

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Nestlé Purina)
PetCare Company for Approval of an Economic) Case No. 22-0932-EL-AEC
Development Arrangement with Duke Energy)
Ohio, Inc.)

APPLICATION FOR AN ECONOMIC DEVELOPMENT ARRANGEMENT

I. Introduction

Under Ohio Revised Code (“R.C.”) §4905.31 and Ohio Administrative Code (“O.A.C.”) 4901:1-38-03, Nestlé Purina PetCare Company (“Nestlé Purina” or “Applicant”) respectfully submits this application (“Application”) to the Public Utilities Commission of Ohio (the “Commission”) for approval of a reasonable arrangement with Duke Energy Ohio, Inc. (“Duke”). The proposed arrangement is intended to promote continued economic development in Williamsburg Township, Clermont County, by discounting the cost of electricity distribution charges to allow for investment in attracting and developing skilled workers as Nestlé Purina constructs its 1,200,000 square foot, world-class pet food manufacturing facility (the “Nestlé Purina Facility” or “Facility”).

An important component of this Application is that Nestlé Purina will use all savings generated from this reasonable arrangement to increase its training for employees for this Facility and to provide additional internships and opportunities for enhancing the development of talent and skillsets from the community. Nestlé Purina has previously developed a preliminary training budget for the next five years, and each year Nestlé Purina adopts a training budget, Nestlé Purina will increase its annual training budget with the savings from the approval of this application. Nestlé Purina will confirm that it is utilizing all of those funds received for accretive training and internship opportunities at the Facility which would not have been available but for this reasonable

arrangement. This allocation ensures that the discount provided for in this economic development arrangement will directly benefit Nestlé Purina's employees.

Nestlé Purina's commitment to training its workforce serves the larger Duke Energy customer community as well. Long-term employees are the goal, but the training provided, in both technical and soft skills, is a benefit to the employees and the region's workforce. In an area that has faced workforce and employment challenges, additional training benefits each worker, whether or not they remain at Nestlé Purina throughout their career or pursue other opportunities. The stronger, better trained workforce is a benefit to the entire community with a payback, or return on investment, in the form of a more skilled workforce supporting this Facility and supporting future economic growth in the community. Moreover, the stronger the workforce and performance at this Facility, the more attractive the Facility and southwest Ohio are for future growth opportunities.

II. Project Summary

The Nestlé Purina Facility in Williamsburg Township, Ohio will be Nestlé Purina's first new factory built from the ground up since 1975.¹ Nestlé Purina is investing over five hundred fifty million dollars (\$550,000,000) in Ohio to acquire the land and develop the Facility. This development is important to the State Route 32 Eastern Appalachian Corridor, and supports and benefits from Duke's substantial investments in the area, including the proposed Bethel-Batavia pipeline project (pipeline 367).

The \$550+ million new factory in southwest Ohio will produce leading dry dog and cat food brands, including Purina Pro Plan, Purina ONE and Dog Chow. The 1,200,000 square-foot

¹ <https://newscenter.purina.com/2020-10-26-Nestle-Purina-PetCare-Plans-to-Build-New-Factory-in-Ohio-to-Meet-Growing-Pet-Food-Demand>

Facility will sit on approximately 193 acres in Williamsburg Township's South Afton Industrial Park, a designated SiteOhio authenticated project site. Nestlé Purina will employ more than 300 people at this new factory location by 2024. These jobs will include professional staff, production operators, technical staff and engineers. Construction is underway, and the factory is expected to begin operations in 2023.

Nestlé Purina plans to employ more than 300 people with an annual payroll of approximately \$12.5 million. While the regional workforce has great potential, Nestlé Purina, needs to make a substantial investment to further develop well-trained workers in the region for its Facility's needs.

Reducing the cost of electricity can help Nestlé Purina invest additional funds in further developing its workforce. Electricity is a significant cost in the products manufactured at Nestlé Purina's Facility. Nestlé Purina's operations are utility intense, and especially electricity intense.² The Facility will be built to Nestlé Purina's world-class quality and food safety standards, incorporating more advanced digital technology than any other Nestlé Purina factory. When completed, the Williamsburg Township factory will produce a variety of high-quality and nutritious Purina brands that pet owners know and love. All of these operations, though, consume a significant amount of electricity.

Nestlé Purina strives to save energy and conduct environmentally responsible operations. Nestlé Purina's new operations are being designed with sustainability at the forefront, including a commitment to send zero waste for disposal, and production processes designed to recover and reuse heat and water. Nestlé Purina also is striving to make the facility one hundred percent

² The Nestlé Purina Facility also uses a large amount of natural gas.

(100%) powered by renewable electricity in 2025, while supporting the company’s ambition for zero environmental impact in company operations by 2050.

Despite these energy saving design efforts and plans, electricity remains one of Nestlé Purina’s highest non-labor, non-material projected production costs.³ Reducing this cost will allow Nestlé Purina to invest more in attracting and developing a skilled workforce. Specifically, discounting Nestlé Purina’s costs for wires charges will allow Nestlé Purina to make an additional investment in skilled workers – which in turn will support production and employment at the Nestlé Purina Facility. The structure of the arrangement consists of a discount off wires charges in a credit amount equal to that approved for certain economic development incentive programs and arrangements previously approved by the Commission⁴ coupled with commitments on capital investment at the site, additional training for employees, increased numbers of internships and a commitment to grow and maintain employment at the site.

Specifically, the Applicant seeks approval of a reasonable arrangement (the “Proposed Arrangement”) that will:

- a. Run for a term commencing the later of approval of the Application or November 1, 2022 (the “Commencement Date”) and ending on the final billing cycle that includes October 31, 2027⁵;
- b. Allow Nestlé Purina, at its discretion, to receive energy and capacity from a competitive retail electric service (“CRES”) provider;

³ Due to the nature of Nestlé Purina’s operations, participation in demand response programs is not feasible.

⁴ See, e.g., *In the Matter of the Joint Application of Fuyao Glass America Inc. and Dayton Power & Light Company for Approval of a Reasonable Arrangement*, Case No. 19-810-EL-AEC, *Finding and Order* entered October 23, 2019.

⁵ Nestlé Purina is reviewing the availability of Duke’s Development Incentive Rider (Rider DIR) in addition to this proposed arrangement.

- c. Provide that Nestlé Purina pay Duke's charges for transmission services, distribution services, ancillary services and non-bypassable riders (together, "Wire Services") subject to a \$0.004 per kWh credit; and
- d. Require that the \$0.004 per kWh credit be subject to an annual cap of \$750,000.

In addition, under the Proposed Arrangement, Nestlé Purina will commit to grow and maintain employment at the Nestlé Purina Facility at no less than 300 employees by year-end 2024, and maintain at least 300 employees as an annual average for the remainder of the period covered by the Proposed Arrangement; cumulatively invest at least \$550,000,000 in the Facility by year-end 2024; and increase expenditures on worker training by at least the credit amount that Nestlé Purina receives on its wires charges over the period of the Proposed Arrangement and one year thereafter.

Nestlé Purina's ability to create employment for 300 employees by year-end 2024 will benefit the Clermont County region and will benefit Ohio generally and the state's reputation for supporting best in class in manufacturing. The additional training and additional internship opportunities at the Facility, which would not be available without the Proposed Arrangement, when taken as a whole, and considering the Commission's criteria for economic development arrangements, allow the determination that the Proposed Arrangement is reasonable and should be approved.

III. Statements in Support of Application

A. Nestlé Purina is part of Nestlé S.A., a Global Leader in Nutrition, Health and Wellness

1. Nestlé Purina is a St. Louis, Missouri based subsidiary of Nestlé S.A., a leading global company headquartered in Switzerland.

2. Nestlé Purina creates richer lives for pets and the people who love them. Founded in 1894, Nestlé Purina has helped dogs and cats live longer, healthier lives by offering scientifically based nutritional innovations.

3. Nestlé Purina manufactures some of the world's most trusted and popular pet care products, including Purina ONE, Pro Plan, Fancy Feast and Tidy Cats.

4. Nestlé Purina's more than 8,700 associates throughout the United States take pride in its trusted pet food, treat and litter brands that feed 51 million dogs and 65 million cats every year.

5. More than 500 Nestlé Purina scientists, veterinarians, and pet care experts ensure its commitment to unsurpassed quality and nutrition. Nestlé Purina promotes responsible pet care through its scientific research, products and support for pet-related organizations.

B. The Nestlé Purina Facility must invest in and develop a pool of skilled workers

6. Nestlé Purina selected Ohio for significant capital investment over a variety of different sites. To support its initial and significant investment in the South Afton Industrial Park SiteOhio authenticated site, Nestlé Purina will receive Ohio Job Creation Tax Credits as approved by the Ohio Tax Credit Authority⁶ and an Economic Develop Grant as approved by JobsOhio.⁷ Nestlé Purina's investment and development were also supported by incentives, tied to certain benchmarks, including an enterprise zone agreement with Clermont County and Williamsburg Township, a compensation agreement with the Williamsburg Local School District, and a sales tax incentive with the Clermont County Port Authority.⁸

⁶ <https://highlandcountypress.com/Content/In-The-News/Headlines/Article/New-projects-expected-to-create-more-than-743M-in-investments-statewide/2/73/61102>

⁷ [Nestlé Purina PetCare Will Build a New Factory in Ohio to Meet Growing Pet Food Demand | JobsOhio](#)

⁸ <https://clermontcountyohio.gov/category/economic-development/>

7. Nestlé Purina's Facility will join a network of twenty-one (21) current manufacturing locations across the United States. This expansion is part of a broader growth plan for Nestlé Purina and marks the second new factory Nestlé Purina announced in 2020 after the company revealed plans in late September to convert a former brewery into a new pet food factory in Eden, North Carolina.

8. Nestlé Purina will be able to continue to invest in the Nestlé Purina Facility, with room for physical expansion and available production capacity. One challenge facing Nestlé Purina, though, is the worker training needed for this Facility.

9. Moreover, the pool of skilled employees needed for manufacturing feeds a talent pipeline that is in high demand. As workers at Nestlé Purina develop in-demand skills, they become more marketable not only to move to higher-skill positions at the Nestlé Purina Facility, but also at other regional manufacturers with opportunities for skilled workers.

C. The Nestlé Purina Facility invests significantly in developing its workforce.

10. Nestlé Purina expects this new factory to be its most technologically advanced, utilizing robotics and innovative digital tools as it produces high-quality pet food. The Facility and the employees will benefit from the Nestlé Purina Training University ("NPTU"), which will promote learning and development that will attract its associates and partners to Clermont County.

11. Nestlé Purina training provides competency development support to create a safe environment and the technical competency required to be successful.

12. NPTU creates a roadmap for career progression for everyone. Employees are hired for a career, not a job, and are provided with a map and a team of resources needed to follow the map and achieve their goals.

13. NPTU helps enable career progression and people development in technical skills. The NPTU Competency Framework emphasizes teamwork, analytics, communication, social and emotional, technical and digital skills training.

14. While Nestlé Purina invests significantly in NPTU and the benefits it offers to employees, based on an annual credit of \$750,000 if the reasonable arrangement is approved, Nestlé Purina will provide additional training for its employees with the funds from the credit, dollar for dollar. Nestlé Purina will review the amounts credited and, during the term of the Proposed Arrangement and, during the term and the one year following the term, Nestlé Purina will expend the amount credited to Nestlé Purina on additional training and internships that would not be provided but for the Proposed Arrangement. Nestlé Purina will track the amounts to confirm the expenditures of additional amounts equal to the credits provided under the Proposed Arrangement.

D. Investment in the Nestlé Purina Facility and its workforce will advance Ohio's growth in the global economy

i. Investment in world-class manufacturing directly supports significant capital investment and strong employment in Ohio

15. Nestlé Purina is financially strong and growing. As a subsidiary of one of the largest companies in the world, Nestlé Purina has an impeccable platform from which to build. In Nestlé's most recent (2021) annual report, Nestlé's sales were 87.1B CHF (Swiss Francs). Pet care accounted for 15.6B CHF, representing 17.9% of Nestlé's sales and the second largest segment in the company, behind only powdered and liquid beverages.

16. For 2021, Nestlé's North American operations posted high-single-digit organic growth rate. Sales in Purina PetCare grew at a double-digit rate, led by Purina Pro Plan, Fancy Feast and Purina ONE.

17. Nestlé Purina is positioned to spend more than \$550,000,000 in Ohio to develop the Nestlé Purina Facility by the end of 2024. Further, over the life of the Facility, Nestlé Purina in Ohio will spend significant funds to support the Facility’s operating expenditures and capital projects.

18. Nestlé Purina will also directly support well-paying jobs in the Clermont County area. The average hourly base wage rate for skilled jobs at the Nestlé Purina Facility more than doubles the current federal minimum wage. By investing in its workforce and expanding its labor pool, Nestlé Purina will be well positioned to support increased production and employment at the Facility and in the area – leading to direct economic benefits to the surrounding region.

19. Notably, the Nestlé Purina Facility also provides significant indirect economic benefits to the local economy.⁹ The Economic Impact Study found:

From construction:

- Activity generated from the construction of the new plant will be responsible for supporting 3894 jobs in Clermont County and 4767 jobs in Ohio. Further, this construction will generate \$231 million in labor income for Clermont County and \$298 million in labor income for the State of Ohio. It should be noted that these effects are temporary and will not be repeated year to year, as the operational impacts are estimated to be.
- The construction process is estimated to directly support 2975 jobs.
- An estimated 375 jobs will be indirectly supported in Clermont County and by businesses that supplied goods and services required for the construction. 601 jobs are indirectly supported in the State of Ohio in the same way.
- An estimated 544 additional jobs in Clermont County, as well as an estimated 1359 in the State of Ohio, are supported due to the induced effects of construction of the new plant.
- Income for workers completing the construction of the new plant will generate an aggregate of \$513 million in total economic output to Clermont County and \$705 million in total economic output towards the State of Ohio.

⁹ See “The Economic Impact Analysis of the Construction of a New Nestlé Purina Petcare Factory to the Regional Economy” prepared by G. Jason Jolley, Ph.D., Professor of Rural Economic Development, & Eric Belleville, Economic Development Specialist, Center for Economic Development and Regional Development, Voinovich School of Leadership and Public Affairs, Ohio University, June 23, 2021 (the “Economic Impact Study”), a copy of which is attached as Appendix D (with redacted confidential updated company information).

- The top ten most impacted industries in Clermont County from the construction of the new plant will include dog and cat food manufacturing, grain farming, support activities for agriculture and forestry, other real estate, nondurable goods merchant wholesalers, employment services, full-service restaurants, management of companies and enterprises, and truck transportation.
- The total impact of construction of the plant on these ten industries will be about 702 jobs and \$371 million in economic activity for Clermont County.
- The top ten most impacted industries in Ohio from the construction of the new plant will include dog and cat food manufacturing, meat processing, grain farming, metal cans manufacturing, nondurable goods merchant wholesalers, truck transportation, management of companies and enterprises, other real estate, and grocery and related product wholesalers.
- The total impact of construction of the plant on these ten industries will be about 784 jobs and \$453 million in economic activity for the state of Ohio.
- County, state, and federal tax revenues generated due to construction of the new plant will total \$1,213,997.79, \$9,508,987.10, and \$10,448,941.91, respectively.

From operations:

- Salaries paid for workers at the new plant will be responsible for supporting 926 jobs in Clermont County and 1529 jobs in Ohio. Further, these salaries will generate \$55 million in labor income for Clermont County and \$92 million in labor income for the State of Ohio. It should be noted that these effects will be repeated for each year in which these jobs exist.
- An estimated 472 jobs will be indirectly supported in Clermont County and by businesses that supplied goods and services to the Nestlé Purina pet food plant. 781 jobs are indirectly support in the State of Ohio in the same way.
- An estimated 116 additional jobs in Clermont County, as well as an estimated 410 in the State of Ohio, will be supported due to the induced effects of employees of the new plant and its suppliers spending part of their wages at businesses in the surrounding region.
- Income for workers at the new plant will generate an aggregate of \$920 million in total economic output to Clermont County and \$1.3 billion in total economic output towards the State of Ohio.
- The top ten most impacted industries in Clermont County from the operations of the new plant will include dog and cat food manufacturing, grain farming, support activities for agriculture and forestry, other real estate, nondurable goods merchant wholesalers, employment services, full-service restaurants, management of companies and enterprises, and truck transportation.
- The impact of plant operations on these ten industries will be about 702 new jobs and \$371 million in economic activity.
- The top ten most impacted industries in Ohio from the operations of the new plant will include dog and cat food manufacturing, meat processing from carcasses, grain farming, metal cans manufacturing, nondurable goods merchant wholesalers, truck transportation, management of companies and enterprises, other real estate, and grocery and related product wholesalers.

- The impact of plant operations on these ten industries will be about 784 new jobs and \$453 million in economic activity.
- County, state, and federal tax revenues generated due to operations at the new plant will total \$620,343.96, \$3,952,420.57, and \$12,029,067.47, respectively.

20. Ohio suppliers to the Nestlé Purina Facility will benefit from Nestlé Purina's presence and continued growth. Although the contracts are not yet in place, Nestlé Purina anticipates engaging numerous local service providers and other Ohio vendors to support the Facility.

21. The Nestlé Purina Facility also creates important induced effects as described in the Economic Impact Study – increases in employment, earnings, income and regional GDP resulting from purchase of goods and services in Ohio financed by earnings of Ohio residents. These include expenditures on goods and services, such as meals at Ohio restaurants, purchases from retail establishments including vehicles and other consumer durable goods, purchases or rental of housing, and purchases from the providers of personal services. Furthermore, state and local tax revenues, both direct and indirect, are created when capital investment and expansion result in increased employment and incomes.

- ii. Nestlé Purina's investment supports Ohio's effectiveness in the global economy

22. Projections forecast a \$136 billion dollar global market for pet food in 2022. The market is expected to grow annually by 10.54% during 2022-2027.¹⁰ Nestlé Purina must be positioned to expand to continue to serve that demand and that requires a pool of highly skilled manufacturing workers. That, in turn, will provide an important economic multiplier effect to the Clermont County area because in general, manufacturing has a higher multiplier effect than other

¹⁰ [Pet Food - Worldwide | Statista Market Forecast.](#)

sectors.¹¹ As the demand for manufacturing grows, it spurs the creation of jobs, investments, and innovations elsewhere.

23. As reported publicly, “[f]or every \$1.00 spent in manufacturing, there is a total impact of \$2.68 to the overall U.S. economy. In the private sector, only mining (\$2.84) and transportation and warehousing (\$2.73) have a higher multiplier. In addition, for every one worker in manufacturing, five workers are added in the overall U.S. economy, including indirect and induced impacts, and for every \$1.00 earned in direct labor income in the manufacturing sector, nearly \$4.00 in labor income earned are added to the overall U.S. economy. (Source: NAM calculations using 2020 IMPLAN data)”¹²

iii. Nestlé Purina is committed to the community

24. Overall, Nestlé Purina and its affiliates, employ 3,300 people across the State of Ohio, with operations in Solon, Marysville, Cleveland, Brecksville and Zanesville. Nestlé Purina continues its deep-seated commitment to customer service, employee development, and charitable and civic service.

25. Nestlé Purina is an active, important supporter of non-profit organizations across the U.S. and in the communities where it does business. For example:

- (a) Nestlé Purina promotes responsible pet care through scientific research, products and support for pet-related organizations. Over the past five years, Purina has contributed more than \$150 million

¹¹ <https://www.themanufacturinginstitute.org/research/a-look-ahead-how-modern-manufacturers-can-create-positive-perceptions-with-the-us-public/>

¹² <https://www.nam.org/facts-about-manufacturing/#:~:text=Facts%20About%20Manufacturing.%201%201.%20Manufacturers%20contributed%20%242.77,in%202020%2C%20including%20pay%20and%20benefits.%20More%20items> (accessed 8/30/2022)

towards organizations that bring, and keep, people and pets together, as well as those that help our communities and environment thrive.

- (b) Here are a few examples of the ways Nestlé Purina is helping people and pets achieve a better life together across the U.S.¹³:
 - (i) Pet Adoption: Finding pets forever homes through Purina Shelter Champions and Petfinder.com.
 - (ii) Domestic Violence: Creating more pet-friendly domestic violence shelters so pets and families can heal together.
 - (iii) Pets and Veterans: Pairing trained service dogs to aid veterans suffering with PTSD.
 - (iv) Pets and Patients: Reuniting pets and families in hospitals
 - (v) Disaster Relief: Providing funding, pet food and litter to communities in need.
- (c) Nestlé Purina is developing outreach and engagement plans which will create a connection between the Nestlé Purina Facility and its surrounding region.

E. Increased training benefits the community as skills acquired through training stay with the individual.

26. Nestlé Purina's training of its workforce serves the larger community with increased technical and soft skills contributing to the overall performance of the region's workforce. The additional training and internship opportunities will also support students and enhance the relationships among Nestlé Purina and the Williamsburg Local School District and

¹³ [Purina US Fact Sheet 2021.pdf \(mediaroom.com\)](#) (accessed 8/30/22)

other school districts, the U.S. Grant Career Center and other joint vocational school districts, and the University of Cincinnati Clermont College and other colleges and universities in the region.

27. Whether or not workers remain at Nestlé Purina throughout their career or pursue other opportunities, future economic growth in the community is enhanced by more and better trained workers. The stronger the workforce and performance at this Facility, the more attractive the Facility and southwest Ohio are for future growth opportunities.

F. The Proposed Arrangement will support substantial economic development by providing Nestlé Purina with the ability to shift costs while remaining competitive

28. To support increased production at the Nestlé Purina Facility and to facilitate Ohio's effectiveness in the global economy, Applicants propose a reasonable arrangement that will:

- (a) Run for a term commencing the later of approval of the Application or November 1, 2022 and ending on the final billing cycle that includes October 31, 2027;
- (b) Allow Nestlé Purina, at its discretion, to receive energy and capacity from a competitive retail electric service ("CRES") provider;
- (c) Provide that Nestlé Purina pay Duke's charges for Wire Services, subject to a \$0.004 per kWh credit;
- (d) Require that the \$0.004 per kWh credit be subject to an annual cap of \$750,000;
- (e) Provide that Nestlé Purina will maintain employment at the Nestlé Purina Facility at no less than 300 employees by the end of 2024, and maintain at least 300 employees as an annual average for the

remaining term (approximately two years) of the Proposed Arrangement, subject to a credit reduction if commitments are not met or maintained as set forth in paragraph 29 below;

- (f) Require capital investment to acquire land and develop the Nestlé Purina Facility of at least \$550 million by year-end 2024 and make an increased investment in worker training of the full amount of the discount received off Wire Services, subject to a credit reduction if commitments are not met or maintained as set forth in paragraph 29 below¹⁴;
- (g) The economic impact of the Project is expected to be significant and create jobs which will have average hourly base wage rates for the full-time equivalent jobs exceeding 150% of the current federal minimum wage; and

¹⁴ For the avoidance of doubt, Nestlé Purina is committing to increase its training and internship expenditures dollar-for-dollar for the credits it receives. If, over the course of the Proposed Arrangement, Nestlé Purina received credits of \$2,000,000, then \$2,000,000 over and above the budgeted amounts will be spent on training and internships within one year of the end of the Proposed Arrangement. Nestlé Purina's training budget will be updated to add a new row for allocating the credits, and Nestlé Purina will track how those credits are used for additional training and internships that Nestlé Purina confirms would not have been done but for the credit provided by the Proposed Arrangement. Examples of additional training may include, but are not limited to, additional hours in training, additional skillsets being provided, and additional training personnel to conduct more effective trainings. The additional training budget amounts will be recorded based on training wages in the same form and degree as Nestlé Purina tracks all of its training for the Facility. For example:

Resources	Number of EEs	Hrs/Mo.	Rate (Total – Pay + Benefits)	Months	Total
Budgeted Training	300	10	\$50	12	\$1,800,000
Additional Training	250	5	\$50	12	\$750,000 (=Amount of Credit Provided)
TOTAL					\$2,550,000 (includes 15,000 additional training hours)

- (h) Maintain operations at the Nestlé Purina Facility during the term of the Proposed Arrangement.

29. If employment or capital investment commitments are not met or not maintained, then the credit per kWh provided for under the arrangement would reduce in accordance with the average of the shortfall ratio until the next billing cycle when the applicable commitment is satisfied or met.¹⁵

30. All shortfall adjustments shall apply to future period(s). Under no circumstance will Nestlé Purina be subject to clawback of discounts or other benefits already received under the Proposed Arrangement.

G. Cost Recovery and Use of Funds

31. Applicant requests that the Commission approve the recovery of costs associated with the \$0.004 per kWh credit for Wire Services created by this economic development arrangement, including one hundred percent of the “delta revenues” as defined by O.A.C. 4901:1-38-01(C) and as permitted under R.C. §4905.31(E) and O.A.C. 4901:1-38-08, through Duke’s currently existing Economic Competitiveness Fund Rider (“ECF Rider”) under the terms and conditions as set forth in Sheet No. 105.14.

32. Assuming an average annual load of approximately [REDACTED] kWh at Nestlé Purina and using current rates, billings for Wire Services will be about [REDACTED] per year. Assuming the same load and applying the rates under the Proposed Arrangement, billings for Wire Services would be approximately [REDACTED] per year at Nestlé Purina. Nestlé Purina’s payments will pay for all incremental costs of service.

¹⁵ For example, if Nestlé Purina’s annual average employment is 250 during the period when the commitment is 300 employees, and its investment commitment was satisfied, then the employment shortfall ratio would be 50/300 or .167 or 16.7%. Taking an average yields a credit reduction of 8.33% (.167+ 0 divided by 2 equals .833).

33. Nestlé Purina will put all reductions in Wire Services billings toward employee training. Specifically, Nestlé Purina intends to put the funds toward programs such as additional employee technical training, additional employee safety training, customized training and an applicant tracking system to assist prospective employees in applying to work at Nestlé Purina.

34. These funds support one of Nestlé Purina's critical employee needs during the term and this investment will help Nestlé Purina be successful after the term of the Proposed Arrangement.

H. Miscellaneous statements

35. Nestlé Purina is a mercantile customer pursuant to R.C. §4928.01(A)(19) and O.A.C. 4901:1-38-01(F).

36. Duke is a public utility as defined in R.C. §4905.02 and pursuant to the boundaries established by the Commission under R.C. §4933.82, it is the electric distribution utility serving the Nestlé Purina Facility.

37. The Proposed Arrangement does not violate the provisions of R.C. §4905.33 or R.C. §4905.35. Nor is the Proposed Arrangement for retail purposes under O.A.C. 4901:1-38-03(A)(2)(a).

38. At any time, Nestlé Purina may, upon thirty days' notice, terminate this reasonable arrangement without penalties and would no longer receive the applicable credit set forth in this Proposed Arrangement. Nothing in this Application or the Proposed Arrangement shall prevent or foreclose Nestlé Purina from availing itself of additional arrangements or opportunities that may become available or offered by Duke.

39. Attached as Appendix A is an affidavit from a Nestlé Purina official attesting to the veracity of the information provided in this Application.

40. Attached as Appendix B is a copy of a proposed form of contract for the reasonable arrangement between, and subject to negotiation by, Applicant and Duke (Appendix B has not been reviewed by Duke).

41. Attached as Appendix C are copies of letters in support of the application.

42. Attached as Appendix D is the Economic Impact Study.

43. Nestlé Purina reserves the right to terminate the reasonable arrangement if the Commission materially modifies the reasonable arrangement as presented in this Application.

44. Considering Nestlé Purina's ability to invest hundreds of millions of dollars or more in capital and operating expenses in Ohio, and the important economic development and other benefits made possible under the Proposed Arrangement, the Commission should find that the Proposed Arrangement is in the public interest and facilitates the State's competitiveness in the United States and global economies. The benefits provided by Nestlé Purina to the community outweigh the costs of the Proposed Arrangement.

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IV. Conclusion

Therefore, Applicant Nestlé Purina seeks approval of a reasonable arrangement as set forth above in this Application.

Respectfully submitted,

By: /s/ Michael J. Settineri

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Counsel for Nestlé Purina PetCare Company

CERTIFICATE OF SERVICE

The undersigned certifies that a courtesy copy of the foregoing document is being served
(via electronic mail) on this 7th day of October, 2022 upon all persons listed below:

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Jeanne Kingery
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/s/ Michael J. Settineri
Michael J. Settineri

APPENDIX A

AFFIDAVIT OF COMPANY OFFICIAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Nestlé Purina)
PetCare Company for Approval of an Economic) Case No. 22-932-EL-AEC
Development Arrangement with Duke Energy)
Ohio, Inc.)

AFFIDAVIT OF ERIC HELDING

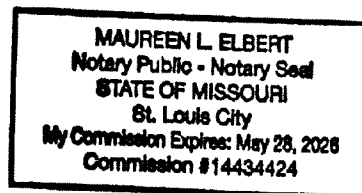
State of Missouri)
City)
~~County of~~ St. Louis)

I, Eric Holding, being first duly sworn, declare that I am the Vice President, Safety and Education & Training of Nestlé Purina PetCare Company and that the information provided in the foregoing application and appendices is true and accurate to the best of my knowledge and belief.

Signature: Eric H. Holding
Name: Eric Holding
Title: Vice President, Safety and Education & Training
Nestlé Purina PetCare Company

Sworn to before me and signed in my presence this 29th day of August 2022.

Maureen L. Elbert
Notary Public



APPENDIX B

PROPOSED ECONOMIC DEVELOPMENT ARRANGEMENT

CONTRACT FOR ECONOMIC DEVELOPMENT ARRANGEMENT

THIS CONTRACT FOR ECONOMIC DEVELOPMENT ARRANGEMENT (the “Contract”) is entered into by and between Duke Energy Ohio, Inc., its successors and assigns (the “Company” or “Duke”), and Nestlé Purina PetCare Company, its permitted successors and assigns (the “Customer” or “Nestlé Purina”), and is effective as set forth below (the “Effective Date”).

WITNESSETH

WHEREAS, Duke is a regulated public utility subject to the authority of the Public Utilities Commission of Ohio (“PUCO” or “Commission”); and

WHEREAS, under Section 4905.31 of the Ohio Revised Code, a utility and a customer may enter into any financial device practicable or advantageous to the Parties interested, including a device to recover costs incurred, such as revenues foregone, in conjunction with any economic development and job retention program of the utility; and

WHEREAS, under Section 4901:1-38-03 of the Ohio Administrative Code (“OAC”), the Commission has authority to approve an economic development arrangement between a utility and a customer; and

WHEREAS, the Company currently provides electric service to the Customer at the Customer’s manufacturing facility in Williamsburg Township, Ohio (the “Facility”); and

WHEREAS, Customer is investing in the Facility and its employees to construct a state-of-the-art manufacturing operation; and

WHEREAS, on or about September 24, 2020, Duke and Nestlé Purina executed a “Non-Binding Term Sheet / Memorandum of Understanding for Project Green Acres (Electric)” (the “Term Sheet”); and

WHEREAS, the Customer wishes to secure a reliable supply of electricity pursuant to terms and conditions that will align Customer's electric service and charges to support additional investment in, and development of, its workforce at the Facility; and

WHEREAS, on _____, 2022 in order to obtain such a supply of electricity, the Customer submitted to the Commission an application for an economic development arrangement in Commission Case No. 22-____-EL-AEC (the “Application”); and

WHEREAS, the Application was approved by the Commission in its _____, 2022 Finding and Order (the "Order").

NOW, THEREFORE, in consideration of the above recitals, which are hereby incorporated in this Contract, and of the Commission's Order approving the Application for the economic development arrangement, the Company and the Customer agree as follows:

1. Definitions.

- a. "Delta Revenue" shall have the same meaning as set forth in section 4901:1-38-01(C) of the OAC.
- b. "Development Incentive Rider" shall mean Duke Rider DIR, Sheet 71.1, which provides an economic development program for new projects.
- c. "ECF Rider" shall mean Duke's currently existing Economic Competitiveness Fund Rider under the terms and conditions set forth in Sheet No. 105-14.
- d. "Installation" shall mean the Nestlé Purina property located at [3002 Afton Drive] in Williamsburg Township, Ohio.
- e. "Party" shall mean Nestlé Purina or Duke individually, and "Parties" shall mean Nestlé Purina and Duke collectively.
- f. "P.U.C.O. No. 19 Electric Service Tariffs" or "Tariffs" refers to the Duke Electric Service Schedule of Rates, Classifications, Rules and Regulations, or successors to said schedules, as approved by and on file with the PUCO at the point in time at which said schedules shall be applied hereunder, or specific versions of said schedules as set forth herein.
- g. "Primary Distribution Demand" shall mean that demand defined Tariff Sheet 44.18 (Rate DP).
- h. Terms such as "herein," "hereunder," and other similar compounds of the word "here" shall mean and refer to this entire Contract rather than any particular part.
- i. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Application.
- j. Certain other definitions, as required, appear in subsequent parts of this Contract.

2. Effective Date and Term. Pursuant to the terms of the economic development arrangement proposed in the Application, as approved by the Commission in its Order (the "Approved Arrangement"), this Contract shall begin on the Commencement Date under the Order and terminate as of the conclusion of the final billing cycle that includes October 31, 2027, during which time Customer may receive generation and capacity from a CRES supplier. The Customer may elect to terminate the Contract at any time upon thirty (30) days' notice without minimum monthly billing demand charges or other penalties. This Contract shall also terminate if the Commission subsequently modifies the Approved Arrangement as proposed in the Application and the Company and the Customer agree in writing to terminate the Contract.

3. Conditions and Adjustments.

For the term of this Contract, the Company shall adjust the monthly billed tariff charges (excluding the Customer's generation charges from its CRES provider, if any) for distribution service and all non-bypassable transmission and ancillary services and non-bypassable riders (together, "Wire Service") to the Facility by \$0.004 per kWh of monthly usage ("Credit") subject to annual cap set forth in the Application. Under no circumstances will Customer be subject to claw back of discounts or other benefits received under the Contract or the Approved Arrangement.

Nestlé Purina shall meet the terms and conditions set forth in paragraph [28] sub-sections (a) through (h) and paragraph [33] of the Application.

If employment or capital investment commitments are not met or not maintained, then the credit per kWh provided for under the arrangement would reduce in accordance with paragraph [29] of the Application.

Duke will seek to recover all Delta Revenue associated with this Contract in accordance with Ohio law and the Approved Arrangement under the Company's ECF Rider, and the provision of service at the rates specified herein is conditioned upon Duke's recovery of the associated Delta Revenue over the Term of this Contract.

- 4. Service.** Nothing herein is intended to modify, reduce, or increase the obligations that Duke has with respect to delivery, metering or other utility services that it provides Nestlé Purina other than described in this Contract. It is therefore the Parties' understanding that Duke will continue to meter the load at a voltage level at which the Parties have agreed (and is consistent with the Term Sheet) for the purposes of administering and billing this Contract. No additional changes in service type or voltage level at the Installation served after the signing of this Contract shall be made except to the extent made in conformance with notice and other requirements that Duke may require under its PUCO approved tariff. Notice of any such changes shall also be provided to Duke.
- 5. Customer Options.** Notwithstanding Paragraph 2 of this Contract, during the term of this Contract, the Customer shall have the right, but not the obligation, to participate in additional arrangements or opportunities that may become available or offered by Company. Nothing in this Contract changes the Company's ability to utilize Rider DIR or continue to receive electricity pursuant to Rate DP (Primary Distribution Demand).
- 6. Notices.** Any notice required or desired by either Party to be given hereunder shall be made:

If to the Company at:
Duke Energy Ohio, Inc.
139 E. Fourth Street

If to the Customer at:
Nestlé Purina PetCare Company
One Checkerboard Square

Cincinnati, Ohio 45202
ATTN:

St. Louis, Missouri 63164
ATTN: Legal Department

With copy to:
Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
Columbus, Ohio 43215
ATTN: Michael Settineri

Either Party may submit to the other Party a written notice of a change in location, address, or title of contact person and such notice shall serve to modify this Section 6 of this Contract. Any communications required to be in writing pursuant to this Contract shall be delivered by first class U.S. Mail, courier service, or commonly used forms of electronic communication (e.g., fax or email) consistent with the provisions set forth in this Section 6. Notice shall be deemed to be received upon actual receipt if delivered by courier, fax or email, or three (3) days after postmarked if sent by first class U.S. Mail, postage prepaid.

- 7. Other Events of Default; Termination.** The Parties agree that upon ninety (90) days' prior written notice, the Company may terminate this Contract if the Customer becomes insolvent, makes a general assignment for the benefit of creditors, or admits in writing its inability to pay debts as they mature, if any court appoints a trustee or receiver for the Customer or any part of the Customer's assets, or if proceedings are instituted by or against the Customer under any provisions of the Federal Bankruptcy Code or any state insolvency law or result in an adjudication in bankruptcy or insolvency. The Company shall not have any liability to the Customer if the Company terminates this Contract pursuant to this paragraph.
- 8. Reporting.** Subject to such confidentiality requirements as may be appropriate, and under O.A.C. 4906:1-38-06, the Customer shall, no later than March 31st of each year following a term year under this Contract, provide the Company and Commission Staff with an annual report that demonstrates the Customer's compliance with the applicable commitments set forth in Paragraphs [28] and [33] of the Application.
- 9. Dispute Resolution.** If a dispute arises out of this Contract the Parties agree first to try in good faith to settle the dispute. If settlement is not possible and the dispute relates to a subject matter which is within the Commission's exclusive or primary jurisdiction, the matter shall be taken to the Commission. If the dispute concerns a question outside of the Commission's jurisdiction, and the Parties are unable to resolve such dispute through negotiations then either Party may initiate litigation in the appropriate court or forum and Company and Customer knowingly, intentionally and irrevocably waive their right to trial by jury in such litigation.
- 10. Mutual Cooperation.** The Customer and the Company agree to provide mutual and

timely support for purposes of effectively administering this Contract, at no cost to the other. Such support shall include, without limitation, reasonable and timely access to documents and personnel of the other Party.

- 11. Governing Law and Continuing Jurisdiction.** The validity, construction and performance of this Contract shall be determined in accordance with the laws of the State of Ohio not taking into account any conflict of law provisions.
- 12. Interpretation.** The Contract, all addenda, exhibits and documents referenced or incorporated by reference herein, and the Company's Service Contracts and standard tariffs (including the terms and conditions of service), as applicable to Customer and as amended from time to time by the Commission, sets forth the entire agreement between the Parties. Nothing in this Contract or in the Approved Arrangement shall prevent or foreclose Customer from availing itself of additional arrangements or opportunities that may become available or offered by Company, including but not limited to the Company's Development Incentive Rider (Rider DIR). In the event of any conflict between the Company's Service Contracts or standard tariffs and this Contract, this Contract shall control.
- 13. Consequential Damages.** Neither Party will be liable to the other Party under any circumstances for consequential damages (including lost opportunities or profits) or punitive damages.
- 14. Binding Nature.** The terms, conditions, and covenants of this Contract shall be binding upon and shall insure to the benefit of each of the Parties hereto, their successors, and assigns. This Contract may be executed in counterparts, each of which shall serve, and be effective, as the original and shall constitute but one and the same Contract.
- 15. Waiver.** Failure of either Party to enforce, at any time or for any period of time, any provision of this Contract shall not be construed as a waiver of any provision or the right of either Party to enforce each and every provision of this Contract.
- 16. Severability.** The Parties understand and agree that the terms and conditions set forth herein in the aggregate may not be acceptable if any individual term or condition of this Contract is eliminated, or materially modified. In the event that any term or condition of this Contract is deemed to be illegal, void, or unenforceable, either Party may choose to terminate this Contract without further obligation hereunder provided that the Parties agree to work in good faith to first amend this Contract to the extent necessary to accommodate its continued effectiveness.
- 17. Headings.** The heading and subheadings used in this Contract are for convenience and reference purposes only and shall in no way effect the meaning or interpretation of the provisions of this Contract.

[signature page follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Contract to be executed by their duly authorized officers or representatives as of the Effective Date.

DUKE ENERGY OHIO, INC.

NESTLÉ PURINA PETCARE COMPANY

By _____

By _____

Title _____

Title _____

APPENDIX C
LETTERS OF SUPPORT

May 6, 2022

Eric Holding
Vice President of Safety and Training
Nestlé Purina Petcare Company
One Checkerboard Square
St. Louis, MO 63102

RE: Nestlé Purina Request for Employee Training Incentive

Dear Eric:

It is a pleasure to write in support of the Nestlé Purina application to the Public Utilities Commission of Ohio requesting a capped credit on the company's electricity wire service billings. As we know, such a credit would enable Nestlé Purina to continue its strong legacy as a workforce development partner.

The granting of this request would allow for attracting and developing skilled employees at the new facility in the South Afton Industrial Park in Williamsburg Township, Ohio. This major investment in Clermont County includes the commitment to over \$550 million in capital expenditures and over 300 employees.

Nestlé Purina will be a major contributor to the local tax base, the growth momentum along the State Route 32 corridor and to the continued economic vitality and manufacturing base in the region.

The company's job opportunities will include professional staff, production operators, technical staff and engineers. Their commitment to training and development includes both technical and soft skills and will support career progression both at Nestlé and beyond.

As a community partner, University of Cincinnati Clermont College will collaborate with Nestlé Purina to provide the workforce development training, education, experiential learning and career readiness opportunities for current and prospective employees. The college's Manufacturing Engineering Technology program and the Career Services Center have the resources to create the optimal outcomes desired in this partnership to ensure the region's economic development plans will continue to prosper.

Please contact me at bauerjy@ucmail.uc.edu or (513) 558-6946 if you would like to discuss this letter in greater detail.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey C. Bauer". The signature is written in a cursive, flowing style.

Jeffrey C. Bauer, D.B.A.
Dean
Professor of Management and Marketing

cc: Casey Hansen
Public Utilities Commission of Ohio Case Docketing



May 11, 2022

Mr. Eric Holding
VP of Safety and Training
Nestle Purina Petcare Company
One Checkerboard Square
St. Louis, MO 63102

Dear Mr. Holding,

As a new friend and neighbor to the Nestlé Purina manufacturing plant in Williamsburg Township, Southern State Community College is pleased to support their efforts in securing a skilled workforce. The mission of our college is to provide affordable, accessible, and high-quality education throughout southern Ohio. The education and training we offer is designed to support employers in our area and help ensure they have the skilled workforce they need.

In 2020, just down the road from our Brown County Campus in Mt. Orab, Ohio, Nestlé Purina began building its Williamsburg Township pet food factory, committing to over \$550 million in capital expenditures and over 300 employees, making a major investment in the community. We are pleased to offer this letter of support for Nestlé Purina's application to the Public Utilities Commission of Ohio, requesting a capped credit on their electricity wire service billings. This credit would be used to fund enhanced training that will develop skills for our workforce, benefiting our community in many ways. Nestlé Purina will be a major contributor to the local tax base and the growing momentum along the State Route 32 corridor, as well as to the continued economic vitality and manufacturing base in the region.

Discounting the cost of electricity distribution charges would further allow for investment in attracting and developing skilled workers at Purina's new facility, with jobs that will include professional staff, production operators, technical staff and engineers. Their commitment to training and development includes both technical and soft skills and will help enable career progression both at Nestlé and beyond.

Southern State Community College offers support of their application for capped credit, and looks forward to continued partnerships with Nestlé Purina. I am happy to expand on any points made in this letter. I can be reached at nroades@sscc.edu or 937-763-0198.

Sincerely,

A handwritten signature in black ink that reads "Nicole Roades". The signature is written in a cursive, flowing style.

Nicole Roades, Ph.D.
Vice President of Academic Affairs

Cc: Public Utilities Commission of Ohio Case Docketing

District Office
9231 Hamer Road
Georgetown, OH 45121
Phone 937.378.6131
Fax 937.378.4577



"You Can Go Anywhere From Here!"

Career Technical Center
9193 Hamer Road
Georgetown, OH 45121
Phone 937.378.6131
Fax 937.378.4863

www.shctc.k12.oh.us

Eric Holding, VP of Safety and Training
Nestle Purina Petcare Company
One Checkerboard Square
St. Louis, MO 63102

Dear Mr. Eric Holding:

As the superintendent of Southern Hills Career and Technical Center, I write this letter of support for the Nestle Purina application to the Public Utilities Commission of Ohio requesting capped credit on their electricity wired billings. All savings as a result of the amount credited would go toward employee training to develop a skilled workforce.

Southern Hills Career and Technical Center trains high school students across Brown County for the world of work, and in partnership with US Grant Career Center we train adults from Brown and Clermont Counties through our joint Adult Education operation, the Brown and Clermont Adult Career Campuses. We are strategically positioned to provide the necessary skilled training at both the high school and adult level to assist Nestle Purina from its inception in our community and long into the future. The addition of Nestle Purina to our area is a significant boom to our local economy, and we stand ready to assist the development of their workforce needs.

Nestle Purina has made a significant investment in our region, committing over \$550 million in capital expenditures and creating over 300 new jobs for our residents. By discounting the cost of electricity distribution charges, Nestle Purina is better positioned to attract and develop a skilled workforce for their operation. Nestle Purina's investment will be a significant contributor to our local tax base and help open the door to future growth along the State Route 32 corridor. Employees trained by Nestle Purina will be able to grow and advance both within the company and beyond.

Southern Hills CTC and the Brown and Clermont Adult Campuses both support this request for the benefit of employee training

Sincerely,

Kevin Kratzer
Superintendent, Southern Hills Career and Technical Center



June 8, 2022

Eric Holding, VP of Safety and Training
Nestlé Purina Petcare Company
One Checkerboard Square
St. Louis, MO 63102

RE: Nestlé Purina Request for Employee Training Incentive

Dear Mr. Eric Holding:


I am writing this letter on behalf of Great Oaks Career Campuses to express our enthusiastic support for the Nestlé Purina's application to the Public Utilities Commission of Ohio requesting a capped credit on Nestlé Purina's electricity wire service billings. One hundred percent of the amount credited to Nestlé Purina as a result of this credit would be used to fund enhanced training that will develop skills for their workforce.

As a leader in education, Great Oaks Career Campuses will leverage our expertise and resources to support the success of Nestlé Purina. Our purpose is to be the first choice in providing innovative career training to empower individuals and communities; we do so through a combination of strong programming, talented instructors and staff, and partnerships with business, industry, and other education organizations. Great Oaks staff serves in a variety of leadership roles with regional economic development entities; through those connections, we are able to help attract and serve cutting-edge industries in southwest Ohio. In addition, Great Oaks administrators serve in decision-making roles for career-technical organizations in Ohio and beyond.

- Discounting the cost of electricity distribution charges will allow for investment in attracting and developing skilled workers at Purina's new facility.
- Nestlé Purina began building its Williamsburg Township pet food factory in 2020 and is making a major investment in the Clermont County, committing to over \$550 million in capital expenditures and over 300 employees.
- Purina's jobs will include professional staff, production operators, technical staff and engineers.
- Nestlé Purina will be a major contributor to the local tax base and the growing momentum along the State Route 32 corridor, as well as to the continued economic vitality and manufacturing base in the region.
- Nestlé Purina's commitment to training and development includes both technical and soft skills and will help enable career progression both at Nestlé and beyond.

Great Oaks Career Campuses this request for the Employment Training Incentive.

Sincerely,



Harry Snyder
President/CEO



June 30, 2022

Eric Holding
VP of Safety and Training
Nestlé Purina Petcare Company
One Checkerboard Square
St. Louis, MO 63102

Dear Mr. Holding,

For more than 50 years the Clermont County Chamber of Commerce has been committed to advancing civic, commercial, industrial, and agricultural interests in Clermont County, Ohio. Our Chamber represents the collective interests of over 600 member companies and over 20,000 employees including such companies as American Modern, Mercy Health, Total Quality Logistics and Nestle Purina.

Key to this commitment is that the Chamber provides a strong sense of leadership, direction, and sense of purpose in developing, coordinating and implementing strategies and programs that capitalize on the assets of Clermont County to attract, retain, and expand business and industry within the County.

In that regard, we offer enthusiastic support for Nestlé Purina's application requesting a capped credit on their electricity wire service billings. This credit would be used to fund enhanced training that will develop skills for their workforce. Discounting the cost of electricity distribution charges will allow for investment in attracting and developing skilled workers at Purina's new facility, which will include professional staff, production operators, technical staff and engineers.

Nestlé Purina will be a major contributor to the local tax base and the growing momentum along the State Route 32 corridor, as well as to the continued economic vitality and manufacturing base in the region. Their commitment to training and development includes both technical and soft skills and will help enable career progression both at Nestlé and beyond.

Credit programs like these are crucial to the community and economic development objectives in Clermont County, supporting the Chamber's mission to make Clermont County the preferred place to locate, operate and grow and successful business. On that basis, we lend our full support for this application.

Sincerely,


Joy Lytle
President/CEO

APPENDIX D
ECONOMIC IMPACT STUDY



**The Economic Impact Analysis of the Construction of a New Nestlé Purina Petcare Factory
to the Regional Economy**

Prepared by:

G. Jason Jolley, Ph.D., Professor of Rural Economic Development,
&
Eric Belleville, Economic Development Specialist

Center for Economic Development and Regional Development
Voinovich School of Leadership and Public Affairs
Ohio University

Contact: G. Jason Jolley at jolleyg1@ohio.edu or 740.593.9797

Prepared For:

June 23rd, 2021

DRAFT For Discussion Purposes Only

Executive Summary

This report estimates the economic impact of the construction of a new Nestlé Purina Petcare manufacturing plant in Clermont County, Ohio on the regional economy using the Impact Analysis for Planning (IMPLAN) economic modeling software program. Data on the employees, sales, and the North American Industrial Classification System Codes were provided by Nestle Purina Petcare.

The estimated construction cost for the new facility is [REDACTED], which includes [REDACTED] towards new buildings and [REDACTED] towards new equipment. The new facility will be responsible for supporting an estimated [REDACTED] jobs and \$12,542,400 in labor income. The estimated impact of the labor income generated from the new plant will generate an estimated economic impact of \$407 million in economic output to Clermont County, and \$600 million to the State of Ohio. Furthermore, construction of the plant will generate \$513 million in economic impact to Clermont County, and \$706 million to the State of Ohio. These activities will also generate an estimated \$1.8 million in tax revenue for Clermont County, \$8 million in state tax revenue for Ohio, and \$24 million in federal tax revenue.

Introduction

This report estimates the economic impact of the construction of the new Nestlé Purina Petfood plant on the economy of Clermont County (Ohio) and the state of Ohio. IMPLAN 3.1, an input-output economic modeling software, was used in this study

All businesses have “direct,” “indirect,” and “induced” effect on the economy. Direct effects refer to the actual jobs and income created in the local economy from businesses. Indirect effects refer to second round expenditures made by these businesses within the local economy (e.g., supply chain impacts). Induced effects refer to the increased sales of goods and services in the local economy due to employees of these businesses living and working in the region (e.g., household spending of workers).

This study estimates the direct, indirect, and induced employment and labor income related to Purina employment and the construction of the new plant on businesses in the surrounding region’s economy. This study also estimates state and local tax revenues generated because of these effects. Both impacts are measured for Clermont County and the State of Ohio.

Construction Impact

First, we measure the impact of the construction of the new plant on the surrounding region. This impact is measured separately from the plant’s operations because these represent temporary effects. Construction of the new plant will cost of a total of [REDACTED], which includes [REDACTED] towards the building and [REDACTED] towards new equipment. By assuming that equipment is purchased outside of the state of Ohio, we simplify construction expenses to only be the cost of the building. The economic impacts are measured for Clermont County and the State of Ohio, which are shown in tables 1 and 2, respectively.

Table 1: Summary of Impact Results for Plant Construction on Clermont County

Effect Type	Employment	Labor Income	Value Added	Output
Direct Effect	2975	\$179,176,395.87	\$182,163,290.71	[REDACTED]
Indirect Effect	375	\$28,530,670.10	\$44,935,168.75	\$78,188,519.30
Induced Effect	544	\$23,071,704.76	\$47,251,297.85	\$81,929,115.70
Total Effect	3894	\$230,778,770.72	\$274,349,757.30	\$512,873,470.00
Multiplier	1.31	1.29	1.51	1.45

Table 2: Summary of Impact Results for Plant Construction on the State of Ohio

Effect Type	Employment	Labor Income	Value Added	Output
Direct Effect	2806	\$188,071,638.09	\$191,225,429.01	
Indirect Effect	601	\$42,495,737.82	\$69,708,049.98	\$137,544,062.92
Induced Effect	1359	\$67,675,569.33	\$123,999,039.90	\$215,283,418.35
Total Effect	4767	\$298,242,945.24	\$384,932,518.89	\$705,583,316.26
Multiplier	1.70	1.59	2.01	2.00

Employee Compensation includes wage and salary, all benefits and employer paid payroll taxes (e.g., employer side of social security, unemployment taxes, etc.).

Proprietor Income consists of payments received by self-employed individuals and unincorporated business owners.

Other Property Income represents the amount of corporate profit realized from a business's own operations, payments for rents, dividends, interest income, etc.

Value Added refers to the difference between an Industry's or establishment's total Output and the cost of its Intermediate Inputs; it is a measure of the contribution to GDP.

Output is the value of production by industry in a calendar year.

It is worth noting that the direct effect of employment is larger in Clermont County than the State of Ohio. The reason for this is that IMPLAN auto-populates employment data based on the average salary of workers in an industry. Because the average salary for construction workers in Clermont County is below the state average, the same sum of money can fund more workers. Table 3 and 4 show the top ten industries impacts by the construction of the new plant in Clermont County and the State of Ohio, respectively.

Table 3: Top Ten Industries Impacted by Construction in Clermont County

Sector ID	Description	Total Employment	Total Labor Income	Total Value Added	Total Output
51	Construction of new manufacturing structures	2,974.94	\$99,439,197.67	\$182,163,290.71	
447	Other real estate	47.6	\$339,328.89	\$2,377,910.36	\$8,092,025.26
472	Employment services	45.72	\$1,361,844.32	\$2,428,399.87	\$3,805,547.93
509	Full-service restaurants	43.15	\$892,284.14	\$1,476,171.15	\$2,701,087.48
510	Limited-service restaurants	38.24	\$731,969.02	\$1,324,630.50	\$2,954,915.32
395	Wholesale - Machinery, equipment, and supplies	29.33	\$2,996,028.62	\$5,727,546.14	\$9,240,209.66
396	Wholesale - Other durable goods merchant wholesalers	27.88	\$1,946,111.70	\$3,509,726.77	\$6,943,182.95
477	Landscape and horticultural services	26.52	\$759,154.12	\$1,173,597.85	\$2,187,654.22
521	Religious organizations	22.57	\$879,482.29	\$483,214.79	\$1,900,926.05
457	Architectural, engineering, and related services	20.82	\$1,170,674.61	\$1,750,974.41	\$3,219,561.55

Table 4: Top Ten Industries Impacted by Construction in Ohio

Sector ID	Description	Total Employment	Total Labor Income	Total Value Added	Total Output
51	Construction of new manufacturing structures	2,805.67	\$129,859,888.47	\$191,225,429.01	
490	Hospitals	90.92	\$6,984,905.60	\$8,378,165.17	\$16,637,664.26
509	Full-service restaurants	77.21	\$1,707,502.32	\$2,811,385.58	\$5,003,407.08
447	Other real estate	74.56	\$868,320.74	\$5,364,499.27	\$14,315,690.97
472	Employment services	70.99	\$2,229,113.03	\$3,801,497.67	\$5,939,917.32
510	Limited-service restaurants	66.97	\$1,259,395.24	\$2,315,841.90	\$5,171,345.88
417	Truck transportation	51.62	\$2,619,617.87	\$4,280,885.61	\$8,350,281.77
483	Offices of physicians	47.73	\$4,673,832.77	\$5,613,161.91	\$7,840,256.68
396	Wholesale - Other durable goods merchant wholesalers	36.06	\$2,654,320.77	\$4,942,037.85	\$9,144,964.47
411	Retail - General merchandise stores	34.78	\$1,002,740.40	\$1,621,227.42	\$2,660,906.14

Tables 5, 6 and 7 show estimates for the tax impact that construction of the new plant will have at the county, state and federal level.

Table 5: County Tax Revenue Generated by Construction

Type Description Paying	Employee Compensation	Taxes on Production and Imports	Households	Enterprises (Corporations)
Social Insurance Tax- Employee Contribution	\$0.00			
Social Insurance Tax- Employer Contribution	\$0.00			
TOPI: Sales Tax		\$454,580.74		
TOPI: Property Tax		\$702,239.30		
TOPI: Motor Vehicle License		\$0.00		
TOPI: Severance Tax		\$0.00		
TOPI: Other Taxes		\$26,328.36		
TOPI: Special Assessments		\$30,849.39		
Corporate Profits Tax				\$0.00
Personal Tax: Income Tax			\$0.00	
Personal Tax: Motor Vehicle License			\$0.00	
Personal Tax: Other Tax (Fish/Hunt)			\$0.00	
Total County Tax Impact	\$0.00	\$1,213,997.79	\$0.00	\$0.00

Table 6: State Tax Revenue Generated by Construction

Type Description Paying	Employee Compensation	Taxes on Production and Imports	Households	Enterprises (Corporations)
Social Insurance Tax- Employee Contribution	\$371,564.81			
Social Insurance Tax- Employer Contribution	\$568,389.99			
TOPI: Sales Tax		\$5,561,910.51		
TOPI: Property Tax		\$0.00		
TOPI: Motor Vehicle License		\$107,623.62		
TOPI: Severance Tax		\$26,162.68		
TOPI: Other Taxes		\$439,613.53		
TOPI: Special Assessments		\$0.00		
Corporate Profits Tax				\$1,012.18
Personal Tax: Income Tax			\$2,277,152.44	
Personal Tax: Motor Vehicle License			\$121,828.49	
Personal Tax: Other Tax (Fish/Hunt)			\$33,728.85	
Total State Tax Impact	\$939,954.80	\$6,135,310.33	\$2,432,709.79	\$1,012.18

Table 7: Federal Tax Revenue Generated by Construction

Description	Employee Compensation	Proprietor Income	Tax on Production and Imports	Households	Enterprises (Corporations)
Social Insurance Tax- Employee Contribution	\$15,389,983.87	\$581,726.68			
Social Insurance Tax- Employer Contribution	\$14,116,047.74				
TOPI: Excise Taxes				\$11,160,283.53	
TOPI: Custom Duty					\$980,887.59
Corporate Profits Tax			\$639,849.22		
Personal Tax: Income Tax			\$518,618.92		
Personal Tax: Estate and Gift Tax					
Total Federal Tax Impact	\$939,954.80	\$6,135,310.33	\$2,432,709.79	\$1,012.18	\$939,954.80

- Activity generated from the construction of the new plant will be responsible for supporting 3894 jobs in Clermont County and 4767 jobs in Ohio. Further, this construction will generate \$231 million in labor income for Clermont County and \$298 million in labor income for the State of Ohio. It should be noted that these effects are temporary and will not be repeated year to year, as the operational impacts are estimated to be.
- An employment multiplier of roughly 1.31 indicates that for every job created through construction of the new plant, an additional 0.31 jobs are supported in the regional economy (e.g., 1 job at Purina + 0.31 jobs supported in regional economy = 1.31 total jobs).
- The construction process is estimated to directly support 2975 jobs.
- An estimated 375 jobs will be indirectly supported in Clermont County and by businesses that supplied goods and services required for the construction. 601 jobs are indirectly supported in the State of Ohio in the same way.
- An estimated 544 additional jobs in Clermont County, as well as an estimated 1359 in the State of Ohio, are supported due to the induced effects of construction of the new plant.
- Income for workers completing the construction of the new plant will generate an aggregate of \$513 million in total economic output to Clermont County and \$705 million in total economic output towards the State of Ohio.
- The top ten most impacted industries in Clermont County from the construction of the new plant will include dog and cat food manufacturing, grain farming, support activities for agriculture and forestry, other real estate, nondurable goods merchant wholesalers, employment services, full-service restaurants, management of companies and enterprises, and truck transportation.
- The total impact of construction of the plant on these ten industries will be about 702 jobs and \$371 million in economic activity for Clermont County.
- The top ten most impacted industries in Ohio from the construction of the new plant will include dog and cat food manufacturing, meat processed from carcasses, grain farming, metal cans manufacturing, nondurable goods merchant wholesalers, truck transportation, management of companies and enterprises, other real estate, and grocery and related product wholesalers.
- The total impact of construction of the plant on these ten industries will be about 784 jobs and \$453 million in economic activity for the state of Ohio.
- County, state, and federal tax revenues generated due to construction of the new plant will total \$1,213,997.79, \$9,508,987.10, and \$10,448,941.91, respectively.

Operational Impact

Next, we measure the impact that operations of the new plant will have on the surrounding region. This is measured by entering the planned number of plant employees ■■■, and having IMPLAN populate the rest of the fields, which it estimates using regional averages for salaries in the industry. IMPLAN data for the dog and cat food manufacturing industry is unavailable for Clermont County. However, by following accepted best practices recommended by IMPLAN, it is acceptable and accurate to use national per-worker salary and output averages to estimate a new county-level industry.

Table 8: Summary of Impact Results for Labor Income on Clermont County

Effect Type	Employment	Labor Income	Value Added	Output
Direct Effect	■■■	■■■■■■■■■■	\$87,288,518.00	\$336,053,486.82
Indirect Effect	472	\$20,699,563.73	\$26,904,584.93	\$53,828,360.45
Induced Effect	116	\$4,910,471.98	\$10,062,261.25	\$17,429,963.49
Total Effect	■■■	■■■■■■■■■■	\$124,255,364.18	\$407,311,810.75
Multiplier	2.74	1.88	1.42	1.21

Table 9: Summary of Impact Results for Labor Income on the State of Ohio

Effect Type	Employment	Labor Income	Value Added	Output
Direct Effect	■■■	■■■■■■■■■■	\$110,149,181.19	\$358,914,489.30
Indirect Effect	781	\$42,110,243.01	\$64,716,968.21	\$176,415,828.10
Induced Effect	410	\$20,404,277.80	\$37,426,351.36	\$64,968,466.72
Total Effect	■■■	■■■■■■■■■■	\$212,292,500.76	\$600,298,784.12
Multiplier	4.52	3.21	1.93	1.67

Tables 10 and 11 show the top ten industries that will be impacted by the new plant's operations at the county and state levels, respectively.

Table 10: Top Ten Industries Impacted by Operations of the New Plant in Clermont County

Sector ID	Description	Total Employment	Total Labor Income	Total Value Added	Total Output
63	Dog and cat food manufacturing			\$87,288,519.27	\$336,053,491.70
2	Grain farming	206.26	\$2,338,442.86	\$735,620.07	\$8,633,152.27
19	Support activities for agriculture and forestry	71.51	\$747,327.55	\$572,343.48	\$1,196,049.33
447	Other real estate	18.53	\$132,096.74	\$964,901.67	\$3,150,130.08
400	Wholesale - Other nondurable goods merchant wholesalers	16.14	\$111,394.87	\$3,464,091.79	\$5,727,097.41
472	Employment services	15.35	\$32,956.87	\$815,136.05	\$6,949,821.48
509	Full-service restaurants	13.07	\$51,572.29	\$447,009.16	\$817,934.18
469	Management of companies and enterprises	11.86	\$35,556.21	\$1,177,288.62	\$2,279,911.58
417	Truck transportation	11.49	\$92,404.80	\$6,044,265.63	\$6,949,821.48
396	Wholesale - Other durable goods merchant wholesalers	11.44	\$145,355.11	\$1,440,379.42	\$2,849,457.66
398	Wholesale - Grocery and related product wholesalers	34.58	\$1,413,350.39	\$3,497,633.69	\$8,586,264.86

Table 11: Top Ten Industries Impacted by Operations of the New Plant in Ohio

Sector ID	Description	Total Employment	Total Labor Income	Total Value Added	Total Output
63	Dog and cat food manufacturing			\$110,157,052.48	
2	Grain farming	124.55	\$1,413,350.39	\$6,102,048.82	\$1,413,350.39
417	Truck transportation	56.88	\$2,886,936.28	\$4,717,727.78	\$2,886,936.28
90	Meat processed from carcasses	56.60	\$3,526,291.81	\$3,875,963.99	\$3,526,291.81
11	Beef cattle ranching and farming, including feedlots and dual-purpose ranching and farming	54.03	\$57,221.83	\$834,031.18	\$57,221.83
447	Other real estate	41.35	\$481,565.49	\$2,975,119.21	\$481,565.49
19	Support activities for agriculture and forestry	40.42	\$796,189.70	\$793,223.97	\$796,189.70
398	Wholesale - Grocery and related product wholesalers	38.10	\$2,705,737.29	\$3,829,815.54	\$2,705,737.29
469	Management of companies and enterprises	34.58	\$4,652,855.65	\$5,367,290.92	\$427,896.12
400	Wholesale - Other nondurable goods merchant wholesalers	33.89	\$2,810,751.74	\$6,102,048.82	\$1,249,080.30

Finally, tables 12, 13 and 14 show tax revenue impacts generated by plant operations at the county, state and federal levels.

Table 12: County Tax Revenue Generated by Operations of the New Plant

Type Description Paying	Employee Compensation	Taxes on Production and Imports	Households	Enterprises (Corporations)
Social Insurance Tax- Employee Contribution	\$0.00			
Social Insurance Tax- Employer Contribution	\$0.00			
TOPI: Sales Tax		\$232,287.42		
TOPI: Property Tax		\$358,839.13		
TOPI: Motor Vehicle License		\$0.00		
TOPI: Severance Tax		\$0.00		
TOPI: Other Taxes		\$13,453.60		
TOPI: Special Assessments		\$15,763.81		
Corporate Profits Tax				\$0.00
Personal Tax: Income Tax			\$0.00	
Personal Tax: Motor Vehicle License			\$0.00	
Personal Tax: Other Tax (Fish/Hunt)			\$0.00	
Total County Tax Impact	\$0.00	\$620,343.96	\$0.00	\$0.00

Table 13: State Tax Revenue Generated by Operations of the New Plant

Type Description Paying	Employee Compensation	Taxes on Production and Imports	Households	Enterprises (Corporations)
Social Insurance Tax- Employee Contribution	\$79,447.32			
Social Insurance Tax- Employer Contribution	\$121,532.13			
TOPI: Sales Tax		\$2,842,095.45		
TOPI: Property Tax		\$0.00		
TOPI: Motor Vehicle License		\$54,994.88		
TOPI: Severance Tax		\$13,368.94		
TOPI: Other Taxes		\$224,639.29		
TOPI: Special Assessments		\$0.00		
Corporate Profits Tax				\$1,990.16
Personal Tax: Income Tax			\$575,969.23	
Personal Tax: Motor Vehicle License			\$29,829.98	
Personal Tax: Other Tax (Fish/Hunt)			\$8,553.21	
Total State Tax Impact	\$200,979.45	\$3,135,098.55	\$614,352.41	\$1,990.16

Table 14: Federal Tax Revenue Generated by Operations of the New Plant

Description	Employee Compensation	Proprietor Income	Tax on Production and Imports	Households	Enterprises (Corporations)
Social Insurance Tax- Employee Contribution	\$3,290,658.72	\$334,270.22			
Social Insurance Tax- Employer Contribution	\$3,018,267.98				
TOPI: Excise Taxes			\$326,958.26		
TOPI: Custom Duty			\$265,010.46		
Corporate Profits Tax					\$1,928,633.67
Personal Tax: Income Tax				\$2,865,268.16	
Personal Tax: Estate and Gift Tax					
Total Federal Tax Impact	\$6,308,926.70	\$334,270.22	\$591,968.72	\$2,865,268.16	\$1,928,633.67

- Salaries paid for workers at the new plant will be responsible for supporting 926 jobs in Clermont County and 1529 jobs in Ohio. Further, these salaries will generate \$55 million in labor income for Clermont County and \$92 million in labor income for the State of Ohio. It should be noted that these effects will be repeated for each year in which these jobs exist.
- The new plant will be responsible for ■■■ direct jobs.
- An estimated 472 jobs will be indirectly supported in Clermont County and by businesses that supplied goods and services to the Nestlé Purina Petfood plant. 781 jobs are indirectly support in the State of Ohio in the same way.
- An estimated 116 additional jobs in Clermont County, as well as an estimated 410 in the State of Ohio, will be supported due to the induced effects of employees of the new plant and its suppliers spending part of their wages at businesses in the surrounding region.
- Income for workers at the new plant will generate an aggregate of \$920 million in total economic output to Clermont County and \$1.3 billion in total economic output towards the State of Ohio.
- The top ten most impacted industries in Clermont County from the operations of the new plant will include dog and cat food manufacturing, grain farming, support activities for agriculture and foresting, other real estate, nondurable goods merchant wholesalers, employment services, full-service restaurants, management of companies and enterprises, and truck transportation.
- The impact of plant operations on these ten industries will be about 702 new jobs and \$371 million in economic activity.
- The top ten most impacted industries in Ohio from the operations of the new plant will include dog and cat food manufacturing, meat processed from carcasses, grain farming, metal cans manufacturing, nondurable goods merchant wholesalers, truck transportation, management of companies and enterprises, other real estate, and grocery and related product wholesalers.
- The impact of plant operations on these ten industries will be about 784 new jobs and \$453 million in economic activity.
- County, state, and federal tax revenues generated due to operations at the new plant will total \$620,343.96, \$3,952,420.57, and \$12,029,067.47, respectively.

Project Methodology

This study employs the Impact Analysis for Planning (IMPLAN) economic modeling software and 2020 datasets created by IMPLAN Group, LLC. Nestlé Purina Petfood provided estimates on the committed number of employees, total annual wages, North American Industrial Classification System codes and construction expenses.

The total effect on the local economy by each industrial sector can be calculated through an economic model known as a “multiplier.” The multiplier expresses the number of additional jobs or amount of additional income created by each new job or each extra dollar earned. For example, if a new business bringing ten new jobs to the county created an additional seven jobs in the local economy through indirect and induced effects, the multiplier would be 1.7. For each new job brought to the county, an additional 0.7 jobs ($1 + 0.7 = 1.7$) would be created in existing industries in the local economy.

The IMPLAN model generates the multipliers that are used to calculate indirect and induced effects for each industrial sector. A multiplier known as the Type Social Accounting Matrix (SAM) multiplier was used in this study. The Type SAM multiplier estimates the indirect and induced effects on each industrial sector in the local economy as well as business, household and government transactions. In this study, the NAICS code for each business was cross walked to one of 536 corresponding IMPLAN sectors. The employment level and/or wages were inputted for each sector. The model then calculated the direct, indirect, and induced impacts based on the Type SAM multipliers for Clermont County and the State of Ohio. Results of the model were aggregated within IMPLAN to avoid aggregation bias for sector-level results. State and federal tax revenue estimates were generated using IMPLAN.

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PetCare Company