved these tariff mechanisms that allow the Companies to obtain demand reductions from large industrial customers when needed to ensure reliable system operation.

As noted in the NAESB report text concerning this recommendation, it has not previously been feasible to deploy verifiable demand-response programs for gas LDCs due to the lack of smart metering capabilities.

Therefore, in view of the incentives already provided by KRS 278.285 the demand-response programs and tariff provisions the Companies already deploy and have proposed, and those they anticipate studying in the future, the Companies do not believe that any additional statutory, regulatory, or Commission policy changes are necessary to address Recommendation No. 10 or otherwise provide incentives to encourage the development of demand-response programs.

III. NAESB Recommendation No. 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.

LG&E/KU Comments

The current LG&E and KU Electric Tariffs (Sheet No. 107) as well as the LG&E Gas Tariff (Sheet No. 108) give specific guidance on procedures for reducing the consumption of electricity or natural gas as applicable, managing emergencies, communicating with businesses who have signed curtailment contracts and system restoration procedures. Historically, communicating with the general public has included issuing news releases and coordinating with news agencies to share alerts and updates, buying television and radio "storm crawls," utilizing social media and updating the website as needed. After Winter Storm Elliott, an internal initiative was launched to identify steps for progressive levels of communications with all customers based on circumstances in which demand is expected to necessitate the need for conservation. Work continues on this process.

IV. NAESB Recommendation No. 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.

LG&E/KU Comments

The Commission's current policies associated with resource planning already provide adequate focus on fuel adequacy. As a load serving entity with generation, LG&E and KU already make arrangements for firm fuel supply and firm fuel transportation (for natural gas) to ensure resource adequacy in planning. For traditional vertically integrated utilities with an obligation to serve load who are not dispatched by an RTO/ISO, there is no gap in planning that requires additional regulatory intervention. Furthermore, this recommendation dismisses the fact that there are already mechanisms available in the FERC-regulated tariffs to incentivize market participants to consider fuel supply in planning.

V. NAESB Recommendation No. 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.

LG&E/KU Comments

As traditional vertically integrated utilities with an obligation to serve load who are not dispatched by an RTO/ISO, LG&E/KU already make arrangements to secure firm transportation and supply for LG&E/KU generating resources.

VI. NAESB Recommendation No. 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.

LG&E/KU Comments

The Commission's current policies do not address or implement this recommendation. LG&E and KU as load serving entities with gas-fired generation have not experienced issues that would suggest a need or demand for the creation of a secondary market for unutilized intrastate pipeline capacity. FERC would not have jurisdiction over intrastate capacity that may be available to meet retail service or end use customers' needs and should not be asked to improperly attempt to expand its jurisdiction over intrastate pipelines to impose regulations to attempt to create secondary markets for unused intrastate pipeline capacity.

VII. NAESB Recommendation No. 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.

LG&E/KU Comments

The Commission's current policies do not implement this recommendation. LG&E is an intrastate local distribution company providing retail service in accordance with its Commission-approved tariff. While LG&E maintains a Statement of Operating Conditions ("SOC") at FERC, there simply has been no evidence of "intrastate natural gas market participants" looking for any capacity on the LG&E gas distribution system for wholesale purposes who would have need for the type of reporting and posting envisioned in this recommendation. FERC would not have jurisdiction over intrastate capacity that may be available to meet retail service or end use customers' needs and should not be asked to improperly attempt to expand its jurisdiction over intrastate pipelines to impose regulations mimicking what is required for interstate pipelines at the federal level. Further, as a natural gas market participant, LG&E and KU have identified no intrastate natural gas pipeline capacity constraints or issues that would benefit from additional posting and reporting requirements at the intrastate level.

VIII. NAESB Recommendation No. 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.

LG&E/KU Comments

Neither the Commission nor the Companies current policies and practices implement this recommendation. Kentucky is not a significant producer of natural gas; therefore this recommendation primarily applies to other states. The Companies would support reasonable weatherization guidelines to support continued operation of production, processing, and gathering system facilities during extreme weather events.

IX. NAESB Recommendation No. 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.

LG&E/KU Comments

It is not clear how this recommendation is applicable to state public service commissions. However, the GEH Forum, and the issue giving rise to this recommendation, seem largely driven by problems identified with gas and electric coordination within the RTOs/ISOs. As such, the Companies believe that enhancements to the ISO and RTO market mechanisms is a more appropriate focus for RTO/ISO market participants and members (as well as FERC) as opposed to requesting a change in Commission policy.

X. Conclusion

Louisville Gas and Electric Company and Kentucky Utilities Company believe no recommendation or Commission policies should be implemented. In addition, the Companies do not believe there is a need for any statutory or regulatory changes. The Companies do not plan on changing any current policies and practices.

Dated: November 21, 2023

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

In accordance with the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on November 21, 2023, and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

Counsel for Kentucky Utilities Company and Louisville Gas and Electric Company