

1 career in environmental consulting, then moved to industry as a safety and environmental
2 manager. Eventually I transitioned into operations, and then plant management.

3
4 **Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

5 **A.** I am appearing on behalf of Carbide Industries LLC (“Carbide”) a producer of calcium carbide
6 located in Louisville Kentucky. Carbide employs over 160 people at its Louisville facility.
7 Carbide is a member of Kentucky Industrial Utilities Customers, Inc. (“KIUC”) and is served
8 under Louisville Gas & Electric’s Curtailable Service Rider

9
10 **Q. CAN YOU DESCRIBE THE ACCIDENT AT CARBIDE’S FACILITY THAT**
11 **DESTROYED CARBIDES ELECTRIC ARC FURNACE?**

12 **A.** On March 21, 2011 Carbide experienced a large explosion and fire that caused the deaths of 2
13 long-term employees and destroyed our only submerged electric arc furnace and associated
14 building and equipment. The damage was so severe that it was not immediately clear whether
15 the company would rebuild.

16
17 **Q. CAN YOU DESCRIBE THE ISSUES THAT CARBIDE FACED IN DETERMINING IF**
18 **IT WAS FEASIBLE TO REBUILD FOLLOWING THE ACCIDENT?**

19 It was immediately clear was that if we were to rebuild we needed a customer base, and the only
20 way to secure that was to continue to provide affordable calcium carbide, our main product, to
21 our customers. We immediately rationed the inventory of carbide that we had on hand, and

1 placed orders from foreign suppliers. Up until this time foreign calcium carbide shipments were
2 limited due to the poorer quality and the transportation cost to get it to the United States. We
3 realized that this would open the door to an influx of foreign carbide but it was the only
4 alternative to keep our customers in business.

5 In addition to having a customer base, there were additional issues to address that would
6 influence the decision whether or not to rebuild. These issues included 1) the possibility of
7 economic incentives from the State of Kentucky to save the 160 jobs that Carbide employs in
8 Kentucky, 2) the speed in which necessary permits could be issued to allow rebuild, 3) the time
9 needed to design and rebuild the facility to minimize the excess cost to our customers of
10 imported carbide and 4) how well we could work with LG&E on our tariff in place at the time of
11 the explosion and how a new tariff would affect the power cost should we decide to rebuild.

12 Fortunately for all stakeholders involved (including LG&E) we were able to address all of these
13 issues with positive outcomes and the decision to invest/borrow toward rebuild was made. All of
14 the issues were of great importance to us, and any individual issue that could not be resolved
15 could have led to a different decision.

16
17 **Q. HOW DID LG&E RESPOND TO CARBIDE'S CONCERNS DURING THE PERIOD OF**
18 **TIME AFTER THE ACCIDENT WHEN CARBIDE WORKED TO REBUILD THE ARC**
19 **FURNACE?**

20 **A.** LG&E's cooperation was instrumental. We were able to work with LG&E on the tariff in place
21 at the time of the explosion, and to come up with the most cost effective tariff upon restart of our
22 operation. We moved from an Industrial Time of Day with a Curtailable Rider tariff to a Retail

1 Transmission contract, with a Curtailable Rider. The Curtailable Rider on both the old and new
2 contracts listed the credit at \$5.40 per kW of Curtailable Billing Demand for the Transmission
3 Voltage Service. The new contract does not provide a savings over the previous one, per se, but
4 it allows us the flexibility to operate the furnace by load shifting, which may provide
5 opportunities for additional savings.

6
7 **Q. HOW WOULD LG&E'S PROPOSAL TO DECREASE THE CURTAILABLE CREDIT**
8 **BY HALF AND ALLOW THE UTILITY TO INTERRUPT CARBIDE FOR UP TO 100**
9 **HOURS FOR NON-EMERGENCY EVENTS WITH NO BUY-THROUGH OPTION**
10 **IMPACT CARBIDE?**

11 A. While LG&E has been very fair and cooperative with Carbide and the company views LG&E as
12 partners as electricity is a key raw material to Carbide, the proposed rate increases and changes
13 to the Curtailable Rider will be very negative to our business and our customers. The change to
14 the Curtailable Rider alone will cost Carbide in excess of \$1,000,000 annually. Carbide
15 understands that LG&E's rates can be changed by the Commission as the result of a rate case
16 proceeding, but we did not anticipate that LG&E would propose to cut the Curtailable Credit in
17 half only about 2 years after agreeing to a \$5.40/kW credit in the last rate. Had this change been
18 in place at the time of the explosion it may have negatively affected the decision whether to
19 rebuild.

20 In order to absorb the cost of the increase, Carbide will have to make adjustments to the selling
21 price that our customers pay. They were paying higher costs for the imported carbide, but once
22 Carbide Industries began producing product again, those prices dropped to levels closer to where
23 they were prior to the explosion.

1 Carbide Industries LLC is the largest producer of calcium carbide in North America. There are
2 only 2 other producers in North America and their capacity is very limited. With a limited
3 supply of calcium carbide, raising the price again to a higher level presents a significant risk of
4 losing the market to imports. We simply cannot afford higher priced electricity as we will be
5 unable to pass those costs on to the end user.

6 Calcium carbide is a very strategic product for the US steel industry as well as the cutting and
7 welding industry. It is a critical product, but higher prices open the door for an increased amount
8 of imported carbide, jeopardizing calcium carbide in North America, and over 160 people
9 employed by Carbide Industries in Kentucky, and countless ancillary jobs that Carbide Industries
10 LLC supports.

11

12 **Q. DOES THAT CONCLUDE YOUR TESTIMONY.**

13 **A. YES.**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

Application Of Louisville Gas And Electric Company For :
An Adjustment Of Its Electric And Gas Rates, A : Case No. 2012-00222
Certificate Of Public Convenience And Necessity, :
Approval Of Ownership Of Gas Service Lines And Risers, :
And A Gas Line Surcharge :

AFFIDAVIT OF JOHN GANT

STATE OF KENTUCKY)
) SS
COUNTY OF Jefferson)

John Gant, being first duly sworn deposes and states that:

1. He is General Manager for Carbide Industries LLC;
2. He is the witness who sponsors the accompanying testimony entitled "Direct Testimony of John Gant on behalf of Kentucky Industrial Utility Customers and Carbide Industries LLC";
3. Said testimony was prepared by him and under his direction and supervision;
4. If inquiries were made as to the facts in said testimony he would respond as therein set forth; and
5. The aforesaid testimony is true and correct to the best of his knowledge, information and belief.



John Gant

Subscribed and sworn to or affirmed before me this 1st day of October, 2012, by John Gant.



Notary Public

Commission Expires 6/7/14