

**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 2020 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 the 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.

Since the K-PEGG program began in 2016, Kentucky Power has awarded a total of \$3,307,151 through 65 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. The K-PEGG program is specific to Kentucky Power'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 2020 used \$859,175 K-PEGG program funds to award grants for economic development activities.

2. Grant Activity

Activity for 2020 included the review of 21 grant applications totaling \$1,113,675.

Kentucky Power awarded 15 grants, partially funded four requests, and declined two applications for a total of \$859,175. The K-PEGG grants issued and denied during 2020 are described below:

- Recipient: **Big Sandy Area Development District 2020-01**

Date of Grant: 2/5/2020

Amount: \$2,595

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

Kentucky Power issued a K-PEGG grant to the Big Sandy Area Development District (“BSADD”) to help cover the cost associated with a BSADD employee’s lodging and tuition for the University of Oklahoma Economic Development Institute. In-person institutes were on hold for 2020 but the employee was able to participate online. Employee training will continue in 2021 using the remaining \$820.00 of the grant funding.

- Recipient: **Pikeville Medical Center 2020-02**

Date of Grant: 04/22/2020

Amount of Grant: \$140,000

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

Kentucky Power issued a K-PEGG grant to Pikeville Medical Center to assist with the construction of a pediatric emergency department. The project will create 50 jobs and retain 100 existing jobs over the next three years.

This award helped the medical center leverage \$6.2 million in federal funding to complete the project. Construction was scheduled to be complete by December 2020. Pikeville Medical Center used the space designated for this project as an overflow emergency department during the pandemic and the completion date is delayed to May 2021. All K-PEGG funds have been expended and all reports are complete.

- **Recipient: One East Kentucky 2020-03**

Date of Grant: 02/12/2020

Amount of Grant: \$60,000

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

Kentucky Power issued a K-PEGG grant to One East Kentucky in support of efforts to recruit industry, develop marketing materials, support regional chambers of commerce, initiate regional economic development strategies and enhance opportunities for industrial sites.

One East Kentucky used its K-PEGG grant award during the pandemic to participate in 15 regional strategy sessions, implement five new strategies, follow up with 100 prospective companies, and host six site visits during 2020. These meetings and visits have the potential to add 450 new jobs to the region. One East Kentucky also leveraged grant awards (such as K-PEGG) and contributions from other businesses to secure over \$1.2 million from Appalachian Regional Commission toward new strategic efforts over the next three years. All funds have been expended and all reports are complete.

- **Recipient: One East Kentucky 2020-04**

Date of Grant: 02/12/2020

Amount of Grant: \$30,000

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

Kentucky Power issued a K-PEGG grant to One East Kentucky to help facilitate the EKY Works 2.0 study which provides prospective companies with valuable information, insights and strategies regarding the availability and skills of the regional workforce. The Company's award is a portion of the overall project cost funded by multiple organizations.

The survey is on-going as it was delayed by school closures and travel restrictions. All funds have been expended and all reports are complete.

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

Date of Grant: 04/05/2020

Amount of Grant: \$47,500 (Request partially funded; requested \$57,000)

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

Kentucky Power issued a K-PEGG grant 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 is on hold due to travel restrictions, and \$25,500 of this award will be carried over to 2021.

- **Recipient: Kentucky Association for Economic Development 2020-08**

Date of Grant: 5/13/2020

Amount of Grant: \$20,000

Counties Served: Kentucky Power 20-County Service Territory

Kentucky Power issued a K-PEGG grant to the Kentucky Association for Economic Development (“KAED”) for the Commonwealth of Kentucky’s product development initiative (“PDI”). The program is a partnership between KAED and the Kentucky Cabinet for Economic Development (“KCED”) to promote corporate investment and job growth across the Commonwealth. To achieve this initiative, KAED and KCED engaged Site Selection Group (“SSG”) to manage the program. SSG evaluates and makes recommendations to the PDI committee to provide monetary assistance to create more competitive sites and buildings across Kentucky.

Twenty-seven properties submitted a full application to participate in the PDI. Fourteen communities were visited by Site Selectors Guild as part of the process and received feedback about their sites. All funds have been expended and all reports are complete.

- **Recipient: Shaping Our Appalachian Region (“SOAR”) 2020-09**

Date of Grant: 06/01/2020

Amount of Grant: \$25,000

Counties Served: Kentucky Power 20-County Service Territory

Kentucky Power issued a K-PEGG grant to help SOAR fulfill its mission of expanding job creation, enhancing regional opportunity, innovation, and identity, improving the quality of life, and supporting all those working to achieve these goals in Appalachian Kentucky. Like the grants issued in 2016 and 2019, the funds provided by Kentucky Power allowed SOAR to cover a portion of its operational expenses. SOAR is one of Kentucky Power’s key regional economic development partners. The SOAR Summit was held virtually on October 28-29, 2020. Grant funds were used to facilitate the summit. The virtual format Hopin was used to expand the reach of the summit. All funds have been expended and all reports are complete.

- **Recipient: Big Sandy Community and Technical College 2020-10**

Date of Grant: 5/19/2020

Amount of Grant: \$65,000

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

Kentucky Power issued a K-PEGG to Big Sandy Community and Technical College to complete infrastructure changes needed for the Mayo Hub to be utilized for recruitment, training, hiring, and housing employees for General Dynamics Information Technology (“GDIT”).

Since the Hub was completed, GDIT has hired and trained 33 employees. At current capacity, the project’s economic impact is \$1,066,729. GDIT projects the number of employees will continue to grow and anticipates 70 employees by the end of 2020. Currently, there are 100 applications in the pipeline for new employees. All funds have been expended and all reports are complete.

- **Recipient: One East Kentucky 2020-11**

Date of Grant: 06/12/2020

Amount of Grant: \$73,000

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

Kentucky Power issued a K-PEGG grant to One East Kentucky to create a full range of virtual capabilities for the nine-county region. Those capabilities include:

- VR 360-degree Familiarization Tour package, which will create community and site tours in a virtual format to be utilized online;
- Matterport facility videos, which will create 60-degree walkthrough capability at each industrial building in One East Kentucky’s territory as well as 3-D rendered models of available buildings;
- 3-D virtual spec building integration to showcase multiple facility options on greenfield sites;
- virtual conference meetings which will allow One East Kentucky staff to meet in a virtual environment with company CEOs and decision makers across the globe; and,
- additional technical support and web integration.

The filming of each site is underway, with \$21,250 of the grant spent on the filming contract. The remaining \$51,750 will be paid upon completion of the videos. The project will be carried over into 2021.

- **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 grant to Ashland Alliance to assist in lead generation and recruitment. Currently, all funds expended (\$13,194.80) have been specific to marketing one site in EastPark for an active recruitment. The project developed out of work previously funded through K-PEGG. K-PEGG assistance along with Kentucky Power/AEP Quality Certification and KY BuildReady site certification programs were vital drivers to this active project. The remaining balance of this grant (\$20,808.20) will be carried over to 2021. Job numbers and total investment will be announced at the discretion of the prospect in 2021.

- **Recipient: Letcher County Fiscal Court 2020-13**

Date of Grant: 09/14/2020

Amount of Grant: \$25,000 (Request partially funded; requested \$50,000)

Counties Served: Letcher, Knott, Perry, and Leslie surrounding counties

Kentucky Power issued a K-PEGG grant to Letcher County Fiscal Court to hire a consultant for guidance on developing a waste digester system. The system will turn solid waste/food into usable compost. The project expects to create twelve jobs within three years, reduce solid waste, reduce tipping costs for Letcher County, and create a business model that allows for sales of the compost.

Engineering procurement has been completed and Letcher County has awarded an engineering contract. The engineer met with Letcher County staff and a pilot test was scheduled. The test has been postponed. A geotechnical study is scheduled for March 2021. No K-PEGG funds have been spent toward this project to date, and it will be carried over into 2021.

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

Date of Grant: 07/22/2020

Amount of Grant: \$55,000 (Request partially funded; requested \$90,000)

Counties Served: Kentucky Power 20-County Service Territory

Kentucky Power issued a K-PEGG grant to USA Drone Port to construct a netted facility for drone testing. The Kentucky Power Economic Growth Grant committee denied this request in 2019 because USA Drone port had not produced a deed to the property. The 2020 application provided proof of ownership. 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. The project construction has not begun, and the project will be carried over into 2021.

- **Recipient: Martin County Fiscal Court 2020-15**

Date of Grant: 12/08/2020

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

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

Kentucky Power issued a K-PEGG grant to Martin County Fiscal Court as close-the-deal funding for the Inez Power project in Debord, KY. The grant will assist Martin County in providing air quality monitoring equipment needed for the project's completion. A proposed 50 jobs will be created with the completion of the project. All funds have been expended and all reports are complete.

- **Recipient: CEDAR, Inc. 2020-16**

Date of Grant: 09/28/2020

Amount of Grant: \$15,580

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

Kentucky Power issued a K-PEGG grant to CEDAR, Inc. to fund the start-up 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. Once learned, these lessons will equip students with the skills needed to build a sustainable economy.

The project has launched and workshop materials created. Website construction is under way. The K-PEGG award leveraged \$15,000 in funds from other sources. The Entrepreneurial Coal Lands Redevelopment, Future of Work Teacher Study Unit, and student fair programs will take place in 2021. The grant has a remaining balance of \$5,383.78, and it will be carried over into 2021.

- **Recipient: Hazard-Perry County Economic Development Alliance 2020-17**

Date of Grant: 12/4/2020

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 as a whole.

The grant was awarded near the end of 2020 and will be carried over into 2021. The first quarterly report regarding project status is due to Kentucky Power on March 31, 2021.

- **Recipient: eKentucky Advanced Manufacturing Institute 2020-18**

Date of Grant: 09/14/2020

Amount of Grant: \$25,000

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

Kentucky Power issued a K-PEGG grant to eKentucky Advanced Manufacturing Institute, Inc. ("eKAMI") to assist in the purchase of a robot needed for the robotics lab. The robot will allow for additional hands-on training in advanced manufacturing robotic integration. The students at eKAMI will receive a robotics certification, furthering the retraining of the eastern Kentucky workforce.

eKAMI purchased an additional robot. All funds have been expended and all reports are complete.

- **Recipient: Greenup County 2020-19**

Date of Grant: 09/18/2020

Amount of Grant: \$69,000

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

Kentucky Power issued a K-PEGG grant to Greenup County Fiscal Court to construct a road in EastPark in partnership with Boyd County. The 1,300 feet of road completed an incomplete road to EastPark's BuildReady Certified Site and 80 acres in the park that were previously inaccessible. The road was built for an active recruitment project that expects to bring over 200 jobs. The project is complete and all funds have been expended.

- **Recipient: One East Kentucky 2020-20**

Date of Grant: 10/19/2020

Amount of Grant: \$120,000

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

Kentucky Power issued a K-PEGG grant to One East Kentucky to assist One East Kentucky in making a 20% match required by the Appalachian Regional Commission ("ARC") for its award of \$1.2 million to One East Kentucky. The ARC-funded project is planned to assist regionally in the following areas: industrial recruitment, business retention and expansion, EKY Builds "Ready-Site" program, retail strategies for multiple communities and many other facets of the OEK Vision 2020 Strategic Plan. One East Kentucky has hired an existing industry liaison. K-PEGG funds were transferred per the requirements of the ARC award. All progress reports are complete.

- **Recipient: Morehead-Rowan County Economic Development Corp. 2020-21**

Date of Grant: 11/16/2020

Amount of Grant: \$2,500

Counties Served: Rowan, Morgan, Carter, Menifee, and Lewis surrounding counties

Kentucky Power issued a K-PEGG grant to Morehead-Rowan County Economic Development Corp. ("MMRC") as one of three energy partners helping to facilitate MMRC's service territory being added to the in-progress Boyette Workforce Study. The study will add Rowan County data to the other counties already participating in the regional Boyette Study. The grant was awarded near the end of 2020 and will be carried over into 2021. The first quarterly report regarding the project is due to Kentucky Power on March 31, 2021.

Denied Requests

- **2020-06 The Appalachian Center for the Arts**
Requested \$10,000.

The Appalachian Center for the Arts requested a K-PEGG grant to develop theater and technical theater certificate and college programs.

Denied: The project does not fit the K-PEGG guidelines.

- **2020-07 Neighbors Helping Neighbors**
Requested \$100,000.

Neighbors Helping Neighbors requested a K-PEGG grant to fund the WORK of Art program maker space, intended to assist local artisans with the creation of their projects.

Denied: The project does not fit the K-PEGG guidelines.