

INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENERGY

Minutes of the 2nd Meeting of the 2022 Interim

July 7, 2022

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Natural Resources and Energy was held on Thursday, July 7, 2022, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Jim Gooch Jr., Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Brandon Smith, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senators Adrienne Southworth, Johnnie Turner, Robin L. Webb, and Phillip Wheeler; Representatives John Blanton, Adam Bowling, Randy Bridges, Tom Burch, McKenzie Cantrell, Ryan Dotson, Patrick Flannery, Chris Fugate, DJ Johnson, Norma Kirk-McCormick, Mary Lou Marzian, Suzanne Miles, Bill Wesley, and Richard White.

Guests: Jason Dunn, Director, Division of Family Support, Department for Community Based Services, Cabinet for Health and Family Services; Roger McCann, Executive Director, Community Action Kentucky; and Melissa Seymour, Vice President of External Affairs, Midcontinent Independent System Operator (MISO).

LRC Staff: Stefan Kasacavage, Tanya Monsanto, and Rachel Hartley.

The minutes from the meeting of June 9, 2022, were approved by voice vote.

Presentation and Public Hearing on the Low Income Home Energy Assistance Program (LIHEAP) Block Grant Application – Federal Fiscal Year 2023

Jason Dunn provided an overview of the Department for Community Based Services (DCBS), which is the largest organizational unit within the Cabinet for Health and Family Services (CHFS). The Low Income Home Energy Assistance Program (LIHEAP) is 100 percent funded by a federal block grant received by DCBS on behalf of Kentucky. LIHEAP provides assistance to low-income households that spend a high proportion of their income on home energy. DCBS anticipates Kentucky's award will be \$50 million for 2023. Less than 10 percent is used for administrative costs.

LIHEAP offers heating and cooling subsidy and crisis assistance year round. Subsidy assistance will be provided to households with the lowest incomes (at or below

150 percent of the federal poverty guidelines) and who have the highest energy costs. The crisis assistance is limited to the amount necessary to relieve the crisis, not to exceed \$600.

The LIHEAP Weatherization Program prioritizes households containing elderly persons, disabled persons, children, or high energy burden households where the energy cost exceeds 15 percent of the household's income. The program aims to increase energy efficiency and reduce heating costs by installing insulation, replacing refrigerators, sealing air infiltration, and replacing or repairing heating systems or water heaters.

The United States Department of Health and Human Services (HHS) launched the Low Income Household Water Assistance Program, which was established under the Consolidated Appropriations Act of 2021. The program assists residents with their water bills, help to avoid shutoffs, and support household water system reconnections related to non-payment.

Roger McCann stated CHFS maintains a contractual arrangement with Community Action Kentucky, Inc. (CAK) and the Kentucky Housing Corporation (KHC) to provide support, training, and monitoring. CAK and KHC have an arrangement with Kentucky's Community Action Network that makes LIHEAP benefits available in all counties.

There are 23 community action agencies (CAAs) that cover all Kentucky counties. Each agency allows local control so specific needs can be met. CAK utilizes a continuous process for quality improvement, including review of policy and procedure, committee structure, data collection analysis, use of technology, and training and technical assistance.

In response to Representative Gooch, Mr. Dunn stated the heating and cooling subsidies come from the same fund and payments are made to the utilities, not directly to customers.

In response to Representative Kirk-McCormick, Mr. McCann stated some regions in Kentucky require more LIHEAP funds and through negotiation it is possible to move funds between CAAs.

In response to Senator Southworth, Mr. Dunn stated some households are maxed out and some households use the minimum. The average is low because if it is increased, then less households will be assisted. The maximum amount allowed is \$600. The weatherization programs prioritize homes with children.

In response to Representative Miles, Mr. McCann stated if an individual requires LIHEAP, then they should reach out to CAK.

A motion was made to approve the Findings of Fact for the LIHEAP State Plan for Federal Fiscal Year 2023, including that the block grant application does meet the

standards and criteria set out in KRS 45.353, by Representative Blanton and seconded by Representative Bowling. Upon roll call vote, the motion passed with 18 yes votes and 1 pass vote.

Grid Reliability and Summer Energy Demand

Melissa Seymour stated the Midcontinent Independent System Operator (MISO) is a voluntary, non-profit member-services organization responsible for providing reliability and system-planning services across its multi-state region. MISO does not own power generators. MISO distributes power generated from fuel sources to the electric grid. MISO's member transmission lines and towers support more than 65,800 miles of electricity flow. The distribution system is managed by local utilities and is under state jurisdiction.

MISO provides approximately \$3.4 billion in annual benefits to members. Since 2007, MISO has documented over \$36 billion in benefits.

It is the responsibility of the utilities and the state to maintain resource adequacy. MISO's resource adequacy processes are currently designed as a residual market.

The Planning Resource Auction occurs every April and it allows buyers and sellers to balance their resource portfolios and secure the amounts of capacity they need from resources within each zone to meet reliability standards. If there are insufficient resources to meet demand in the auction, then resource adequacy may not be achieved.

MISO's generator interconnection queue are for resources that will be coming online. The majority of new resources are utility-scale solar generation. MISO prepares for extreme conditions in advance. During the operating day, unplanned outages and other unknowns may require additional actions.

In response to Representative Blanton, Ms. Seymour stated the pace of plant retirements is concerning, since new capacity is not coming online at the same pace. The plant may be retired, but it is kept online for reliability of transmission services, not resource adequacy.

In response to Representative Gooch, Ms. Seymour stated on-site fuel storage and batteries with storage capabilities up to four hours are important to maintain the electric grid.

In response to Representative Miles, Ms. Seymour stated MISO does not have influence on whether a coal-fired plant should prematurely retire. MISO assists states based on their adopted policy.

In response to Representative Kirk-McCormick, Ms. Seymour stated there are no conversations about reopening coal-fired plants in Kentucky. The utilities are pressured by investors to finance renewable energy. Over the next 10 years, MISO will be investing \$10 billion in transmission lines. There have been investments in cybersecurity to make sure the electric grid is secure.

In response to Representative Wesley, Ms. Seymour stated the Biden administration has set a goal to retire all coal-fired plants by 2035. It will be difficult to achieve that goal if there are no reliable alternatives for baseload generation.

In response to Representative Gooch, Ms. Seymour stated MISO's energy portfolio consists of 42 percent natural gas, 29 percent coal, 19 percent renewables, 8 percent nuclear, and 2 percent other resources including hydroelectric. There are issues meeting current demand even without the widespread use of electric vehicles such as requiring more transmission to move resources.

In response to Senator Smith, Ms. Seymour stated that in the MISO zone where Kentucky is located, the prices were approximately 50 percent higher than previous auctions. The high prices were due to low capacity that could not meet the load demand. The customers and investors are demanding utilities generate power from renewables. The aging coal fleet is becoming more expensive to maintain.

In response to Representative Bridges, Ms. Seymour stated small modular nuclear is feasible; however, battery storage is only four hours. Natural gas will bridge the gap between solar and wind for the next 10 years.

In response to Representative Johnson, Ms. Seymour stated the Nuclear Regulatory Commission is a resource to learn more about small modular nuclear.

There being no further business, the meeting was adjourned.