

KYMEA POWER POST

A Quarterly Publication by KYMEA.



The New Face of Advocacy

Just 12 months ago, hundreds of leaders in public power, including Kentucky Municipal Energy Agency (KYMEA) and Kentucky Municipal Utility Association (KMUA) joined together with the American Public Power Association (APPA) in Washington D.C. to do their part in advocating for or against federal policies that may impact their constituents. Those who gathered and made their voices heard were unaware of where the next many months would take them as a utility, a country, and a world. This month the same leaders joined together again for APPA's Virtual Legislative Rally in Zoom meetings and an event that looked very different from years past, but with renewed excitement and passion for making a difference in advocating for public power communities and their retail customers. Virtual meetings are the new face of advocacy.

Throughout 2020 APPA has maintained its strong voice for not-for-profit, public power utilities. APPA's 80

years of expertise advocating for hundreds of public power communities in Washington D.C. and across the country played a critical role this past year as utilities were met with COVID-19 challenges and millions of dollars in customer arrearages. While advocates have relied upon phone calls and virtual meetings, they have continued staying on top of key issues impacting their members. Throughout the pandemic, APPA faithfully provided resources, education, advocacy, and support on all fronts affecting the industry.

KYMEA urges its members and community leaders to join in APPA's advocacy efforts. Public power utilities and policymakers have the same constituents and many of the same concerns in common. Your voice and regular communication with policymakers is essential and helps provide valuable information regarding the potential impacts of proposed legislation.

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Energy Policy and Black Swan Events

BY DOUG BURESH



Greetings,

The timing of this newsletter follows on the heels of a far-reaching cold spell which led to blackouts in ERCOT, SPP, and MISO. The February 2021 Polar Vortex proved to be lethal with a reported death toll of at least 80 as of March 6, 2021. From an electricity perspective, hardest hit was ERCOT which comprises 85% of Texas. As many as 3.4 million Texans were without

power for days, and for some businesses and customers, the power outage lasted over one week.

COULD IT HAPPEN HERE?

As KYMEA monitors the Texas carnage from our seemingly safe Kentucky vantage point, the obvious question is, "Could it happen here?" The short answer is, while no system can be completely protected from disaster, through careful planning, hedging, and power supply diversity, KYMEA is far better positioned to withstand the deliverability and financial hardships currently faced by the utilities in Texas.

KYMEA'S DIVERSIFIED PORTFOLIO

KYMEA's power supply portfolio is a mix of coal, natural gas, hydro, diesel, and market purchases. In 2022, KYMEA will be adding solar which diversifies our portfolio even more. In assessing our ability to serve the members' load economically and reliably, KYMEA performs summer and winter readiness tests. The readiness tests are a stress-test analysis to assess deliverability and financial distress under extreme weather-related load conditions coupled with the loss of generation, fuel supply, and transmission.

ENERGY-ONLY MARKET DESIGN

Areas of the United States have dissimilar market designs. The ERCOT market design is an energy-only market with no payments provided to generators for capacity. The objective of an energy-only market is to send a very high energy price signal tied to resource scarcity which will incentivize future power supply investment. One consequence of this design is that reserve margins often shrink to very low levels until a "scarcity event" occurs which then provides a price signal for new investment. Of course, new generation cannot happen instantaneously and

in fact, it takes years before the new generation is built and available to serve load. As we now know from the Texas experience, the scarcity events can lead to disastrous consequences.

In times of extreme shortage, the energy-only market signal often cannot provide relief for the shortage. For example, in ERCOT, the scarcity price is \$9,000 per MWh which is 300x the normal energy price of \$30. During the week of the polar vortex, ERCOT raised prices to the \$9,000 maximum price signal, but raising the price to the maximum did not improve the supply situation as there was no remaining supply available. The nine thousand dollars just as well had been 9 million dollars as the outcome would have been the same – not enough supply to meet demand. This is known as inelastic pricing. The scarcity price signal did not work because electricity is a necessity for which there is no substitute and utilities have an obligation to serve load.

ENERGY AND CAPACITY MARKET DESIGN

While KYMEA's load does not reside in an RTO market, the Agency purchases capacity and energy from the MISO RTO which ties our fortunes to the MISO resource mix and market design. MISO has a balanced mix of nuclear, coal, diesel, and hydro generation in addition to natural gas, wind, and solar. This diversity provides grid resiliency in extreme weather conditions when renewables are not available and natural gas supply is limited. Further, energy providers in the MISO region have made efforts to "harden the grid" to better protect customers from weather-related outages such as frozen natural gas compressor stations in response to issues encountered during the 2014 Polar Vortex.

The MISO capacity market design promotes maintaining adequate supply by paying generators for capacity while requiring load-serving entities to purchase capacity. The required minimum capacity and reserve levels are established by a loss of load expectation (LOLE) calculation.

ENERGY POLICY AND BLACK SWAN EVENTS

As the march towards intermittent renewable generation and decarbonization intensify, the nation's ability to reliably serve load becomes increasingly more challenging. Within the past year, ERCOT, SPP, MISO, and CAISO have all experienced blackouts. That is why it is extremely important that a national energy policy and regional market designs carefully stress-test the ramifications of the policy, market requirements, physical infrastructure, and rules put forth. KYMEA, along with APPA and KMUA, will continue to reach out to legislators and policymakers to voice our concern that Black Swan events caused by weather, cyber-attacks, or any other calamity, should not happen or at least should be extremely rare, and the industry and policy-makers must work together to ensure a competitive, stable, and reliable power supply.



UTILIZING YOUR REPRESENTATIVES: HOW TO APPROACH LEGISLATORS

By Annette DuPont-Ewing
Executive Director, Kentucky Municipal Utilities Association (KMUA)



Greetings,

As a long-time executive director and lobbyist, I rely upon grassroots' ability to stop, move or ameliorate legislation. Our strength lies not in the purse or donations to operations, as KMUA is prohibited from making political donations. Municipal influence is found in the strength of our collective voices of our members. The members of the Kentucky Municipal Utilities

Association, the Kentucky Municipal Energy Agency, and the Kentucky Municipal Power Agency working together can be just as strong as the lobbyist with checkbooks and deep pockets. At KMUA our motto is, "We Are Stronger Together." A legislator may not listen to one voice, but they will listen to 5 voices and if you put the three agencies' voices together, it amounts to over 60 voices. Sixty voices saying the same thing, making the same call is the definition of "Grassroots Lobbying." We have to do better and will do better about coordinating the power of those joint voices.

STEP ONE: MAKE CONTACT

Invite your legislator to tour your utility. Send an invitation for them to meet the staff for lunch. The next time you host an employee event, invite both your legislators; representatives, and senators to make the introductory remarks or to give an employee award. Take plenty of photos; they may repost and share on social media platforms. On several occasions, legislators have called and asked, "I saw you taking photos. Can you send them to me? I need a couple of good shots." Invite them to the KMUA Fish Fry every year, whether they come or not – that is one more time they see your name and your utility's name.

STEP TWO: BE THE EXPERT ON UTILITY ISSUES

If you read in the paper about your representative bringing a new grant into town for community development or downtown revitalizations, write a handwritten card thanking them for their efforts adding a business card, and reminding them of the benefit it brought to their public power utility. If you see them at the local football game, introduce yourself

"At KMUA, our motto is, We Are Stronger Together"

so they are reminded that you are a reliable resource on utility matters. It will pay off in dividends later.

STEP THREE: CASH IN THE DIVIDENDS

During the Legislative Session, it is time to cash in the dividends for your utility. Follow pertinent legislation and reach out to your legislators. If you can meet them in person, set a time and date to do so. Tell them which bill concerns you. Tell them why it impacts your utility and the consumer. Always, tell them both sides, and if you can, provide a list of who is for the bill and who is against it. This is where mentioning the three organizations is helpful, KMUA, KYMEA, and KMPA.

At the end of legislative sessions, pen a short note or a letter on your company letterhead – thanking them for their work during the session.



Important Dates

March

25th
BROC
KYMEA Board Meeting

April

22nd
KYMEA Board Meeting in
Louisville

May

27th
KYMEA Board Meeting in
Louisville



FERC: THE MOST IMPORTANT AGENCY YOU'VE NEVER HEARD OF

By Latif Nurani
Partner, Spiegel & McDiarmid LLP

The Federal Energy Regulatory Commission (FERC) has been called "one of the most important agencies you've never heard of." Tracing its history to the 1920s Federal Power Commission that was responsible for the nation's hydropower dams, today's FERC regulates the natural gas industry, oil pipelines, hydroelectric projects, and the interstate electricity market. An independent, five-member commission, FERC was traditionally viewed as a technocratic, non-partisan rate regulator; but in recent years, FERC's authority over the nation's energy industries has placed the agency at the center of some of the most consequential—and controversial—policy issues that affect us all.

At its core, FERC is a consumer protection agency. The Federal Power Act, a New Deal-era statute that gives FERC most of its authority, was passed to protect consumers from economic exploitation at the hands of monopoly utilities. At the turn of the last century, investor-owned utilities, who were regulated exclusively by states, increasingly sought to avoid regulation by interconnecting with utilities in neighboring states and transacting in interstate commerce—beyond the reach of state public utility commissions. Congress closed that regulatory gap by passing Title II of the Federal Power Act in 1935.

Congress intended to supplement, not supplant, state authority. Thus, FERC's authority over non-hydro electricity is limited to interstate transmission and wholesale sales of electric power, that is, sales by one utility to another for resale to ultimate consumers. The Federal Power Act preserved state authority over retail electricity sales, physical construction of electric generation facilities, and local distribution facilities. That once "bright line" between state and federal regulators has become blurred as technological and competitive forces have reshaped the landscape of the electric industry.

The Federal Power Act charges FERC with ensuring that rates and terms for transmission service and wholesale power sales are "just and reasonable" and "not unduly discriminatory." For transmission service, which remains a monopoly, FERC requires utilities to charge cost-based rates plus a fair profit. For wholesale power sales, much of the country operates under regional, organized markets, where FERC relies on competitive forces to ensure utilities sell power at just and reasonable rates. But in areas without competitive markets, such as within LG&E/KU's territory, FERC continues to require utilities to sell electricity at cost-based rates.

Importantly, FERC does not regulate public power utilities, like those of KYMEA's members. Communities like Frankfort, Berea, and more than 2,000 other towns and cities nationwide chose to serve their citizens with electricity through not-for-profit, community-owned utilities. Although these public power utilities remain under local control—governed by city councils, community power boards, and the like—most of them are dependent upon monopoly, investor-owned utilities to transmit power to their communities. Thus, in Kentucky, KYMEA's members depend on FERC to ensure that LG&E/KU provides transmission service and charges reasonable, non-discriminatory rates.

WHO ARE THE FERC COMMISSIONERS?

FERC is an independent agency consisting of five commissioners who are appointed by the President, with the advice and consent of the Senate, to serve staggered five-year terms. No more than three commissioners may be from the same political party. The President chooses



Chairman Glick



Commissioner Chatterjee



Commissioner Danly



the FERC Chairman from among the sitting commissioners. While each commissioner has an equal vote on regulatory matters, the FERC Chairman exercises significant power by controlling the commission's agenda and by having direct authority over FERC's staff of 1,500 employees. Currently, the Commission has three Republican and two Democratic commissioners: Chairman Richard Glick (D), Commissioner Neil Chatterjee (R), Commissioner James Danly (R), Commissioner Allison Clements (D), and Commissioner Mark Christie (R). All five Commissioners were nominated by President Trump.

Chairman Glick joined FERC as a commissioner in August 2017. Before that, he was general counsel for the Democrats on the Senate Energy and Natural Resources Committee. Since being named chairman by President Biden, Glick has made clear that FERC will set an agenda to tackle climate change within the scope of FERC's statutory authority while ensuring reliability and affordability.

Commissioner Chatterjee, a native of Lexington, also joined FERC in August 2017 (the Senate considered Chatterjee and Glick's nominations together, as it often considers "paired" Democratic and Republican nominees for FERC). Previously, Chatterjee had been a top advisor to Senator McConnell on energy matters. Chatterjee served as FERC Chairman during much of the Trump Administration. He strongly supports market-based approaches and is a champion of adopting emerging technologies. His term ends on June 30, 2021, and President Biden is expected to nominate a Democrat to fill that spot.

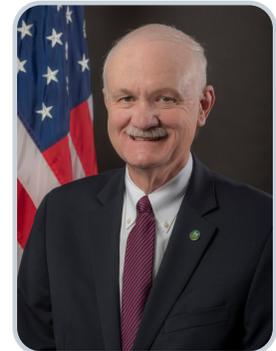
Commissioner Danly, a former active-duty U.S. Army officer, was appointed as FERC's general counsel in 2017. Prior to that, he was an associate at a large law firm in D.C. In March 2020, the Senate confirmed Danly as a new commissioner, and President Trump elevated him to the chairmanship on November 5, 2020, which Danly held until President Biden was sworn in. Danly espouses a theory of the "humble regulator," by which he means FERC should read the scope of its jurisdiction narrowly.

Commissioner Clements, who may be best known for her decade at the Natural Resources Defense Council, was confirmed as a commissioner in December 2020. Immediately prior to serving at FERC, she was the founder of Goodgrid, LLC, an energy policy and strategy consulting firm. Since joining the Commission, she has expressed an interest in FERC reforming its rules for transmission planning and rules for interconnecting resources to the grid.

Commissioner Christie was confirmed as a commissioner along with Commissioner Clements. A well-respected state regulator, he served as the Chairman of the Virginia State Corporation Commission for seventeen years. Upon taking office at FERC, Commissioner Christie emphasized the importance of being independent of political agendas, rigorously following the law, and always telling the truth about the real costs and impacts of decisions on those who have to pay the bills.



Commissioner
Clements



Commissioner
Christie

WHAT CAN FERC DO FOR YOU?

FERC can help KYMEA's members and their residents and businesses, and Kentuckians generally, by keeping transmission rates low and by facilitating greater access to competitive markets. KYMEA has demonstrated that consumers benefit from competition—markets tend to provide lower rates for power than cost-plus rate regulation does, and markets give consumers greater choice. KYMEA can continue to bring the full benefits of competition to Kentucky communities only if FERC continues to ensure open access to the transmission system that connects KYMEA members to neighboring markets operated by PJM Interconnection and the Midcontinent Independent System Operator (MISO). FERC has already made consequential decisions about the transmission rates that KYMEA members must pay to access competitive markets, and it will continue to do so in the future. FERC is therefore one of the most important federal agencies that will affect the cost of electricity for KYMEA and its members.



PUBLIC POWER POLICY POSITIONS

The Need For Supplemental Funding and Flexibility for LIHEAP

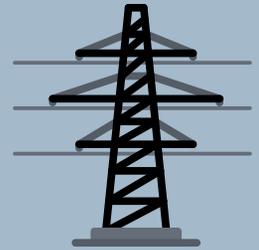
APPA supports a supplemental spending request of \$10 billion for Low Income Home Energy Assistance Program (LIHEAP). The association also supports short-term programmatic changes to LIHEAP that would allow states to use 50 percent (\$5 billion) of the emergency supplemental funds to help up to 4 million families pay off their growing utility debt. The other \$5 billion would be used to help up to 7 million families pay current bills through the September 30, 2021, when both the winter heating and summer cooling seasons are over and pandemic conditions are expected to improve.



APPA also supports increasing income eligibility limits, waiving asset tests, and increasing the percentage of LIHEAP funds that can be used for administrative expenses. The latter is particularly important given the difficulty utilities and energy assistance offices are facing in tracking down eligible households and then getting those households to seek assistance.

Electric Transmission Policies

One of the most significant impediments to getting needed transmission built continues to be the siting of the lines. The EPAAct05 siting authorities were a major step forward (until they were undercut by subsequent court decisions), and should be supported, clarified, and protected from repeal. Further, to ease local and state opposition to siting transmission lines, as many regional electricity stakeholders as possible should be included in their planning and ownership, and regional transmission planning should focus on the resource plans of load-serving entities, as FPA section 217(b)(4) directed. APPA would support legislation to implement these requirements in existing regional and interregional transmission planning processes. Congress should also encourage and support joint ownership of transmission and eliminate financial barriers to such ownership, such as private-use restrictions on tax-exempt financing. In addition, APPA believes that the regulation of distribution systems should continue to reside exclusively with state and local governments.

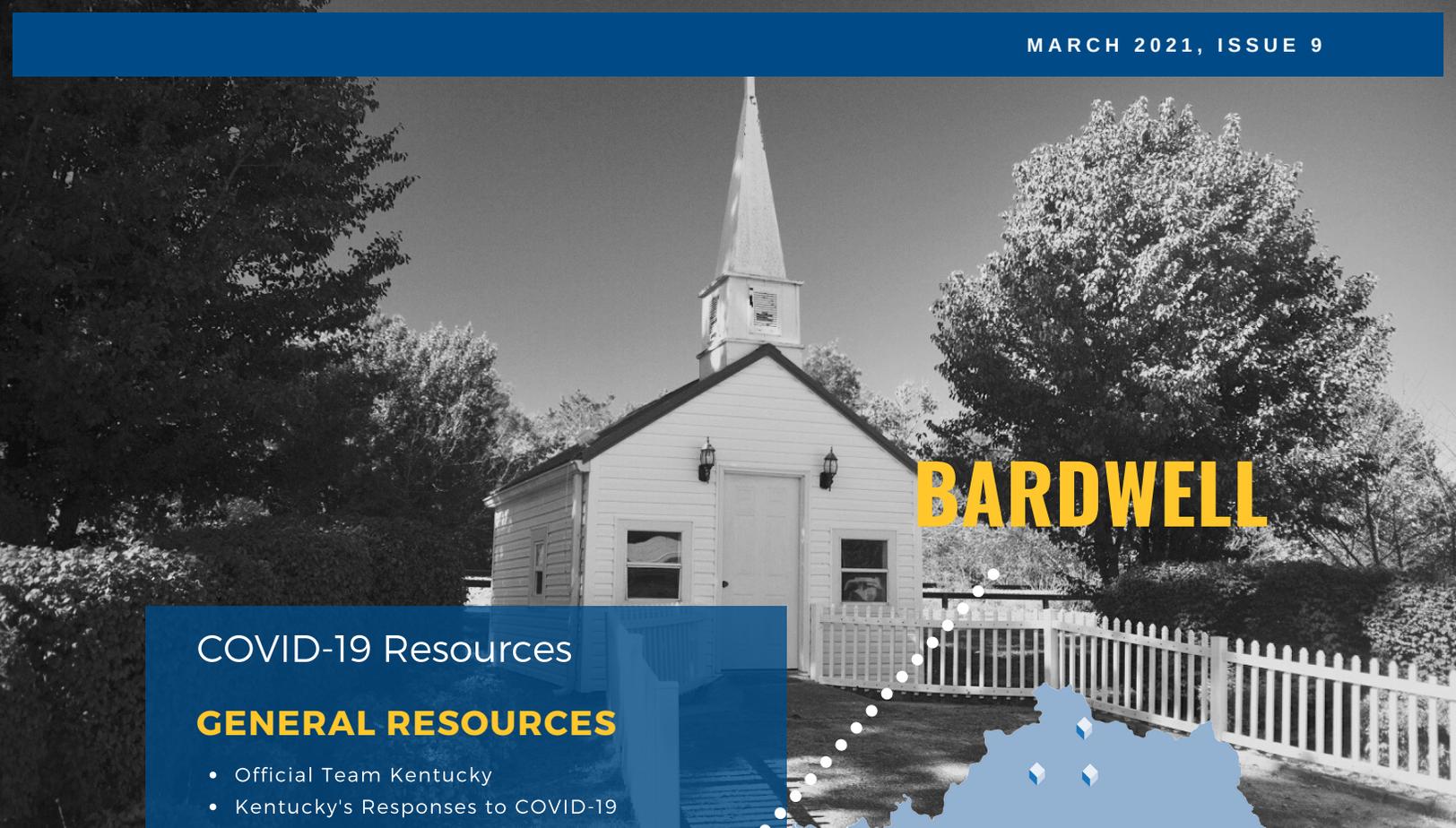


Federal Efforts to Address Climate Change

APPA supports congressional action to address climate change. The association believes Congress needs to establish a statutory framework that provides electric utilities with regulatory certainty. Such legislation must be done on an economywide basis that sets realistic, clear targets and provides maximum flexibility to covered entities. As Congress works on climate legislation, it should include policies that would reduce CO2 emissions while keeping electricity affordable and reliable. Such policies include promoting nuclear power, distributed energy resources, electric vehicles, energy storage, energy efficiency, and hydropower. Congress must also make significant investments in research, development, and demonstration of advanced technologies needed to reduce GHG emissions, including advanced nuclear, hydrogen, and carbon capture, storage, and utilization technologies. Public power is ready to work with Congress as it develops climate legislation by providing input on how to do so in a way that keeps electricity affordable, reliable, and sustainable.



Access the full
issue brief at
[publicpower.org/
policy-positions](https://publicpower.org/policy-positions)



BARDWELL

COVID-19 Resources

GENERAL RESOURCES

- Official Team Kentucky
- Kentucky's Responses to COVID-19
- Kentucky Cabinet for Health and Family Services
- State by State Policy Tracker

BUSINESS RESOURCES

- KY Chamber Resources for Small Businesses
- Kentucky SBA District Office
- US Chamber of Commerce Guidance for Employers
- Identifying Critical Infrastructure During COVID-19
- CDC Resources for Business/Employers
- American Public Power COVID-19 Resources
- Electricity Subsector Coordinating Council Resources
- Cybersecurity & Infrastructure Security Agency (CISA) Resources
- U.S. Environmental Protection Agency Memorandum
- Federal Energy Regulatory Commission (FERC) Policy Statement

More resources are available at
<https://www.kymea.org/kentucky-covid-19-resources/>

"Tiny Church" Photo Credit: Brian Stansberry

DID YOU KNOW?

- Bardwell was founded in 1874 due to the extension of the Illinois Central Railroad class one rail line.
- In 1886, after challenging the city of Arlington, Bardwell was named the county seat of Carlisle County.
- Bardwell sits near the junction of the Ohio and Mississippi Rivers in the southwest corner of the Commonwealth.
- Bardwell Began electric services in 1944 and currently serves 401 residential customers and 93 commercial customers.
- It boasts of its innovation in agriculture production, views of the Mississippi, and outdoor sports.





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DISCOVER THE POWER OF ENERGY OPTIONS



#PUBLICPOWERFORKENTUCKY



If you have ideas for the next Power Post, please email Michelle Hixon at mhixon@kymea.org.



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