

**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)	Case No. 2017-00179
Riders; (4) An Order Approving Accounting)	
Practices To Establish Regulatory Assets And)	
Liabilities; And (5) An Order Granting)	
All Other Required Relief And Approvals)	

**KENTUCKY POWER COMPANY’S 2021 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 \$372,395.78 through the KEDS in 2021. The Company contributed \$372,395.78 in matching shareholder funds.

Since the K-PEGG program began in 2016, Kentucky Power has awarded a total of \$3,805,282 through 74 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 2021 used \$498,131 K-PEGG program funds to award grants for economic development activities.

Grant Activity

Activity for 2021 included the review of 11 grant applications requesting a total of \$1,248,531 in K-PEGG assistance. Kentucky Power awarded six grants, partially funded three requests, and declined two applications. The Company awarded a total of \$498,131. The K-PEGG grants issued and denied during 2021 are described below.

Approved Grants

- **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 is scheduled to begin in spring 2022. As of December 31, 2021, no money was spent from this award and the project will carry over into 2022.

- **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. The K-PEGG committee will consider the remaining portions of the grant request for building pad and sewer construction after the design and engineering is complete. Johnson County completed all

necessary due diligence (site plat, master plan, building pad engineering, utility assessment, preliminary design and cost report for sewer upgrades, preliminary building design and construction plans, and storm water construction permit and was awarded Build Ready Certification by the Kentucky Cabinet for Economic Development. As of December 31, 2021, \$21,775 remained of this award to be spent. Johnson County plans to complete a few more site assessments with the remaining funds. The project will be carried into 2022.

- **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 eleven active leads. As of December 31, 2021, \$76,991.22 remained to be spent from the award and will be carried over into 2022.

- **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 used KPEGG funds to leverage United States Department of Agriculture Rural Business Development Grant funds for preliminary assessment and site preparation. As of December 31, 2021, no KPEGG funds had been spent and the project will carry over into 2022.

- **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. The first summit took place March 7-8, 2022 in Ashland. The date and location of the second summit is pending. As of December 31, 2021, no K-PEGG funds had been spent and the project will carry over into 2022.

- **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). The award was issued in late 2021 and will be carried over to 2022. The first quarterly report regarding project status is due to Kentucky Power on March 31, 2022.

- **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.

The program is in its second year. Kentucky Power will participate as a judge in the competition associated with the program. The K-PEGG was issued late in 2021 and will be carried over into 2022. The first quarterly report regarding project status is due to Kentucky Power on March 31, 2022.

- 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 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 2021 and will be carried over into 2022. The first quarterly report regarding project status is due to Kentucky Power on March 31, 2022.

- 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.

The grant was awarded near the end of 2021 and will be carried over into 2022. The first quarterly report regarding project status is due to Kentucky Power on March 31, 2022.

Denied Requests

- Requestor: **Martin County Fiscal Court 2021-03**

Amount Requested: \$100,000

Martin County Fiscal Court requested a K-PEGG to assist in the due diligence of the feasibility of the former Caney shaft site to be used for industrial development.

Reason Denied: The applicant (Judge Executive, Steve Goble) resigned. The K-PEGG committee asked Martin County to resubmit the application with an updated applicant. Application was re-submitted and granted as “2021-05.”

- Requestor: **Backroads of Appalachia, Inc. 2021-07**

Amount Requested \$50,000

Backroads of Appalachia, Inc. requested a K-PEGG to fund the marketing and promotion of Backroads of Appalachia’s motorsports trails and events in eastern Kentucky.

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

2020 Projects Carried Into 2021

The below provides project activity for grants issued in 2020 that experienced continued activities in 2021. The amount shown for each is the 2020-awarded grant amount.

- 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 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 was completed in 2021. 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

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 is on hold due to travel restrictions, and \$25,500 of this award will be carried over to 2022.

- 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 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.

All sites were filmed and project is complete. 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 expended have been 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 active 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. The award has a remaining balance of \$8,972 and will be carried over to 2022.

- 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 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. K-PEGG funds were requested to complete the development planning.

Project engineers completed a cost history study and found a location for the rotary drum digester. Letcher County has met with Sevierville Solid Waste to discuss costs, plans and logistics, for a solid waste pilot test. The geotechnical investigation and feasibility study are complete. A pro forma for the project has been created. All portions of the grant request have been completed. 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 (Request partially funded; requested \$90,000)

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 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 and the grant was then partially funded.

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 2022.

- **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 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. 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 for 2021 are complete. All funds have been expended and all reports are complete.

- **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 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.

Hazard-Perry County Economic Development Alliance continued its work in retaining existing businesses and recruiting new industry to Perry County. HPCEDA began a

partnership with One East Kentucky to assist with recruitment efforts and further align goals. All funds have been expended and all 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 to Morehead-Rowan County Economic Development Corp. as one of three energy partners helping to facilitate the organization'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 Boyette Workforce Study completed in 2021. All funds have been expended and all reports are complete.