COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY CORP. FOR APPROVAL OF A SPECIAL CONTRACT WITH ECONOMIC DEVELOPMENT RATES WITH PRATT PAPER (KY), LLC	)))))	CASE NO. 2023-00045

O R D E R

On January 13, 2023, Big Rivers Electric Corporation (BREC) and Kenergy Corp. (Kenergy), (collectively Joint Applicants) filed an application, using the Commission's electronic Tariff Filing System, seeking approval of a special contract with economic development rates with Pratt Paper (KY), LLC (Pratt Paper) pursuant to the Commission's September 24, 1990 Order in Administrative Case No. 327[1] (Administrative Order 327). The Joint Applicants requested an effective date of February 13, 2023. The matter stands submitted to the Commission for a decision based on the evidentiary record.

LEGAL STANDARD

The Commission has exclusive jurisdiction over the regulation of rates and service of utilities in Kentucky.[2] Kentucky law provides that a utility may demand, collect and receive fair, just and reasonable rates[3] and that the service it provides must be adequate,

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[1] Administrative Case No. 327, *An Investigation into the Implementation of Economic Development Rates by Electric and Gas Utilities* (Ky. PSC Sept. 24, 1990).

[2] KRS 278.040(2).

[3] KRS 278.030(1).

efficient and reasonable.[4] KRS 278.190 permits the Commission to investigate any schedule of new rates to determine its reasonableness.

In Administrative Order 327, the Commission found that Economic Development Rates (EDR) would provide important incentives to large commercial and industrial customers to either locate or expand their facilities in Kentucky, bringing jobs and capital investment into the Commonwealth.[5] Administrative Order 327 contains 18 findings that refined the criteria on which the Commission would evaluate an EDR.[6] In Administrative Order 327, the Commission also directed that a jurisdictional utility filing an EDR contract must comply with Findings 3–17.[7] The findings in Administrative Order 327 that are applicable to this proceeding, and therefore comprise the legal standard by which this proposed contract should be evaluated, are summarized as follows:[8]

- Finding 3: EDRs should be implemented by special contract negotiated between the utilities and their large commercial and industrial customers.[9]

- Finding 4: An EDR contract should specify all terms and conditions, including the rate discount and related provisions, jobs and capital investment created, customer-specific fixed costs, minimum bill, estimated load and load factor, and length of contract.[10]

- Finding 5: An EDR contract should only be offered during periods of excess capacity for the utility, and the utility must demonstrate that the EDR

[4] KRS 278.030(2).

[5] Administrative Case No. 327, Order (Ky. PSC Sept. 24, 1990) at 25.

[6] Administrative Case No. 327, Order at 24–28.

[7] Administrative Case No. 327, Order at 28, ordering paragraph 1.

[8] Finding 13 is not relevant to this proceeding because it applies to contracts designed to retain the load of existing customers, not to attract new customers. Findings 15–16 are not relevant to this proceeding because they apply to gas utilities, not electric utilities.

[9] Administrative Case No. 327, Order at 25, finding paragraph 3.

[10] Administrative Case No. 327, Order at 25, finding paragraph 4.

contract will not cause it to fall below a reserve margin essential for system reliability.[11]

- Finding 6: A utility should demonstrate that the EDR exceeds the marginal cost associated with serving the customer.[12]

- Finding 7: A utility should file an annual report with the Commission detailing revenues received and marginal costs from EDRs.[13]

- Finding 8: A utility should demonstrate that nonparticipating ratepayers are not adversely affected by the EDR through a cost-of-service analysis.[14]

- Finding 9: The EDR should include a provision providing for the recovery of EDR customer-specific fixed costs over the life of the contract.[15]

- Finding 10: The major objectives of EDRs are job creation and capital investment. However, specific job creation and capital investment requirements should not be imposed on EDR customers.[16]

- Finding 11: All utilities with active EDR contracts should file an annual report with the Commission providing information shown in Appendix A, which is attached to the Administrative Case 327 Order.[17]

- Finding 12: For new industrial customers, an EDR should apply only to load which exceeds a minimum base level. For existing industrial customers, the EDR should apply only loads which exceed a minimum base load. At the time an EDR contract is filed, a utility should identify and justify the minimum incremental usage level and normalized base load for an existing customer or the minimum usage level required for a new customer.[18]

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[11] Administrative Case No. 327, Order at 25, finding paragraph 5.

[12] Administrative Case No. 327, Order at 26, finding paragraph 6.

[13] Administrative Case No. 327, Order at 26, finding paragraph 7.

[14] Administrative Case No. 327, Order at 26, finding paragraph 8.

[15] Administrative Case No. 327, Order at 26, finding paragraph 9.

[16] Administrative Case No. 327, Order at 26, finding paragraph 10.

[17] Administrative Case No. 327, Order at 26, finding paragraph 11.

[18] Administrative Case No.327, Order at 26–27, finding paragraph 12.

- Finding 14: The term of an EDR contract should be for a period twice the length of the discount period, with the discount period not exceeding five years.[19]

- Finding 17: Comments submitted by the Kentucky Cabinet for Economic Development (Cabinet) or other interested parties pertaining to EDR contracts should be filed with the Commission no more than 20 days following the filing of an EDR contract by a utility.[20]

THE SPECIAL CONTRACT

The initial term of the special contract is 20 years, with a five-year EDR discount period.[21] At the end of the initial term, the term will be automatically extended for successive one-year evergreen renewal terms unless terminated by either party in accordance with the special contract.[22] Pratt Paper has the option to elect to begin receiving the five-year EDR credit at the beginning of any of the first six years of the term. The EDR credit will equal 90 percent of the Demand Charge under BREC's Large Industrial Customer (LIC) rate schedule and apply to Pratt Paper's load, less 1 MW.[23] For every MW-month that Pratt Paper received an EDR credit, it must take a MW-month at the full tariff rate.[24] If the contract expires or is terminated for any reason before Pratt Paper fulfills this obligation, it must refund Kenergy, and Kenergy must refund BREC, the EDR credits Pratt Paper received for any MW-months for which Pratt did not fulfill its full-

[19] Administrative Case No. 327, Order at 27, finding paragraph 14.

[20] Administrative Case No. 327, Order at 28, finding paragraph 17.

[21] Agreement for Electric Service at 11.

[22] Agreement for Electric Service at 11.

[23] Agreement for Electric Service, Exhibit C.

[24] Agreement for Electric Service, Exhibit C.

rate obligation.[25] Pratt Paper will take service from Kenergy under Kenergy's Schedule 34, Large Industrial Customers Served Under Special Contract, and Schedule 35, Large Industrial Customers Served Under Special Contract, while Kenergy will take service from BREC under BREC's LIC tariff. The demand charge for all three tariffs is the same.

The special contract contains a transmission facilities termination charge (termination charge) equal to BREC's actual cost of transmission facilities, which is estimated to be $20.2 million.[26] The amount of the termination charge will be reduced each month. If the agreement is terminated or expires before the termination charge is reduced to $0, Pratt Paper will be required to pay BREC the remaining amount. Pratt Paper has provided a surety bond of $20.2 million as credit support for the termination charge.[27] In addition, the special contract requires Pratt Paper to provide BREC a cash deposit or an irrevocable bank standby letter of credit representing two months of estimated billing as security for the payment of its monthly billing obligations for a period of three years.[28]

DISCUSSION AND FINDINGS

Requirements of the Administrative Order 327

In Administrative Order 327, the Commission directed that a jurisdictional utility filing an EDR contract must comply with Findings 3–17.[29] The following paragraphs will

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[25] Agreement for Electric Service, Exhibit C.

[26] Agreement for Electric Service, Exhibit A and Exhibit B.

[27] Agreement for Electric Service at 6–7.

[28] Agreement for Electric Service at 7.

[29] Administrative Case No. 327, Order at 28, ordering paragraph 1.

address the findings of the Administrative Order 327 that are applicable to this proceeding.

Finding 3:

> EDRs should be implemented by special contract negotiated between the utilities and their large commercial and industrial customers.[30]

The Commission finds the proposed special contract complies with Finding 3 of Administrative Order 327. This is because the Joint Applicants submitted the proposed special contract that was negotiated and executed by the Joint Applicants and Pratt Paper.

Finding 4:

> An EDR contract should specify all terms and conditions of service including, but not limited to, the applicable rate discount and other discount provisions, the number of jobs and capital investment to be created as a result of the EDR, customer-specific fixed costs associated with serving the customer, minimum bill, estimated load, estimated load factor, and length of contract.[31]

The Joint Applicants provided the following: (1) the discount is 90 percent of the demand charge under BREC's standard LIC tariff for the eligible kilowatts purchased by Pratt Paper during the applicable incentive periods; (2) Pratt Paper estimates it will have a capital investment of approximately $465 million and that it will employ approximately 321 full-time positions; (3) customer-specific fixed costs of serving Pratt Paper will be approximately $20.2 million, which become a termination charge as provided in the

[30] Administrative Case No. 327 Order at 25, finding paragraph 3.

[31] Administrative Case No. 327 Order at 25, finding paragraph 4.

special contract; (4) Pratt Paper's minimum monthly demand for billing purposes is 60 percent of the maximum contract demand as set forth in the special contract; (5) the estimated load is included in the special contract; (6) the estimated load factor is 90 percent; and (7) the total term of the proposed special contract is 20 years. For the above reasons, the Commission finds that the proposed special contract complies with Administrative Order 327, Finding 4.

Finding 5:

> EDRs should only be offered during periods of excess capacity. Utilities should demonstrate, upon submission of each EDR contract, that the load expected to be served during each year of the contract period will not cause them to fall below a reserve margin that is considered essential for system reliability. Such a reserve margin should be identified and justified with each EDR contract filing.[32]

[redacted]

BREC indicates that the Pratt Paper load accounts for a small percentage of BREC's total load obligation during the [redacted] period. The capacity forecast assumes that MISO [redacted]. Assuming a 2023 effective date, Pratt Paper can choose to start the EDR discounts through 2028, meaning it may not receive a discounted rate in [redacted]. Given the layers of uncertainty and [redacted], the Commission finds that the proposed special contract substantially complies with Administrative Order 327, Finding 5.

Finding 6:

> Upon submission of each EDR contract, a utility should demonstrate that the discounted rate exceeds the marginal

[32] Administrative Case No. 327, Order at 25, finding paragraph 5.

> cost associated with serving the customer. Marginal cost includes both the marginal cost of capacity as well as the marginal cost of energy. In order to demonstrate marginal cost recovery, a utility should submit, with each EDR contract, a current marginal cost-of-service study. A current study is one conducted no more than one year prior to the date of the contract.[33]

The Commission finds that the proposed special contract complies with Administrative Order 327, Finding 6. BREC estimates that the net present value of member benefits related to this special contract is [redacted], through 2032 or the first half of the contract. The analysis assumed that the EDR discounts would occur in 2025–2029. BREC included the Member Rate Stability Mechanism (MRSM) credit in the net margin analysis, even though the special contract specifies that the MRSM is inapplicable to the load served under the EDR, therefore, actual member benefits are likely higher. Additionally BREC included lost revenue for sales to MISO in the analysis, so the benefits are the marginal revenues expected through the special contract.

<u>Finding 7</u>:

> Utilities with active EDRs should file an annual report with the Commission detailing revenues received from individual EDR customers and the marginal costs associated with serving those individual customers.[34]

BREC stated that it would commit to filing an annual report with the Commission detailing revenues received from Pratt Paper and any other individual EDR customers and the marginal costs associated with service to those individual customers as required. The Commission finds that the Joint Applicants should file an annual report with the

[33] Administrative Case No. 327, Order at 26, finding paragraph 6.

[34] Administrative Case No. 327, Order at 26, finding paragraph 7.

Commission detailing the revenues received from Pratt Paper and the marginal costs associated with serving Pratt Paper.

Finding 8:

> During rate proceedings, utilities with active EDR contracts should demonstrate through detailed cost-of-service analysis that nonparticipating ratepayers are not adversely affected by these EDR customers.[35]

BREC stated that it would commit to demonstrating, through detailed cost of service analysis, that non-participating ratepayers are not adversely affected by EDR customers.[36] The Commission finds that, in all rate proceedings occurring during the term of the special contract, the Joint Applicants should provide a detailed cost of service analysis demonstrating that non-EDR rate payers are not adversely affected by the proposed special contract.

Finding 9:

> All EDR contracts should include a provision providing for the recovery of EDR customer-specific fixed costs over the life of the contract.[37]

The Commission finds that the proposed special contract complies with Administrative Order 327, Finding 9. This is because the special contract contains a termination charge that assures the recovery of EDR customer-specific fixed costs over the life of the special contract. The special contract contains both a Transmission Facilities Termination Charge as well as an EDR Termination Charge.[38]

[35] Administrative Case No. 327, Order at 26, finding paragraph 8.

[36] Direct Testimony of Ronald R. Repsher (Repsher Testimony) at 11, lines 6–14.

[37] Administrative Case No. 327, Order at 26, finding paragraph 9.

[38] Agreement for Electrical Service at 6–7.

Finding 10:

> The major objectives of EDRs are job creation and capital investment. However, specific job creation and capital investment requirements should not be imposed on EDR customers.[39]

The Commission finds that the proposed special contract complies with Administrative Order 327, Finding 10 because the Joint Applicants stated that they did not establish minimum requirements for new jobs and capital investment in order for Pratt Paper to be eligible for the EDR.[40] BREC stated that Pratt Paper represented that its facility would employ approximately 321 full-time positions.[41]

Finding 11:

> All utilities with active EDR contract should file an annual report to the Commission providing the information as shown in Appendix A, which is attached hereto and incorporated herein.[42]

The Commission finds that the proposed special contract complies with Administrative Order 327, Finding 11. This is because BREC stated that it would commit to filing an annual report with the Commission providing the information shown in Appendix A of Administrative Order 327.[43] The annual report format is attached as Appendix A to this Order.

Finding 12:

> For new industrial customers, an EDR should apply only to load which exceeds a minimum base level. For existing industrial customers, an EDR shall apply only to new load

[39] Administrative Case No. 327 Order at 26, finding paragraph 10.

[40] Repsher Testimony at 12, lines 1–4.

[41] Repsher Testimony at 7, lines 14–18.

[42] Administrative Case No. 327, Order at 26, finding paragraph 11.

[43] Repsher Testimony at 12, lines 5–10.

> which exceeds an incremental usage level above a normalized base load. At the time an EDR contract is filed, a utility should identify and justify the minimum incremental usage level and normalized base load required for an existing customer or the minimum usage required for a new customer.[44]

The Commission finds that the proposed special contract complies with Administrative Order 327, Finding 12. The special contract provides that Pratt Paper will receive an EDR credit on its load less 1 MW equal to 90 percent of the Demand Charge under BREC's LIC tariff.

Finding 14:

> The term of an EDR contract should be for a period twice the length of the discount period, with the discount period not exceeding five years. During the second half of an EDR contract the rates charges to the customer should be identical to those contained in a standard rate schedule that is applicable to the customer's rate class and usage characteristics.[45]

The Commission finds that the proposed special contract complies with Administrative Order 327, Finding 14. This is because, pursuant to the special contract, the discount period is for five years, and the total term is twenty years. In addition, the special contract requires Pratt Paper to pay full tariff rates on a number of MW-months that is equal to or greater than the number of MW-months on which Pratt Paper received the EDR discount.

Finding 17:

> Comments submitted by the Cabinet or other interested parties pertaining to EDR contracts should be filed with the

[44] Administrative Case No. 327, Order at 26–27, finding paragraph 12.

[45] Administrative Case No. 327, Order at 27, finding paragraph 14.

Commission no more than 20 days following the filing of an EDR contract by a utility.[46]

The Cabinet for Economic Development provided publicly available information regarding the incentives Pratt Paper will receive. The letter is included as Appendix B to this Order.

The Commission urges the Joint Applicants to ensure they maintain appropriate security in the event Pratt Paper's demand increases in excess of what the security is expected to cover. Reviewing the amount of security periodically will protect the Joint Applicants, if Pratt Paper were to go out of business.

The Commission finds that the terms of the special contract should be approved for the reasons below. The terms of the special contract substantially comply with the requirements set forth in Administrative Order 327. BREC's analysis of customer benefits, while conservative, shows a significant net present value to other customers. Assuming the Joint Applicants maintain the security, and with the protections in place such as the termination charge and repayment of demand discounts if the contract is terminated early, the special contract is in the public interest and will result in fair, just and reasonable rates.

IT IS THEREFORE ORDERED that:

1. The special contract between the Joint Applicants and Pratt Paper is approved effective February 13, 2023.

2. By March 31 of each year, the Joint Applicants shall file an annual report with the Commission detailing, for the prior calendar year, revenues received from Pratt

[46] Administrative Case No. 327, Order at 28, finding paragraph 17.

Paper and the marginal costs associated with serving Pratt Paper throughout the term of the special contract.

3. During any rate proceedings filed by the Joint Applicants subsequent to the effective date of the special contract with Pratt Paper, and during a period when the Joint Applicants still have an active EDR contract, the Joint Applicants shall demonstrate, through detailed cost-of-service analysis, that its non-EDR ratepayers are not adversely affected by the EDR to Pratt Paper and any other EDR customers that may be on the Joint Applicants' systems at that time.

4. The Joint Applicants shall file by March 31 of each year a report with the Commission providing, for the prior calendar year, the information requested in Appendix A to this Order.

5. Any documents filed pursuant to ordering paragraphs 2 and 4 of this Order shall reference the number of this case and shall be retained in the post-case correspondence file for this proceeding.

6. The Executive Director is designated authority to grant a reasonable extension of time for the filing of any documents required by this Order upon the Joint Applicants' showing of good cause for such extension.

7. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ENTERED

FEB 10 2023

rcs

KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00045 DATED FEB 10 2023

ECONOMIC DEVELOPMENT RATE CONTRACT REPORT

UTILITY:________________________________ YEAR:___________

	Current Reporting Period		Cumulative	
1) Number of EDR Contracts -				
Total:				
Existing Customers:				
New Customers:				
2) Number of Jobs Created -				
Total:				
Existing Customers:				
New Customers:				
3) Amount of Capital Investment -				
Total:				
Existing Customers:				
New Customers:				
4) Consumption -				
(A) DEMAND				
Total:		kW		kW
Existing Customers:		kW		kW
New Customers:		kW		kW
(B) ENERGY/CONSUMPTION				
Total:		kWh		kWh
Existing Customers:		kWh		kWh
New Customers:		kWh		kWh

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00045 DATED FEB 10 2023

SIX PAGES TO FOLLOW

CABINET FOR ECONOMIC DEVELOPMENT

Andy Beshear
Governor

Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601

Jeff Noel
Secretary

January 27, 2023

Public Service Commission
Post Office Box 615
Frankfort, Kentucky 40602
VIA E-MAIL PSCED@KY.GOV

RE: *In the Matter of Joint Special Contract Filing of Big Rivers Electric Corporation and Kenergy Corp.*
Tariff Filing System No. 2023-00016

To Whom It May Concern:

Following receipt of notice of the filing by the Big Rivers Electric Corporation and Kenergy Corp. of electric service agreements with the Public Service Commission (the "PSC") referenced above, which among other things, includes an economic development rate for the electric load of Pratt Paper (KY), LLC (formerly known as Pratt Paper (3.0), LLC) (the "Company"), the Cabinet for Economic Development (the "Cabinet") hereby provides ***for informational purposes only*** the following publicly available information regarding the Cabinet's incentives provided to the Company as of the date hereof.

On July 29, 2021, the Kentucky Economic Development Finance Authority ("KEDFA") granted preliminary approval for Kentucky Business Investment and final approval for Kentucky Enterprise Initiative Act incentives in relation to the Company's construction and operation of a new paper mill in Henderson, Kentucky. On January 27, 2022, KEDFA approved a reduction in the state ad valorem tax rate associated with Local Industrial Revenue Bonds issued on behalf of the project. Publicly available board materials for each of these approvals detailing the Cabinet's understanding of the project, performance requirements, and approved incentives are enclosed for your reference.

Nothing contained herein shall be construed as an intervention in this case by the Cabinet. Furthermore, the Cabinet does not make any representations regarding the contents, completeness, or propriety of the filing. In no event shall this informational letter be construed as an endorsement of the proposed electric service agreements or be construed as limiting the PSC's ability to pursue any additional due diligence or investigations related to this filing as it may deem necessary in its sole and absolute discretion.

Sincerely,

Jeff Noel, Secretary
Cabinet for Economic Development

Enclosures
CC: J.E.B. Pinney
Katie Smith

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

KBI REPORT - PRELIMINARY APPROVAL

Date:	July 29, 2021		
Approved Company:	Pratt Paper (3.0), LLC		
Approved Affiliate(s):	Pratt (1.0 Corrugating), LLC		
City:	Henderson	**County:**	Henderson
Activity:	Manufacturing	**Prelim Resolution #:**	KBI-I-21-23538
Bus. Dev. Contact:	B. Cox	**DFS Staff:**	D. Phillips

Project Description: Pratt Paper (3.0), LLC is a newly formed entity of Pratt Industries, Inc. and is a producer of 100% recycled paper and corrugated packaging. The phase one of the proposed project would consist of a new paper mill operation to manufacture recycled paper from 100% post-consumer fiber. Phase two of the project will consist of a new corrugated operation to produce corrugated sheets and boxes, composed of 100% recycled materials.

Facility Details: Locating in a new facility

Anticipated Project Investment - Owned	**Eligible Costs**	**Total Investment**
Land	$0	$0
Building/Improvements	$100,000,000	$100,000,000
Equipment	$299,800,000	$299,800,000
Other Start-up Costs	$200,000	$200,000
TOTAL	**$400,000,000**	**$400,000,000**

NEGOTIATED TARGETS AND INCENTIVE AMOUNTS:

Year	Job Target	Average Hourly Wage Target (Including Employee Benefits)	Annual Approved Cost Limitation
As of Activation Date	321	$39.00	
1	321	$39.00	$933,333
2	321	$39.00	$933,333
3	321	$39.00	$933,333
4	321	$39.00	$933,333
5	321	$39.00	$933,333
6	321	$39.00	$933,333
7	321	$39.00	$933,333
8	321	$39.00	$933,333
9	321	$39.00	$933,333
10	321	$39.00	$933,333
11	321	$39.00	$933,333
12	321	$39.00	$933,333
13	321	$39.00	$933,333
14	321	$39.00	$933,333
15	321	$39.00	$933,338

TOTAL NEGOTIATED TAX INCENTIVE AMOUNT: **$14,000,000**

Incentive Type:
Enhanced

Statutory Minimum Wage Requirements:
Base hourly wage: $9.06
Total hourly compensation: $10.42

Ownership (20% or more):
Pratt Industries, Inc. - Conyers, GA

Active State Participation at the project site: None

Requested Wage Assessment / Local Participation:
State: 5.0%

Unemployment Rate:
County: 3.8%
Kentucky: 3.9%

Existing Presence in Kentucky: None

Special Conditions:
Only investment costs incurred by the approved company will be considered towards calculating eligible costs. Only the approved company may participate in the corporate income tax credit incentive (no affiliate is eligible). The jobs creation/maintenance and wage requirements will be satisfied collectively by the approved company and the affiliate(s) recognized above.

KRS 154.32-020 states the following: For any economic development project with an eligible investment of more than $200 million, the authority may authorize approval to the economic development project based upon terms and incentives applicable to economic development projects locating in an enhanced incentive county. The project will be required to incur eligible costs of at least $200 million prior to receiving final approval.

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY
KEIA REPORT

Date:	July 29, 2021		
Approved Company:	Pratt Paper (3.0), LLC		
City:	Henderson	**County:**	Henderson
Activity:	Manufacturing	**Resolution #:**	KEIA-22-23539
Bus. Dev. Contact:	B. Cox	**DFS Staff:**	D. Phillips

Project Description: Pratt Paper (3.0), LLC is a newly formed entity of Pratt Industries, Inc. and is a producer of 100% recycled paper and corrugated packaging. The phase one of the proposed project would consist of a new paper mill operation to manufacture recycled paper from 100% post-consumer fiber. Phase two of the project will consist of a new corrugated operation to produce corrugated sheets and boxes, composed of 100% recycled materials.

Facility Details: Locating in a new facility

Anticipated Project Investment	**Eligible Costs**	**Total Investment**
Land	$0	$0
Building Construction	$60,000,000	$100,000,000
Electronic Processing Equipment	$0	$0
Research & Development Equipment	$0	$0
Flight Simulation Equipment	$0	$0
Other Equipment	$0	$299,800,000
Other Start-up Costs	$0	$200,000
TOTAL	**$60,000,000**	**$400,000,000**

Existing Presence in Kentucky: None

Approved Recovery Amount:

Construction Materials and Building Fixtures: $3,500,000

TOTAL NEGOTIATED TAX INCENTIVE AMOUNT: **$3,500,000**

See KBI file (KBI-I-21-23538) for Ownership, Other State Participation and Unemployment Rate.

TAX-EXEMPT GOVERNMENTAL UNIT/STATUTORY AUTHORITY ISSUANCE OF INDUSTRIAL REVENUE BONDS (IRB)

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY REQUEST FOR REDUCTION IN STATE AD VALOREM TAX RATE

Date:	January 27, 2022		
Issuer:	City of Henderson		
Company:	Pratt Paper (KY), LLC		
City:	Henderson	**County:**	Henderson
Project Type:	New	**Resolution #:**	LIRB-2022-01
Bus. Dev. Contact:	B. Cox	**DFS Staff:**	D. Phillips

Project Description: Pratt Paper (KY), LLC, is the 6th US paper mill to be built by Pratt Industries, Inc. Pratt is the 5th largest corrugated packaging company in the USA and the world's largest, privately-held 100% recycled paper and packaging company. The project will be developed in two phases: Phase one will consist of a new paper mill operation to manufacture recycled paper from 100% post-consumer fiber. Phase two will consist of a new corrugated operation to produce corrugated sheets and boxes, composed of 100% recycled materials.

Proposed Issuance Date	Principal amount of IRB authorization	Term of Bond (years)
March 1, 2022	up to $400,000,000	30

New, Full-time Jobs to be Created	Average Annual Salary
321	$62,317

Anticipated Financed Project Costs

Land	$0
Building/Improvements	$100,000,000
Equipment	$299,800,000
Infrastructure	$200,000
TOTAL	**$400,000,000**

Active State Participation at the Project Site:

Date	Program	Status	Amount
Jul 29, 2021	KBI	Approve-Prelim	$14,000,000
Jul 29, 2021	KEIA	Approve-Final	$3,500,000

Unemployment Rate:

County: 2.7% Kentucky: 3.7%

Projected New Net Tax Revenues to be Received Over the Term of the IRB

Excluding other state tax credits and incentives approved for the project, if fully utilized by the company. These projections are provided by the company and are not verified by the Cabinet.

State Tax Revenues	$17,182,945
Local Tax Revenue	$25,435,695
TOTAL	**$42,618,640**

Requested % Reduction in the Ad Valorem Tax		**Projected Tax Savings over Bond Term**
State:	100%	$8,047,420
Local:	100%	$24,368,450

Payments will be made by the Company in lieu of taxes to the following:

School District - Henderson County Schools

Recommendation:

Staff recommends approval of the requested percentage reduction in the state ad valorem tax rate on the industrial building and equipment proposed to be financed through the issuance of the industrial revenue bonds.

Note that the KEDFA board is not making any type of determination as to the legality of the bonds to be issued by the above-referenced issuer, but is only approving the reduction on the ad valorem tax rate as provided by KRS 103.200 and KRS 132.020.

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