Attachment 1: Contract for Electric Service

Contract Account [redacted]

CONTRACT FOR ELECTRIC SERVICE

This contract made and entered into this 27th day of January ,20 25 by and between Kentucky Utilities Company ("Company") and North American Stainless ("Customer")

WITNESSETH:

Beginning January 2026 Billing Cycle , or as soon thereafter as connection is made, Company will sell and deliver to Customer at 6870 US-42, Ghent, KY 41045 for the operation of a manufacturing facility

All electric capacity and energy taken under this contract will be delivered as 3 phase, 60 cycle, alternating current, at a nominal voltage at the point of 138,000 volts, metered and billed as Transmission (Secondary/Primary/Transmission) service.

This point of delivery requires an estimated system capacity of See Comments kW, or kVA as is appropriate, of Contract Capacity.

Each month Customer will pay to Company for all capacity and energy delivered to Customer in the preceding billing period an amount determined in accordance with

RTS Rate Schedule and, as is appropriate, the
EDR Rider, contract attached if required, the
_____ Rider, contract attached if required, and the
_____ Rider, contract attached if required.

Comments:
This contract supercedes any and all previous contracts.
Contract capacity increased due to 19,400 kVA expansion project.
EDR contract is attached.

Adjustment Date	Adjusted Capacity Level
January 2025	97,000 kVA
January 2026	102,000 kVA
March 2026	112,000 kVA
June 2026	116,400 kVA

TARIFF PROVISIONS:

It is mutually agreed that Company's general terms and conditions and applicable rate schedule, as from time to time approved by and on file with the Public Service Commission of Kentucky, are made a part of this contract as fully as if written here.

IN WITNESS WHEREOF, the parties hereto have caused this cont[illegible]rized representatives this day and year shown above.

Confidential

KENTUCKY
PUBLIC SERVICE COMMISSION
Linda C. Bridwell
Executive Director
Linda C. Bridwell
EFFECTIVE
2/28/2025
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY UTILITIES COMPANY	North American Stainless
By Joshua N. Scott	By Todd Mitchell
Joshua Scott - Lead Key Account Manager Official Capacity	VP Administration Official Capacity
Attest	Attest

KENTUCKY
PUBLIC SERVICE COMMISSION

Linda C. Bridwell
Executive Director

Linda C. Bridwell

EFFECTIVE

2/28/2025

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

Attachment 2: Special Contract for Economic Development

Customer Account [redacted]

SPECIAL CONTRACT
ECONOMIC DEVELOPMENT RIDER

This special contract for Economic Development Rider service ("EDR Contract") is made and entered into this 27th day of January , 20 25 by and between North American Stainless ("Customer") and Kentucky Utilities Company ("Company").

WITNESSETH:

WHEREAS, Company is in the business of providing retail electric service in the Commonwealth of Kentucky;

WHEREAS, Customer has applied for and/or is receiving retail electric service from Company pursuant to a Contract for Electric Service dated 1/27/25 ("Electric Service Contract") under Standard Rate Schedule RTS ; and

WHEREAS, Customer requests EDR total Demand Charge discounts on the basis that Customer's proposed monthly billing load ("EDR Contracted Load") meets the requirements outlined in Appendix A for (check appropriate space):

____ Brownfield Development load of ____ kVA

____ Economic Development new load of ____ kVA

X Economic Development new load of 19,400 kVA above an Existing Base Load as defined in the aforementioned Appendix A.

The EDR Total Demand Charge discounts shall be incorporated with the bill for electric service issued pursuant to the Electric Service Contract beginning January 2026 Billing Cycle and will be subject to the same payment provisions as the Electric Service Contract.

NOW, THEREFORE, in consideration of the mutual agreements made herein, the parties agree as follows:

Company's rates, terms, and conditions for the provision of electric service to Customer, and Customer's obligations, rights and responsibilities to the Company for the supply of electric service, are specified in and determined by the Standard Rate Schedule specified above and other applicable schedules, terms, and conditions of service set forth in the Company's tariffs on file with, and approved by, the Kentucky Public Service Commission ("PSC"), and by the terms of the Electric Service Contract. The Company's Rates, Terms and Conditions for Furnishing Electric Service, as filed with and approved by the PSC, both in effect now and in the future, are in a part of this EDR Contract as if fully set forth herein.

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This EDR Contract is supplemental to, and by agreement made a part of, the Electric Service Contract for the purpose of applying provisions of the Company's Economic Development Rider, Standard Rate Rider EDR ("EDR"), to Customer.

Customer has represented that it anticipates investing $____244,000,000__in its facilities located at [6870 US-42, Ghent, KY 41045] (the "EDR Location"), creating approximately __70__ new jobs, which economic development will generate the EDR Contracted Load for the Initial Contract Term (as defined below). Therefore, Company hereby agrees to furnish, and Customer agrees to take, EDR service pursuant to the terms and conditions of Standard Rate Rider EDR, as currently approved by the PSC or as may be modified in the future and approved by the PSC.

The initial term of this EDR Contract shall be ten (10) years beginning, at the option of Customer, no later than **18** months following approval of this Special Contract by the PSC (the "Initial Contract Term").

The Total Demand Charge for the twelve (12) consecutive monthly billings and the subsequent four consecutive twelve (12) monthly billing periods thereafter, shall be reduced by 10%, 50%, 40%, 30%, 20%, respectively (the "EDR Credits"). All subsequent billing shall be at the full charges stated in the applicable rate schedule after this five (5) year period. Upon termination of the Initial Contract Term, service will continue in accordance with the terms of the Standard Rate Schedule.

In the event that Customer (a) ceases operations at the EDR Location before the Initial Contract Term expires, (b) stops taking service for the EDR Location from Company during the Initial Contract Term, or (c) terminates the EDR Contract before the Initial Contract Term expires (with each of the foregoing being a " Customer Termination Event"), the Customer shall reimburse Company for a portion of the EDR Credits received from the Company by Customer (the "Reimbursement Amount") as set forth hereafter. If a Customer Termination Event occurs during the first two years of the Initial Contract Term, the Customer shall reimburse the Company for 90% of the total EDR Credits received by the Customer. If a Customer Termination Event occurs during the third, fourth or fifth years of the Initial Contract Term, the Customer shall reimburse the Company for 75% of the total EDR Credits received by the Customer. If a Customer Termination Event occurs at any time during the final five years of the Initial Contract Term, the Customer shall reimburse the Company for 50% of the total EDR Credits received by the Customer. The Reimbursement Amount shall be paid to Company by Customer within 30 days of the Customer Termination Event.

Company may terminate this EDR Contract at any time for Customer's failure to comply with the terms and conditions of Standard Rider EDR or this EDR Contract, including but not limited to if Customer ceases operations at the EDR Location, or stops taking service during the Initial Contract Term. Upon termination of the EDR Contract, Company shall be entitled to recover the Reimbursement Amount from Customer and shall be entitled to recover any and all other damages that it may have, at law or in equity, from Customer but with the Reimbursement Amount being the exclusive remedy for EDR Credits previously paid or given to Customer by Company. Such

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application of, and Customer's service under, the Standard Rider EDR and this EDR Contract, and shall not affect the application of, or Customer's service under, the Electric Service Contract.

Customer agrees to provide all information necessary to satisfy the PSC initial filing requirements and successive annual reports for the duration of this special contract.

The terms and conditions of this EDR Contract shall inure to and be binding upon the parties, together with their respective successors in interest or assigns, except that Customer may not assign or transfer any of its rights, duties or obligations hereunder without the prior written consent of Company. An assignment by Customer shall not have any effect whatsoever unless approved in writing by Company in advance of such assignment. Nothing herein shall be construed to confer a benefit on any person not a signatory hereto or the successor to a signatory hereto.

All disputes arising between Customer and Company hereunder shall be finally decided by the PSC in accordance with its applicable rules and procedures. This EDR Contract shall be construed and enforced in accordance with the laws of the Commonwealth of Kentucky.

The failure of either party to enforce or insist upon compliance with any of the terms or conditions of this EDR Contract shall not constitute a waiver or relinquishment of any such terms or conditions.

IN WITNESS WHEREOF, Customer and Company have executed this EDR Contract on the day and year first above written.

Kentucky Utilities Company	Customer
By: Joshua N. Scott	By: Todd Mitchell
Title: **Lead Key Account Manager**	Title: VP Administration

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Linda C. Bridwell
Executive Director

Linda C. Bridwell

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2/28/2025

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Appendix A

The service to be provided subject to the EDR Contract has no impact on the combined resource plans of Louisville Gas and Electric Company and Kentucky Utilities Company (collectively, the "Companies"). The EDR Contract load has an immaterial effect on reliability, decreasing seasonal reserve margins by approximately 0.3% and increasing loss-of-load expectation by approximately 0.2 days in ten years, which has no effect on whether the Companies will satisfy their minimum seasonal reserve margin requirements during the EDR Contract discount period.

Company estimates investing ___________$0________ in new facilities to serve the EDR Contracted Load.

Company estimates Customer's minimum monthly billing under Standard Rate Schedule ____RTS______ will be ___$206,946_____________.

Customer anticipates investing ___$244,000,000_____ in facilities associated with the EDR Contracted Load.

Customer anticipates creating ____70_____________ new jobs associated with the EDR Contracted Load.

Customer estimates the EDR Contracted Load to be ____19,400_______ kW or **kVA**, as is appropriate, at a 78 % load factor.

If the new load is in addition to an existing load, Company and Customer agree that the Existing Base Load, in kW or **kVA**, as is appropriate, is:

January -	Peak, 97,499	Intermediate, 98,187	Base; 102,338
February -	Peak, 99,417	Intermediate, 100,848	Base; 101,779
March -	Peak, 99,179	Intermediate, 99,690	Base; 100,656
April -	Peak, 102,234	Intermediate, 102,354	Base; 103,690
May -	Peak, 96,699	Intermediate, 97,503	Base; 100,351
June -	Peak, 101,076	Intermediate, 101,076	Base; 101,076
July -	Peak, 98,254	Intermediate, 100,017	Base; 101,231
August -	Peak, 100,596	Intermediate, 101,711	Base; 101,711
September -	Peak, 98,344	Intermediate, 98,920	Base; 100,120
October -	Peak, 98,998	Intermediate, 99,233	Base; 99,233
November -	Peak, 99,792	Intermediate, 102,545	Base; 102,868 and
December -	Peak, 96,403	Intermediate, 98,423	Base. 102,926

Seen and agreed:

Kentucky Utilities Company

By: Joshua N. Scott

Date: 1/27/2025

Customer NAS

By: Todd Mitchell

Date: 27 January 2025

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Linda C. Bridwell
Executive Director

Linda C. Bridwell

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2/28/2025

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

Attachment 3a: Kentucky Financial Incentives Database NAS KEDFA Approved Projects

PRINT (WHEN PRINTING, SELECT LANDSCAPE ORIENTATION)

Kentucky UNBRIDLED SPIRIT
Cabinet for Economic Development

Kentucky's Financial Incentives Database

11/1/2022 9:19:22 AM

Your search **criteria** of:

Recipient Name: North American Stainless
Project Type: All
Program: All
Counties: Carroll

has returned the following **results**:

KEDFA APPROVED PROJECTS

RECIPIENT		PROGRAM	COUNTY	PROJECT TYPE	INCENTIVE STATUS	TOTAL PROJECT COST	MAXIMUM TAX INCENTIVE AUTHORIZED	AUTHORIZED LOAN/GRANT	STARTING JOBS	ESTIMATED NEW JOBS	ESTIMATED AVERAGE HOURLY WAGE	DATE OF KEDFA ACTION
North American Stainless		KEIA	CARROLL	E	Inactive	$150,000,000	$600,000	-	867	36	$28.42	3/26/2015
North American Stainless		KIDA	CARROLL	E	Inactive	$270,000,000	$1,800,000	-	1,105	80	$14.37	5/28/2009
North American Stainless		KIDA	CARROLL	E	Inactive	$330,000,000	$7,000,000	-	267	202	$11.67	7/31/2003
North American Stainless		KIDA	CARROLL	E	Inactive	$100,000,000	$4,000,000	-	390	250	$12.97	7/31/2003
North American Stainless	✓	KBI	CARROLL	E	Final Approval	$150,000,000	$4,000,000	-	857	36	$28.42	3/29/2018

Facility Details:

: Link to the Kentucky Business & Industry Information System (KBIIS), providing details on a recipient's facility, including employment data when available.

Programs:

HTP:	High-Tech Investment / Construction Pools	**KIRA:**	Kentucky Industrial Revitalization Act
EDB:	Economic Development Bonds	**KJDA:**	Kentucky Jobs Development Act
IEIA:	Incentives for Energy Independence Act	**KJRA:**	Kentucky Jobs Retention Act
KBI:	Kentucky Business Investment Program	**KRA:**	Kentucky Reinvestment Act
KEDFA:	Direct Loan and Small Business Loan Program	**KREDA:**	Kentucky Rural Economic Development Act
KEIA:	Kentucky Enterprise Initiative Act	**KSBTC:**	Kentucky Small Business Tax Credit
KEOZ:	Kentucky Economic Opportunity Zone	**LGEDF:**	Local Government Economic Development Fund
KESA:	Kentucky Environmental Stewardship Act	**LINE ITEM:**	General Assembly Line Item Project
KIDA:	Kentucky Industrial Development Act		

Project Type:

E = Expansion
N = New Location
R = Relocation

Incentive Status:

Prelim Approval: Project has received preliminary approval. This status only applies to the following programs: KEIA, KIDA, KREDA, KJDA, KIRA, KJRA, KESA, KEOZ, KRA, IEIA and BSSC Tax Credits.

Final Approval: Project has received either its only approval or final approval (when two approvals are required) and begins the monitoring period.

Inactive: Agreement has concluded and the project is no longer eligible for incentives.

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BSSC APPROVED PROJECTS

RECIPIENT	PROGRAM	PROJECT TYPE	COUNTY	INCENTIVE STATUS	TOTAL TRAINING COST	TRAINING FUNDS AUTHORIZED	ESTIMATED NUMBER OF TRAINEES	ESTIMATED AVERAGE HOURLY WAGE	DATE OF BSSC ACTION
North American Stainless	GIA	E	CARROLL	Inactive	$100,000	$50,000	65	$20.68	3/27/2013
North American Stainless, Inc.	TC	E	CARROLL	Inactive	$200,000	$100,000	790	$35.00	8/29/2018
North American Stainless, Inc.	GIA	E	CARROLL	Inactive	$150,000	$75,000	150	$35.70	8/29/2018
North American Stainless, Inc.	TC	E	CARROLL	Inactive	$150,000	$75,000	150	$35.70	11/22/2019
North American Stainless, Inc.	TC	E	CARROLL	Inactive	$150,000	$75,000	739	$37.84	11/1/2021

Programs:

GIA: Training Grant In Aid
TC: Training Tax Credit

Project Type:

E = Existing Location
N = New Location

Incentive Status:

Prelim Approval: Project has received preliminary approval. This status only applies to the following programs: KIDA, KREDA, KJDA, KIRA, KJRA, KESA, KEOZ, KRA, IEIA and BSSC Tax Credits.

Final Approval: Project has received either its only approval or final approval (when two approvals are required) and begins the monitoring period.

Inactive: Agreement has concluded and the project is no longer eligible for incentives.

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2/28/2025
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Attachment 3b: Kentucky Cabinet for Economic Development KEDFA Approval Letters

CABINET FOR ECONOMIC DEVELOPMENT

Andy Beshear
Governor

Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601

Jeff Noel
Secretary

January 26, 2023

Patrick Graf
North American Stainless
6870 US Highway 42 East
Ghent, KY 41045

Dear Mr. Graf:

I am pleased to inform you that the Kentucky Economic Development Finance Authority (KEDFA) preliminarily approved the request from North American Stainless for incentives under the Kentucky Business Investment (KBI) program on January 26, 2023. Please note that the approval is contingent upon receipt of a fully executed Memorandum of Agreement (MOA).

Enclosed are two MOA's to be signed by an official of the company. **Please have both copies signed and returned to our office by February 28, 2023.** Once the MOA's are executed by our office, we will return one original to you for your records.

The project was approved with a base employment requirement. The base employment includes the full-time employees subject to Kentucky income tax located at site of the approved project as of the preliminary approval date, as stated above. Please provide a listing of the base employment, (full-time employees subject to Kentucky income tax as of the preliminary approval date) sorted by hire date. The listing should include the employee identification number, name, address, and date of hire. Please provide the employee listing to me electronically at michelle.elder@ky.gov.

Preliminary approval is effective for three years, with a progress report required to be submitted on or before the first anniversary of preliminary approval. To finalize your KBI project, we will need evidence of the investments made by the company. Please note preliminary approval does not authorize the company to begin utilizing the KBI benefits of the income tax credit and wage assessment. The benefits may commence only after final approval, the execution of the Tax Incentive Agreement and the activation of the project.

Enclosed is a timeline for the KBI program. Please call me at (502) 782-1962 if you have any questions or require additional information. We appreciate your consideration of Kentucky for this investment and look forward to working with you to finalize this transaction.

Sincerely,

Michelle P. Elder
Michelle P. Elder
Incentive Administration Division

c: Ashlee Chilton
Enclosures

CABINET FOR ECONOMIC DEVELOPMENT

Andy Beshear
Governor

Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601

Jeff Noel
Secretary

January 26, 2023

Patrick Graf
North American Stainless
6870 US Highway 42 East
Ghent, KY 41045

RE: **North American Stainless (Carroll County)**
KEIA-23-117599

Dear Mr. Graf:

I am pleased to inform you that the Kentucky Economic Development Finance Authority has approved your request for consideration under the Kentucky Enterprise Initiative Act ("KEIA") program on January 26, 2023. Please note that the approval is contingent upon receipt of a fully executed Agreement.

Enclosed are two Agreements to be signed by an official of the company. **Please have both copies signed and returned to our office by February 28, 2023.** Once the agreements are executed by our office, we will return one original to you for your records.

Upon receipt of a fully executed Agreement your company will be eligible for a Kentucky Sales and Use Tax refund, not to exceed $400,000, for eligible construction materials and building fixtures. Additionally, the Agreement contains an expiration date that may receive one or more extensions, if necessary, for the project to be completed up to but no later than seven years from the original date of approval. If the approved company would like to request an extension, please send the request to the Office of Financial Services a minimum of 30 days prior to the expiration date.

Proper documentation of all sales or use tax paid is essential for the company to receive its refund. Prior to starting your project, it is recommended the company contact the Certification Section Supervisor in the Division of Sales and Use Tax at the Department of Revenue, at 502-564-5170 to ensure the proper documentation will be collected from the contractor and all subcontractors involved in the project. A Department of Revenue representative may also attempt to contact you within 30 d
ensure your familiarity with the necessary refund forms.

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The application for refund, **Form 51A200**, and other required forms must be submitted to the Department of Revenue, Sales Tax Division, within 60 days after project completion or expiration of the Agreement, whichever occurs first. You will receive these documents directly from the Department of Revenue. **Exhibit A** of the enclosed Agreement must be completed and returned to the Office of Financial Services at the same time the application for refund is submitted to the Department of Revenue following completion of the project. Failure to submit the application for refund, as described above, could result in the refund being denied.

If you have any questions or need additional information, please contact me at 502-782-1962.

Sincerely,

Michelle P. Elder

Michelle P. Elder
Incentive Administration Division

Enclosures

c: Tim Bennett
Danna Ware
Ashley Chilton

KENTUCKY
PUBLIC SERVICE COMMISSION

Linda C. Bridwell
Executive Director

Linda C. Bridwell

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Attachment 4: LG&E-KU Marginal Cost of Service Study

The Prime Group LLC

Marginal Cost of Service Study

Kentucky Utilities Company
Louisville Gas and Electric Company

January 11, 2024

Table of Contents

Executive Summary

Louisville Gas & Electric Company ("LG&E) and Kentucky Utilities Company ("KU") (collectively "LG&E/KU" or "the Companies") retained The Prime Group, LLC to prepare an estimate of the Companies' marginal cost of providing electric service to support the commitment made by the Companies in the proceeding, *In The Matter Of: Application Of Louisville Gas And Electric Company And Kentucky Utilities Company To Modify And Rename The Brownfield Development Rider As The Economic Development Rider* in Case No. 2011-00103. In its Order dated August 11, 2011, the Commission noted if the Companies offer special contracts under their Economic Development rate, the Companies will demonstrate with each special contract filing that the discounted rates exceed the marginal cost associated with serving the customer. (Order, page 7.) The marginal cost study presented herein is applicable for such a demonstration.

Marginal cost is defined as the change in total cost with respect to a change in demand (or "output"). In this study, output refers to the total megawatts of capacity or megawatt hours of energy, so that marginal cost is the change in total system cost relative to a change in total system capacity or energy.

This report describes the methods for estimating marginal production, transmission, and distribution costs for LG&E/KU. For production, the fixed marginal cost and the variable marginal cost are evaluated independently. Results are tabulated herein and in Table ES-1.

Table ES-1.
Louisville Gas & Electric Company and Kentucky Utilities Company
Summary of Marginal Cost of Service

Year	Production Demand ($/kW)	Transmission Demand ($/kW)		Energy ($/MWh)
		KU	LG&E	
2024	$0.00	$0.02	$0.07	$27.27
2025	$0.00	$0.02	$0.07	$28.82
2026	$0.00	$0.02	$0.07	$28.36
2027	$0.00	$0.02	$0.07	$27.88
2028	$0.00	$0.02	$0.07	$27.83
2029	$0.00	$0.02	$0.07	$27.90
2030	$0.00	$0.02	$0.07	$27.56
2031	$0.00	$0.02	$0.07	$27.52
2032	$0.00	$0.02	$0[illegible]	[illegible]
2033	$0.00	$0.02	$0[illegible]	[illegible]

Marginal production demand cost and its calculation are best looked at from the perspective of the electrical system utility planner. The planner begins by developing a schedule of resource additions which allows the utility to meet its forecasted demand obligations. The planner then must address how any incremental demand will be met. To be eligible for an economic development rate ("EDR") discount, the Companies must demonstrate that the new customer's load will not create a need for new generation capacity during the EDR contract term. The Order in Administrative Case No. 327 states that an EDR's maximum discount period can be no longer than 5 years, which would make the maximum contract term 10 years for any EDR application.[1] Based on the Companies' 2022 Certificate of Public Convenience and Necessity ("CPCN") filed with the Kentucky Public Service Commission ("the Commission") in Case No 2022-00402, the Companies' load forecast is mostly flat beginning in 2027 when the last of the commission-approved CPCN resources is commissioned.[2] Therefore, if a new customer's load does not create a need for new capacity during the 10-year contract term, it also will not create a need for new capacity beyond the 10-year contract term, and the customer's marginal production demand cost is zero. The marginal production demand cost for larger customers that would create a need for new capacity is not zero, but these customers are not eligible for an EDR discount.

Marginal production energy costs are derived annually from the Companies' forecasted marginal variable costs for each hour for the next ten calendar years from 2024 to 2033 taking into account the CPCN order issued on November 6th, 2023.

Marginal transmission costs are determined using the 2023 Company Business Plan for transmission capacity additions and developing a revenue requirement for those projected capital investments. This projected investment is then divided by the Companies' 12 monthly Coincident Peak demands to determine a Coincident Peak demand rate.

Marginal distribution costs are not calculated because the responsibility for such costs are governed by the Line Extension Plan established by KU and LG&E and approved by the Commission in Case Nos. 2020-00349 and 2020-00350 respectively.

1 Kentucky Public Service Commission Administrative Case No. 327 (see page 27, item 14 of the Order Summary).

2 From 2027 to 2050, the compound average growth rates for the Companies' -0.1% and +0.0%, respectively (see Table 25 on page 44 of the May 2023 upd response to JI 2-60(a)). 3 Kentucky Public Service Commission Administrati of the Order Summary).

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PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

Introduction

Louisville Gas & Electric Company ("LG&E) and Kentucky Utilities Company ("KU") (collectively "LG&E/KU" or "the Companies") retained The Prime Group, LLC to prepare an estimate of the Companies' typical marginal costs of delivering electricity.

Marginal cost is defined as the change in total cost with respect to a change in demand, or output. In this report "output" will be used in place of "demand" to avoid confusion with the standard way that the term "demand" is used in the industry to represent the maximum amount of power utilized during any interval over a specified period of time. Therefore, in this study, output refers to the total megawatts of capacity or megawatt hours of energy, so that marginal cost is the change in total system cost relative to a change in total system capacity or energy.

This report describes the methods for estimating marginal production, transmission, and distribution costs for LG&E/KU. For production, the fixed marginal cost and the variable marginal cost are evaluated independently. The report includes a summary table of the results.

Marginal costs have several applications. In most jurisdictions in the U.S., the most common application of marginal cost studies by utilities is for designing economic development or other incentive rates. Similarly, the marginal costs are also utilized for analyzing discounted rates provided to certain customers pursuant to special contracts. In those analyses, it's crucial that the prospective customer covers the Companies' projected marginal costs of service over the term of the discount to ensure that they make a contribution to fixed cost recovery over the contract period. Another application is for the development of particular components of other rate offerings, e.g. determining rate differentials for use in time-differentiated rates, such as time-of-use or critical-peak-pricing rate schedules.

In particular for LG&E and KU, this analysis may be utilized to support the commitment made by the Companies in *In The Matter Of: Application Of Louisville Gas And Electric Company And Kentucky Utilities Company To Modify And Rename The Brownfield Development Rider As The Economic Development Rider* in Case No. 2011-00103. In its Order dated August 11, 2011, the Commission noted if the Companies offer special contracts under their Economic Development rate, the Companies will demonstrate with each special contract filing that the discounted rates exceed the marginal cost associated with serving the customer. (Order, page 7.) The marginal cost data presented herein, or in subsequent studies, is applicable for such a demonstration.

Marginal Cost Theory

Marginal cost is defined as the change in total cost with respect to a change in output. Mathematically, marginal cost can be represented as the partial derivative of total cost to output and can be stated as follows:

$$MC = \frac{\partial C}{\partial q}$$

where

MC	=	Marginal Cost
∂C	=	Change in Total Cost
∂q	=	Change in Output

In the context of discrete cost and output, marginal cost can be *estimated* as follows:

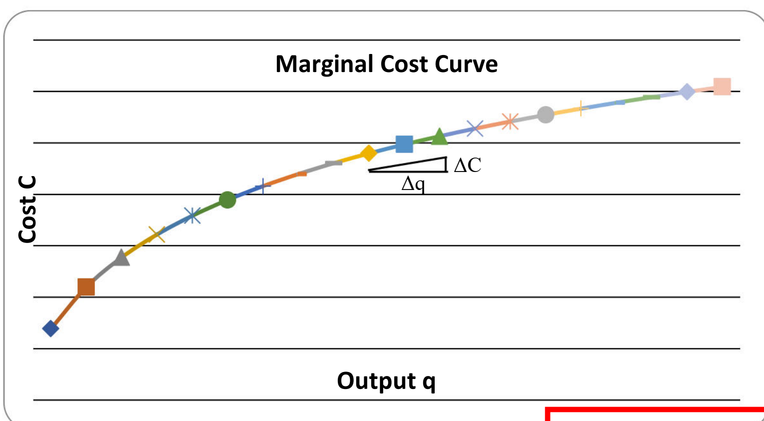
$$MC = \frac{\Delta C}{\Delta q}$$

where

MC	=	Marginal Cost
ΔC	=	Change in Total Cost
Δq	=	Change in Output

Graphically, the marginal cost is the slope of the line resulting from the graph of the total cost C and the total output q, as shown in Figure 1.

Figure 1. Cost vs. Output Curve



In the figure, "output" refers to total megawatts of capacity or me
so that marginal cost is the change in total system cost relative to

Marginal Production Demand Cost

The marginal demand costs for production are the changes in capacity costs associated with serving changes in demand on the electric system.

Recall that marginal cost is broadly defined as the change in total cost with respect to a change in output. In this instance, the "output" refers to total megawatts of generating capacity required, so that marginal cost is the change in total system capacity cost relative to a change in total system demand.

Marginal production demand cost and its calculation is best looked at from the perspective of the electrical system utility planner. The planner begins by developing a schedule of resource acquisitions which allows the utility to meet its forecasted demand obligations. The planner then must address how any incremental demand will be met.

To be eligible for an EDR discount, the Companies must demonstrate that the new customer's load will not create a need for new generation capacity during the EDR contract term. The Order in Administrative Case No. 327 states that an EDR's maximum discount period can be no longer than 5 years, which would make the maximum contract term 10 years for any EDR application.[3] Based on the Companies' 2022 Certificate of Public Convenience and Necessity ("CPCN") filed with the Kentucky Public Service Commission ("the Commission") in Case No 2022-00402, the Companies' load forecast is mostly flat beginning in 2027 when the last of the commission approved CPCN resources is commissioned.[4] Therefore, if a new customer's load does not create a need for new capacity during the 10-year contract term, it will also not create a need for new capacity beyond the 10-year contract term, and the customer's marginal production demand cost is zero. The marginal production demand cost for larger customers that would create a need for new capacity is not zero, but these customers are not eligible for an EDR discount.

Marginal Production Energy Cost

The marginal production energy costs are derived from the forecasted annual variable production cost data for the LG&E/KU combined system. Specifically, the Company provided data for each calendar year from 2024 to 2033 pertaining to the marginal costs for fuel, consumables (including scrubber reactants and other reagents), ash and waste disposal, and emission allowances for all 8,760 hours based on each hour's marginal generating unit for the next MW of capacity needed on the system. The marginal generation unit's variable cost for each hour of the corresponding twelve months was then used to calculate a total average variable cost, for the combined LG&E and KU system based on the fleet of resources approved in the CPCN case order issued on November 6th 2023. This computation is summarized in Attachment A. Because the preponderance of LG&E

3 Kentucky Public Service Commission Administrative Case No. 327 (see page 27, item 14 of the Order Summary)

4 From 2027 to 2050, the compound average growth rates for the Companies' -0.1% and +0.0%, respectively (see Table 25 on page 44 of the May 2023 upd response to JI 2-60(a)).

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and KU's generating assets are base-load resources, average marginal energy costs will not differ materially from average energy costs on an annual basis.

The table below shows the average annual marginal production energy costs per kWh:

Table 1.
Louisville Gas & Electric Company and Kentucky Utilities Company
Annual Production Energy Cost

Year	Energy ($/MWh)
2024	$27.27
2025	$28.82
2026	$28.36
2027	$27.88
2028	$27.83
2029	$27.90
2030	$27.56
2031	$27.52
2032	$27.95
2033	$28.40

In addition, it would be necessary to adjust the marginal energy cost value to reflect the applicable loss-factor for a prospective customer which could take service at a transmission, primary or secondary voltage.

Marginal Transmission Cost

Capacity additions on the transmission system can occur for a variety of reasons including new load additions, alleviating congestion on the Bulk Electric System and improving reliability of the Companies' overall system. With this in mind, marginal transmission costs are calculated using the PVRR approach outlined above but on a levelized basis and with different source data. This approach applies a monthly Economic Carrying Charge Rate ("ECCR") to the PVRR of the capital asset; however, in the case of transmission, the capital asset is not [illegible] represents the value of additional transmission plant.

Recall that marginal costs are defined as the change in total cost with respect to a change in output.

For discrete costs and output, the formula is:

$$MC = \frac{\Delta C}{\Delta q}$$

where

MC	=	Marginal Transmission Cost
ΔC	=	Change in Total Cost of Transmission Plant
Δq	=	Change in system demand

The Prime Group evaluated the capital cost of transmission forecast due to capacity additions based on the Companies' 2023 Business Plan which runs from 2024 through 2033. An analysis was performed based on the Companies' current capital structure to determine a PVRR for these forecasted transmission additions. This PVRR was then divided by each of the Companies 12-month Coincident Peak Demands during their most recent rate cases to determine a rate per CP-kW for transmission. This computation is shown in Attachment B.

For KU, the marginal transmission cost per KW of additional CP demand is \$0.02. For LG&E, the marginal transmission cost per KW of additional CP demand is \$0.07. Again, it would be necessary to adjust the marginal transmission cost value to reflect the applicable loss-factor for a prospective customer which could take service at a transmission, primary or secondary voltage.

Marginal Distribution Cost

The marginal distribution cost for KU and LG&E in theory could be calculated using the same approach as the marginal transmission costs. However, from a ratemaking and policy standpoint, distribution and transmission differ. For distribution, the Companies established a Line Extension Plan, most recently approved on June 30, 2021, by the Commission for KU and LG&E in Case Nos. 2020-00349 and 2020-00350 respectively. The Line Extension Plan is applicable in all service territory where the Companies do not have existing facilities to meet the electric service needs of its retail customers. The plan specifies how the costs for normal line extensions and other line extensions will be handled. This practice makes moot the determination of a marginal distribution cost for the system at large because any individual facility addition, and its particular costs, will be considered on an actual-cost and specific-customer basis, pursuant to the Line Extension Plan.

Summary

The marginal costs for KU and LG&E for Production Demand, Production Energy, and Transmission are summarized in Table 2.

Table 2.
Louisville Gas & Electric Company and Kentucky Utilities Company
Summary of Marginal Cost of Service

Year	Production Demand ($/kW)	Transmission Demand ($/kW)		Energy ($/MWh)
		KU	LG&E	
2024	$0.00	$0.02	$0.07	$27.27
2025	$0.00	$0.02	$0.07	$28.82
2026	$0.00	$0.02	$0.07	$28.36
2027	$0.00	$0.02	$0.07	$27.88
2028	$0.00	$0.02	$0.07	$27.83
2029	$0.00	$0.02	$0.07	$27.90
2030	$0.00	$0.02	$0.07	$27.56
2031	$0.00	$0.02	$0.07	$27.52
2032	$0.00	$0.02	$0.07	$27.95
2033	$0.00	$0.02	$0.07	$28.40

Attachments

Average Marginal Variable Costs
Forecasted (2024 - 2033)

Year	Average Marginal Cost ($/MWh)
2024	27.27
2025	28.82
2026	28.36
2027	27.88
2028	27.83
2029	27.90
2030	27.56
2031	27.52
2032	27.95
2033	28.40

Capacity-Related Transmission Investment
2023 Business Plan
($ in Thousands)

Year		KU		LG&E	Total
2024		3,997		5,143	9,140
2025		706		2	708
2026		79		1,062	1,141
2027		910		940	1,850
2028		972		-	972
2029		-		123	123
2030		-		3,759	3,759
2031		-		-	-
2032		-		-	-
2033		-		1,005	1,005
10-Year Total		6,664		12,034	18,698
Carrying Cost Percentage		12.49%		13.08%	
Annualized Avoided Costs (in $)		$832,088		$1,573,925	
Forecasted LGE Total System Demand				23,513,673	
Forecasted KU Total System Demand		37,037,501			
Cost per CP kW	$	0.02	$	0.07	

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Attachment B
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Attachment 5: 10-Year Annual Revenue to Marginal Cost Comparison (PDF)

NAS RTS 10-Year Annual Revenue Comparison to Marginal Cost

Inputs	
78%	Load Factor (%)
91.0%	Power Factor (%)
19,400	Peak Demand (kVA)
19,400	Intermediate Demand (kVA)
19,400	Base Demand (kVA)
$0.02905	KU Base Fuel Factor
1.02827	KU Loss Factor (Energy - Transmission)
1.03295	KU Loss Factor (Demand - Transmission)

	Rate	Unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10-Year TOTAL
KU Revenue (RTS)													
Basic Service Charges[1]	$ 49.28	/ Day	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Energy Charges	$ 0.02966	/ kWh	$ 3,577,775	$ 3,577,775	$ 3,577,775	$ 3,577,775	$ 3,577,775	$ 3,577,775	$ 3,577,775	$ 3,577,775	$ 3,577,775	$ 3,577,775	$35,777,746
EDR Demand Charge Discount (%)			10%	50%	40%	30%	20%	0%	0%	0%	0%	0%	
Demand Charges													
Peak Period	$ 9.31	/ kVA	$ 1,950,631	$ 1,083,684	$ 1,300,421	$ 1,517,158	$ 1,733,894	$ 2,167,368	$ 2,167,368	$ 2,167,368	$ 2,167,368	$ 2,167,368	$ 18,422,628
Intermediate Period	$ 7.55	/ kVA	$ 1,581,876	$ 878,820	$ 1,054,584	$ 1,230,348	$ 1,406,112	$ 1,757,640	$ 1,757,640	$ 1,757,640	$ 1,757,640	$ 1,757,640	$ 14,939,940
Base Period	$ 2.16	/ kVA	$ 452,563	$ 251,424	$ 301,709	$ 351,994	$ 402,278	$ 502,848	$ 502,848	$ 502,848	$ 502,848	$ 502,848	$ 4,274,208
Fuel Adjustment Clause Charges (FAC)[2]	$ (0.00282)	/ kWh	$ (340,166)	$ (340,166)	$ (340,166)	$ (340,166)	$ (340,166)	$ (340,166)	$ (340,166)	$ (340,166)	$ (340,166)	$ (340,166)	($3,401,660)
Environmental Cost Recovery Charges (ECR)[2]	0.57%		$ 23,134	$ 13,039	$ 15,563	$ 18,087	$ 20,610	$ 25,658	$ 25,658	$ 25,658	$ 25,658	$ 25,658	$218,724
Annual Revenue			**$ 7,245,813**	**$ 5,464,575**	**$ 5,909,885**	**$ 6,355,194**	**$ 6,800,504**	**$ 7,691,123**	**$ 7,691,123**	**$ 7,691,123**	**$ 7,691,123**	**$ 7,691,123**	**$ 70,231,586**
KU Marginal Costs													
Marginal Energy Costs ($ / kWh)			$ 0.02836	$ 0.02788	$ 0.02783	$ 0.02790	$ 0.02756	$ 0.02752	$ 0.02795	$ 0.02840	$ 0.02840	$ 0.02840	
Marginal Demand Costs (CP)													
Production ($ / kW)			$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Transmission ($ / kW)			$0.02	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02	
Marginal Energy Costs			$ 3,520,485	$ 3,460,900	$ 3,454,693	$ 3,463,382	$ 3,421,176	$ 3,416,211	$ 3,469,589	$ 3,525,450	$ 3,525,450	$ 3,525,450	$ 34,782,785
Marginal Demand Costs (CP)													
Production			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transmission			$ 4,381	$ 4,381	$ 4,381	$ 4,381	$ 4,381	$ 4,381	$ 4,381	$ 4,381	$ 4,381	$ 4,381	$ 43,813
Annual Marginal Costs			**$ 3,524,866**	**$ 3,465,281**	**$ 3,459,074**	**$ 3,467,764**	**$ 3,425,557**	**$ 3,420,592**	**$ 3,473,970**	**$ 3,529,831**	**$ 3,529,831**	**$ 3,529,831**	**$ 34,826,598**
KU Revenue - Marginal Costs (Contribution to Fixed Costs)			**$ 3,720,947**	**$ 1,999,295**	**$ 2,450,811**	**$ 2,887,431**	**$ 3,374,946**	**$ 4,270,531**	**$ 4,217,152**	**$ 4,161,291**	**$ 4,161,291**	**$ 4,161,291**	**$ 35,404,987**

[1] Because KU designs Basic Service Charges to recover customer-dependent costs rather than demand- or energy-dependent costs, KU has excluded BSC revenues from these calculations.

[2] FAC and ECR charges based on January 2025 Billing Adjustments

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Attachment 6: Admin Case 327 Findings Compliance

Administrative Case 327 Final Order Findings Compliance (CN 19000327)

Finding 1: "EDRs will provide important incentives to new large commercial and industrial customers to locate facilities in Kentucky and to existing large commercial and industrial customers to expand their operations, thereby bringing much needed jobs and capital investment into Kentucky."

Kentucky Utilities' ("KU") Economic Development Rider ("EDR") tariff provides demand charge reductions to new large commercial and industrial customers to locate facilities in its service territories and to existing large commercial and industrial customers to expand their current operations. The EDR tariff also requires potential customers to outline added jobs and capital investment as part of the EDR application.

Finding 2: "Utilities should have the flexibility to design EDRs according to the needs of their customers and service areas and to offer EDRs to those new and existing customers who require such an incentive to locate new facilities in the state and to expand existing ones."

The KU EDR tariff has been designed with flexibility to meet the needs of its customers and service territory. The NAS EDR contract also reflects additional flexibility by allowing NAS up to 18 months from when the Commission approves the contract to begin receiving EDR discounts, which differs from the 12 months in KU's EDR tariff provisions. This extension allows for possible construction delays associated with the NAS expansion and is consistent with the Commission's desire that "[u]tilities should have the flexibility to design EDRs according to the needs of their customers."

Finding 3: "EDRs should be implemented by special contract negotiated between the utilities and their large commercial and industrial customers"

The North American Stainless ("NAS") EDR contract meets this requirement; it is a contract negotiated between and executed by KU and NAS.

Finding 4: "An EDR contract should specify all terms and conditions, including the rate discount and related provisions, jobs and capital investment created, customer-specific fixed costs, minimum bill, estimated load and load factor, and length of contract"

The NAS EDR contract meets the requirements of Finding 4 as follows:

- Consistent with KU's EDR tariff provisions, the NAS EDR contract provides demand charge discounts over five years, with a 10 percent discount of the demand charge in the first year, a 50 percent discount of the demand charge in the second year, and a discount that declines by 10 percent in each subsequent year;
- NAS estimates it will have a capital investment of approximately $244 million and that it will create 70 new jobs as a result of the proposed EDR contract;
- There will be no customer-specific fixed costs because the site at which NAS has located its expanded facilities was already fully equipped to serve NAS's expanded load;
- NAS's minimum bill will be determined in accordance with KU's Standard Rate RTS – Retail Transmission Service, which includes billing under KU's Fuel Adjustment Clause and environmental surcharge mechanisms;
- The contract demand will be 19,400 kVA with an expected loa[illegible] term of the proposed EDR contract is ten years.

Finding 5: "An EDR contract should only be offered during periods of excess capacity for the utility, and the utility must demonstrate that the EDR contract will not cause it to fall below a reserve margin essential for system reliability"

The NAS EDR contract satisfies the requirements of Finding 5 because it will have no effect on the ability of KU and Louisville Gas and Electric Company (collectively, the "Companies") to achieve a reserve margin essential for system reliability, a minimal impact on system reliability overall, and no impact on the Companies' resource plans. Also, NAS takes a considerable amount of interruptible service from KU, which has long contributed to the Companies' reliability and will continue to do so for years to come.

The Commission's Final Order in Administrative Case No. 327 states regarding the "Adequate Capacity Requirement" for EDRs:

> The capacity requirements contained in Guidelines 1 and 5 are based on two premises. First, additional load resulting from discounted rates should not create a need for new plant capacity. Second, during periods of excess capacity, the load resulting from EDRs increases a utility's operating efficiency and allows sales of capacity that may not have occurred without the EDRs. Any capacity in excess of a reserve margin normally considered adequate to ensure system reliability could be used to provide service under EDRs without unduly hastening the need for new capacity.[1]

Although the text uses the term "excess capacity," the substantive focus of the Commission's Final Order is to ensure that new customer loads receiving EDR discounts do not "create a need for new plant capacity" or "hasten[] the need for new capacity." This concept is tightly related to the requirement that EDR contracts provide for full variable cost recovery and some contribution to recovering existing fixed costs.[2] In short, the Commission's clear concern is to prevent utilities from offering discounts to tariffed rates to attract or retain loads at other customers' expense.[3]

That important substantive context is key to understanding why KU is advancing the NAS EDR contract, which comes at a time of transition for KU and Louisville Gas and Electric Company (collectively, the "Companies"). Specifically, the Companies have proposed in their 2024 Integrated Resource Plan ("IRP") to transition from using their traditional reserve margin approach by which they established minimum reserve margins considered essential for system reliability based solely on economics (the "economic reserve margin") to an approach designed to achieve a loss-of-load expectation ("LOLE") of one loss-of-load event in ten years ("1-in-10 LOLE"). This proposed transition has a pronounced impact on minimum seasonal reserve margin requirements: minimum economic seasonal reserve margin requirements would be 22% winter and 17% summer, whereas minimum 1-in-10 LOLE seasonal reserve margin requirements would be 29% winter and 23% summer.[4]

This proposed reserve margin approach change also affects the NAS EDR analysis. The 2024 IRP shows that the NAS EDR contract would not cause the Companies to fall below their *economic* seasonal reserve

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[1] *An Investigation into the Implementation of Economic Development Rates by Electric and Gas Utilities*, Admin. Case No. 327, Order at 4 (Ky. PSC Sept. 24, 1990).
[2] *Id.* at 6-8, 26.
[3] *See also Id.* at 26 ("During rate proceedings, utilities with active EDR contract cost-of-service analysis that nonparticipating ratepayers are not adversely
[4] 2024 IRP Vol. III, Resource Adequacy Analysis at 4.

margins during any year of the EDR discount period assuming current and approved resources and the Mid load forecast.[5] It further shows that although the NAS EDR load will not *cause* the Companies to fall below the 1-in-10 LOLE seasonal reserve margins in any year of the EDR discount period, the Companies will fall below the minimum 1-in-10 LOLE winter reserve margin in three of the five years of the EDR contract period and below the minimum 1-in-10 LOLE summer reserve margin in one of five years.[6] In the High load scenario, the Companies will fall below minimum economic seasonal reserve margins in two of five years, below the minimum 1-in-10 LOLE winter reserve margin in all years, and below the minimum 1-in-10 LOLE summer reserve margin in three years.[7] Importantly, the NAS EDR contract load has an immaterial effect on reliability, decreasing seasonal reserve margins by approximately 0.3% and increasing LOLE by approximately 0.2 days in ten years, which has *no effect* on whether the Companies will satisfy their minimum seasonal reserve margin requirements in either load scenario analyzed. Thus, the NAS EDR load will not *cause* the Companies to fall below the applicable reserve margin requirement in any year of the EDR discount period.

Moreover, and perhaps most importantly concerning the substance of the Commission's Final Order discussed above, the service to be provided under the NAS EDR contract has *no impact at all* on the Companies' combined resource plans. In the 2024 IRP, the Companies developed their Recommended Resource Plan based on the least-cost resource plans for the Mid load, Ozone NAAQS + ELG and High load, Ozone NAAQS + ELG scenarios.[8] The Companies removed the NAS EDR load from the Mid and High load forecasts and repeated the analysis to develop least-cost resource plans for these scenarios. The NAS EDR contract has no impact on the type, size, or timing of any resource in these plans and therefore no impact on the Companies' Recommended Resource Plan. Therefore, the proposed EDR discounts will have no adverse impact on other customers, fully complying with the substance and reasoning underlying this Administrative Case No. 327 EDR requirement.

Therefore, because the NAS EDR contract and its related load will have no effect at all on the Companies' resource plans, an immaterial effect on the Companies' reliability and no effect on whether the Companies will satisfy their minimum seasonal reserve margin requirements, and no adverse effect on other customers' utility rates or service, KU respectfully submits that the NAS EDR contract fully complies with the substance, reasoning, and intent of Finding 5.

Finding 6: "A utility should demonstrate that the EDR exceeds the marginal cost associated with serving the customer"

The Marginal Cost of Service Study and accompanying marginal cost analysis KU filed with the NAS EDR Application demonstrate that projected revenues from NAS will exceed its marginal costs in each year of the EDR discount period.

Finding 7: "A utility should file an annual report with the Commission detailing revenues received and marginal costs from EDRs"

[5] 2024 IRP Vol. I at 6-6, Table 6-5.

[6] *Id.*

[7] *See, e.g.,* 2024 IRP Vol. III, Resource Assessment at 23, Table 7.

[8] The Ozone NAAQS + ELG environmental scenario assumes the Good Neighbo
Air Quality Standards ("NAAQS") for ozone, "Ozone NAAQS") and the 2024 E
equivalents become effective during the IRP planning period.

KU files this report annually, near the end of March.

Finding 8: "During rate proceedings, utilities with active EDR contracts should demonstrate through detailed cost-of-service analysis that nonparticipating ratepayers are not adversely affected by these EDR customers"

KU commits that in future rate proceedings it will demonstrate through detailed cost-of-service analysis that nonparticipating ratepayers are not adversely affected by its EDR customers, including NAS. Notably, KU has committed not to implement new base rates any sooner than July 1, 2025.

Finding 9: "The EDR should include a provision providing for the recovery of EDR customer-specific fixed costs over the life of the contract"

As noted above, there will be no customer-specific fixed costs because the site at which NAS is expanding its facilities was already fully equipped to serve NAS's expanded load.

Finding 10: "The major objectives of EDRs are job creation and capital investment. However, specific job creation and capital investment requirements should not be imposed on EDR customers"

KU did not establish minimum requirements for new jobs and capital investment for NAS to be eligible for an EDR contract.

Finding 11: "All utilities with active EDR contracts should file an annual report with the Commission providing information shown in Appendix A, which is attached to the Administrative Case 327 Order"

KU files this report annually, near the end of March.

Finding 12: "For new industrial customers, an EDR should apply only to load which exceeds a minimum base level. For existing industrial customers, an EDR shall apply only to new load which exceeds an incremental usage level above a normalized base load. At the time an EDR contract is filed, a utility should identify and justify the minimum incremental usage level and normalized base load required for an existing customer or the minimum usage level required for a new customer"

The minimum base level applied can be found at the bottom of Appendix A in the EDR Contract.

Finding 13: "EDR contracts designed to retain the load of existing customers should be accompanied by an affidavit of the customer stating that, without the rate discount, operations will cease or be severely restricted. In addition, the utility must demonstrate the financial hardship experienced by the customer."

This Finding is not applicable to this particular EDR Application.

Finding 14: "The term of an EDR contract should be for a period twice the length of the discount period, with the discount period not exceeding five years"

The NAS EDR contract provides a five-year discount period, and the total contract term is ten years. During the last five years, NAS will pay the full, undiscounted demand charges (and all other applicable rates and charges) under KU's Rate RTS.

Finding 15: "Gas utilities proposing to offer a discount or waiver o provide a detailed cost-benefit analysis which compares, among o

stream from the new or expanding customer and the number of new jobs and the amount of new capital investment to be created to the total costs incurred by the utility by offering such a discount or waiver.

This Finding is not applicable to this particular EDR Application.

Finding 16: "EDR contracts that include a discount or waiver of gas main extension costs should include a provision which requires the customer to remain on gas service for a specified term. Gas utilities proposing to offer a discount or waiver of gas main extension costs should provide justification for the required contract term."

This Finding is not applicable to this particular EDR Application.

Finding 17: "Comments submitted by the Kentucky Cabinet for Economic Development … or other interested parties pertaining to EDR contracts should be filed with the Commission no more than 20 days following the filing of an EDR contract by a utility"

This is not a requirement applicable to an EDR contract per se. Also, a letter from the Kentucky Cabinet for Economic Development confirming the project's eligibility for various state economic development programs is part of KU's initial EDR contract filing.

Finding 18: "Delta, Big Rivers, Green River, and Henderson-Union should continue to honor all existing contracts executed pursuant to an approved EDR tariff, but no new contracts related to an EDR tariff should be executed. Each of these utilities should modify the availability clause of its EDR tariff to prohibit new customers after the date of this Order."

This Finding is not applicable to this particular EDR Application.

Attachment 7: EDR Need Correspondence

From:	Everett Vazzana
Sent:	Tuesday, October 18, 2022 8:33 AM
To:	Scott, Joshua
Cc:	Andrew Wickersham
Subject:	Incentive for expansion

EXTERNAL email. STOP and THINK before responding, clicking on links, or opening attachments.

Josh,

Several years back we had an agreement when we did an expansion for NAS BA and ZMill 6 line.

We are considering other expansions - wanted to check with you to see if the same incentive is still available?

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Everett Vazzana
Manager - Electrical and Digitalization

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From: Scott, Joshua
Sent: Friday, October 28, 2022 2:02 PM
To: Bevington, John
Cc: Rahn, Derek; Mehanna, Charles; Fry, Roxann; Pierce, Joe
Subject: NAS Expansion Plans

John,

I spoke with Everett today for quite awhile and was able to get some firm details on their expansion plans at the plant. They are currently fielding bids from suppliers and contractors to build a new cold mill, Z Mill 7, that will work in conjunction with their existing six cold Z mills. They also plan to add a skinpass mill, which is also a cold mill but smaller in size. The preliminary estimated load growth is in the 8 – 12 MW range. The expansion will bring approximately 30 new jobs to the plant as the mill will be operated by four crews along with support engineers, maintenance staff, etc. NAS and Acerinox/the Board intend to make a decision on the expansion by the end of this year, with hopes to begin operation some time in 2024. The new mill will be capable of processing 10,000 tons per month which is an approximate 8-10% increase in production capacity. A TSR study will be required.

Everett is reaching out early to see what sort of incentives NAS might qualify for. He mentioned EDR by name as they successfully received EDR incentives for the sixth Z mill several years ago. And this is an important point to note, *he specifically stated that depending on what incentives they may qualify for will determine whether or not NAS chooses to proceed with the expansion*. In other words, it's not a done deal and they are just looking to get a discount. He said he needs to know what they qualify for prior to the board meeting towards the end of the year, which is rapidly approaching.

Andy is working to get me more accurate load data but I'm hopeful this is enough initial information to begin engaging the state in conversation and possible incentives. Please let me know your thoughts and how you would like to proceed with next steps.

I will create the opportunity in C4. Thanks.

Joshua N. Scott
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Business Use

Attachment 8: 10-Year Annual Revenue to Marginal Cost Comparison (see attached Excel file)