

**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 MARCH 31, 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 requires:

Kentucky Power shall file on or before March 31, 2016, and each March 31st thereafter, areport 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 Kentucky Economic Development Surcharge ("KEDS"). Kentucky Power maintains the K-PEGG program funds in a separate account.

Kentucky Power collected \$370,466.16 through the KEDS in 2019. The Company contributed \$370,466.16 in matching shareholder funds.

Since the K-PEGG program began in 2016, Kentucky Power has awarded a total of \$2,721,976 in K-PEGG funds through 52 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 twenty county service territory. 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 used K-PEGG program funds for \$914,750 in grants for economic development activities in its service territory in 2019.

2. Grant Activity

Kentucky Power considered a total of 15 grant applications in 2019. The Company issued 12 grants and denied three applications. The K-PEGG grants issued and denied during 2019 are described below:

- Recipient: **One East Kentucky 2019-01**

Date of Grant: 2/1/2019

Amount of Grant: \$50,000

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

Kentucky Power issued a K-PEGG grant to One East Kentucky (OEK) in support of its 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 to participate in 60 meetings with target industries as well as to secure 13 industry site visits. These meetings and visits led to the announcement of 590 new jobs. One East Kentucky also used K-PEGG funds to implement five new strategies and secure 40 additional partners for the organization

- Recipient: **Shaping our Appalachian Region (SOAR) 2019-02**

Date of Grant: 03/12/2019

Amount of Grant: \$25,000

Counties Served: Kentucky Power 20-County Service Territory

Kentucky Power issued a K-PEGG grant to SOAR 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 grant issued in 2016, the funds provided by Kentucky Power allowed SOAR to cover a portion of its operational expenses, support regional projects, and develop an on-line community. SOAR is one of Kentucky Power's key regional economic development partners.

With K-PEGG grant funds, SOAR enhanced its digital presence and reached over 540,000 people through its social media channels, websites, and newsletter/event distribution lists. The SOAR Summit in 2019 had over 1,300 people in attendance.

In addition, SOAR identified over 700 projected job openings through its healthcare workforce collaborative and initiated 69 referrals from small business and/or start-ups to resource partners.

SOAR also created the CO. STARTER program in 2019. CO. STARTERS is a nine-week, cohort-based program that equips aspiring entrepreneurs with the insights, relationships, and tools needed to turn business ideas into action and turn a passion into a sustainable and thriving endeavor. Twenty-two CO.STARTERS graduated in the first cohort in 2019.

- **Recipient: One East Kentucky 2019-03**

Date of Grant: 03/12/2019

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 assist with:

Costs associated with the Project Lion facility build-out and design [\$10,000].

Project Lion was an effort to recruit a manufacturer. As part of the Project Lion recruitment, K-PEGG grant funds were used to provide building design and site build-out plans for the East Kentucky Business Park in Martin County. \$2,000,000 in Abandoned Mine Land (AML) funds were also secured for the project. The company associated with Project Lion chose not to go forward with the project. One East Kentucky was able to use the plans created for Project Lion for the Pinnacle Park project also to be located in the East Kentucky Business Park and thereby retain the AML funds.

The Big Sandy Industrial Development Authority will construct the region's first 200,000 square-foot Kentucky Certified Build-Ready Site as part of the Pinnacle Park project. The construction will make the East Kentucky Business Park the region's most well rounded industrial park, offering a variety of real estate options.

Without the K-PEGG grant funding, One East Kentucky would not have been able to utilize the AML funds or an additional \$1.3 million in other grants to market East Kentucky Business Park for the Pinnacle Park project. Currently, One East Kentucky is marketing the park's 45,000 square-foot shell building, a 55,000 square-foot finished building, and a 32,000 square-foot multi-use international attraction facility (the International Landing Zone).

Facilitate a multi-county elected official training session [\$5,000]

One East Kentucky hosted a professional education and regionalism workshop to educate local elected officials on their role in economic development. Sixty-seven elected officials attended the training.

Recruitment of Project Core [\$5,000]

K-PEGG grant funds were used for workforce and job training as well as funding assistance for state incentive application fees associated with Project Core. Project Core resulted in the May 2019 announcement by Dajcor Aluminum Ltd., a Canadian manufacturer of extruded and fabricated aluminum products, of 265 full-time jobs and the investment of nearly \$19.6 million to locate its first US operation near Hazard. The Dajcor facility will be located in the Perry County Coalfields Industrial Park.

Print Advertising [\$10,000]

One East Kentucky used K-PEGG grant funds to purchase national, multi-issue print advertisements for the OEK region in the Kentucky Economic Development Guide and Site Selection Magazine.

- Recipient: **One East Kentucky 2019-04**

Date of Grant: 04/10/2019

Amount of Grant: \$35,000

Counties Served: Floyd, Johnson, Pike, Morgan, Magoffin, Letcher, Perry, Knott, Lawrence, and Martin with an emphasis on Perry County.

Kentucky Power issued a K-PEGG grant to OEK in connection with Project Core to host a regional tour/event designed to encourage additional jobs and investment from Dajcor Aluminum and its suppliers.

Dajcor announced its plans for the Coalfields Industrial Park shortly following the event. OEK met with 14 individuals during the event, including company officials, local community partners, state and local government officials and a private site selection consultant.

- **Recipient: Ashland Alliance 2019-05**

Date of Grant: 03/28/2019

Amount of Grant: \$105,000

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

Kentucky Power issued a K-PEGG grant to Ashland Alliance for site and master plan development for the expansion of Northeast Kentucky Development Authority, (EastPark). This funding will allow for the comprehensive evaluation of existing land and the master planning of assets for the development of sites needed within the next three to five years. K-PEGG grant funding also will be used to create a marketing plan for EastPark expansion.

Ashland Alliance used the K-PEGG grant award to leverage an additional \$100,000 for site development in connection with EastPark expansion.

Because of additional assets being identified for this expansion project, Ashland Alliance hosted a site visit for a potential \$100 million investment and 500-job prospect. The project is ongoing.

- **Recipient: Kentucky Chamber of Commerce 2019-06**

Date of Grant: 04/21/2019

Amount of Grant: \$6,000

Counties Served: Kentucky Power 20-County Service Territory

Kentucky Power issued a K-PEGG grant to the Kentucky Chamber of Commerce to fund six scholarships to the Kentucky Institute for Economic Development (KIED), Basic Class.

K-PEGG grant funding assisted Kentucky Power service territory chamber representatives and economic development practitioners to attend KIED for economic development training.

- Recipient: **City of Pikeville 2019-08**

Date of Grant: July 22, 2019

Amount of Grant: \$75,000

Counties Served: Pike County

Kentucky Power issued a K-PEGG grant to the City of Pikeville to support initiatives to grow and promote the Kentucky Enterprise Industrial Park (KEIP) in Pikeville.

The plan will:

- Examine additional industrial site development
- Examine transportation needs related to the park and identify opportunities for upgrades
- Develop business retention and expansion strategies for KEIP including growth/expansion of existing area businesses and attraction of external firms
- Examine the regional fiber optic infrastructure and recommend initiatives to expand the network
- Support the development of marketing strategies for the KEIP including the creation of marketing materials
- Identify opportunities for promoting KEIP

K-PEGG grant funds were used to retain a consultant and six focus groups and open community meetings have been conducted. The project is ongoing.

- Recipient: **Johnson County Pathway to Economic Development (“JCPED”) (Year 2 of 2) 2019-09**

Date of Grant 06/13/2019

Amount of Grant: \$45,000

Counties Served: Kentucky Power 20-County Service Territory

Kentucky Power issued a K-PEGG grant to Johnson County Pathway to Economic Development. This is the second grant and complements the grant funded last year. The program will be self-funding going forward.

K-PEGG grant funds were used to equip students in Johnson County schools with resources, such as computers, and to develop economic development classes. The classes will help prepare students for careers and certification in economic development.

In 2019, Johnson County Schools shared its model for JCPED with its partners in Kentucky Valley Educational Cooperative (KVEC). KVEC contains schools in Breathitt, Floyd, Johnson, Knott, Letcher, Magoffin, Owsley, Perry and Pike counties in the Kentucky Power Service territory.

JCPED and KVEC are working with 27 additional state educational departments, seven economic development agencies, seven federal, state and local government representatives, and a host of educators to replicate the JCPED model in other school districts in Kentucky Power's service territory.

KVEC and Johnson County Schools are in the process of applying for an Appalachian Regional Commission (ARC) Partnership for Opportunity and Workforce and Economic Revitalization (POWER) grant to sustain and expand the JCPED program.

- Recipient: **Ashland Alliance 2019-10**

Date of Grant 06/13/2019

Amount of Grant: \$46,250

Counties Served: Kentucky Power 20-County Service Territory

Kentucky Power issued a K-PEGG grant to Ashland Alliance for direct marketing of the region in partnership with One East Kentucky. The Ashland Alliance and One East Kentucky highlighted the regional workforce and competitive advantages of the region with the Kentucky Cabinet for Economic Development.

K-PEGG funding supported Ashland Alliance's direct, targeted marketing to new, expanding, and relocating companies at select trade shows with One East Kentucky and the Kentucky Cabinet for Economic Development.

Ashland Alliance contracted with a lead generation company to schedule 20 C-level (the executive level of a corporation) meetings with medium to large aerospace companies looking to expand or relocate. The contract put Ashland Alliance in contact with 30 companies who had an interest in learning more about the opportunities in the region.

K-PEGG funds also assisted Ashland Alliance to meet with an international leader in metal manufacturing equipment to discuss placing a national training center in Northeast Kentucky.

- **Recipient: Perry County Fiscal Court 2019-12**

Date of Grant: 07/24/2019

Amount of Grant: \$300,000

Counties Served: Perry County and surrounding 8-county region

Kentucky Power issued a K-PEGG grant to Perry County Fiscal Court to purchase and make necessary improvements to a formerly occupied manufacturing facility as an incentive for Dajcor Aluminum to locate in Perry County. Perry County will be contributing an estimated \$700,000 toward this project and required assistance from K-PEGG to fully fund the improvements.

The Dajcor Aluminum project was announced in May 2019.

- **Recipient: Perry County Fiscal Court 2019-13**

Date of Grant: 08/20/2019

Amount of Grant: \$175,000

Counties Served: Perry and surrounding counties

Kentucky Power issued a K-PEGG grant to Perry County Fiscal Court to complete Phase III (equipment and telecommunication) of a facility for a nursing school to address the shortage of nurses in southeastern Kentucky.

With the completion of the project, the Galen School of Nursing doubled the capacity of its program (40 to 80 students). The expansion of the Galen School of Nursing in Perry County addressed the need to fill 335 open nursing positions within a 50-mile radius of Hazard.

- **Recipient: City of Ashland 2019-14**

Date of Grant: 10/8/2019

Amount of Grant: \$22,500

Counties Served: Boyd, Greenup, Carter, Lawrence

Kentucky Power issued a K-PEGG grant to the City of Ashland to host Roger Brooks International, a consulting company specializing in downtown redevelopment planning for small cities, for an economic development education conference. It also was to fund an assessment of the community with a detailed report of improvements needed. The

information will be used in developing the Comprehensive Plan update for The City of Ashland.

K-PEGG grant funds also were used by the City of Ashland to facilitate community economic development education provided by Roger Brooks International. One hundred fifty people attended public forum. Meetings were held by key area stakeholders and professionals with Mr. Brooks to create an action plan with 65 recommended items for downtown redevelopment. The Destination Ashland Team was formed to facilitate the two-year plan.

Denied Requests

- **Paintsville/Johnson County Economic Development Authority 2019-07**
Requested \$150,000

Requested a K-PEGG grant to retain an engineer to complete a shovel-ready design for the Paintsville/Johnson County Economic Development Authority Sewer Expansion Project.

Denied: Paintsville/Johnson County Economic Development Authority did not have an option on the property at the time the application was reviewed.

- **Hillcraft Development Corp 2019-11**
Requested \$395,000

Requested a K-PEGG grant to establish a facility and program to begin construction and manufacturing projects that will supply transitional training for college graduates, displaced miners, unemployed and addiction recovery participants.

Denied: K-PEGG funding was the only source of funding for the project. The committee wanted to see other stakeholders and a plan for sustainability.

- **USA Drone Port 2019-15**
Requested \$86,500

Requested a K-PEGG grant to refurbish a 20-foot tall, 40 X 75 foot building to house 200 drones and allow for small aircraft indoor testing during inclement weather.

Denied: The Drone Port failed to demonstrate ownership of the property it was developing. The Committee may reconsider when evidence of ownership or right to occupancy by USA Drone Port is supplied.