

**RESPONSES OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
Case Nos. 2020-00349 and 2020-00350**

**WITNESS / RESPONDENT RESPONSIBLE:
HEATH A. LOVELL**

QUESTION No. 1

Refer to Refer to the Direct Testimony of Heath A. Lovell, page 3, which states that River View Coal, LLC takes service pursuant to Kentucky Utilities Company's (KU) RTS rate schedule and page 8, which states that the Coal Mine Economic Development Rate could make expansion of mining activities more economic and competitive. Also refer to Tab 4 of the Application, P.S.C. No. 20, Original Sheet No. 71, and P.S.C. No. 20, Original Sheet No. 71.1, Economic Development Rider. As KU's Economic Development Rider is available to RTS customers and to existing customers contracting for a minimum monthly billing load of 1,000 kVA above their Existing Base Load, and at least a 50 percent load factor, explain why coal mining customers would not be able to take advantage of that Rider.

RESPONSE:

KU's current Economic Development Rider ("EDR") establishes eligibility by approval through certain state-sponsored incentive programs, such as the Kentucky Cabinet for Economic Development's Kentucky Business Investment Program, the Kentucky Industrial Revitalization Act, the Kentucky Jobs Retention Act, or a comparable program. Only the Kentucky Industrial Revitalization Act ("KIRA") even tangentially connects to the nature of River View's operations, and River View believes that KIRA does not apply to its operations as River View has no current plans to expand or rehabilitate its physical facility.

Through the development of a Coal Mine Economic Development Rate, River View can improve the economics of running its business by flexibly adding mining activity based upon customer needs and within its existing facilities. Put simply, the currently available EDR has a blind spot for operations like River View which has the potential for additional capacity within its existing physical plant but requires the benefit of the Coal Mine Economic Development rate to realize that potential.

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QUESTION No. 2

Provide the average monthly usage and the corresponding bill for River View Coal, LLC at the current and proposed rates.

RESPONSE:

KIUC has not proposed a specific rate discount for the Coal Mine Economic Development Rate. As described in Mr. Baron's Direct Testimony (p. 47), the proposed economic development rate would be in the form of a \$/kWh credit applied to a mine's incremental kWh usage above a baseline. The amount of the credit would be negotiated between the customer and the utility and subject to Commission approval.

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QUESTION No. 3

Regarding the proposed Coal Mine Economic Development Rate, explain whether Mr. Lovell believes coal production is more of a result of the market forces of supply and demand or energy costs.

RESPONSE:

Total demand for Illinois Basin (Kentucky, Indiana and Illinois) coal is a result of the supply and demand within the Illinois Basin coal market. However, whether Kentucky producers get a larger share of the demand compared to producers in other states is a result of lower costs, of which energy costs are a significant factor.

As explained in Mr. Lovell's Direct Testimony, the Coal Economic Development Rate helps to address some of the disparity between out-of-state coal producers with geology that may be more favorable and/or who are not subject to Kentucky's coal severance tax, and Kentucky's coal producers who face this additional cost, in addition to proposed increased energy costs. By minimizing this disparity, low-cost coal producers in Kentucky such as River View can minimize the impact on their production – benefitting River View (through maintained or increased production), KU (through increased energy usage), and Kentucky ratepayers and taxpayers taken as a whole (through economic development and preservation of lower cost energy).

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QUESTION No. 4

Explain whether the proposed Coal Mine Economic Development Rate will cause inter-class subsidies.

RESPONSE:

The Coal Mine Economic Development Rate will not cause inter-class subsidies. The proposed Rate is designed as a discount above a baseline and would not provide a discount on sales below the baseline. The expansion of coal mining production that the Rate seeks to incentivize may increase the energy load at River View and provide more dollars toward the recovery of KU's fixed costs.

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QUESTION No. 5

Explain whether the proposed Coal Mine Economic Development Rate will cause intra-class subsidies.

RESPONSE:

The Coal Mine Economic Development Rate will not cause intra-class subsidies. The proposed Rate is designed as a discount above a baseline and would not provide a discount on sales below the baseline. The expansion of coal mining production that the Rate seeks to incentivize may increase the energy load at River View and provide more dollars toward the recovery of KU's fixed costs.

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QUESTION No. 6

Provide a chart listing the rates of River View Coal, LLC's competitors in Kentucky and the surrounding states.

RESPONSE:

KIUC and River View are not directly privy to the most recent rates for other coal mining operations in Kentucky or surrounding states. However, for point of reference as of February 2021, the per kilowatt hour rates of River View and two other independent operating subsidiaries of Alliance Coal, LLC in the Illinois Basin are provided:

River View Coal, LLC: (KY)	\$0.06466 per kilowatt hour
Hamilton County Coal, LLC: (IL)	\$0.06277 per kilowatt hour
Gibson County Coal, LLC: (IN)	\$0.08546 per kilowatt hour.

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

<p>IN THE MATTER OF:</p> <p>ELECTRONIC APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES, A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO DEPLOY ADVANCED METERING INFRASTRUCTURE, APPROVAL OF CERTAIN REGULATORY AND ACCOUNTING TREATMENTS, AND ESTABLISHMENT OF A ONE-YEAR SURCREDIT</p>	<p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p>	<p>CASE NO. 2020-00349</p>
<p>IN THE MATTER OF:</p> <p>ELECTRONIC APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS RATES, A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO DEPLOY ADVANCED METERING INFRASTRUCTURE, APPROVAL OF CERTAIN REGULATORY AND ACCOUNTING TREATMENTS, AND ESTABLISHMENT OF A ONE-YEAR SURCREDIT</p>		<p>CASE NO. 2020-00350</p>

AFFIDAVIT

STATE OF KENTUCKY)
COUNTY OF Fayette)

Heath A. Lovell being duly sworn, deposes and states that the aforesaid responses are true and correct to the best of his knowledge, information and belief.

Heath A. Lovell
Heath A. Lovell

Subscribed and sworn to or affirmed before me this 30th day of March, 2021.

Rebecca L. Valentine
Notary Public

