

# **INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENERGY**

## **Minutes of the 6th Meeting of the 2021 Interim**

**November 17, 2021**

### **Call to Order and Roll Call**

The 6th meeting of the Interim Joint Committee on Natural Resources and Energy was held on Wednesday, November 17, 2021, 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 C.B. Embry Jr., Denise Harper Angel, John Schickel, Adrienne Southworth, Johnnie Turner, Robin L. Webb, and Phillip Wheeler; Representatives John Blanton, Adam Bowling, Randy Bridges, Tom Burch, McKenzie Cantrell, Myron Dossett, Ryan Dotson, Jim DuPlessis, Patrick Flannery, Chris Fugate, DJ Johnson, Norma Kirk-McCormick, Suzanne Miles, Melinda Gibbons Prunty, Pamela Stevenson, Bill Wesley, and Richard White.

Guests: Kent Chandler, Chair, Public Service Commission; Representative D.J. Johnson, 13<sup>th</sup> District; Bob Babbage, Managing Partner, Babbage Cofounder; Aaron Thompson, State Government and Community Relations Advisor, TC Energy; and Tony Hatton, Commissioner, Department for Environmental Protection.

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

The minutes from the meeting of October 7, 2021, were approved by voice vote.

### **Resource Adequacy in the Commonwealth and the United States**

Kent Chandler stated the Public Service Commission (PSC) is a three-member independent regulatory agency, which regulates non-municipal utilities in Kentucky. The PSC does not regulate cooperatives served by the Tennessee Valley Authority. Since 1934, the primary statutory directive of utility regulation in Kentucky revolves around fair, just, and reasonable rates and adequate, efficient, and reasonable service.

According to the North American Electric Reliability Corporation (NERC), resource adequacy is the ability of the electricity system to supply aggregate power and energy to meet the requirements of consumers at any given time. System reliability depends

on both resource adequacy and operational reliability to design, plan, and operate the electric grid.

Resource adequacy is primarily the role of the state, especially in traditionally regulated and vertically integrated states such as Kentucky. An electric utility that performs generation, transmission, and distribution within their own company is vertically integrated. Not all states have vertically integrated electric utilities, some are deregulated to foster retail competition. Deregulated states depend on wholesale markets for resource adequacy.

A key tool for ensuring future resource adequacy is the integrated resource plan (IRP), which regulated utilities in Kentucky are required to file every three years with the PSC. IRPs contain forecasts of energy demand, economic and demographic changes, resource acquisitions, and new generation sources over a 15-year planning horizon. They are used by the PSC to ensure that utilities under its jurisdiction will have adequate generation and distribution resources in the future.

The increased prevalence of intermittent, renewable generation sources complicates the planning for future resource adequacy, but energy regulators are adapting to the new planning challenges in numerous ways. By more accurately calculating the generation capacity credited to the renewable sources and improving modeling for future electricity supply and demand, regulators can better predict capacity needs and set appropriate reserve margins for electric utilities.

In response to Representative Gooch, Mr. Chandler stated in 2020, Kentucky's energy mix was 69 percent coal, 22.5 percent natural gas, and 8 percent hydroelectric. It is unknown how the adoption of more electric vehicles will impact the electric grid. There is adequate generation to meet the demand for electric vehicles in the next 5 to 10 years, because appliances and industrial production have become more energy efficient, which has led to decreased energy demand. Historically, the reserve margin in the United States has been between 13 and 25 percent. Utilities are now considering increasing the reserve margin since there is more dependence on renewable energy sources. Merchant generation sources must absorb the cost of any interconnection issues and cannot impact reliability.

In response to Representative Fugate, Mr. Chandler stated Kentucky Power must have approval from the PSC to transfer or sell its assets. The utility rates cannot be raised without PSC approval.

In response to Representative Miles, Mr. Chandler stated the PSC is understaffed. The complexity of the cases has increased and more staff is needed to ensure decisions will continue to be made in a timely manner.

In response to Representative Flannery, Mr. Chandler stated commercial fleet electric vehicles are a bigger concern than personal electric vehicles, because the increased generation needed would be concentrated in one area.

Representative Gooch spoke briefly about issues with electric generation in Oklahoma and Texas.

#### **Advance Notification of Natural Gas Transmission Pipeline Location**

Representative DJ Johnson provided a brief overview of proposed legislation to address the challenges of residential and commercial development regarding natural gas transmission pipelines. There is currently no formal process or timeline for a developer to notify the owner of a natural gas transmission pipeline.

Bob Babbage stated Tennessee has passed similar legislation and Ohio is currently in the process of drafting legislation.

In response to Senator Webb, Aaron Thompson stated the proposed legislation includes a provision to ensure there is an effort on behalf of the developer to communicate with the owner of the natural gas transmission pipeline.

#### **Discussion of Water Permits and Certifications Issued by the Energy and Environment Cabinet**

Tony Hatton provided a brief overview of the response letter from the EEC to the committee. There are no energy-related water permits outside of the review timeline. There is one coal-related water permit significantly beyond the review timeline, but other permits must be requested and obtained before it can be issued.

Senator Smith criticized the permitting process and stated there should be a standard operating procedure.

There being no further business, the meeting was adjourned.