



CABINET FOR ECONOMIC DEVELOPMENT

Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601

Andy Beshear
Governor

Jeff Noel
Secretary

January 27, 2023

Public Service Commission
Post Office Box 615
Frankfort, Kentucky 40602
VIA E-MAIL PSCED@KY.GOV

RE: *In the Matter of Joint Special Contract Filing of Big Rivers Electric Corporation and Kenergy Corp.*
Tariff Filing System No. 2023-00016

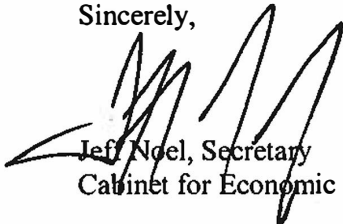
To Whom It May Concern:

Following receipt of notice of the filing by the Big Rivers Electric Corporation and Kenergy Corp. of electric service agreements with the Public Service Commission (the "PSC") referenced above, which among other things, includes an economic development rate for the electric load of Pratt Paper (KY), LLC (formerly known as Pratt Paper (3.0), LLC) (the "Company"), the Cabinet for Economic Development (the "Cabinet") hereby provides *for informational purposes only* the following publicly available information regarding the Cabinet's incentives provided to the Company as of the date hereof.

On July 29, 2021, the Kentucky Economic Development Finance Authority ("KEDFA") granted preliminary approval for Kentucky Business Investment and final approval for Kentucky Enterprise Initiative Act incentives in relation to the Company's construction and operation of a new paper mill in Henderson, Kentucky. On January 27, 2022, KEDFA approved a reduction in the state ad valorem tax rate associated with Local Industrial Revenue Bonds issued on behalf of the project. Publicly available board materials for each of these approvals detailing the Cabinet's understanding of the project, performance requirements, and approved incentives are enclosed for your reference.

Nothing contained herein shall be construed as an intervention in this case by the Cabinet. Furthermore, the Cabinet does not make any representations regarding the contents, completeness, or propriety of the filing. In no event shall this informational letter be construed as an endorsement of the proposed electric service agreements or be construed as limiting the PSC's ability to pursue any additional due diligence or investigations related to this filing as it may deem necessary in its sole and absolute discretion.

Sincerely,



Jeff Noel, Secretary
Cabinet for Economic Development

Enclosures
CC: J.E.B. Pinney
Katie Smith

TEAM
KENTUCKY

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

KBI REPORT - PRELIMINARY APPROVAL

Date: July 29, 2021
Approved Company: Pratt Paper (3.0), LLC
Approved Affiliate(s): Pratt (1.0 Corrugating), LLC
City: Henderson **County:** Henderson
Activity: Manufacturing **Prelim Resolution #:** KBI-I-21-23538
Bus. Dev. Contact: B. Cox **DFS Staff:** D. Phillips

Project Description: Pratt Paper (3.0), LLC is a newly formed entity of Pratt Industries, Inc. and is a producer of 100% recycled paper and corrugated packaging. The phase one of the proposed project would consist of a new paper mill operation to manufacture recycled paper from 100% post-consumer fiber. Phase two of the project will consist of a new corrugated operation to produce corrugated sheets and boxes, composed of 100% recycled materials.

Facility Details: Locating in a new facility

Anticipated Project Investment - Owned

Land
 Building/Improvements
 Equipment
 Other Start-up Costs
TOTAL

Eligible Costs	Total Investment
\$0	\$0
\$100,000,000	\$100,000,000
\$299,800,000	\$299,800,000
\$200,000	\$200,000
\$400,000,000	\$400,000,000

NEGOTIATED TARGETS AND INCENTIVE AMOUNTS:

Year	Job Target	Average Hourly Wage Target (Including Employee Benefits)	Annual Approved Cost Limitation
As of Activation Date	321	\$39.00	
1	321	\$39.00	\$933,333
2	321	\$39.00	\$933,333
3	321	\$39.00	\$933,333
4	321	\$39.00	\$933,333
5	321	\$39.00	\$933,333
6	321	\$39.00	\$933,333
7	321	\$39.00	\$933,333
8	321	\$39.00	\$933,333
9	321	\$39.00	\$933,333
10	321	\$39.00	\$933,333
11	321	\$39.00	\$933,333
12	321	\$39.00	\$933,333
13	321	\$39.00	\$933,333
14	321	\$39.00	\$933,333
15	321	\$39.00	\$933,338

TOTAL NEGOTIATED TAX INCENTIVE AMOUNT:

\$14,000,000

**KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY
KEIA REPORT**

Date: July 29, 2021
Approved Company: Pratt Paper (3.0), LLC
City: Henderson **County:** Henderson
Activity: Manufacturing **Resolution #:** KEIA-22-23539
Bus. Dev. Contact: B. Cox **DFS Staff:** D. Phillips

Project Description: Pratt Paper (3.0), LLC is a newly formed entity of Pratt Industries, Inc. and is a producer of 100% recycled paper and corrugated packaging. The phase one of the proposed project would consist of a new paper mill operation to manufacture recycled paper from 100% post-consumer fiber. Phase two of the project will consist of a new corrugated operation to produce corrugated sheets and boxes, composed of 100% recycled materials.

Facility Details: Locating in a new facility

Anticipated Project Investment

Land
 Building Construction
 Electronic Processing Equipment
 Research & Development Equipment
 Flight Simulation Equipment
 Other Equipment
 Other Start-up Costs
TOTAL

Eligible Costs	Total Investment
\$0	\$0
\$60,000,000	\$100,000,000
\$0	\$0
\$0	\$0
\$0	\$0
\$0	\$299,800,000
\$0	\$200,000
\$60,000,000	\$400,000,000

Existing Presence in Kentucky: None

Approved Recovery Amount:

Construction Materials and Building Fixtures: \$3,500,000

TOTAL NEGOTIATED TAX INCENTIVE AMOUNT:

\$3,500,000

See KBI file (KBI-I-21-23538) for Ownership, Other State Participation and Unemployment Rate.

**TAX-EXEMPT GOVERNMENTAL UNIT/STATUTORY AUTHORITY ISSUANCE
OF INDUSTRIAL REVENUE BONDS (IRB)**

**KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY REQUEST
FOR REDUCTION IN STATE AD VALOREM TAX RATE**

Date: January 27, 2022
Issuer: City of Henderson
Company: Pratt Paper (KY), LLC
City: Henderson **County:** Henderson
Project Type: New **Resolution #:** LIRB-2022-01
Bus. Dev. Contact: B. Cox **DFS Staff:** D. Phillips

Project Description: Pratt Paper (KY), LLC, is the 6th US paper mill to be built by Pratt Industries, Inc. Pratt is the 5th largest corrugated packaging company in the USA and the world's largest, privately-held 100% recycled paper and packaging company. The project will be developed in two phases: Phase one will consist of a new paper mill operation to manufacture recycled paper from 100% post-consumer fiber. Phase two will consist of a new corrugated operation to produce corrugated sheets and boxes, composed of 100% recycled materials.

Proposed Issuance Date	Principal amount of IRB authorization	Term of Bond (years)
March 1, 2022	up to \$400,000,000	30

New, Full-time Jobs to be Created	Average Annual Salary
321	\$62,317

Anticipated Financed Project Costs

Land	\$0
Building/Improvements	\$100,000,000
Equipment	\$299,800,000
Infrastructure	\$200,000
TOTAL	\$400,000,000

Active State Participation at the Project Site:

<u>Date</u>	<u>Program</u>	<u>Status</u>	<u>Amount</u>
Jul 29, 2021	KBI	Approve-Prelim	\$14,000,000
Jul 29, 2021	KEIA	Approve-Final	\$3,500,000

Unemployment Rate:

County: 2.7% Kentucky: 3.7%

Projected New Net Tax Revenues to be Received Over the Term of the IRB

Excluding other state tax credits and incentives approved for the project, if fully utilized by the company. These projections are provided by the company and are not verified by the Cabinet.

State Tax Revenues	\$17,182,945
Local Tax Revenue	\$25,435,695
TOTAL	\$42,618,640

Requested % Reduction in the Ad Valorem Tax	Projected Tax Savings over Bond Term
State: 100%	\$8,047,420
Local: 100%	\$24,368,450

Payments will be made by the Company in lieu of taxes to the following:

School District - Henderson County Schools

Recommendation:

Staff recommends approval of the requested percentage reduction in the state ad valorem tax rate on the industrial building and equipment proposed to be financed through the issuance of the industrial revenue bonds.

Note that the KEDFA board is not making any type of determination as to the legality of the bonds to be issued by the above-referenced issuer, but is only approving the reduction on the ad valorem tax rate as provided by KRS 103.200 and KRS 132.020.