KENTUCKY OIL & GAS ASSOCIATION

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PUBLIC SERVICE COMMISSION

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*Submitted via email*

Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

RE: Case No. 2023-00272: Comments on the implementation of North American Energy Standards Board's ("NAESB) Recommendations on gas and electric harmonization

To whom it may concern:

Please accept this letter as the formal written comments of the Kentucky Oil and Gas Association ("KOGA") to the Kentucky Public Service Commission's ("PSC") request for comments on the implementation of North American Energy Standards Board's ("NAESB") Recommendations on gas and electric harmonization.

According to the U.S. Energy Information Administration ("EIA"), the use of natural gas accounts for nearly 40% of all electric generation produced in the United States. Power generators have switched to natural gas because of its reliability and affordable nature while also reducing operational emissions. Communities and families rely on natural gas not only for electric generation, but for heating and cooking purposes. For these reasons, KOGA submits the following response to the PSC's request for comments regarding Case Number: 2023-00272.

The Kentucky Oil and Gas Association (KOGA) represents the interests of its members who include entities affected by these recommendations including local distribution companies, ("LDC's") natural gas marketers, and natural gas producers. We are truly dedicated to the responsible production and conservation of Kentucky's natural resources by ensuring that our members are provided fair regulations, while protecting individual property rights, health, safety, and the environment. As the trade association for Kentucky's oil and natural gas industry, KOGA represents the interests of all its members, including those operators that would be directly impacted by the proposed recommendations.

Before addressing the specific comments contained within the NAESB Report, KOGA submits the following observation and comment regarding the PSC Order entered August 25, 2023 in PSC Case No. 2023-00272 ("Order"):

The Order requests comments from "(e)ach electric, gas local distribution company, and gas farm tap company…"; however, it does not request comments from operators of gathering lines nor from natural gas producers. The Service List attached to the Order only lists 11 companies identifiable as "gas farm tap companies, yet there are hundreds, if not thousands of natural gas operators within the Commonwealth.

Kentucky natural gas companies have provided farm tap service pursuant to the mandate of the General Assembly since 1952 and service is controlled by the requirements of KRS 278.485, as supplemented by regulations contained in 807 KAR 5:026. The PSC's focus on "gas farm tap company(s) is confusing and ignores the facts that it is a small segment of Kentucky's natural gas industry and, just as importantly, that any regulatory interference with the wells and gathering lines providing farm tap services could result in disrupted service to hundreds of Kentucky households.

For brevity's sake, we will list each recommendation and offer our response.

***<u>Recommendation 7</u>****: 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**: According to the NAESB's report (see page 37), 100% of the producers surveyed opposed this recommendation. The reasons for this opposition are detailed in the report:

"GEH Forum participants stated that while market participants have the ability to acquire natural gas over weekends and holidays, the current marketplace only supports a limited number of transactions, meaning that, in practical terms, on the Friday before, market participants must obtain sufficient natural gas for the entirety of the weekend or holiday period.[187] It was explained that this practice can result in over procurement, which may artificially increase demand, reduce liquidity, and impact customer costs.[188] Participants also noted that the impact from the lack of an effective marketplace over weekends and holidays can be particularly problematic for natural gas-fired generators attempting to procure capacity and supply after being dispatched.[189]"

Independently, KOGA notes that a significant portion of natural gas produced in Kentucky is sold under long-term contract, often covered by firm transportation agreements. It is KOGA's understanding that the PSC has no authority to interrupt the flow of such contracted natural gas and regulatory interference with the contracts would disrupt supply in many neighboring states.

Consequently, KOGA agrees with these producers to oppose Recommendation 7.

***<u>Recommendation 16</u>:*** *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**: According to the NAESB's report (see page 58), 100% of the producers surveyed also opposed this recommendation. KOGA is also opposed because its producer members prioritize the safety and the efficiency of its operations by expending time, labor and resources to ensure the proper equipment weatherization.

Additionally, unlike regulated local distribution and pipeline companies, KOGA’s producing members sell their natural gas by contract and on the spot market, and they have no way to recoup the costs associated with regulatory weatherization mandates. The Kentucky PSC is also critically understaffed to oversee and collect more onerous paperwork from countless producers, LDC’s, and transmission companies. We believe this recommendation is redundant for these reasons.

**Conclusion**

KOGA understands the call to provide reliable service in every situation, especially in winter storms and heat waves where demand is crucial for the most vulnerable. As natural gas becomes more of the evident choice for power generation, KOGA takes pride in knowing that our operators are fully engaged in providing a safe, reliable natural gas network that withstands these events. The operating systems are not perfect, but they perform exceedingly well against the tests of force majeure.

The opposed recommendations do not add more effective means of reliable transmission and delivery of natural gas but more processes that might hinder those systems. KOGA looks forward to providing additional information regarding these recommendations at the Commission’s request.

KOGA appreciates the opportunity to submit these comments on behalf of Kentucky’s oil and gas industry.

Respectfully,

Ryan Watts

Executive Director