

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

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4   **In the Matter of:**  
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**ELECTRONIC CONSIDERATION OF THE )**  
                  **IMPLEMENTATION OF NORTH )**  
                  **AMERICAN ENERGY STANDARDS )**           **Case No.**  
                  **BOARD’S RECOMMENDATIONS ON GAS )**           **2023-00272**  
                  **AND ELECTRIC HARMONIZATION )**

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8                   **JOINT COMMENTS OF BIG RIVERS ELECTRIC CORPORATION,**  
9                   **JACKSON PURCHASE ENERGY CORPORATION, KENERGY CORP.,**  
10                  **AND MEADE COUNTY RURAL ELECTRIC COOPERATIVE**  
11                  **CORPORATION**

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13                Comes now Big Rivers Electric Corporation (“*Big Rivers*”), and on behalf  
14 of itself and its three distribution cooperative member-owners, Jackson  
15 Purchase Energy Corporation (“*Jackson Purchase*”), Kenergy Corp. (“*Kenergy*”),  
16 and Meade County Rural Electric Cooperative Corporation (“*Meade County*  
17 *RECC*”),<sup>1</sup> files these comments on the July 28, 2023, North American Energy  
18 Standards Board (“*NAESB*”) report concerning gas and electric harmonization  
19 (the “*NAESB Report*”) pursuant to the Kentucky Public Service Commission’s  
20 (the “*Commission*”) August 25, 2023, Order initiating this proceeding.

21   **I.     Introduction**

22                Big Rivers owns or has rights to a diverse portfolio of generating assets,  
23 including coal- and gas-fired generators and hydro power, that ensures that it  
24 can provide safe, reliable, and low cost power to meet its Members’ needs. Big

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<sup>1</sup> Jackson Purchase, Kenergy, and Meade County RECC are collectively referred to herein as the “*Members*”).

1 Rivers and its Members rely on that portfolio to serve over 121,000 homes,  
2 farms, small businesses, industries, and other retail customers across 22  
3 counties in western Kentucky.

4 Retirements of coal-fired generation have made and will continue to make  
5 this country more reliant on natural gas for baseload generation, and Winter  
6 Storms Uri and Elliot have highlighted issues arising from this greater reliance  
7 and the need to take affirmative steps to ensure that a reliable and cost-effective  
8 supply of natural gas is available for power generation during extreme weather  
9 events.

10 Big Rivers and its Members appreciate the NAESB Report's recognition of  
11 a need for greater harmonization between the natural gas and electric  
12 industries, and the Commission's consideration of steps it can take to facilitate  
13 this effort. The Commission August 25, 2023, Order specifically requested  
14 comments on nine of the NAESB Report's recommendations. Big Rivers and its  
15 Members address each of those nine recommendations below.

1    **II.    Comments on Recommendations**

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

14           Implementing this recommendation could be beneficial. Whenever MISO  
15           enters a period of elevated demand that triggers it to issue a Conservative  
16           Operations notification, Big Rivers is required to suspend non-essential  
17           transmission, generation, and computer maintenance in the affected area. There  
18           could be benefits in a centralized approach on the gas system, if non-critical  
19           maintenance is delayed until the natural gas system is expected to improve. With  
20           no centralized coordination between the different pipelines, there is the chance  
21           that an outage on one portion of the pipeline, which may not directly impact the  
22           operator of that pipeline, could nevertheless have downstream impacts on other  
23           pipelines. Another challenge is long holiday weekends, where there is substantial  
24           risk that the forecast could change significantly from the beginning of the  
25           weekend to the end of the weekend. Such shifts in the forecast could cause a need  
26           to buy additional gas, which is very difficult over weekends and holidays. It would  
27           be beneficial for there to be a process where marketers are required to provide

1 notice of their excess gas in the event an extreme market notification is issued  
2 over a long weekend or holiday.

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

9 Demand-response programs should be cost effective, and utilities should  
10 not be required to overestimate or over-rely on the benefit of projected load  
11 reductions. Such overreliance could cause utilities to under plan their systems  
12 and could cause MISO or other RTOs to increasingly use emergency declarations  
13 to manage grid reliability. Each utility should implement demand-response  
14 programs to best meet the needs of the utility and its customers, and the  
15 Commission should evaluate any demand-response programs proposed by a utility  
16 on a case by case basis.

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

24 Local distribution companies utilizing voluntary conservation notifications  
25 can be beneficial, but these notifications need to be used wisely. Such notifications  
26 should only be issued when large increases in load cause stress on the electric  
27 grid. Increases in load do not always cause grid stress, such as when wind or solar  
28 output is high during the same period. Also, voluntary conservation is not a

1 substitute for adequately planning resilient and reliable local distribution  
2 systems, because as the more frequent these notifications occur, the less effective  
3 they will become.

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

13       Coordination between gas and electric market parties is an important  
14 objective. When electric utilities site a new natural gas power plant, it is  
15 important that they are cognizant about which pipelines are available in the area,  
16 the capacity available on the pipelines, and any required interconnection costs.  
17 They further have to be aware of how prices are trading on those pipelines  
18 compared to similarly located pipelines. All these considerations affect a  
19 generator's ability to compete in the market and keep prices as low as possible for  
20 retail electric customers. Expanded joint and cross-market long-term planning,  
21 strongly encouraged by FERC with its unique oversight role across several  
22 stakeholders and with a specific focus on fuel adequacy, would help ensure long-  
23 needed gas and electric market coordination is realized.

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

13           The ability to enter into firm transportation contracts improves the security  
14 of a generator’s fuel supply; however, firm transportation does not guarantee that  
15 natural gas will be available when needed. Efforts by NAESB, FERC, or RTOs to  
16 align scheduling of gas and power commitments, improve the force majeure  
17 language of the NAESB Base Contract, and adopt reliability standards would  
18 allow for additional reliance on firm transportation contracts.

19           On the other hand, it can be very costly to purchase firm transportation for  
20 generating units that only run a handful of days a year. Adding additional costs  
21 to these units could cause these units to become more uneconomic and cause them  
22 to retire, which does not help grid stability. We support the creation of new types  
23 of natural gas products and services that could support units that only run a  
24 handful of days a year, but firm transportation should not be required for all units.  
25 The Commission should consider mechanisms related to firm transportation and  
26 storage for a generating unit on a case by case basis.

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

11           There could be value in intrastate pipelines offering unutilized or under-  
12           utilized capacity for sale in a secondary market. Not only could owners of the firm  
13           capacity receive additional revenue, but it provides benefits to purchasers of the  
14           excess capacity, as well. For example, a gas local distribution company would pull  
15           heavily on a pipe during the Winter Heating Load Season, but may not pull very  
16           hard at all during the Summer as heating load wanes.

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

27           Requiring intrastate natural gas pipelines to enhance transparency by  
28           strengthening operational capacity data reporting requirements could add  
29           significant value in a number of ways. For one, it would increase utilization of  
30           their systems since data transparency allows utilities to better optimize their  
31           portfolios. Additionally, some of these intrastate systems have the ability to act  
32           as bridges between interstate systems, so they could provide extra stability to

1 interstate systems. Ultimately, this data would help market participants make  
2 more informed and timely decisions and better utilize all resources available.

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

11 This recommendation is critically important, and the Commission should  
12 consider developing weatherization guidelines for natural gas production,  
13 processing, and gathering systems. Big Rivers is required meet winterization  
14 requirements on all of our electric generators, and these critical natural gas  
15 production, gathering, processing, and transportation should be subject to  
16 similar requirements. At the end of the day, if we have a power plant that is  
17 rated for extreme weather conditions, but the natural gas systems fails deliver  
18 in those conditions, then the unit cannot generate.

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

30 Big Rivers and its Members are supportive of accreditation changes to  
31 bolster reliability. Big Rivers is actively engaged in the stakeholder processes at



1 MISO to determine how changes are going to affect our reliability and our  
2 overall portfolio. We support collaboration among the various participants in an  
3 attempt to find solutions that will help support grid reliability while not  
4 negatively impacting our customers' costs.

5 **III. Conclusion**

6 Improved harmonization between the gas and electric industries is  
7 increasingly important. Big Rivers and its Members are supportive of cost-  
8 effective efforts to make gas supply more transparent and more reliable.

9 On this the 23<sup>rd</sup> day of November, 2023.

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*/s/ Tyson Kamuf*

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