

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

In the Matter: :
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 THE ELECTRONIC APPLICATION OF EAST KENTUCKY :
 POWER COOPERATIVE, INC. FOR A GENERAL : **Case No. 2021-00103**
 ADJUSTMENT OF RATES APPROVAL OF :
 DEPRECIATION STUDY AMORTIZATION OF CERTAIN :
 REGULATORY ASSETS AND OTHER GENERAL RELIEF :

**DIRECT TESTIMONY
OF
CATHY WADDELL**

**ON BEHALF OF
NUCOR STEEL GALLATIN, LLC**

June 29, 2021

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

3 **A.** My name is Cathy Waddell. I am a Division Controller for Nucor Steel Gallatin, LLC.
4 My current business address is 4831 US Highway 42 W, Ghent, KY 41045.

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6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
7 **BACKGROUND.**

8 **A.** I received a Bachelor of Science degree from Lyon College in Batesville, Arkansas. I have
9 more than twenty years of experience with Nucor and have held various leadership
10 positions throughout my career. Prior to moving to Kentucky, I was the Division
11 Controller for Vulcraft Alabama, a division of Nucor Corporation. I have served in my
12 current role as the Nucor Steel Gallatin, LLC (“Nucor Gallatin”) Division Controller for
13 three years. In that role, I am the senior leader responsible for Finance, Human Resources,
14 Information Technologies, Purchasing, and Warehouse.

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16 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

17 **A.** I am testifying on behalf of Nucor Gallatin, which takes generation and transmission
18 service from East Kentucky Power Cooperative (“EKPC” or “Company”). Nucor Gallatin
19 Steel, formerly known as “Gallatin Steel,” has operated a steel production facility utilizing
20 an electric arc furnace, thin slab caster, and rolling mill in Gallatin County since the mid-
21 1990s.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 **A.** I am testifying as to the history of Nucor Gallatin's electric pricing, its investments in
3 Kentucky, and the potential rate impact to Nucor Gallatin if EKPC's proposals in this case
4 are adopted.

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6 **Q. PLEASE PROVIDE BACKGROUND ON NUCOR'S ELECTRIC PRICING.**

7 **A.** Since the beginning of its Kentucky operations, Gallatin Steel's electric service has been
8 provided by EKPC on both a firm and interruptible basis. Because EKPC initially did not
9 have sufficient capacity to serve Gallatin Steel, the Company purchased the needed
10 additional energy and capacity from Louisville Gas and Electric Company.

11 Electricity pricing was a material factor in the decision to locate Gallatin Steel in
12 Kentucky. Gallatin Steel's original 1994 contract with EKPC states "*Gallatin Steel's*
13 *selection of the location for the aforesaid manufacturing facility, among the alternative*
14 *sites available to it within and without the State of Kentucky, has been based in material*
15 *degree upon economy, predictability and stability in the cost of electric service provided*
16 *for herein.*"

17 Nucor purchased Gallatin Steel in 2014. As with all Nucor investments in the
18 energy-intensive steel business, the cost of electric service was a material factor in that
19 purchase decision. From the beginning, Nucor Gallatin's business relationship with EKPC
20 and Owen Electric Cooperative has been constructive and good. In fact, Nucor Gallatin,
21 EKPC, and Owen hold quarterly meetings to discuss relevant issues. I believe that this
22 practice has been positive for all sides. We view EKPC as not just the utility, but as an
23 important supplier of an essential service.

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Q. HAVE NUCOR GALLATIN'S ELECTRIC RATES CONTRIBUTED TO INVESTMENT IN KENTUCKY?

A. Yes. Since the 2014 purchase of Gallatin Steel, Nucor has made substantial investments in the Gallatin plant, which were aided by an economic development rate with EKPC approved by the Commission. For example, in 2017, Nucor began construction of the first of its kind in North America galvanizing facility that couples a pickle line directly with a galvanizing line. The cost of the galvanizing facility was \$200 million. That facility began commercial operations at the end of 2019. The galvanizing facility qualifies as a 90-minute interruptible load.

~~Additionally, the economic development rate approved by the Commission enabled our current project—~~Nucor Gallatin is currently engaged in a major expansion that will essentially double ~~Nucor Gallatin's plant~~the plant's size. At a cost of approximately \$650 million~~—~~, Nucor Gallatin is adding a single shell electric arc furnace, a twin shell ladle metallurgical facility, a caster, two additional stands in the rolling mill, a baghouse, a pumphouse, and an air separation facility. This plant expansion is expected to go commercial by the end of 2021. The electric arc furnace will be a 10-minute interruptible resource. The balance of the plant (except 15 MW of additional firm demand) will be a 90-minute interruptible resource. The decision to make this sizeable investment at the Gallatin facility rather than at one of our other steel facilities outside of Kentucky was made in part due to an economic development rate with EKPC which was approved by the Commission.

1 Nucor ~~presently considers~~has considered Kentucky to be a good place to invest-
2 and has therefore continued to invest in the state. We are currently building a \$1.7 billion
3 facility outside of Louisville,~~similarly aided by~~ and a \$164 million dollar facility also in
4 Gallatin County. The decision to invest in the \$1.7 billion facility outside of Louisville
5 rather than at one of the other Midwestern states considered for the project was made in
6 part due to the Commission's approval of a long-term competitive electric contract with
7 Big Rivers Electric.

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9 **Q. HOW DO NUCOR GALLATIN'S INVESTMENTS HELP THE KENTUCKY**
10 **ECONOMY?**

11 **A.** The economic development benefits to Kentucky stemming from the original Nucor
12 Gallatin plant, the galvanizing line, and the plant expansion are quantified in the report
13 attached to the Direct Testimony of Nucor witness Kornstein.

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15 **Q. WHAT WOULD BE THE IMPACT TO NUCOR GALLATIN OF THE RATE**
16 **INCREASE PROPOSED BY EKPC IN THIS CASE?**

17 **A.** Despite our constructive relationship with EKPC, Nucor Gallatin was taken by surprise by
18 the magnitude of the rate increase proposed by the Company in this case. Specifically,
19 EKPC is proposing a rate increase to Nucor of 8%, or \$3.38 million. It is my understanding
20 that 8% is the largest increase proposed for any customer in this case and that some
21 customers are proposed to get no increase. Nucor Gallatin was unaware of EKPC's plans
22 to propose such a sizeable increase to its electric costs at the time the decision was made
23 to essentially double our plant size in Kentucky. However, because of that decision, the

1 actual financial impact of EKPC's proposed increase to Nucor Gallatin will also double,
2 totaling approximately \$6.76 million annually. While no specifics are available at this
3 time, such a substantial increase could impact additional investments that Nucor is
4 considering for Gallatin.

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6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 **A.** Yes