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ERCOT COMPLIANCE REPORTS § PUBLIC UTILITY COMMISSION
OF GENERATION RESOURCE §
WINTER READINESS PURSUANT § OF TEXAS
TO 16 TAC § 25.55(C)(4) §

SAN MIGUEL ELECTRIC COOPERATIVE, INC.’S REQUEST FOR APPROVAL OF A GOOD CAUSE EXCEPTION & MOTION FOR ENTRY OF A PROTECTIVE ORDER

COMES NOW, San Miguel Electric Cooperative, Inc. (“SMEC”), and files its Request for Approval of a Good Cause Exception to the requirements of 16 Texas Administrative Code (“TAC”) § 25.55(c) related to weather emergency preparedness reliability standards for a generation entity.

On December 17, 2021, Commission Staff issued its Notice of Disagreement with SMEC’s assertion of good cause. In accordance with 16 TAC § 25.55(c)(6)(c), SMEC may preserve its disputed good cause assertion by submitting to the Public Utility Commission of Texas (“PUCT” or “Commission”) a request for approval of a good cause exception within seven days of receipt of Commission Staff’s notice of disagreement with SMEC’s assertion (“Notice of Disagreement”).¹ SMEC hereby preserves and reasserts its request for a good cause exception to compliance with 16 TAC § 25.55(c)(6)(c). SMEC’s request for approval of its good cause exceptions contains all information required under 16 TAC § 25.55(c)(6)(E).

SMEC continues to work diligently to complete the installation of automated monitoring systems for its freeze protection circuitry while its request for good cause exception is considered. The Commission has concluded that assertions of good cause may be efficiently administered as

¹ Seven days from the date Staff’s notice was filed is December 24, 2021, which is an agency holiday. The next day the Commission is open for business is Wednesday, December 29, 2021. Therefore, under 16 Tex. Admin. Code § 22.4(a), the deadline to respond to Staff’s notice is December 29, 2021.

enforcement investigations that are resolved through a settlement process rather than through a formal contested case process.² The issue identified in Staff's Notice of Disagreement is limited to the appropriateness of the compliance timeline included in SMEC's WWRR. SMEC believes this is an issue that can be most efficiently resolved without the need for a formal contested case and is committed to working with Commission Staff to address the concerns identified in Staff's Notice of Disagreement. SMEC has informed Commission Staff of SMEC's efforts to implement its emergency project approval process to significantly shorten the approval time-frame for a project to install automated monitoring of its freeze protection circuitry. SMEC prepared its WWRR, including its initial compliance timeline, using its best efforts and prudent judgment to determine when automatic monitoring could be installed. While SMEC asserts that its initial timeline was reasonable, SMEC understands that Commission Staff has come to a different conclusion and SMEC is working diligently to further accelerate the project timeline to address Commission Staff's concerns.

I. **BACKGROUND**

SMEC is an electric cooperative operating in the ERCOT power region under certificate of convenience and necessity number 30178. On November 30, 2021, SMEC submitted its winter weather readiness report ("WWRR") for a generation resource to ERCOT. SMEC's submitted WWRR contained an assertion of good cause for non-compliance with 16 TAC § 25.55(c)(1)(B) related to cold weather monitoring systems. Specifically, SMEC requested a good cause exception to compliance with the requirements to install monitoring systems for the freeze protection circuitry on its San Miguel unit, a 450 MW lignite-fired generating facility, with the capability of providing 391 net MW ("San Miguel Unit"). As described further below, the San Miguel Unit

² *Rulemaking to Establish Electric Weatherization Standards*, Project No. 51840, Order Adopting New 16 TAC § 25.55 as Approved at the October 21, 2022 Open Meeting at 46 (Oct. 26, 2021).

was commissioned in 1982 and not designed with automated monitoring for freeze protection circuitry. The existing freeze protection circuitry is monitored manually. Self-regulating heat trace circuits are protected by individual circuit breakers and have manual amperage readings available. Monthly testing is performed on the circuits and SMEC operators have written operating procedures in place to monitor circuit functionality that are implemented when temperatures drop below 32 degrees Fahrenheit.³

SMEC did not have automated monitoring of its freeze protection circuitry during Winter Storm Uri in February 2021; however, the San Miguel Unit performed effectively during the storm and provided much needed thermal generation during the emergency event. The San Miguel Unit did not trip and was able to stay online through Winter Storm Uri despite the failure of an Induced Draft (“ID”) fan and a boiler tube leak that started the evening of February 14th (neither of which were related to SMEC’s freeze protection systems or winter readiness).

SMEC continues to manually monitor its freeze protection circuitry and has utilized its best efforts, professional judgment, and operational expertise to prioritize the maintenance of the freeze protection circuitry for the upcoming winter season. As discussed further below, SMEC’s prioritization efforts have ensured that its freeze protection program is even better prepared to operate in 2022 than during Winter Storm Uri. Automating the monitoring process requires an extensive upgrade to the facility’s existing systems. The process to replace and upgrade the San Miguel Unit’s monitoring systems will require an engineering project to size panels for needed capacity, with approximately thirteen (13) weeks lead time for parts, and additional time for installation and project commissioning. Because SMEC is unable to complete the wholesale upgrade of its freeze protection equipment in advance of the 2021/2022 winter time-frame, SMEC

³ See Exhibit C, attached and incorporated herein.

requests a good cause exception to 16 TAC § 25.55(c)(1)(B).

II. SMEC'S GOOD CAUSE EXCEPTION REQUEST

A. Prioritization of Winter Weather Preparedness

Generation owners and operators are tasked with utilizing their professional judgment and expertise to determine what items should be prioritized for upgrade, routine maintenance, and repair. Indeed, with respect to compliance with the Commission's weatherization rule, the Commission has tasked generation owners with using "appropriate professional judgment" and "their operational expertise" to best protect equipment and to ensure that compliance with the rule produces a meaningful result.⁴

As noted above, SMEC has utilized its best efforts, professional judgment, and operational expertise to prioritize the maintenance of the freeze protection circuitry for the upcoming winter season. SMEC's preparations include capturing lessons learned from Winter Storm Uri; improving winter weatherization plans and checklists; repairing and/or replacing insulation; formally documenting a drain plan; testing and/or repairing freeze protection circuits; constructing new enclosures for critical sensing elements; and performing extensive winter weather preparation training. These prioritization efforts have increased the efficacy of the freeze protection systems and ensured that SMEC's freeze protection program is even better prepared to operate in emergency conditions.

In its WWRR, SMEC proposed completing the installation of the automated monitoring systems by December 1, 2023. SMEC has engaged in discussions with a trusted vendor regarding the design, delivery, and construction of automated monitoring systems. However, two main

⁴ See *Rulemaking to Establish Electric Weatherization Standards*, Project No. 51840, Order Adopting New 16 TAC § 25.55 as Approved at the October 21, 2021 Open Meeting at 12, 24, and 29-31.

factors have impacted SMEC's assessment of the time needed to install the equipment. First, supply chain delays are causing materials to take approximately thirteen (13) weeks for delivery and several weeks for equipment installation and commission. The proposed design, delivery, and construction timeline is subject to change and is contingent upon the vendor's approval of SMEC's design submissions. Further, the vendor must first visit San Miguel to gather additional information on the Unit before it can proceed with SMEC's request.⁵

Second, the cost of the materials exceeds the threshold for requiring approval from the SMEC Board of Directors. SMEC originally estimated the cost of the automated monitoring equipment could exceed \$1 million and SMEC's annual budget process was underway prior to the new PUCT ruling that added the requirement for automatic monitoring. Under SMEC's procedures, a new budget expenditure of over \$1 million was therefore planned for inclusion in the 2023 budget. These plans for future upgrades coupled with the prudent actions SMEC has taken to ensure it is manually monitoring the freeze protection circuitry, led SMEC to develop the timeframe identified in its WWRR for completing the installation of the automated monitoring systems. Through continued efforts on the part of SMEC with further research and discussions with a trusted vendor, San Miguel believes the project can now be completed in 2022 and at a significantly lower cost.⁶

B. Revised Proposed Compliance Timeline

SMEC acknowledges Commission Staff's finding that SMEC's timeframe for installing circuitry monitoring should be shortened. Taking into consideration Staff's finding and new cost estimates, SMEC proposes a more aggressive, alternative timeline for the project. By utilizing SMEC's emergency approval process, SMEC obtained approval to proceed with the capital project on December 28, 2021.⁷ Factoring in the extended delivery period and the installation period, SMEC proposes a new deadline for project completion

⁵ See Exhibit C, attached and incorporated herein.

⁶ See Exhibit C.

⁷ See Exhibit D, attached and incorporated herein.

of September 1, 2022, and SMEC will make every effort to complete the project in advance of the deadline. SMEC's proposed schedule revision would ensure that installation of the automated monitoring systems is complete well before the 2022-2023 winter season. SMEC also proposes to provide quarterly reports to Commission Staff and/or ERCOT regarding updates on SMEC's progress on installing automatic circuitry monitoring systems to date, a high-level overview of tasks and time estimates, and any delays known at the time of filing. SMEC proposes the first quarterly report to be provided by the end of January and every three (3) months thereafter until project completion.

III. PROOF OF NOTICE TO ERCOT & ATTESTATION OF VERACITY

Under 16 TAC§ 25.55(c)(6)(E)(iv), SMEC must provide proof that notice of its request has been provided to ERCOT. On December 29, 2021, SMEC sent notice of this filing to ERCOT via email to the email addresses goodcauseexception@ercot.com, James.Allen@ercot.com, and ClientServices@ercot.com. In accordance with 16 TAC§ 25.55(c)(6)(E)(iv) and (v), SMEC has attached as Exhibit A, a notarized attestation sworn to by SMEC's highest-ranking representative, official, or officer with binding authority over SMEC attesting to the accuracy and veracity of the information in SMEC's request, as well as the provision of notice to ERCOT.

IV. ARGUMENT IN THE ALTERNATIVE

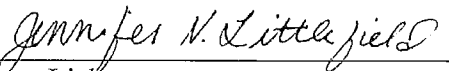
As described above, and out of an abundance of caution, SMEC hereby preserves and reasserts its request for a good cause exception. SMEC's request for approval of its good cause exceptions contains all information required under 16 TAC § 25.55(c)(6)(E) and is supported by the information contained in this filing, including all attached Exhibits. However, in the alternative, SMEC asks Commission Staff to conclude that SMEC has already demonstrated compliance with the requirements of 16 TAC § 25.55(c)(1)(B) through its actions to manually monitor its freeze protection circuitry and has provided proof of such compliance through the incorporation of the information provided herein.

V. REQUEST FOR ENTRY OF A PROTECTIVE ORDER

SMEC's WWRR and the attachments to this request for good cause exception contain the confidential trade secret, commercial, and financial information of SMEC. The information is confidential on the basis that it is competitively sensitive and protected from disclosure under the ERCOT Protocols. PUCT rule 16 TAC § 25.362(e)(1)(A) states that "information submitted to or collected by ERCOT" is protected from public disclosure if it "is designated as Protected Information pursuant to ERCOT rules." Section 1.3.1.1 of the ERCOT Protocols provides an extensive list of information that is considered "Protected Information." Further, the attachments contain information considered confidential by provisions and state law, including information considered confidential by law pursuant to Tex. Gov't Code § 552.101; information that constitutes trade secrets pursuant to Tex. Gov't Code § 552.110(b); and commercial information that is protected pursuant to Tex. Gov't Code § 552.110(c). This information is not subject to public disclosure. The attachments also contain Critical Energy Infrastructure Information, which is exempted from disclosure pursuant to Tex. Gov't Code § 418.181 and 18 C.F.R. § 388.113.

SMEC therefore respectfully requests that the Commission issue a standard protective order to ensure that the confidentiality of SMEC's information is protected; further grant SMEC's good cause waiver, or in the alternative find that SMEC's manual freeze protection monitoring processes are in compliance with the PUCT requirements such that no good cause waiver is needed.

Respectfully submitted,



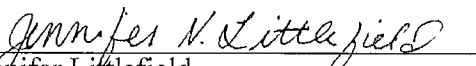
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**ATTORNEYS FOR SAN MIGUEL ELECTRIC
COOPERATIVE, INC.**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this document was served on counsel for the parties of record on December 29, 2021.



Jennifer Littlefield

Exhibit A – Affidavit

STATE OF TEXAS §
 §
COUNTY OF ATASCOSA §

1. My name is Nathan Brown. I am the General Manager/CEO of San Miguel Electric Cooperative, Inc. I am over the age of twenty-one and am competent to make the following statement:

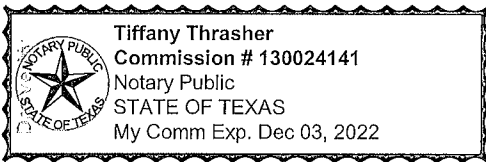
2. I swear or affirm that I have personal knowledge of the facts stated in the San Miguel Electric Cooperative, Inc.’s Request for Approval of a Good Cause Exception, that I am competent to testify to them, and that I have the authority to make this filing on behalf of San Miguel Electric Cooperative, Inc. I further swear or affirm that the facts stated in the San Miguel Electric Cooperative, Inc.’s Request for Approval of a Good Cause Exception are accurate, true and correct to the best of my knowledge, information, and belief.

3. On December 28, 2021, a copy of San Miguel Electric Cooperative, Inc.’s Request for Approval of a Good Cause Exception was provided to ERCOT via electronic mail at the following addresses: goodcauseexception@ercot.com, James.Allen@ercot.com, and ClientServices@ercot.com.

Nathan Brown

Nathan Brown
General Manager and CEO

SWORN TO AND SUBSCRIBED before me on the 28th day of December, 2021.



Tiffany Thrasher

Notary Public In and For the
State of Texas

Notarial act performed by audio-visual communication

My commission expires: 12/3/2022

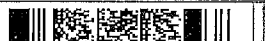


Exhibit B – SMEC Freeze Panel Critical Circuit Inspection Procedure

CONFIDENTIAL/HIGHLY SENSITIVE MATERIAL

Exhibit C – Supporting Documentation of Vendor Proposal

CONFIDENTIAL/HIGHLY SENSITIVE MATERIAL

Exhibit D – Supporting Documentation of Project Approval

CONFIDENTIAL/HIGHLY SENSITIVE MATERIAL