

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

**In the Matter of:**

<b>ELECTRONIC TARIFF FILING OF</b>	)	
<b>KENTUCKY UTILITIES COMPANY FOR</b>	)	
<b>APPROVAL OF AN ECONOMIC</b>	)	<b>CASE NO. 2022-00395</b>
<b>DEVELOPMENT RIDER SPECIAL</b>	)	
<b>CONTRACT WITH KRUGER PACKAGING</b>	)	

**RESPONSE OF**  
**KENTUCKY UTILITIES COMPANY**  
**TO**  
**THE COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**  
**DATED DECEMBER 9, 2022**

**FILED: DECEMBER 22, 2022**







**KENTUCKY UTILITIES COMPANY**

**Response to Commission Staff's First Request for Information  
Dated December 9, 2022**

**Case No. 2022-00395**

**Question No. 1**

**Responding Witness: Michael E. Hornung / Stuart A. Wilson**

- Q-1. Refer to the Application, Attachment 4, Marginal Cost of Service Study (Marginal Cost Study), pages 2 and 7. KU's 2021 Integrated Resource Plan (IRP)<sup>1</sup> did not indicate that a natural gas combined cycle (NGCC) combustion turbine would be installed and online in 2028. The 2021 IRP called for simple cycle combustion turbines, not NGCC units. In addition, the analyses explicitly excluded the impact of the anticipated 320 MW load from the Ford battery plant.
- a. Provide an updated integrated resource Base Case demand and supply analysis incorporating the most current load forecast including the Ford battery plant, any cryptocurrency mining, and any other known or anticipated load additions or subtractions; an explanation of what generation technologies are made available to the production cost model; a description of all demand-side management (DSM) current and anticipated programs in its next DSM filing, including demand response programs which are being factored into the analysis to offset load; and a presentation and discussion of the results, including the amounts of excess capacity and reserve margins, as was presented in the 2021 IRP. KU should allow the model to select which generation technology is added or retired (given unit age, cost or environmental constraints), if any, in each year of the 15-year forecast period. The model should be allowed to select the timing of new generation technology additions or retirements in order to implement any overarching corporate carbon emission or other environmental goals. If the Corporate environmental goals necessitate differences in the timing of generation additions or retirements from the initial model results, then a subsequent model run should be conducted with a comparison of the differences in modeling results. The response should also include an explanation of the Company's most current preferred plan.
  - b. There is no certificate of public convenience and necessity proceeding with the attendant rationale and cost support before the Commission for KU to construct an NGCC. Explain the marginal production cost of a NGCC being

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<sup>1</sup> Case No. 2021-00393, Electronic 2021 Joint Integrated Resource Plan of Louisville Gas and Electric Company and Kentucky Utilities Company (filed Oct. 19, 2021).

advanced from 2028 to 2027 and the reasons for moving the hypothetical NGCC unit from 2028 to 2027. If KU relies on the overnight capital construction costs, explain the source of the cost estimates.

A-1. Regarding the premises of this request:

- It is correct that KU and LG&E’s modeling reported in the 2021 IRP assumed that NGCC units would require carbon capture and sequestration (“CCS”), and the model selected simple-cycle combustion turbines (“SCCTs”) rather than NGCC units based on that assumption.<sup>2</sup> But it is also true that when KU and LG&E’s models did not assume NGCC required CCS, the model selected NGCC units rather than SCCTs.<sup>3</sup> That result held even when the model was permitted to select additional coal unit retirements and at carbon prices ranging from \$0 to \$25 per ton.<sup>4</sup> Indeed, KU and LG&E’s model selected NGCC without CCS at carbon prices as high as \$120 per ton, and it selected NGCC, with or without CCS, as a generation technology to deploy at carbon prices as high as \$150 per ton (the price at which the Companies stopped modeling carbon).<sup>5</sup> It was therefore reasonable for The Prime Group to use NGCC to calculate marginal production demand costs.
- The capital cost used in the 2021 IRP for SCCT capacity was \$885/kW.<sup>6</sup> The NGCC capital cost The Prime Group used in the Marginal Cost Study was \$951/kW.<sup>7</sup> Thus, using NGCC as the marginal capacity in the Marginal Cost Study rather than SCCT *increased* the capital cost impact of advancing the marginal unit by one year.
- As KU and LG&E noted in their IRP, it was not possible to include the impact of Ford’s BlueOval SK Battery Park, which was announced on September 27, 2021, after KU and LG&E had completed the load forecast for their 2021 IRP. KU and LG&E did note in the IRP that they did not anticipate that the new

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<sup>2</sup> See, e.g., *Electronic 2021 Joint Integrated Resource Plan of Louisville Gas and Electric Company and Kentucky Utilities Company*, Case No. 2021-00393, IRP Vol. III, 2021 IRP Long-Term Resource Planning Analysis at 24 (Oct. 19, 2021).

<sup>3</sup> Case No. 2021-00393, Companies’ Response to PSC 2-1 (Mar. 25, 2022).

<sup>4</sup> *Id.*

<sup>5</sup> Case No. 2021-00393, Companies’ Response to PSC PHDR 1-1 (Aug. 8, 2022).

<sup>6</sup> Case No. 2021-00393, IRP Vol. III, 2021 IRP Long-Term Resource Planning Analysis at 11 (Oct. 19, 2021).

<sup>7</sup> Marginal Cost Study Attachment B at 2-4. Notably, the source of the NGCC overnight capital cost in the Marginal Cost Study is the 2020 NREL ATB (2028 cost of NGCC shown as \$951/kW). The same ATB provided a 2028 overnight capital cost for SCCT of \$869/kW. Data available at <https://atb-archive.nrel.gov/electricity/2020/files/2020-ATB-Data.xlsx>. The corrected version of the 2022 NREL ATB provides a 2028 NGCC overnight capital cost of \$840/kW and a 2028 SCCT overnight capital cost of \$722/kW. Data available at <https://data.openei.org/files/5716/2022%20v2%20Annual%20Technology%20Baseline%20Workbook%20Corrected%207-21-2022.xlsx>.

load would result in KU and LG&E needing additional generation prior to 2028.<sup>8</sup>

- BlueOval SK Battery Park’s annual peak demand is now estimated to be 254 MW, not 320 MW.
- a. KU cannot perform the requested analysis in the time provided for responding to these requests. KU notes that it and LG&E filed an application for certificates of public convenience and necessity for supply -side resources and approval of a new 2024-2030 DSM-EE Program Plan on December 15 in Case No. 2022-00402. KU believes the analyses supporting that application largely, if not entirely, satisfy this request.

In addition, the capacity expansion plans conducted by an outside consultant, Guidehouse, Inc., as part of KU and LG&E’s most recent RTO membership analysis indicated that adding NGCC capacity in 2028 was optimal in both the standalone and RTO membership scenarios with no carbon pricing.<sup>9</sup> The load forecast Guidehouse used in its analysis included an anticipated Ford BlueOval SK Battery Park peak load of 320 MW. With the more recent reduction in expected load for the battery park (annual peakload of 254 MW), there is strong reason to believe that adding 3.5 MW of Kruger Packaging load would not advance the 2028 capacity need.

In addition, as discussed above, KU and LG&E’s models in the 2021 IRP proceeding added NGCC rather than SCCT capacity when CCS was not a requirement for NGCC (and added NGCC, with and without CCS in varying combinations, at carbon prices ranging from \$0 to \$150 per ton).<sup>10</sup>

The point of these observations is that when NGCC *without* CCS is a resource option, multiple models have selected NGCC as an economically optimal resource to install in 2028. It is therefore entirely reasonable for the Marginal Cost Study to have assumed that the marginal capacity that might be affected by near-term load additions would be NGCC that would otherwise be installed in 2028.

Regarding the effects of DSM-EE programs, assuming increased DSM-EE would tend to *reduce* the marginal cost of adding load, not increase it.

All of these factors suggest that the Marginal Cost Study is conservative, i.e., it likely overstates rather than understates marginal production demand costs

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<sup>8</sup> Case No. 2021-00393, IRP Vol. I at 5-21 fn. 25 (Oct. 19, 2021).

<sup>9</sup> Case No. 2020-00349, LG&E-KU 2022 RTO Membership Analysis at 19-21 and Exhibit 2 at 3-35 – 3-38 (Nov. 14, 2022).

<sup>10</sup> Case No. 2021-00393, Companies’ Response to PSC 2-1 (Mar. 25, 2022); Case No. 2021-00393, Companies’ Response to PSC PHDR 1-1 (Aug. 8, 2022).

for Kruger Packaging. Indeed, it suggests that the appropriate marginal cost for Kruger Packaging is zero.

But even if the marginal cost were somehow understated—even by as much as 100%—the proposed Kruger Packaging EDR contract would still cover all marginal costs of service over the five-year term of the demand discounts.<sup>11</sup>

- b. See the previous parts of this response. The Marginal Cost Study calculates the marginal production cost associated with advancing NGCC installation from 2028 to 2027 as described at pages 6-9 of the Marginal Cost Study, and the calculations are set out in Attachments A and B. The 2020 NREL Annual Technology Baseline is the source of the NGCC overnight capital cost used in the calculations.<sup>12</sup>

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<sup>11</sup> The “Comparison of KU Standard Time-of-Day Secondary Rate with Economic Development Rider to Marginal Cost” document that KU filed with the Kruger Packaging EDR contract, which uses costs from the Marginal Cost Study, indicates Kruger Packaging average monthly revenues of \$85,944.33 per month (including EDR first-year 50% demand discounts) and marginal costs of service of \$73,327.43, of which \$8,120.00 is marginal production demand cost. Doubling that cost results in total marginal costs of service of \$81,447.43, almost \$4,500 less than the average monthly revenue during first year of EDR demand discounts. Subsequent years would provide even lower demand discounts.

<sup>12</sup> The source of the NGCC overnight capital cost in the Marginal Cost Study is the 2020 NREL ATB (2028 cost of NGCC shown as \$951/kW). The same ATB provided a 2028 overnight capital cost for SCCT of \$869/kW. Data available at <https://atb-archive.nrel.gov/electricity/2020/files/2020-ATB-Data.xlsx>. The corrected version of the 2022 NREL ATB provides a 2028 NGCC overnight capital cost of \$840/kW and a 2028 SCCT overnight capital cost of \$722/kW. Data available at <https://data.openei.org/files/5716/2022%20v2%20Annual%20Technology%20Baseline%20Workbook%20Corrected%207-21-2022.xlsx>.



# KENTUCKY UTILITIES COMPANY

## Response to Commission Staff's First Request for Information Dated December 9, 2022

Case No. 2022-00395

### Question No. 2

#### Responding Witness: Michael E. Hornung

- Q-2. Refer to the Application, Attachment 4, Marginal Cost Study, page 3. Explain why the marginal transmission cost should not be evaluated on a system peak basis. Include in the response whether the customer will be interrupted when the system reaches a noncoincident peak demand level or when its specific transmission circuit becomes constrained and, if so, under what circumstances.
- A-2. As shown in Attachment D to the Marginal Cost Study, the Marginal Cost Study *does* calculate marginal transmission cost on a coincident peak (“CP”) basis, which for KU is \$0.02/kW-month of CP demand. It further calculates the average coincidence factor for Time-of-Day and Retail Transmission Service customers (as described in the paragraph cited in the request), which is 61.26% for KU.<sup>13</sup> Thus, the non-coincident peak (“NCP”) marginal transmission cost for NCP demand is 61.26% times \$0.02/kW-month, which rounds to \$0.01/kW-month. For most EDR applicants, KU believes the use of this NCP value is reasonable, and KU is unaware of why the NCP value would be unreasonable to apply to Kruger Packaging, which does not have an unusually high load factor.

Regardless, applying the CP rather than NCP marginal transmission cost has a negligible effect on the marginal cost of service in this case. Applying the CP value for marginal transmission cost (\$0.02 per kW-month) rather than the NCP value (\$0.01 per kW-month) to Kruger Packaging’s projected demand (3,500 kW) would not have a material effect on the analysis: a monthly marginal transmission cost of \$70 rather than \$35.<sup>14</sup>

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<sup>13</sup> Marginal Cost Study Attachment D.

<sup>14</sup> Marginal Cost Study Attachment D and “Comparison of KU Standard Time-of-Day Secondary Rate with Economic Development Rider to Marginal Cost.”

**KENTUCKY UTILITIES COMPANY**

**Response to Commission Staff's First Request for Information**

**Dated December 9, 2022**

**Case No. 2022-00395**

**Question No. 3**

**Responding Witness: Michael E. Hornung / John Bevington**

- Q-3. Refer to the Application, Attachment 4, Marginal Cost Study, pages 3 and 11.
- a. Explain what KU distribution facilities are or were already present at the customer's production site prior to the customer receiving service such that KU expended no effort or incurred no cost in order to provide service to the customer. Include in the response whether the customer is incurring all of the necessary costs for KU to provide service and, if so, provide a detailed explanation of those specific costs.
  - b. On page 11 of the Marginal Cost Study, KU indicates that because of the Line Extension Plan tariff, the need for calculating and including a marginal cost of distribution is moot "because any individual facility addition, and its particular costs, will be considered on an actual-cost and specific-customer basis." The fact that any specific customer actual-costs are incurred with the addition of this particular customer represents an actual incremental distribution cost and should be included in the analysis. Explain and calculate the incremental distribution cost of adding this customer to the system.
- A-3.
- a. Kruger Packaging, after a lengthy and competitive multi-state search, selected the TJ Patterson Industrial Park in Elizabethtown to locate its first U.S. production facility. The TJ Patterson Park is one of the most mature industrial parks in the state and boasts all the necessary infrastructure to serve major manufacturing companies like Flex Films USA, Metalsa, Hendrickson, Eurotrol, UPS Supply Chain Solutions, and more. The Kruger site is located between Flex Films and Hendrickson and is one of the last remaining sites in the park. Thus, Kruger chose to locate where KU already has significant distribution facilities in place.

As is typical to set up any new manufacturing operation, KU installed necessary facilities to serve Kruger after Kruger made its location decision. Specifically, KU installed a 50' pole, a total of about 4,600' of underground primary line, and three transformers (two 2,500 kVA and one 225 kVA) to provide Kruger's distribution level electric service from an existing

distribution line, which is fed by an existing substation located approximately 300 feet west of the Kruger site. These customer-specific facilities had a total cost of \$171,483, of which Kruger contributed \$10,360 (to increase the size of the transformers KU would otherwise have installed), resulting in a net KU investment of \$161,123. This actual amount is less than the \$197,949 estimated in the EDR contract Appendix A. Again, such work is typical for such a customer locating on a site of this type that is already highly developed and served by nearby KU facilities.

- b. See response to a. Excluding customer-specific distribution costs from a marginal cost study supporting an EDR contract is consistent with the Commission's Sept. 24, 1990 Order in Administrative Case No. 327.<sup>15</sup> Also, the "Comparison of KU Standard Time-of-Day Secondary Rate with Economic Development Rider to Marginal Cost" filed with the Kruger Packaging EDR contract shows that the discounted demand charges for Kruger Packaging will exceed the marginal production and transmission demand cost by more than \$23,000 per month in the first year of the contract, which is the most discounted year of the contract, and by more than \$55,000 per month when EDR demand discounts end (i.e., for the sixty months after the discount period ends).<sup>16</sup>

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<sup>15</sup> *Investigation into the Implementation of Economic Development Rates by Electric and Gas Utilities*, Admin. Case No. 327, Order at 8-10 and 26 (Ky. PSC Sept. 24, 1990).

<sup>16</sup> The "Comparison of KU Standard Time-of-Day Secondary Rate with Economic Development Rider to Marginal Cost" is Attachment 5 to KU's EDR contract filing. For the first year of the Kruger Packaging EDR contract, it shows 50% discounted demand charges of \$31,832.50 per month and monthly marginal production and transmission demand costs of \$8,155.00 ( $\$31,832.50 - \$8,155.00 = \$23,677.50$ ). It also shows full demand charges of \$63,655.00 per month ( $\$61,655.00 - \$8,155.00 = \$55,500.00$ ).

**KENTUCKY UTILITIES COMPANY**

**Response to Commission Staff's First Request for Information**  
**Dated December 9, 2022**

**Case No. 2022-00395**

**Question No. 4**

**Responding Witness: Michael E. Hornung**

Q-4. Refer to the Application, Attachment 4, Marginal Cost Study, page 3. In its Order dated November 4, 2021, in Case No. 2020-00349,<sup>17</sup> the Commission set incremental system cost savings associated with net metering. In the instance of this new customer placing additional demands on the electric system, there would be incremental costs incurred. Reconcile the costs derived in the Marginal Cost Study with the incremental cost based rates set in Case No. 2020-00349 and explain why the incremental net metering cost based rates are not applicable for this analysis.

A-4. There are at least two reasons not to use the avoided costs the Commission used to prescribe KU's NMS-2 rates as the marginal costs to serve Kruger Packaging.

First, setting aside KU's other reservations of record about the approach the Commission adopted in Case No. 2020-00349 to set NMS-2 rates, the information used to calculate those rates is now stale. The more current data used in the marginal cost study is more appropriate to use to estimate marginal costs of service today and for the next five years.

Second, using the avoided costs the Commission prescribed in Case No. 2020-00349 produces implausible results. The Commission's September 24, 2021 Order in Case No. 2020-00349 set out the following avoided cost components to arrive at the NMS-2 rate prescribed for KU:<sup>18</sup>

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<sup>17</sup> Case No. 2020-00349, 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 (Ky. PSC Nov. 4, 2021), Appendix.

<sup>18</sup> Case No. 2020-00349, Order at 58 (Ky. PSC Sept. 24, 2021).

<b>KU NMS 2 Export Rate</b>	
Energy*	\$ 0.02526
Ancillary Services	\$ 0.00084
Generation Capacity*	\$ 0.02106
Transmission Capacity	\$ 0.00732
Distribution Capacity	\$ 0.00185
Carbon cost	\$ 0.01338
Environmental Compliance Cost	\$ 0.00397
Jobs Benefit	\$ -
<b>NMS 2 Price for Excess Gen</b>	<b>\$ 0.07366</b>
*With losses	

Applying the full NMS-2 avoided cost rate to Kruger Packaging’s assumed average monthly energy consumption (1,890,700 kWh) results in a monthly marginal cost of service of over \$139,000.<sup>19</sup> As shown in KU’s “Comparison of KU Standard Retail Transmission Service Rate with Economic Development Rider to Marginal Cost” included with KU’s contract filing in this case, the estimated monthly Basic Service Charge, all demand charges, and energy charge for Kruger Packaging at current rates—at 3.5 MW of billing demand for all demand charges and energy charges calculated at a 74% load factor—would be \$117,776.83. That amount is \$20,000 *less* than the marginal cost of service calculated using the NMS-2 rate.

Treating such a result as remotely indicative of the marginal costs to serve Kruger Packaging is implausible, particularly for a customer who would not cause KU to accelerate its capacity expansion plans. Thus, it would be unreasonable to use the NMS-2 rate and its avoided cost components prescribed in Case No. 2020-00349 to calculate the marginal cost to serve Kruger Packaging beginning in 2023.

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<sup>19</sup> 1,890,700 kWh \* \$0.07366/kWh = \$139,268.96. The number of billing units (1,890,700 kWh) is the product of 730 hours/month \* 74% load factor \* 3,500kW demand. See “Comparison of KU Standard Retail Transmission Service Rate with Economic Development Rider to Marginal Cost.”

# KENTUCKY UTILITIES COMPANY

## Response to Commission Staff's First Request for Information Dated December 9, 2022

Case No. 2022-00395

### Question No. 5

#### Responding Witness: Michael E. Hornung

- Q-5. Refer to the Application, Attachment 4, Marginal Cost Study, Figure 1, page 3. From the figure, it appears that as output increases, the marginal cost becomes smaller and smaller. Explain this counter intuitive result both in theory and in KU's actual experience.
- A-5. Figure 1 is purely illustrative, has no effect on the marginal cost analysis, and does not purport to be either a complete marginal cost curve or the marginal cost curve of any particular technology, generating fleet or unit, or anything else.

That notwithstanding, decreasing marginal costs are reasonably common in certain aspects of the utility industry. For example, there are often, though not always, decreasing marginal costs associated with increasing capacity for particular generating technologies. NGCC units, for instance, can have decreasing marginal overnight capital costs as capacity increases.<sup>20</sup> Solar installations also tend to have decreasing marginal overnight capital costs, though there appear to be decreasing economies of scale at certain levels, and beyond certain capacities marginal overnight capital costs, at least in the current economic environment, do appear to rebound.<sup>21</sup> The generally decreasing marginal overnight capital cost of generating capacity observed nationally is consistent with KU's experience.

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<sup>20</sup> See, e.g., U.S. Department of Energy's Energy Information Administration, *Cost and Performance Characteristics of New Generating Technologies, Annual Energy Outlook 2022* at 2 (March 2022) (showing 418 MW NGCC unit with \$1,201/kW overnight capital cost and 1,083 MW NGCC unit with \$1,062/kW overnight capital cost), available at [https://www.eia.gov/outlooks/aeo/assumptions/pdf/table\\_8.2.pdf](https://www.eia.gov/outlooks/aeo/assumptions/pdf/table_8.2.pdf).

<sup>21</sup> See, e.g., U.S. Department of Energy's National Renewable Energy Laboratory, *Summer 2022 Solar Industry Update* at 30 (July 12, 2022) (showing consistently decreasing solar PV capital costs per kW from 2.5 kW through 5 MW), available at <https://www.nrel.gov/docs/fy22osti/83718.pdf>; U.S. Department of Energy's Lawrence Berkeley National Laboratory, *Utility-Scale Solar, 2022 Edition* at 20 (showing decreasing median installed costs in 2021 dollars per W AV for utility-scale solar installations from 5 MW through 100 MW, with a slight rebound for installations in the 100 MW to 300 MW range, though those levels are still below the 20-50 MW range), available at [https://emp.lbl.gov/sites/default/files/utility\\_scale\\_solar\\_2022\\_edition\\_slides.pdf](https://emp.lbl.gov/sites/default/files/utility_scale_solar_2022_edition_slides.pdf).

**KENTUCKY UTILITIES COMPANY**

**Response to Commission Staff's First Request for Information  
Dated December 9, 2022**

**Case No. 2022-00395**

**Question No. 6**

**Responding Witness: Michael E. Hornung**

- Q-6. Refer to Administrative Case No. 327,<sup>22</sup> finding paragraph 12, which states in relevant part, “[f]or new industrial customers, an EDR should apply only to load which exceeds a minimum base level.” Explain whether the proposed contract complies with this requirement. If not, explain why not.
- A-6. The proposed contract complies with the cited requirement as interpreted and applied by the Commission consistently for more than a decade, including on multiple occasions in the last few years.

The applicable minimum load provision of KU’s Economic Development Rider (“EDR Rider”) tariff sheets states:

Economic Development

3. Service under EDR for Economic Development is available to:

- a. new Customers contracting for a minimum monthly billing load of 1,000 kVA, and at least a 50% load factor[.]<sup>23</sup>

In all material respects, the minimum load provision of KU’s EDR Rider has not changed since the Commission first approved it in a proceeding dedicated exclusively to considering KU’s and LG&E’s then-new EDR Riders in Case No. 2011-00103.<sup>24</sup>

In approving KU’s and LGE’s EDR Riders in Case No. 2011-00103, the Commission explicitly noted the minimum load requirement and clearly stated its

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<sup>22</sup> Administrative Case No. 327 (Docket No. 19000327), An Investigation into the Implementation of Economic Development Rates by Electric and Gas Utilities (Ky. PSC Sept. 24, 1990), Order at 26–27, finding paragraph 12.

<sup>23</sup> Kentucky Utilities Company, P.S.C. No. 20, Original Sheet No. 71.

<sup>24</sup> *Application of Louisville Gas and Electric Company and Kentucky Utilities Company to Modify and Rename the Brownfield Development Rider as the Economic Development Rider*, Case No. 2011-00103, Order (Ky. PSC Aug. 11, 2011). In the tariff provisions the Commission approved in that case, the relevant text stated, “Service under EDR for Economic Development is available to: 1) new customers contracting for a minimum annual average of monthly billing load of 1,000 kVA[.]”

view that the EDR Rider's requirements comported with the guidelines the Commission issued in Administrative Case No. 327:

The proposed EDRs make reasonable classifications of the Applicants' rates. Similar to the current BDRs, the proposed EDRs have specific, measurable guidelines which must be met in order to be applied. The new EDR for economic development is available to those customers locating at least 1,000 kW (or kVa) of new load in the Applicants' service territories, provided that any such customer has been qualified by the Commonwealth of Kentucky for benefits under the Kentucky Business Investment Program. Customers who qualify for the EDR are eligible to receive a declining reduction in their demand charge for a period of five years and they must enter into a service agreement which obligates them to continue taking service for five years following the incentive period. ...

...

The Commission further finds that the terms of the Applicants' proposed EDR tariffs are consistent with the guidelines set forth in Administrative Case No. 327 ("Admin. 327").<sup>25</sup>

Notably, the Commission did *not* state or require that EDR demand discounts apply only to load for new customers above a certain minimum or base level of load. For example, the Commission's order did *not* state, "Customers who qualify for the EDR are eligible to receive a declining reduction in their demand charge *applied to new load minus the 1,000 kW new load minimum level* for a period of five years ...." Instead, the Commission approved making EDR Rider demand discounts available to any and all new or additional load of at least 1,000 kW.

The Commission has approved the EDR Rider minimum load provision as part of KU's tariff at least five times since the Commission initially approved it in Case No. 2011-00103, including minor textual changes to that very provision.<sup>26</sup> At no point has the Commission stated or implied that the provision was inconsistent with the guidelines issued in Administrative Case No. 327. Indeed,

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<sup>25</sup> *Id.* at 5-6.

<sup>26</sup> *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*, Case No. 2020-00349, Order (Ky. PSC June 30, 2021); *Electronic Application of Kentucky Utilities Company For an Adjustment of Its Electric Rates*, Case No. 2018-00294, Order (Ky. PSC Apr. 30, 2019); *Application of Kentucky Utilities Company For an Adjustment of Its Electric Rates and For Certificates of Public Convenience and Necessity*, Case No. 2016-00370, Order (Ky. PSC June 22, 2017); *Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, Case No. 2014-00371, Order (Ky. PSC June 30, 2015); *Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, Case No. 2012-00221, Order (Ky. PSC Dec. 20, 2012).



in recent years the Commission has explicitly approved at least two EDR special contracts for other electric utilities with an EDR Rider minimum or base load approach similar to KU's.<sup>27</sup>

KU would further observe that the Commission has accepted two EDR contracts filed by KU in 2022 alone, both of which apply the same minimum load and demand credit approach as KU proposes in the Kruger Packaging EDR contract.<sup>28</sup>

In this case, Kruger Packaging is contracting for 3,500 kVA with a 74% load factor, far exceeding the minimum base level of demand required for Rider EDR. Therefore, the contract complies with the guideline this request cites.

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<sup>27</sup> *Electronic Tariff Filing of East Kentucky Power Cooperative, Inc. for Approval of a Special Contract pursuant to Its Interruptible Service Tariff and Economic Development Rider between It, Jackson Energy Cooperative Corporation, and U Mine, LLC*, Case No. 2022-00355, Order (Ky. PSC Oct. 31, 2022) (approving EDR demand charge credits for new cryptocurrency mine's entire load); *Electronic Application of Kentucky Power Company for Approval of a Contract for Electric Service under Tariff E.D.R.*, Case No. 2018-00378, Order (Ky. PSC July 9, 2019) (approving EDR demand credits to apply to full demand of customer with 3.6 MW load).

<sup>28</sup> The Commission accepted the Central Motor Wheel America special contract and EDR contract effective April 30, 2022. It is available at:  
[https://psc.ky.gov/tariffs/Electric/Kentucky%20Utilities%20Company/Contracts/Current/Central%20Motor%20Wheel%20America/2022-04-30\\_Contract%20for%20Electric%20Service.pdf](https://psc.ky.gov/tariffs/Electric/Kentucky%20Utilities%20Company/Contracts/Current/Central%20Motor%20Wheel%20America/2022-04-30_Contract%20for%20Electric%20Service.pdf).

The Commission accepted the Danimer Scientific KY Inc. special contract and EDR contract for new service effective August 17, 2022. It is available at:  
[https://psc.ky.gov/tariffs/Electric/Kentucky%20Utilities%20Company/Contracts/Current/Danimer%20Scientific%20Inc/2022-08-17\\_Contract%20for%20Electric%20Service%20with%20EDR%20\(new%20service\).pdf](https://psc.ky.gov/tariffs/Electric/Kentucky%20Utilities%20Company/Contracts/Current/Danimer%20Scientific%20Inc/2022-08-17_Contract%20for%20Electric%20Service%20with%20EDR%20(new%20service).pdf).