

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

In the Matter of:

The Application of Kentucky Power Company)	
A General Adjustment Of Its Rates For)	
Electric Service; (2) An Order Approving Its)	
2014 Environmental Compliance Plan; An)	Case No. 2014-00396
Order Approving Its Tariffs And Riders; And)	
An Order Granting All Other Required Relief)	
And Approvals)	

**KENTUCKY POWER COMPANY’S MARCH 31, 2019 REPORTS
PURSUANT TO THE SETTLEMENT AGREEMENT IN CASE NO. 2014-00396**

Kentucky Power submits the annual report on the implementation of its Kentucky Economic Development Surcharge program (“KEDS”) pursuant to Paragraph 10(c) of the Settlement Agreement pursuant to the Commission’s June 22, 2015 Order in Case No. 2014-00396.

The Company’s annual report on its Distribution System Vegetation Management Program was filed on March 29, 2019.

KENTUCKY ECONOMIC DEVELOPMENT SURCHARGE

Paragraph 10(c) of the Settlement Agreement requires:

Kentucky Power shall file on or before March 31, 2016, and each March 31st thereafter, a report with the Commission describing: (i) the amount collected through the Economic Development Surcharge; and (ii) the matching amount contributed by Kentucky Power from shareholder funds. The annual report to be filed by the Company shall also describe

the amount, recipients, and purposes of its expenditure of the funds collected through the Economic Development Surcharge and shareholder contribution.

The required information follows.

1. Funding

As described in the Company's March 31, 2016 filing, Kentucky Power created the Kentucky Power Economic Growth Grant ("K-PEGG") program to implement economic development activities funded through the Kentucky Economic Development Surcharge ("KEDS"). Kentucky Power maintains the K-PEGG program funds in a separate account. During calendar year 2018, Kentucky Power collected \$365,420 through the surcharge and contributed a matching \$365,420. In 2018, a total of \$730,840 was deposited in the K-PEGG program account.

As described in more detail below, the Company used K- PEGG program funds for \$576,856 in grants for economic development activities in its service territory.

2. Grant Activity

Kentucky Power considered a total of 20 grant applications in 2018. The Company issued 15 grants, denied four applications, and one application was withdrawn by the applicant. The K- PEGG grants issued during 2018 are described below:

- **Recipient: Pike County Fiscal Court**

Date of Grant: April 19, 2018

Amount: \$25,500

Counties Served: Pike County

Project Description: Kentucky Power issued a K-PEGG grant to Pike County Fiscal Court to hire a consultant to devise an implementation plan for county-wide broadband service. The County plans to expand on the success of the Teleworks hub and increase jobs in remote areas of the county. Teleworks USA hires customer service representatives that are able to work from the central hub or out of their homes. Pike County Fiscal Court intends to obtain matching funds through a grant from the Economic

Development Administration currently being processed. The total estimated cost of the project is \$85,000.

- **Recipient: One East Kentucky**

Date of Grant: March 16, 2018

Amount: \$50,000

Counties Served: Pike, Perry, Letcher, Floyd, Johnson, Martin, Lawrence, Morgan, Magoffin

Project Description: Kentucky Power issued a K-PEGG grant to One East Kentucky to support its economic development efforts in the Company's service territory. One East Kentucky is a 501(c)3 non-profit organization whose mission is to diversify the economy of the Eastern Kentucky Coal Fields region through recruitment of industry. The organization is entirely funded by non-governmental investment. The grant was used to recruit industry, develop marketing materials, support regional chambers of commerce, initiate regional economic development strategies, and enhance opportunities for industrial sites.

- **Recipient: City of Wayland**

Date of Grant: March 16, 2018

Amount: \$19,500

Counties Served: Floyd County

Project Description: Kentucky Power issued a K-PEGG grant to the City of Wayland to complete a feasibility study for establishing and maintaining high speed, affordable wireless broadband service in the City of Wayland. Utilizing data from the Eastern Telephone & Technology model developed for the City of Pikeville Wireless Broadband Project, the City of Wayland will need an estimated \$150,000 to bring a similar service to the city. High-speed broadband service brings opportunities of economic growth for existing businesses, as well as options for entrepreneurs and residents wishing to work from home.

- **Recipient: Aerospace Alliance of East Kentucky**

Date of Grant: March 16, 2018

Amount: \$50,000

Counties Served: Greenup, Boyd, Floyd, Johnson, Knott, Lawrence, Letcher, Magoffin, Martin, Perry, and Pike.

Project Description: Kentucky Power issued a K-PEGG grant to Aerospace Alliance of East Kentucky for direct marketing support to permit representatives of One East Kentucky and Ashland Alliance to attend the MRO (Maintenance Repair and Overhaul) Americas Conference and Tradeshow. The MRO Americas conference is the premier event for the commercial air transport maintenance repair and overhaul industry. Aerospace Alliance of East Kentucky hopes to build on past successes and promote eastern Kentucky to over 850 aerospace companies that attend the conference.

- **Recipient: One East Kentucky Corporation**

Date of Grant: March 16, 2018

Amount: \$55,375

Counties Served: Pike, Perry, Letcher, Floyd, Johnson, Martin, Lawrence, Knott and Magoffin

Project Description: Kentucky Power issued a K-PEGG grant to One East Kentucky Corporation to conduct a feasibility study by Boyette Strategic Advisors concerning the International Landing Zone project. The International Landing Zone project will serve as a foreign direct investment industrial incubator whereby One East Kentucky will meet with foreign companies that are looking to enter the U.S. market. The targeted foreign companies are those initially seeking smaller facilities between 10,000 to 30,000 square feet. One East Kentucky Corporation existing large industrial buildings in the counties served by One East Kentucky Corporation could provide necessary space for foreign investors.

- **Recipient: City of Hazard**

Date of Grant: March 12, 2018

Amount: \$50,000

Counties Served: Perry, Harlan, Breathitt, Leslie and Knot

Project Description: Kentucky Power issued a K-PEGG grant to the City of Hazard to be used as partial funding for a \$2,910,000 million project to extend a natural gas line to the Coal Fields Industrial Park and thereby make the industrial park more attractive to the automotive industry.

- **Recipient: Ashland Alliance**

Date of Grant: June 5, 2018

Amount: \$72,000

Counties Served: Boyd, Greenup, Floyd, Johnson, Knott, Lawrence, Magoffin, Martin, Perry, and Pike.

Project Description: Kentucky Power issued a K-PEGG grant to the Ashland Alliance for an East Kentucky Economic Development Gap Analysis, site meetings with clients that have expressed interest in expanding manufacturing facilities in northeastern Kentucky, and targeted recruitment opportunities that have opened up for both Ashland Alliance and One East Kentucky Corporation.

- **Recipient: Shaping Our Appalachian Region (SOAR)**

Date of Grant: June 4, 2018

Amount: \$25,000

Counties Served: Johnson, Boyd, Greenup, Carter, Lawrence, Martin, Magoffin, Floyd, Pike, Knott, Letcher, Perry, Leslie, Breathitt, Clay, Elliott, Lewis, Morgan, Owsley and Rowan.

Project Description: Kentucky Power issued a K-PEGG grant to Shaping Our Appalachian Region (SOAR) to help further local economic development strategies and assist in long-term growth of the area. This grant allowed SOAR to provide enhanced economic development education to facilitate site and building analysis, and to assist local communities in obtaining economic development consulting services.

- **Recipient: Appalachian Industrial Authority**

Date of Grant: June 4, 2018

Amount: \$35,000

Counties Served: Letcher County

Project Description: Kentucky Power issued a grant to the Appalachian Industrial Authority to construct a lift station, grinder pump, and gas line at Gateway Industrial Park near Jenkins in Letcher County. The infrastructure improvements are intended to encourage new businesses to locate in the park. The grant was intended to permit the retention and increase in jobs located at the park. This investment led to Hunt Brothers Pizza constructing a warehouse in the park.

- **Recipient: Hazard Perry County Economic Development Alliance**

Date of Grant: June 5, 2018

Amount: \$25,000

Counties Served: Perry, Harlan, Breathitt, Leslie and Knott

Project Description: Kentucky Power issued a K-PEGG grant to the Hazard Perry County Economic Development Alliance. The Hazard Perry County Economic Development Alliance was created to work in unison with One East Kentucky to market the five-county area by recruiting new industry, and helping existing industry and local businesses. It serves as the local focus of economic development. By recruiting and marketing the regional industrial park, Coal Field Regional Industrial Park, the five counties of Perry, Harlan, Breathitt, Leslie and Knott all benefit from development of the industrial park. The grant will serve as a supplement to the organization's annual budget requirements for the 2018-2019 budget cycle.

- **Recipient: KY Association of Economic Development (KAED)**

Date of Grant: July 31, 2018

Amount: \$20,000 per year for 3 years

Counties Served: Johnson, Boyd, Greenup, Carter, Lawrence, Martin, Magoffin, Floyd, Pike, Knott, Letcher, Perry, Leslie, Breathitt, Clay, Elliott, Lewis, Morgan, Owsley and Rowan.

Project Description: Kentucky Power issued a K-PEGG grant to the Kentucky Association of Economic Development (KAED). The Kentucky Cabinet for Economic Development (CED) has pledged that if KAED raises funding to hire a consultant to perform site evaluations, the Cabinet for Economic Development will provide \$9 million of funding over a three-year period for site and building investment.

- **Recipient: One East Kentucky**

Date of Grant: August 17, 2018

Amount: \$40,000

Counties Served: Floyd, Knott, Johnson, Lawrence, Letcher, Magoffin, Martin, Perry and Pike

Project Description: Kentucky Power issued a K-PEGG grant to One East Kentucky to implement a Customer Relationship Management (CRM) system to manage projects, follow-up and deliver reporting to the board, investors and AEP Kentucky Power Economic Development representatives. The CRM system will allow for better and more consistent follow-up, leading to tangible results of new job and facility locations.

- **Recipient: Big Sandy Regional Airport Board**

Date of Grant: October 8, 2018

Amount: \$64,481

Counties Served: Martin, Floyd, Knott, Johnson, Lawrence, Magoffin and Pike

Project Description: Kentucky Power issued a K-PEGG grant to the Big Sandy Regional Airport Board to conduct a feasibility study regarding the construction of a 10,000 ft. runway at the Big Sandy Regional Airport in Martin County. This project is vital to meeting the explicit needs of Kentucky's growing aerospace industry and for the future success of many business incentive initiatives and industry recruitment efforts for east Kentucky.

- **Recipient: Johnson Co Pathway to Economic Development**

Date of Grant: October 8, 2018

Amount: \$45,000

Counties Served: Johnson, Boyd, Greenup, Carter, Lawrence, Martin, Magoffin, Floyd, Pike, Knott, Letcher, Perry, Leslie and Breathitt

Project Description: Kentucky Power issued a K-PEGG grant to the Johnson County Board of Education to fund the Johnson County Pathway to Economic Development. The grant will be used to provide high school students with economic development training and resources to promote students interested in pursuing a career in economic development. The program was implemented beginning with the 2018-2019 school year.

- **Recipient: eKentucky Advanced Manufacturing Institute (eKAMI)**

Date of Grant: December 13, 2018

Amount: \$125,000

Counties Served: Boyd, Floyd, Greenup, Johnson, Knott, Lawrence, Letcher, Magoffin, Martin, Perry and Pike.

Project Description: Kentucky Power issued a K-PEGG grant to the eKentucky Advanced Manufacturing Institute. eKAMI is located in Paintsville, Kentucky and provides training for new manufacturing jobs for former coal miners. The grant will be utilized for the start-up of an Apprenticeship Program in conjunction with the HAAS Computer Numerical Control (CNC) Machinist program provided at eKAMI. Participants will conduct apprenticeship work in off-hours at the facility to gain real-world experience by completing production runs of parts with eKAMI equipment. Contracts between eKAMI and Manufacturers will be obtained for production work to be completed.