COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY CORP. TO REVISE THE LARGE INDUSTRIAL CUSTOMER STANDBY SERVICE TARIFF	**)** **)** **)** **)** **)**	**CASE NO. 2023-00312**

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DIRECT TESTIMONY

OF

STEVE CASSADY

ON BEHALF OF

KIMBERLY-CLARK CORPORATION

December 4, 2023

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DIRECT TESTIMONY OF STEVEN CASSADY
OF KIMBERLY-CLARK CORPORATION

I. INTRODUCTION, QUALIFICATIONS, AND SUMMARY

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is Steven Cassady. My business address is 1400 Holcomb Bridge Road; Roswell, GA 30076.

Q. WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A. I am a Senior Director of Procurement. I am employed by Kimberly-Clark Corporation ("Kimberly-Clark").

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my Bachelor of Science in Industrial Engineering from the University of Illinois at Urbana-Champaign in 1989. I earned a Masters Degree in Industrial Engineering at Purdue in 1996, and then a Masters in Business Administration from Columbia University in 2000. I have worked in various supply chain and procurement roles for several companies, beginning in 1991. These companies include Lucent Technologies for 12 years, Kohler Co. for 12 years, and Archer Daniel Midland Company for two years. I

joined Kimberly-Clark in March 2018 and have served as Senior Director for Procurement since that time.

Q. ON WHOSE BEHALF OF YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Kimberly-Clark.

Q. WHAT ISSUES ARE YOU ADDRESSING IN YOUR TESTIMONY?

A. I am addressing:

- Nature of Owensboro Facility Operations.
- Impact of Energy Costs on the Owensboro Facility.
- Owensboro Facility's Self-Generation.
- Impact of Pilot Tariff on Owensboro Facility's Operating Costs.
- Competitiveness of the Owensboro Facility.
- Implications for Owensboro Facility if Energy Costs are Not Reduced.

Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?

A. Yes. I have attached Exhibits SC-1 and SC-2 and incorporate by reference those exhibits into my testimony.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. The Kimberly-Clark Professional - Owensboro Facility (the "Facility") went from best in class on electrical cost in 2012 and 2013 to worst in class by 2016 due to two significant rate increases totaling $7.54MM over this time period. To remain competitive, it was incumbent upon us to evaluate all alternatives, or otherwise risk a reduction of productive use for the invested capital and employment at this site. In 2018, a separate Kimberly-Clark facility in Fullerton, California was being closed due to its own lack of competitiveness. Associated with this facility was an existing on-site co-generation asset.

Moving the cogeneration unit created an opportunity to extend the useful life of a valuable asset and partially address the relatively high unit cost of electrical purchases at Owensboro. After extensive evaluation in 2020, approval was given to relocate this stranded asset. A total investment of [redacted] was made to uninstall, prepare for reuse, relocate, and then install this asset at Owensboro. The project was completed in June 2021. At that time, Kimberly-Clark also self-certified as a qualified electrical production facility. Kimberly-Clark's experience with on-site co-generation and our standard operating profile (24 hrs/day, 7 days/week, 365 days/year) would continue to provide a very high "load factor" with predictable, scheduled maintenance periods as an electrical consumer from Big Rivers, albeit at roughly 57% of our prior demand. Our economic justification, assuming a reasonable standby tariff, had a capital investment payback [redacted]. However, with the pilot LICSS tariff instituted in 2022 solely against Kimberly-Clark, our investment recovery has been extended [redacted] and the pilot LICSS tariff again significantly increased our blended (total) average actual facility cost for electricity per MWH—up to the highest per unit cost for a tissue facility across all Kimberly-Clark locations in North America. Given the prevailing standby tariff, even after this investment has been fully recovered, the cost for electricity per MWH will remain unsustainably high at the Owensboro Facility.

II. DESCRIPTION OF FACILITY OPERATIONS AND SELF-GENERATED CAPACITY

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AT KIMBERLY-CLARK.

A. I have responsibility for energy procurement and supply management into Kimberly-Clark facilities worldwide. My team of energy procurement specialists and I ensure each facility

has a robust continuity of supply at regionally competitive cost. Equally important to our customers and consumers is our pursuit of sustainable, responsible sources of energy supply such as "green" energy or low/no-carbon fuel types. There are two members of my team that support our North America facilities, including the Owensboro Facility, specifically. We are directly involved in all technical and/or economic evaluations supporting total utility requirements for our manufacturing facilities, including the transfer of the cogeneration asset from Fullerton to Owensboro.

Q. PLEASE DESCRIBE KIMBERLY-CLARK'S OWENSBORO FACILITY.

A. The Owensboro tissue manufacturing facility is located at 601 Innovative Way Owensboro, Kentucky, 42301, and our employees celebrated the facility's 30th Anniversary last year. We manufacture commercial grade facial tissue, bath tissue, and paper hand towels under Kimberly-Clark Professional's Kleenex® and Scott® brands. Our facility produces approximately [redacted] per year and is the largest of Kimberly-Clark Professional's manufacturing facilities in the United States.

Q. HOW MANY PEOPLE ARE EMPLOYED AT THE OWENSBORO FACILITY?

A. The Owensboro Facility's workforce includes approximately 360 highly-skilled employees and approximately 70 full-time contract workers. These teams ensure that the facility operates safely and efficiently on a 24-7-365 basis to keep the region supplied with essential, everyday hygiene products.

Q. PLEASE DESCRIBE OWENSBORO, KENTUCKY AND THE OWENSBORO FACILITY'S ROLE IN THE COMMUNITY.

A. The Owensboro Facility is actively engaged in the community as an annual major donor through the United Way of Daviess County and employee volunteerism and product

donations to various charitable organizations. The economic impact of the Facility and company in the area extends beyond high-paying jobs and tax revenues as we also spent approximately $27 million with other Daviess County or Kentucky businesses last year.

Q. PLEASE DESCRIBE ANY SELF-GENERATION CAPACITY AT THE OWENSBORO FACILITY.

A. Kimberly-Clark has a natural gas turbine cogeneration unit at its Owensboro Facility with an approximate capacity of 14 MW ("Cogen Unit").

Q. WHEN WAS THE SELF-GENERATION INSTALLED?

A. The Cogen Unit was installed in June of 2021.

Q. WAS THE COGENERATION UNIT PURCHASED NEW FOR KIMBERLY-CLARK?

A. The Cogen Unit at our Owensboro Facility was removed from our Fullerton, California facility when the Fullerton facility closed. The Cogen Unit was then prepared for use and subsequently installed at Owensboro.

Q. WHY DID KIMBERLY-CLARK DECIDE TO INSTALL THE SELF-GENERATION CAPACITY AT OWENSBORO?

A. Based on our operating experience at other Kimberly-Clark facilities, we determined that the average cost per MWH to generate on-site electricity utilizing a Combined Heat & Power (CHP) "co-gen" design would be significantly below the then-prevailing Industrial Customer rate tariff at Owensboro. In addition, a CHP application is more environmentally favorable versus the "extra" energy required to produce operational heat and steam for the site.

Q. PLEASE EXPLAIN WHETHER THE COGENERATION UNIT PROVIDED THE EXPECTED COST SAVINGS TO KIMBERLY-CLARK.

A. Yes. On a standalone basis, the net cost of electricity from the cogeneration unit is approximately [redacted], which is significantly less than the Industrial Tariff plus Maintenance Tariff rate of $57-$60 per MWH from Big Rivers. The Cogen Unit is operating as expected. However, the pilot LICSS has caused the Facility to experience significantly higher total average overall costs per MWH.

Q. PLEASE DISCUSS HOW THE OWENSBORO FACILITY'S COST STRUCTURE WOULD BE IMPACTED BY THE PROPOSED LICSS TARIFF.

A. The implementation of the pilot LICSS tariff has already had a significant effect on the facility's competitiveness versus other Kimberly-Clark facilities in North America. The total Standby Demand Charges charged to Kimberly-Clark under the current pilot tariff is approximately [redacted]

If the proposed LICSS tariff were to be approved as is, it would have significant negative consequences on Owensboro's ability to compete with other Kimberly-Clark facilities for future investment and jobs. Simply stated, Kimberly-Clark would have to consider additional energy supply alternatives to the combined total cost of electrical service from Big Rivers (Industrial Tariff, Maintenance Tariff, & LICSS Tariff).

Q. PLEASE DISCUSS HOW THE OWENSBORO FACILITY'S CURRENT ENERGY COST PROFILE COMPARES TO OTHER KIMBERLY-CLARK OPERATIONS.

A. Please see Confidential Exhibits SC-1 and SC-2, which show the total average actual purchased electricity rate by facility. Other Kimberly-Clark facilities that have co-gen operations produce power at approximately [redacted] depending on price of natural gas.

Q. PLEASE DISCUSS THE IMPLICATIONS OF A HIGH ENERGY COST PROFILE AT THE OWENSBORO FACILITY.

A. As noted above, the high energy cost profile at Kimberly-Clark's Owensboro Facility imposed as a result of the pilot LICSS tariff and the proposed tariff under consideration by the Commission is unsustainable. This increase in our total electricity cost is demonstrated in Confidential Exhibit SC-3. The high unit cost profile means Kimberly-Clark will struggle to justify making new investments to grow the facility and create more jobs. Long-term it may jeopardize the overall viability of the site.

Q. IS IT KIMBERLY-CLARK'S PREFERENCE TO CONTINUE EXPANDING ITS ENERGY SELF-GENERATION?

A. No. Kimberly-Clark is in the business of making high quality paper hygiene and safety products, not producing electricity. Where Kimberly-Clark has taken steps to build out self-generation, it has been done out of necessity to address unsustainable energy costs. It is our preference to work with local utilities in each State in which we operate to establish reasonable electricity rates so that we can focus on our core business.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

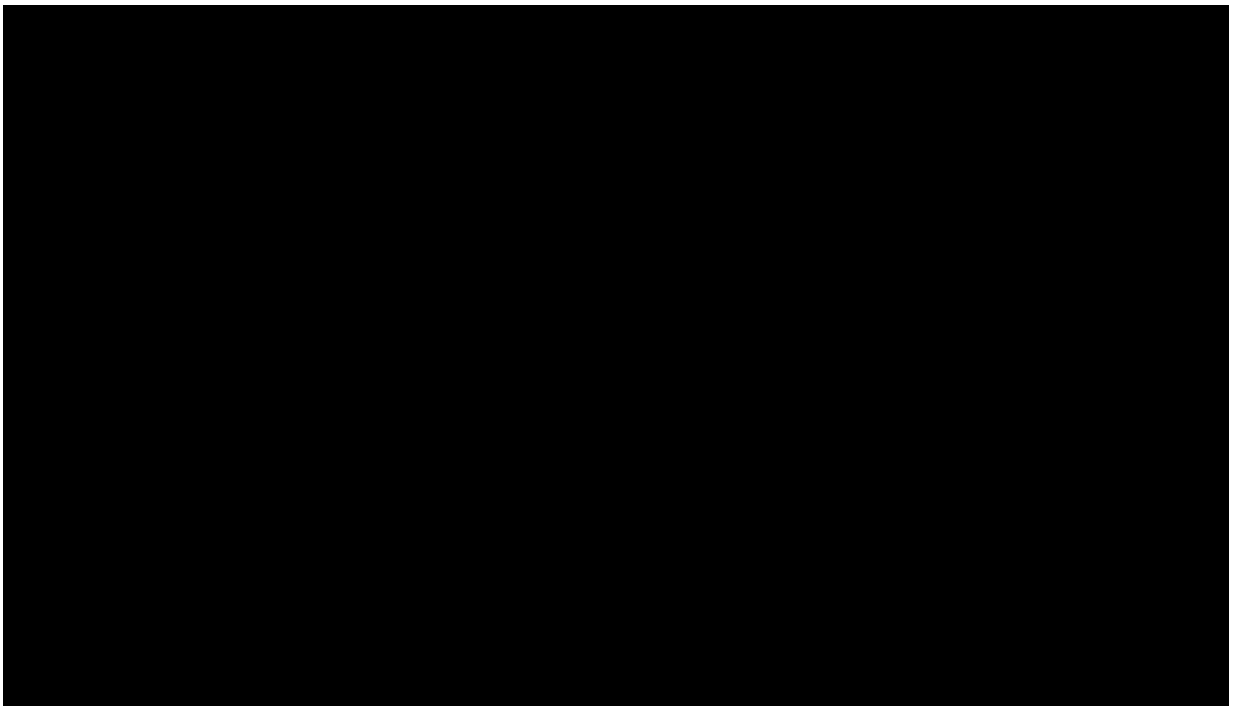
A. Yes.

DIRECT TESTIMONY OF STEVEN CASSADY
OF KIMBERLY-CLARK CORPORATION

CONFIDENTIAL EXHIBIT SC-1

DIRECT TESTIMONY OF STEVEN CASSADY
OF KIMBERLY-CLARK CORPORATION

CONFIDENTIAL EXHIBIT SC-2



DIRECT TESTIMONY OF STEVEN CASSADY
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CONFIDENTIAL EXHIBIT SC-3