

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

**In the Matter of:**

<b>APPLICATION OF KENTUCKY UTILITIES</b>	)	
<b>COMPANY FOR APPROVAL OF SPECIAL</b>	)	<b>CASE NO.</b>
<b>CONTRACT BETWEEN KENTUCKY UTILITIES</b>	)	<b>2023-00123</b>
<b>COMPANY AND BLUEOVAL SK, LLC</b>	)	

**APPLICATION**

Kentucky Utilities Company (“KU” or the “Company”), pursuant to KRS 278.160, 807 KAR 5:001, Section 14, and 807 KAR 5:011, Section 13, hereby applies to the Kentucky Public Service Commission (“Commission”) for Approval of a Special Contract between KU and BlueOval SK, LLC (“BlueOval SK”), for provision of electric service to support new electric vehicle battery production facilities at the Glendale Megasite located in Hardin County, Kentucky (“special contract”). In support of its Application, the Company states as follows:

1. Address. KU’s full name and business address is: Kentucky Utilities Company, One Quality Street, Lexington, Kentucky 40507. KU may be reached by electronic mail at the electronic mail addresses of its counsel set forth below.

2. Incorporation. KU was incorporated under the laws of Kentucky on August 17, 1912 and in Virginia on November 26, 1991 (and effective as of December 1, 1991) and is currently in good standing in Kentucky and Virginia.

3. Description of KU. KU is a utility engaged in the electric business. KU generates and purchases electricity, and distributes and sells electricity at retail in five counties in Virginia and in the following counties in Central, Northern, Southeastern, and Western Kentucky:

Adair	Edmonson	Jessamine	Ohio
Anderson	Estill	Knox	Oldham
Ballard	Fayette	Larue	Owen
Barren	Fleming	Laurel	Pendleton
Bath	Franklin	Lee	Pulaski
Bell	Fulton	Lincoln	Robertson
Bourbon	Gallatin	Livingston	Rockcastle
Boyle	Garrard	Lyon	Rowan
Bracken	Grant	Madison	Russell
Bullitt	Grayson	Marion	Scott
Caldwell	Green	Mason	Shelby
Campbell	Hardin	McCracken	Spencer
Carlisle	Harlan	McCreary	Taylor
Carroll	Harrison	McLean	Trimble
Casey	Hart	Mercer	Union
Christian	Henderson	Montgomery	Washington
Clark	Henry	Muhlenberg	Webster
Clay	Hickman	Nelson	Whitley
Crittenden	Hopkins	Nicholas	Woodford
Daviess			

### **THE BLUEOVAL SK BATTERY PARK PROJECT**

4. On September 27, 2021, Governor Andy Beshear announced an economic development project that would be “transformative” for the Commonwealth – the construction of twin electric battery plants by Ford Motor Company and SK Innovation at the Glendale Megasite in Hardin County, Kentucky.<sup>1</sup>

5. BlueOval SK is a joint venture between Ford Motor Company and SK Innovation, a highly diverse South Korean company engaged in alternative energy technology development and other energy related activities. The BlueOval SK Battery Park is expected to produce electric batteries for Ford and Lincoln vehicles manufactured

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<sup>1</sup> <https://www.kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prId=981> (last visited Feb. 23, 2023).

by Ford Motor Company throughout North America and will be capable of producing 86 gigawatt hours of electric battery power annually.<sup>2</sup>

6. The investment being made by Ford, SK Innovation and BlueOval SK at the Glendale Megasite is the largest announced in the history of the Commonwealth, estimated at \$5.8 billion. The battery park project is expected to directly create 5,000 jobs for Kentuckians, plus thousands more jobs created indirectly because of the plant's presence here. As the Governor's Office reported, the project is so significant it "places Kentucky at the forefront of the automotive industry's future."

7. The presence of BlueOval SK at the Glendale Megasite is expected to attract millions more in additional investment by suppliers and other related businesses relocating to the area. Since the BlueOval SK project was announced, billions of dollars in additional investment by companies in the Electric Vehicle ("EV") industry has been publicly announced, with more growth expected in the future.

8. A summary of the impact to date and expected impact of the BlueOval SK investment on this Commonwealth is contained in the Direct Testimony of John Bevington, KU's Director of Business and Economic Development, filed with this Application.

**KU'S EFFORTS TO PROVIDE UTILITY SERVICE TO  
THE BLUEOVAL SK BATTERY PARK PROJECT**

9. When it became clear that Ford and BlueOval SK were considering the Glendale Megasite for this project, KU began taking steps to ensure that the plant's utility requirements could be met on the timeline specified by BlueOval SK.

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<sup>2</sup> [Ford to Lead America's Shift to Electric Vehicles with New Mega Campus in Tennessee and Twin Battery Plants in Kentucky; \\$11.4B Investment to Create 11,000 Jobs and Power New Lineup of Advanced EVs | Ford Media Center, https://media.ford.com/content/fordmedia/fna/us/en/news/2021/09/27/ford-to-lead-americas-shift-to-electric-vehicles.html \(last visited Feb. 24, 2023\).](https://media.ford.com/content/fordmedia/fna/us/en/news/2021/09/27/ford-to-lead-americas-shift-to-electric-vehicles.html)

10. In late 2021, KU, Nolin Rural Electric Cooperative Corporation (“Nolin RECC”) and East Kentucky Power Cooperative, Inc. jointly filed an application with the Commission for approval of a settlement to amend territorial boundary maps and establish KU as the exclusive retail electric supplier to the Glendale Megasite.<sup>3</sup> The settlement and boundary change was approved by Commission Order entered January 27, 2022, with the Order establishing regulatory asset treatment for amounts paid by KU under the settlement.<sup>4</sup>

11. Shortly after that approval, KU constructed a temporary substation on the Glendale Megasite required by BlueOval SK for construction activity and the substation was available for service by the February 1, 2022 timeline requested by BlueOval SK. KU also filed an Application for a Certificate of Public Convenience and Necessity for the Construction of Transmission Facilities in Hardin County, Kentucky, required to serve the future capacity needs in the area of the Glendale Megasite, including the BlueOval SK Battery Park project.<sup>5</sup> Additional transmission facilities required to serve the project include two 345kV transmission lines that rerouted the KU’s Brown North – Hardin County 345kV transmission line into a new 345kV/138kV substation east of Glendale, Kentucky to be called the Glendale South Substation, and two new 138kV lines to serve both the battery park and expected growth in the surrounding area. Both 138 kV lines will

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<sup>3</sup> *In re: Joint Electronic Application of Kentucky Utilities Company, Nolin Rural Electric Cooperative Corporation, and East Kentucky Power Cooperative, Inc. for Approval of an Agreement Modifying Existing Territorial Boundary Quadrant Maps and Establishing the Retail Electric Supplier for Glendale Megasite in Hardin County, Kentucky*, Case No. 2021-00462, Application (Ky. PSC Dec. 17, 2021).

<sup>4</sup> Case No. 2021-00462, Order (Ky. PSC Jan. 27, 2022).

<sup>5</sup> *In the Matter of: Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of Transmission Facilities in Hardin County, Kentucky*, Case No. 2022-00066, Application (Ky. PSC Mar. 31, 2022).

terminate near the planned battery park at a new 138kV/24.7 kV substation to be called the Glendale Industrial Substation.

12. KU also petitioned for and received the Commission's approval to transfer a 345kV/138kV transformer from LG&E to KU in order to serve the Glendale Megasite and meet the service timelines established by Ford and SK Innovation.<sup>6</sup>

13. The CPCN for new transmission facilities was issued by the Commission on July 28, 2022.<sup>7</sup> In the Order, the Commission found that the new transmission facilities were necessary to serve the new load created by the battery park project and the proposal for serving the load was reasonable, not wastefully duplicative, and was supported by substantial evidence.<sup>8</sup> Given that BlueOval SK requested that electric service be in place by the second half of 2023, construction of the permanent transmission facilities is well underway with some lines already completed.

14. The Commission's Order also recognized based on evidence presented by KU at the hearing that KU expected to enter into a special contract with BlueOval SK, noting the unique load characteristics of the battery park facility and that the load was expected to be the largest attributable to any KU customer.<sup>9</sup>

### **THE SPECIAL CONTRACT**

15. Pursuant to 807 KAR 5:011, Section 13, a partially redacted, public version of the executed special contract between KU and BlueOval SK is attached as **Exhibit 1** hereto.<sup>10</sup>

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<sup>6</sup> *Electronic Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Approval of the Transfer of a Spare Transformer*, Case No. 2022-00294, Order (Ky. PSC Oct. 7, 2022).

<sup>7</sup> Case No. 2022-00066, Final Order (Ky. PSC July 28, 2022).

<sup>8</sup> *Id.* at pp. 15-27.

<sup>9</sup> *Id.* at pp. 17-18.

<sup>10</sup> A confidential, unredacted version of the special contract is being submitted to the Commission electronically, and pursuant to KU's Petition for Confidential Protection filed with this Application.

16. The special contract specifies the delivery of 140 MW of firm power by KU to BlueOval SK during the first year of the Contract Term, and 260 MW of firm power during each subsequent year. The maximum contract demand can be changed with the consent of both parties upon one year's notice before the change is effective.

17. The term of the contract will be twenty (20) years from its effective date, which is defined as the first day of the month following the date of approval of the special contract by the Commission or commencement of commercial operations, whichever is later.

18. BlueOval SK expects commercial operations to begin at Plant 1, and therefore the special contract rates to become effective, sometime in the first half of 2025. In the interim period between energizing the Glendale Industrial Substation (fall 2023) and the effective date of the special contract, BlueOval SK will take transmission-level service under a standard Rate RTS contract.

19. The special contract rate structure is set forth in Appendix A to the contract. As provided in Section 9.03 and Appendix A to the special contract, charges billed to BlueOval SK under the special contract will consist of: (1) a basic service charge per day; (2) an energy charge per kWh; (3) a maximum load demand charge per kVA based on peak, intermediate, and base demand periods; (4) adjustments for applicable riders and mechanisms; (5) applicable charges for Excess Facilities; and (6) applicable charges or credits, if any, for future renewable energy.

20. The basic service charge and energy charge in the contract are the same as those contained in Rate RTS and are designed to track with Rate RTS as those rates may be adjusted by future Commission Order. The maximum load demand charges for peak,

intermediate and base periods differ from those contained in Standard Rate Schedule Rate RTS, inasmuch as the load profile of the BlueOval SK Battery Park is significantly different than the rate class, does not match that of any customer taking service under Rate RTS and does not fit within any other tariffed rate.

21. The cost of Excess Facilities will be billed under the existing Rider EF and will be subject to a supplemental contract for Excess Facilities service, which will become effective on or before the date BlueOval SK takes transmission level service through the Glendale Industrial Substation in fall 2023.

22. Michael E. Hornung's testimony contains a more detailed summary of the key terms of the special contract.

23. Stuart A. Wilson's testimony demonstrates that the revenue produced by the negotiated demand rates will cover all marginal costs to serve the demand and will contribute nearly \$100 million to fixed costs over the life of the contract using the most conservative assumptions.

#### **REQUEST FOR APPROVAL OF THE SPECIAL CONTRACT**

24. The special contract is filed for the Commission's approval pursuant to 807 KAR 5:011, Section 13, because it sets forth rates, charges, and conditions of service not contained in KU's filed tariffs.

25. The terms of the special contract are fair, just, and reasonable pursuant to KRS 278.030(1), and will benefit not only its parties but also all KU customers and the Commonwealth as a whole.

26. As Mr. Wilson explains in his direct testimony, the revenue produced by the demand rates included in the special contract will cover all of the variable costs incurred

to serve the BlueOval SK Battery Park, will contribute significantly to fixed costs, and will not adversely impact the rates of other customers. The fixed costs paid by BlueOval SK under the special contract will benefit all KU customers and the Commonwealth as a whole.

27. The special contract does not create unreasonable preferences or advantages prohibited by KRS 278.170(1). The Commission has regularly approved special contracts with large industrial customers at rates different than tariffed rates where significant load will cover all variable costs and contribute to fixed costs, benefitting all customers.<sup>11</sup>

28. Accordingly, KU requests that the special contract be approved as submitted.

### **CONFIDENTIAL PROTECTION**

29. Certain information contained in Exhibit 1 to this Application, specifically the negotiated demand rates, is confidential, proprietary, and commercially sensitive. Pursuant to KRS 278.160(3), this information may be afforded confidential protection if it otherwise meets the requirements of KRS 61.878(1)(c). It does in this instance and accordingly KU is filing a separate Petition for Confidential Protection with this Application. Mr. Hornung's testimony also supports the petition for confidential protection.

### **TESTIMONY AND EXHIBITS**

30. The Direct Testimony of John Bevington, Michael E. Hornung, and Stuart A. Wilson and all exhibits thereto support this Application and are incorporated herein by reference.

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<sup>11</sup> See, e.g., *In the Matter of: Electronic Application of Kentucky Power Company for Approval of a Contract for Electric Service with Air Product and Chemicals, Inc.*, Case No. 2020-00019, Order at 6-7 (Ky. PSC Apr. 23, 2020); *Filing of Special Industrial Contracts by Atmos Energy Corp.*, Case No. 2017-00035, Order at 3-4 (Ky. PSC Apr. 12, 2017).



**WHEREFORE,** Kentucky Utilities Company respectfully requests the Commission to issue an order by no later than December 31, 2023 approving the special contract between KU and BlueOval SK, granting KU's Petition for Confidential Protection, and granting KU any and all other relief to which it may be entitled.

Dated: April 14, 2023

Respectfully submitted,

By: 

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*Counsel for Kentucky Utilities Company*

**CERTIFICATE OF COMPLIANCE**

In accordance with the Commission’s Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on April 14, 2023; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.



*Gerald R. Myers*  
Counsel for Kentucky Utilities Company