

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC JOINT APPLICATION OF</b>	)	
<b>KENTUCKY UTILITIES COMPANY AND</b>	)	
<b>LOUISVILLE GAS AND ELECTRIC</b>	)	
<b>COMPANY FOR CERTIFICATES OF</b>	)	
<b>PUBLIC CONVENIENCE AND NECESSITY</b>	)	<b>CASE NO. 2022-00402</b>
<b>AND SITE COMPATIBILITY</b>	)	
<b>CERTIFICATES AND APPROVAL OF A</b>	)	
<b>DEMAND SIDE MANAGEMENT PLAN AND</b>	)	
<b>APPROVAL OF FOSSIL FUEL-FIRED</b>	)	
<b>GENERATING UNIT RETIREMENTS</b>	)	

**REBUTTAL TESTIMONY OF**  
**JOHN R. CROCKETT III**  
**PRESIDENT**  
**KENTUCKY UTILITIES COMPANY AND**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Filed: August 9, 2023**

1 **Q. Please state your name, position, and business address.**

2 A. My name is John R. Crockett III. I am the President for Kentucky Utilities Company  
3 (“KU”) and Louisville Gas and Electric Company (“LG&E”)(collectively,  
4 “Companies”) and an employee of LG&E and KU Services Company, which provides  
5 services to KU and LG&E. My business address is 220 West Main Street, Louisville,  
6 Kentucky 40202.

7 **Q. Having reviewed the testimony of the intervenors, do you have any general**  
8 **observations?**

9 A. Yes. The primary issue in this case is what sources of “fuel” will be used to meet  
10 customers’ needs for electricity and whether the sources of fuel are reliable. The  
11 testimonies of the intervenors present a wide range of views and opinions. One  
12 intervenor suggests the Companies are biased against coal.<sup>1</sup> Two intervenors suggest  
13 the Companies dislike regional transmission organizations and urge the Companies to  
14 join one. Other intervenors suggest the Companies disfavor renewable power and  
15 demand side programs. None of these assertions are correct or accurate. They stand  
16 in sharp contrast to the voluminous record in this case which demonstrates the  
17 Companies worked diligently to answer approximately 2,800 requests for information  
18 and provide great transparency to their analyses by filing nearly 45 gigabytes of data.

19 The Companies’ position in this case, consistent with their historic practice and  
20 position, is to recommend a low cost, reliable and diverse portfolio that is optimal under  
21 a broad range of possible future scenarios and is in the best interest of its customers.

22 This portfolio of supply and demand resources happens to be squarely in the middle of

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<sup>1</sup> If the Companies’ recommend portfolio and proposed retirement of coal fired generation is approved, 3200 megawatts of coal-fired generation will remain in service as of 2028.

1 the certain intervenor positions which do not recommend diversity in fuel and  
2 generation in this case.

3 The Companies' supply- and demand-side proposals, together with the  
4 proposed seven retirements of generation facilities that are nearing or at the end of their  
5 economic lives, present a diversified plan for providing reasonable and reliable electric  
6 power to our customers. If approved, as discussed in Mr. Bellar's testimony, this  
7 portfolio will be used to serve its customers well into the next decade which, in turn,  
8 provides greater certainty with regard to retail rates and an important foundation for  
9 Kentucky's continuous economic development success.

10 **Q. What is the purpose of your testimony?**

11 A. I will address the allegations of Kentucky Coal Association ("KCA") witness Emily  
12 Medine concerning the claim of influence of PPL Corporation on the 2022 Resource  
13 Assessment prepared by the Companies.

14 **Q. At page 7, lines 17-18, KCA witness Medine alleges "the Companies' plans appear  
15 to be motivated by a desire to increase earnings, i.e., earnings growth (EG) and  
16 ESG compliance and the closure of coal plants as suggested in [a] number of  
17 recent PPL filings." Do you agree with this allegation?**

18 A. No, I could not disagree with her more. Providing affordable, reliable, and safe  
19 investment for our customers based on least cost considerations is the fundamental key  
20 to the success of our business. The application of this principle in our analyses creates  
21 the diversified portfolio recommended in this case. The core principles of affordability,  
22 reliability, and safety drive our fundamental business decisions. Sound shareholder

1 returns will only follow from the recovery of prudent investments to serve customers  
2 safely and reliably.

3 **Q. At page 23, lines 8-11, KCA witness Medine argues that “it is problematic that**  
4 **executives are being compensated to shut down fossil fuel capacity. This creates**  
5 **a conflict of interest between what is best for PPL executives and what is in the**  
6 **best interest of ratepayer and the state of Kentucky.” What is your response to**  
7 **this argument?**

8 A. Her argument is misplaced and based on a fundamental misunderstanding of the  
9 sequencing of our business decisions. The Companies form business decisions based  
10 on the analyses of affordable, reliable, and safe investments for our customers. As I  
11 previously stated, providing affordable, reliable, and safe investment for our customers  
12 based on least cost considerations is the fundamental key for the success of our  
13 business. Once we identify these options, we develop a business plan to ascertain the  
14 financial implications on our operations and the need to raise additional capital and  
15 adjust operating budgets. We then adjust compensation measures to focus and execute  
16 the plan. In this proceeding, the evidence shows that retiring the seven generation  
17 facilities and implementing the recommended optimal portfolio benefits customers  
18 with lower costs while providing reliable service – rather than continuing to operate  
19 these facilities, which are likely to be constrained by environmental regulations, cause  
20 higher costs for customers, or both.

21 **Q. At pages 23 -24 of her testimony, KCA witness Medine contends a rate impact**  
22 **analysis is necessary for purposes of evaluating the Companies’ requests in this**  
23 **case. Do you consider costs when you evaluate resource options?**

1 A. Of course. As discussed in Mr. Sinclair’s and Mr. Conroy’s rebuttal testimony, the  
2 Companies have used, and the Commission has historically accepted, the present value  
3 revenue requirements standard to determine which alternatives are the most favorable  
4 or best for customers. A rate impact analysis, in contrast, identifies how much each  
5 class of customers will pay for the cost of providing service. This is the subject of a  
6 rate case and its many accompanying issues. A rate impact analysis is not necessary to  
7 determine which option is the optimal resource for customers.

8 Q. **At page 24 -25 of her testimony, KCA witness Medine alleges “PPL’s long-term  
9 incentives create a conflict of interest for the executive team.” Do you agree with  
10 this assertion?**

11 A. No. As I have stated previously, the Companies directly align incentive compensation  
12 with securing the optimal resource portfolio for serving our customers. There is no  
13 conflict of interest.

14 Q. **At pages 25 -26 of her testimony, KCA witness Medine cites portions of PPL’s  
15 2023 Proxy Statement, including the reference to “improving annual rate base  
16 growth to over 5.5%” as evidence of bias in the IRP and CPCN. Do you agree?**

17 A. No. PPL’s rate base growth is the result of many factors, including capital plans,  
18 depreciation rates, income tax treatment, etc. These plans are developed in each of  
19 PPL’s business units to serve its customers in a least-cost, safe and reliable manner.  
20 PPL then summarizes those plans to create the overall PPL financial plan which it  
21 presents at a high level to the investment community. PPL needs to raise capital to  
22 support the investments of its utility operations. Calls with investors are necessarily  
23 focused on retaining and attracting investors in the company. The reference from the

1 2023 Proxy Statement is a typical representation found in these kinds of filings to give  
2 notice to current and potential investors of PPL’s capital spending plans. The 5.5%  
3 rate base growth presented is the output of the planning process, not an input.

4 **Q. At page 27 of her testimony, KCA witness Medine asserts, “[a]ll indications are**  
5 **the Companies decided to retire its coal fleet by 2035 and develop a plan to support**  
6 **this objective.” Do you agree with this assertion?**

7 A. Absolutely not. PPL’s net-zero goals are targeted for 2050, not 2035. PPL’s 2050 net-  
8 zero goal directly considers the need for a reasonable transition period away from coal  
9 generation in Kentucky. The Companies recommended optimal portfolio in this case  
10 is not striving to retire its coal fleet by 2035 as evidenced by more than 2,700 MW’s of  
11 coal still expected to run beyond 2035. Witness Medine’s assertion is simply  
12 misplaced. The Companies remain committed to evaluating their generation and other  
13 assets used to provide service based on the methods and principles set forth in the 2022  
14 Resource Assessment.

15 **Q. What is your recommendation?**

16 A. In contrast to the positions of the other parties to this proceeding, the Companies’  
17 proposals present a middle ground of diversified resources that will provide safe,  
18 reliable, and low-cost energy for their customers across a broad range of possible future  
19 scenarios. This portfolio mitigates the risk of higher cost and lower reliability  
20 associated with some with the divergent and mutually exclusive positions and policies  
21 of the intervenors. I continue to recommend the Commission approve the entirety of  
22 the Companies’ demand and supply-side proposals and the retirements of the seven  
23 fossil-fired generation facilities.

1 Q. **Does this conclude your testimony?**

2 A. Yes, it does.

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF JEFFERSON )

The undersigned, **John R. Crockett III**, being duly sworn, deposes and says that he is President of Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge, and belief.

  
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**John R. Crockett III**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 1<sup>st</sup> day of August 2023.

  
\_\_\_\_\_  
Notary Public

Notary Public ID No. KYNP61560

My Commission Expires:

November 9, 2026

