

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

In the Matter of:

Electronic Application Of Kentucky Power)
Company For (1) A General Adjustment Of Its)
Rates For Electric Service; (2) An Order)
Approving Its 2017 Environmental Compliance)
Plan; (3) An Order Approving Its Tariffs And)
Riders; (4) An Order Approving Accounting)
Practices To Establish Regulatory Assets And)
Liabilities; And (5) An Order Granting)
All Other Required Relief And Approvals)

Case No. 2017-00179

**KENTUCKY POWER COMPANY’S 2022 KENTUCKY ECONOMIC DEVELOPMENT
SURCHARGE PROGRAM REPORT**

Kentucky Power Company submits this annual report regarding the implementation of its Kentucky Economic Development surcharge program (“KEDS”) pursuant to Paragraph 10(c) of the Settlement agreement approved in the Public Service Commission of Kentucky’s (“Commission”) June 22, 2015 Order in Case No. 2014-00396. In that Order, the Commission recognized the importance of the role of an area’s utility in economic development and approved Kentucky Power Company’s application to establish the Kentucky Power Economic Growth Grant (“K-PEGG”) program. The K-PEGG program allows Kentucky Power to work strategically with communities, government, and economic development partners to facilitate business location and expansion in Kentucky Power’s service territory. Together, Kentucky Power and its community, government, and economic development partners are building a stronger eastern Kentucky.

KENTUCKY ECONOMIC DEVELOPMENT SURCHARGE

Paragraph 10(c) of the Settlement Agreement approved in Case No. 2014-00396 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 in Case No. 2014-00396, Kentucky Power created the K-PEGG program to implement economic development activities funded through the KEDS. Kentucky Power maintains the K-PEGG program funds in a separate account.

Kentucky Power collected \$372,543.98 through the KEDS in 2022. The Company contributed \$372,543.98 in matching shareholder funds.

Since the K-PEGG program began in 2016, Kentucky Power has awarded a total of \$4,756,765 through 83 grant applications for projects to enhance economic development programs and projects that promote the creation and retention of manufacturing and/or industrial investment and jobs in the Company's 20-county service territory. A committee composed of representatives from Kentucky Power and external agencies ensures grant requests meet the guidelines of the K-PEGG program before determining awards. Grant funding is awarded for use in the following categories: Economic Development Education, Sites and Buildings-Product Improvement, Marketing and Promotion, and Professional Consulting Projects.

As described in more detail below, the Company in 2022 used \$951,483 K-PEGG program funds to award grants for economic development activities.

Grant Activity

Activity for 2022 included the review of ten grant applications requesting a total of \$1,008,733 in K-PEGG assistance. Kentucky Power awarded nine grants and declined one application. The K-PEGG grants issued and denied during 2022 are described below.

Approved Grants

- **Recipient: Johnson County Fiscal Court 2022-02**

Date of Grant: 03/09/2022

Amount of Grant: \$275,000 and the remainder of K-PEGG 2021-02 (\$21,775)

Counties Served: Floyd, Johnson, Pike, Morgan, Magoffin and Martin

Kentucky Power issued a K-PEGG to Johnson County Fiscal Court to continue the development of the Hager Hill Industrial Site. Johnson County made application to the Kentucky Product Development Initiative for further upgrades and will use K-PEGG funding as the grant match if awarded. The development process is on-going and will be carried into 2023.

- **Recipient: Ashland Alliance 2022-03**

Date of Grant: 05/14/2022

Amount of Grant: \$135,000

Counties Served: Boyd and Greenup

Kentucky Power issued a K-PEGG to Ashland Alliance for professional consulting services for direct marketing of an industrial property in the City of Ashland and organizational support. Ashland Alliance entered into a contract for lead generation and

marketing with Research FDI and to engage its federal delegation in regard to additional redevelopment funding. The project is on-going and will be carried into 2023.

- **Recipient: One East Kentucky 2022-04**

Date of Grant: 06/03/2022

Amount of Grant: \$270,000

Counties Served: Perry, Pike, Martin, Johnson, Letcher

Kentucky Power issued a K-PEGG to One East Kentucky for professional consulting services to create downtown development plans for the cities of: Whitesburg, Inez, Hazard, Pikeville, and Prestonsburg. One East entered into a contract with Retail Strategies in November 2022. Retail Strategies will meet with local stakeholders in March, May and July 2023. The anticipated result will provide communities with tools necessary for downtown revitalization efforts to attract community-building businesses which enhance the quality of life and create jobs. The intent is to develop an atmosphere that will retain talent in the region and secure the workforce for industrial development. While the funds have been expended, the final reports from Retail Strategies will not be available until Q4 2023. The project will be carried over to 2023.

- **Recipient: Hazard-Perry County Economic Development Alliance 2022-05**

Date of Grant: 09/23/2022

Amount of Grant: \$25,000

Counties Served: Perry, Knott, Breathitt and Leslie

Kentucky Power issued a K-PEGG grant to Hazard-Perry County Economic Development Alliance to support the organizational mission to attract, develop and expand a diversified business base in Perry County. The Alliance's primary focus is

marketing the Coal Fields Regional Industrial Park and jobs in general within the region.

All funds have been expended and all reports are up to date.

- **Recipient: City of Pikeville 2022-06**

Date of Grant: 10/07/2022

Amount of Grant: \$50,000

Counties Served: Pike

Kentucky Power issued a K-PEGG to the City of Pikeville to assist in the development of a medical industry cluster led by a non-profit organization (to be created) that will include city leaders, the regional hospital, institutions of higher education and businesses serving the industry. The K-PEGG award will assist in the planning, development, and future implementation of the establishment of an industry cluster targeting healthcare research and product development. Funds were awarded late in 2022. The first progress report is due March 31, 2023. The project will be carried into 2023.

- **Recipient: Shaping our Appalachian Region (“SOAR”) 2022-07**

Date of Grant: 10/10/2022

Amount of Grant: \$100,000

Counties Served: All 20 counties in Kentucky Power’s service territory

Kentucky Power issued a K-PEGG to SOAR to fund events planned to increase awareness of eastern Kentucky culture and accomplishment; and to provide funds needed to establish a remote worker recruitment program designed to recruit 10,000 remote workers to eastern Kentucky over the next 10 years. The K-PEGG was issued late in 2022 and will be carried over into 2023. The first quarterly report regarding project status is due to Kentucky Power on March 31, 2023.

- **Recipient: CEDAR, Inc. 2022-08**

Date of Grant: 11/07/2022

Amount of Grant: \$45,483

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

Kentucky Power issued a K-PEGG to CEDAR, Inc. to fund the continuation of the CEDAR Future of Work in Appalachia Education Program. The program fosters a healthy entrepreneurial ecosystem and teaches students to embrace innovation in a way that brings positive change to their communities. These lessons will equip students with the skills needed to build a sustainable economy. The program is in its third year.

Kentucky Power participated in judging the Entrepreneurial Community Solutions Development Program contest. The K-PEGG was issued late in 2022 and will be carried over into 2023. The first quarterly report regarding project status is due to Kentucky Power on March 31, 2023.

- **Recipient: Lawrence County Fiscal Court 2022-09**

Date of Grant: 12/20/2022

Amount of Grant: \$30,000

Counties Served: All 20 counties in Kentucky Power's service territory

Kentucky Power issued a K-PEGG to Lawrence County Fiscal Court to obtain professional consulting services to identify potential industrial sites and determine the needs of each. Lawrence County entered into a contract with Next Move Group for services in January 2023. The K-PEGG was issued late in 2022 and will be carried over

into 2023. The first quarterly report regarding project status is due to Kentucky Power on March 31, 2023.

- **Recipient: City of Ashland 2022-10**

Date of Grant: 12/15/2022

Amount of Grant: \$21,000

Counties Served: Boyd

Kentucky Power issued a K-PEGG to the City of Ashland to assist in education for a newly hired economic development specialist. The specialist has completed the basic economic development course required to enroll in the University of Oklahoma Economic Development Institute. The grant will assist the City of Ashland with tuition and travel to the institute's three required sessions. The K-PEGG was issued late in 2022 and will be carried over into 2023. The first quarterly report regarding project status is due to Kentucky Power on March 31, 2023.

Denied Requests

- **Requestor: Big Sandy Community and Technical College 2022-01**

Amount Requested: \$57,250

BCTCS requested \$57,250 to conduct workforce training for Appalachian Tank.

Reason Denied: The application did not fit the K-PEGG guidelines.

Carried over 2020 projects

The below provides project activity for grants issued in 2020 that experienced continued activities in 2022. The amount shown for each is the 2020-awarded grant amount.

- Recipient: **One East Kentucky 2020-05**

Date of Grant: 04/05/2020

Amount of Grant: \$47,500

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

Kentucky Power issued a K-PEGG to One East Kentucky to support a targeted marketing campaign for the coalfields region and a marketing tour/event for five prospective companies. Marketing pieces have been created. The tour was not able to be completed due to Covid. One East Kentucky re-purposed those funds for marketing. One East updated their website and marketing pieces. All funds have been expended and all reports are complete.

- Recipient: **Ashland Alliance 2020-12**

Date of Grant: 06/12/2020

Amount of Grant: \$34,000

Counties Served: Boyd, Greenup, Carter, Elliott and Lawrence

Kentucky Power issued a K-PEGG to Ashland Alliance to assist in lead generation and recruitment. Funds have been used to recruit businesses to a single site in EastPark. The project developed out of work previously funded through K-PEGG. K-PEGG assistance along with Kentucky Power/AEP Quality Certification and KY Build Ready site certification programs were vital drivers to this project. Job numbers and total investment will be announced at the discretion of the prospect. The remaining portion of the award purchased a Sales Force Lead Management subscription. All funds have been expended and the reports are complete.

- Recipient: **USA Drone Port 2020-14**

Date of Grant: 07/22/2020

Amount of Grant: \$55,000

Counties Served: All 20 counties in Kentucky Power’s service territory

Kentucky Power issued a K-PEGG to USA Drone Port to construct a netted facility for drone testing. The grant will allow USA Drone Port to build one of the world’s largest netted facilities and provide a broader option for their partners to test drones. A netted drone testing facility does not exist in Kentucky. The K-PEGG award, combined with Abandoned Mine Land Funds, increases the potential for job creation, innovation, and entrepreneurship in the robotic industry in eastern Kentucky. In 2022, the project began seeking an alternate location as there were right-of-way issues on its current property. The project construction has not begun, and the project will be carried over into 2023.

Carried over 2021 projects

The below provides project activity for grants issued in 2021 that experienced continued activities in 2022. The amount shown for each is the 2021-awarded grant amount.

- Recipient: **Grayson Tourism Commission 2021-01**

Date of Grant: 07/26/2021

Amount: \$75,000

Counties Served: Carter, Boyd, Elliott, Greenup, Johnson, Lawrence, Martin, Morgan, Lewis, and Rowan

Kentucky Power issued a K-PEGG to Grayson Tourism Commission to assist in the completion of the Grayson Sports Park. The City of Grayson and Grayson Tourism

invested \$7.1 million in the park. The sports park is the only one of its kind in the FIVCO Area Development District (Boyd, Carter, Elliott, Greenup and Lawrence counties), making it a destination for the area. The purpose of the park is to attract tourism into Grayson and the surrounding area, leading to a boost in economic development. Infrastructure construction was completed in 2022 and the park opened in the spring. All funds have been expended and all reports are complete.

- **Recipient: Johnson County Fiscal Court 2021-02**

Date of Grant: 03/02/2021

Amount of Grant: \$35,275 (partially funded; \$310,675 requested)

Counties Served: Floyd, Johnson, Pike, Morgan, Magoffin and Martin

Kentucky Power issued a K-PEGG to Johnson County Fiscal Court to fund the design and engineering costs associated with the Johnson County Fiscal Court's pursuit of Kentucky Build Ready Certification at Hager Hill. Hager Hill achieved Build Ready status in March 2022. The 2021 remaining balance of this award (\$21,775) was transferred to Johnson County's 2022 award and is considered complete.

- **Recipient: Ashland Alliance 2021-04**

Date of Grant: 06/08/2021

Amount of Grant: \$100,000

Counties Served: Boyd, Greenup, Carter, Elliott, and Lawrence

Kentucky Power issued a K-PEGG to Ashland Alliance for marketing, professional consultation, and organizational support. Lead generation has been a primary focus for Ashland Alliance. The organization participated in three recruitment trips resulting in fourteen active leads. Ashland Alliance had face-to-face meetings with 37 companies

looking to relocate or expand. All funds have been expended and all reports are complete.

- **Recipient: Martin County Fiscal Court 2021-05**

Date of Grant: 07/07/2021

Amount of Grant: \$25,000 (partially funded; \$100,000 requested)

Counties Served: Floyd, Johnson, Pike, Morgan, Magoffin and Martin

Kentucky Power issued a K-PEGG to Martin County Fiscal Court to assist in the due diligence for the former Caney Mine shaft site feasibility for industrial use. Martin County has completed the environmental Phase I assessment and currently is using the K-PEGG funds as a match to receive United States Department of Agriculture Rural Business Development Grant funds for preliminary assessment and site preparation. Martin County intends to spend the K-PEGG funds at the time that the funds from the USDA grant are released to Martin County.

- **Recipient: Shaping Our Appalachian Region (“SOAR”) 2021-06**

Date of Grant: 07/29/2021

Amount of Grant: \$50,000

Counties Served: All 20 counties in Kentucky Power’s service territory

Kentucky Power issued a K-PEGG to help facilitate two mini-summits in Kentucky Power’s service territory. SOAR hosted mini summits in Ashland and Hazard in 2022 that drew more than 1,000 participants. SOAR developed a scalable model to replicate in other communities in its territory. All funds have been expended and all reports are complete.

- **Recipient: eKentucky Advanced Manufacturing Institute 2021-08**

Date of Grant: 11/19/2021

Amount of Grant: \$100,000 (partially funded; \$350,000 requested)

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

Kentucky Power issued a K-PEGG to eKentucky Advanced Manufacturing Institute, Inc. (“eKAMI”) to assist in digital upgrades to its website (\$25,000), production of an eKAMI and eastern Kentucky promotional video (\$25,000) and the purchase of an interactive digital presentation system (\$50,000). eKAMI purchased technology upgrades for audio/visual equipment. Upgrades have been made to the wireless internet connectivity throughout the building with the purchase of various boosters and software modules. Audio equipment was purchased and is being used with the current system. All funds have been expended and all reports are complete.

- **Recipient: CEDAR, Inc. 2021-09**

Date of Grant: 11/23/2021

Amount of Grant: \$27,856

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

Kentucky Power issued a K-PEGG to CEDAR, Inc. to fund the continuation of the CEDAR Future of Work in Appalachia Education Program. The program fosters a healthy entrepreneurial ecosystem and teaches students to embrace innovation in a way that brings positive change to their communities. These lessons will equip students with the skills needed to build a sustainable economy. Eleven units of study focusing on at

least one of the seven pillars of the SOAR blueprint were implemented, involving 59 teachers and 1,479 students. All funds have been expended and all reports are complete.

- **Recipient: Hazard-Perry County Economic Development Alliance 2021-10**

Date of Grant: 12/16/2021

Amount of Grant: \$25,000

Counties Served: Perry, Knott, Breathitt, and Leslie

Kentucky Power issued a K-PEGG grant to Hazard-Perry County Economic Development Alliance (“HPCEDA”) to support the organizational mission to attract, develop and expand a diversified business base in Perry County. The Alliance’s primary focus is marketing the Coal Fields Regional Industrial Park and jobs in general within the region as a whole. HPCEDA visited 40 local businesses, discussed expansion opportunities with four local businesses, worked with five entrepreneurs seeing new locations in Perry County and managed an overall pipeline of 23 prospective companies interested in locating in Perry County. All funds have been expended and all reports are complete.

- **Recipient: Kentucky Association for Economic Development 2021-11**

Date of Grant: 12/21/2021

Amount of Grant: \$60,000

Counties Served: All 20 counties in Kentucky Power’s service territory

Kentucky Power issued a K-PEGG to Kentucky Association for Economic Development (“KAED”) to provide for continued economic development in Kentucky Power’s service territory. These efforts include marketing, product development, grant-making, site selection consultant activity and economic development educational opportunities.

KAED performed marketing and educational programming in the Kentucky Power service territory. Work related to product development, grant-making and site selection consultant activity was conducted in the service territory. KAED hosted the annual Kentucky Fall Forum in Ashland in November 2022. The event featured Kentucky economic developers, state officials, legislators, site selection consultants, local elected officials, workforce and education partners, and more. All funds have been expended and all reports are complete.