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

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| In the matter of: | : | |
| ELECTRONIC 2024 JOINT INTEGRATED RESOURCE PLAN OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY | : | CASE NO. 2024-00326 |

# KENTUCKY COAL ASSOCIATION'S COMMENTS IN RESPONSE TO IRP ORDER

The Kentucky Coal Association (KCA) intervener in this action respectfully submits the following comments in response to the IRP Order dated July 31, 2025, in this matter:

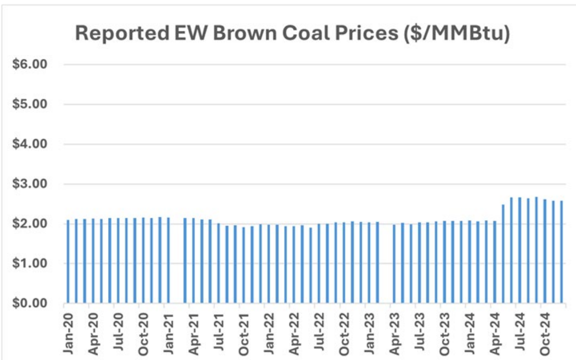
The Kentucky Coal Association (KCA) appreciates the opportunity to comment on the Commission's Order in Case No. 2024-00326. As pointed out by the Commission, this Integrated Resource Plan (IRP) was a particular challenge given its timing as a result of evolving regulations, heightened expectation of load growth due to interest from data centers and hyperscalers in locating in the Companies' service area, and the material cost increases due to increased demand for capacity and the impact of potential tariffs for such equipment on prices.

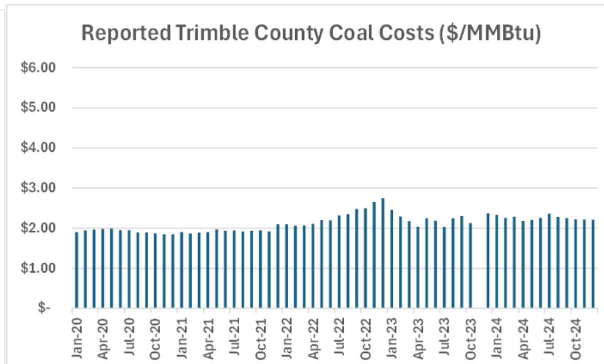
KCA generally agrees with the Commission's summary of KCA's concerns. KCA would also like to address three of KCA's concerns involved in this IRP.

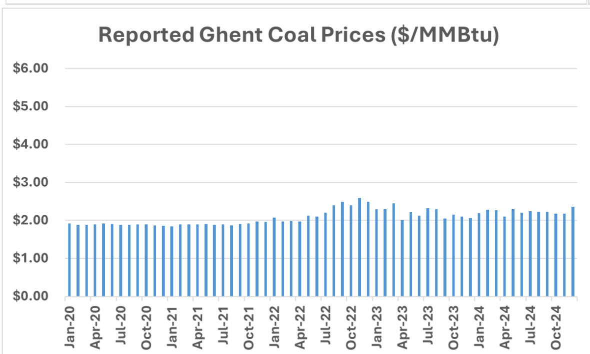
The first concern is related to the fuel price scenarios used in the Companies' analysis. KCA believes it made a compelling case for future IRP's to utilize independent natural gas and coal price forecasts from third party experts. KCA believes that the Companies' coal procurement activities are among the best in the industry. As a result, the Companies' average coal prices were hardly affected by COVID, the COVID recovery, or the jump in natural gas prices in 2022 and 2023.

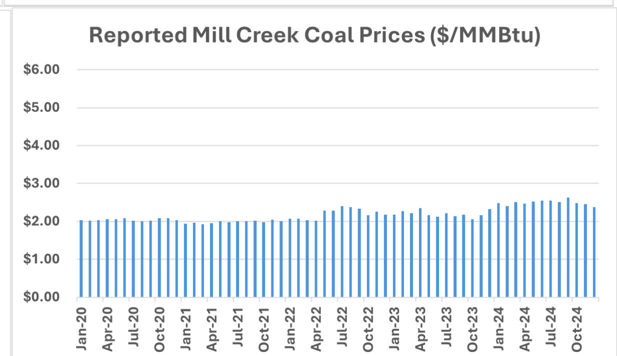
By way of example, KCA compared the monthly cost of coal procurements for a five-year period (2020-2024) for the Companies coal plants. The monthly reported prices for each are provided below for the period 2020 through 2024. The scale is the same for both to show relative impacts.

**LG&E/KU Coal Purchase Cost**



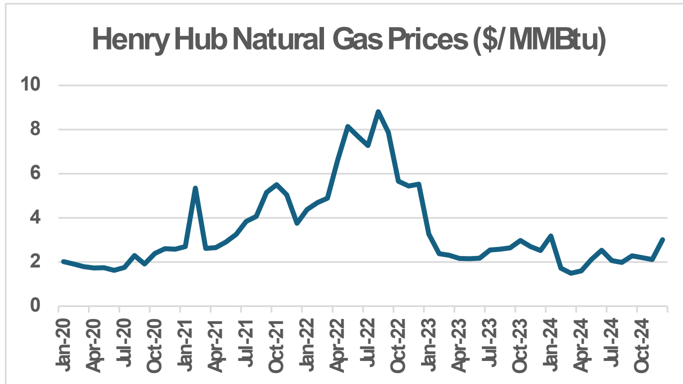



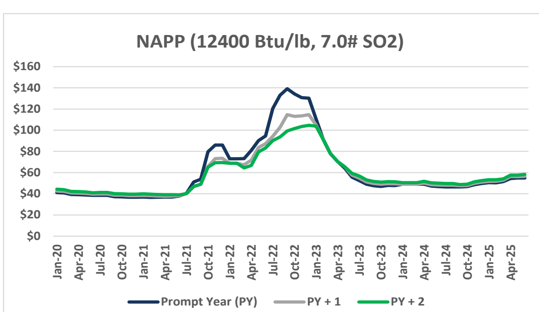

Note: Data is from EIA Form 923 which utilities are required to file on a monthly basis.

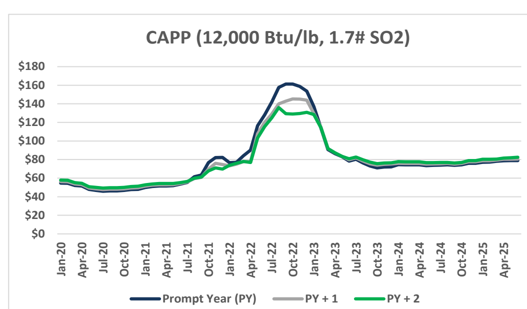
Notably, natural gas prices are routinely more volatile. The volatility in Henry Hub, as shown below, was significant reaching a four-fold increase for a time in 2022. Note that these are monthly averages. Daily price volatility is much more significant. The coal prices LG&E/KU paid showed no impact of this volatility in part because the coal contracts are almost exclusively not tied to the price of natural gas.




Source: https://www.eia.gov/dnav/ng/hist/rngwhhdD.htm

While utilities typically hedge a portion of their gas supply, the hedges are unlike coal contracts in that they are typically not long-term rather they are structured based upon need and can be short-term, seasonal, annual, or multi-year. The seasonal hedge requirements require substantial volume swings not only from swings in demand but in recognition that most consumers do not have storage for the quantities that may not be needed. Also volatile are the coal price indexes for prompt purchases. The coal price indices below are from a well-known company that participates in coal transactions and publishes marks regularly by coal type for various periods, e.g., annually. Notably, at the peak of the market, prices were backward dated, meaning future prices were expected to be below current prices.




Source: Coaldesk (https://www.coaldesk.com)

Utilities, such as LGE/KU that employed a diversified fuel procurement hedging strategy were largely unaffected by the spike in the coal price. Utilities that chose to go short-term on procurements were significantly affected.

The second issue is related to the divergence between the PPL Corp and the Companies regarding future carbon commitments. The Order acknowledged this difference and KCA's concern about the impact of PPL's net zero commitment on the economics of future generating capacity. While the Companies' suggested that PPL will be changing its commitment to align with the Companies, absent such change future IRP's should reflect their parent's commitment in its analyses, even if only in selected scenarios.

The final comment is related to affordability. According to 807 KAR 5:058, the "administrative regulation prescribes rules for regular reporting and commission review of load forecasts and resource plans of the state's electric utilities to meet future demand with an adequate and reliable supply of electricity **at the lowest possible cost for all customers within their service areas** and satisfy all related state and federal laws and regulations." (emphasis added)

This is repeated twice in Section 8. Resource Assessment and Acquisition Plan which states "(t)he plan shall include the utility's resource assessment and acquisition plan for providing an adequate and reliable supply of electricity to meet forecasted electricity requirements at the lowest possible cost."

Costs have become a more significant factor in IRP's as load growth has resumed. While many utilities are similar to the Companies which focus on choosing the lowest cost plan based upon a present value of revenue requirements (PVRR), jurisdictions are increasingly focused on affordability by customer class. Affordability is not based upon a PVRR comparison rather it is based upon forecast utility rate impacts. The largest reason that the PVRR comparison is inadequate is that it does not include the continued cost to ratepayers of undepreciated investments, if any, after the plants are retired. Some utilities have argued such costs do not need to be included as they are sunk costs, i.e., costs that will be included regardless. For customers, this is not the case as customers are being asked to pay for the "new plants" as well as the undepreciated ones.

In 2022, Indiana established five pillars for consideration in the IRP's under their jurisdiction.[2] The Five Pillars are reliability, resilience, stability, affordability, and environmental sustainability. As a result, the Indiana utilities include rate impacts in their affordability analysis as well as overall costs. To the extent the Commission's report is intended to provide guidance for future IRP, KCA believes such guidance should include an assessment of affordability as well.

KCA appreciates your attention to the foregoing.

Respectfully submitted,

*/s/Matt Malone*

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[2] https://ipbs.org/projects/assets/DRAFT%2021st%20Century%20Task%20Force%20report.pdf

**CERTIFICATE OF SERVICE**

I hereby certify that KCA's August 22, 2025 electronic filing is a true and accurate copy of KCA's pleading and Read 1st Document to be filed in paper medium; that the electronic filing has been transmitted to the Commission on August 22, 2025; that an original and one copy of the filing will not be delivered to the Commission based on pandemic orders; that there are currently no parties excused from participation by electronic service; and that, on August 22, 2025 electronic mail notification of the electronic filing is provided to all parties of record:

*/s/Matt Malone*
ATTORNEY FOR KCA