

**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 2023 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 \$373,874.97 through the KEDS in 2023. The Company contributed \$373,874.97 in matching shareholder funds.

Since the K-PEGG program began in 2016, Kentucky Power has awarded a total of \$5,142,145 through ninety 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 twenty 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 2023 used \$385,380.00 K-PEGG program funds to award grants for economic development activities.

Grant Activity

Activity for 2023 included the review of thirteen grant applications requesting a total of \$1,332,268.00 in K-PEGG assistance. Two of those applications were withdrawn by the applicants. Kentucky Power awarded seven grants totaling \$385,380 and declined four applications. The K-PEGG grants issued and denied during 2023 are described below.

Approved Grants

- Application Number: 2023-01

Recipient: **Kentucky Association for Economic Development**

Date of Grant: 04/03/2023

Amount of Grant: \$50,000

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

Kentucky Power issued a K-PEGG grant 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 completed work related to product development grant-making in Kentucky Power's service territory per the Kentucky Product Development Initiative ("KPDI"). K-PEGG funds contributed to the KPDI contract with the firm, Site Selection Group. Three site development projects in the territory have been presented to the Kentucky Cabinet for Economic Development for funding. K-PEGG funds also assisted KAED with the development of its new website and helped facilitate the organization's strategic plan. All funds have been expended and all reports are up to date.

- Application Number: 2023-02

Recipient: **One East Kentucky**

Date of Grant: 04/10/2023

Amount of Grant: \$60,000

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

Kentucky Power issued a K-PEGG grant to One East Kentucky for organizational support. K-PEGG funds were utilized to assist with costs associated with obtaining meetings with potential new employers, travel costs, participation in economic development conferences and marketing costs. One East Kentucky developed and implemented a recruitment campaign to increase interest in industrial sites throughout the nine-county region. Ninety meetings with companies looking to expand or relocate operations occurred through various trade show and road show recruiting trips. Additionally, One East Kentucky created new marketing campaigns to promote existing assets and launched the region's first ever virtual speculative building program with a series of six dynamic building calculator tools implemented on the One East Kentucky website (<https://www.oneeastky.com/property/sites-and-buildings>). All funds have been expended and all reports are up to date.

- Application Number: 2023-03

Recipient: **Ashland Alliance**

Date of Grant: 05/05/2023

Amount of Grant: \$115,250

Counties Served: Boyd and Greenup

Kentucky Power issued a K-PEGG grant to Ashland Alliance to assist in its industrial recruitment efforts, the development of and EV sector in northeast Kentucky, marketing, and organizational support for management of economic development services. Ashland Alliance coordinated with consultants to arrange eighteen meetings with potential new employers and assisted Boyd and Greenup counties with twenty-two requests for information. Due to an organizational change and re-branding to The Northeast Kentucky Chamber of Commerce, the remaining balance of \$39,802.89 will be transferred to K-PEGG 2024-04. All reports are up to date and this award is considered closed for administrative purposes.

- Application Number: 2023-04

Recipient: **East Kentucky Manufacturing Institute (eKAMI)**

Date of Grant: 07/05/2023

Amount of Grant: \$100,000 (partially funded; \$200,000 request)

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

Kentucky Power issued a K-PEGG grant to East Kentucky Manufacturing Institute to assist in upgrading its Mastercam software and equipment. K-PEGG funds made it possible for upgraded CAD software to be available to students both on and off campus. eKAMI has now graduated 250 individuals who were previously under or unemployed in eastern Kentucky. All funds have been expended and all reports are up to date.

- Application Number: 2023-09

Recipient: **City of Ashland**

Date of Grant: 12/01/2023

Amount of Grant: \$4,000

Counties Served: Boyd

Kentucky Power issued a K-PEGG grant to the City of Ashland for website development to include mapping and site-specific information about available commercial and industrial properties. Funds were awarded late in 2023. The first progress report is due March 31, 2024. The project will be carried into 2024.

- Application Number: 2023-10

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

Date of Grant: 12/06/2023

Amount of Grant: \$50,000 awarded with pledge of \$200,000 (pending)

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

Kentucky Power issued a K-PEGG grant to SOAR for organizational support. The funds will be used to assist SOAR in its mission to solve the deep-seated issue of population retention and growth in eastern Kentucky through its economic development efforts. K-PEGG has also pledged \$200,000 as a match if other potential funding is received for the expansion of SOAR’s remote worker relocation program. Funds were awarded late in 2023. The first progress report is due March 31, 2024. The project will be carried into 2024.

- Application Number: 2023-13

Recipient: **Johnson County Fiscal Court**

Date of Grant: 11/09/2023

Amount of Grant: \$6,130

Counties Served: Johnson

Kentucky Power issued a K-PEGG grant to Johnson County Fiscal Court for an economic development professional to attend University of Oklahoma Economic Development Institute (“OUEDI”). Funds were awarded late in 2023. The first progress report is due March 31, 2024. The project will be carried into 2024.

Withdrawn Requests

- Application Number: 2023-08

Applicant: **EKY Heritage Foundation**

Amount of proposal: \$100,000

Reason for withdrawal: Proposal was a match for other grant funding that was not received.

- Application Number: 2023-11

Applicant: **Ashland Alliance**

Amount of proposal: \$50,000

Reason for withdrawal: At the end of 2023, the Ashland Alliance underwent an organizational change and re-branding. The new organization, The Northeast Kentucky Chamber of Commerce will not be directly involved in economic development activities. This proposal was no longer needed.

Denied Requests

- Application Number: 2023-05

Applicant: **Morehead-Rowan Economic Development**

Amount of proposal: \$90,000

Reason for denial: Project was not in Kentucky Power service territory.

- Application Number: 2023-06

Applicant: **TEK Center**

Amount of proposal: \$300,000

Reason for denial: Proposal did not fit K-PEGG guidelines.

- Application Number: 2023-07

Applicant: **Letcher County Fiscal Court**

Amount of proposal: \$50,000

Reason for denial: Proposal did not meet K-PEGG guidelines.

- Application Number: 2023-12

Applicant: **CEDAR, Inc.**

Amount of proposal: \$56,888

Reason for withdrawal: Proposal did not fit K-PEGG guidelines.

Carried Over 2020 Grants

Below is a summary of project activity for K-PEGG grants issued in 2020 for which activities continued into 2023. The amount shown for each is the 2020-awarded grant amount.

- Application Number: 2020-14

Recipient: **USA Drone Port**

Date of Grant: 07/22/2020

Amount of Grant: \$55,000

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

Kentucky Power issued a K-PEGG grant 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. Project construction has not begun. Kentucky Power has requested a plan for completing the project by June 2024 and USA Drone Port has been notified the grant funds must be returned if there is no progress before the end of the year.

Carried Over 2021 Grants

Below is a summary of project activity for K-PEGG grants issued in 2021 for which activities continued into 2023. The amount shown for each is the 2021-awarded grant amount.

- Application Number: 2021-05

Recipient: **Martin County Fiscal Court**

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 grant to Martin County Fiscal Court to assist in the due diligence for the former Caney Mine shaft site feasibility for industrial use. Martin County completed an Phase I environmental site assessment and a utility feasibility study at the site. All funds have been expended and all reports are up to date.

Carried Over 2022 Grants

Below is a summary of project activity for K-PEGG grants issued in 2022 for which activities continued into 2023. The amount shown for each is the 2022-awarded grant amount.

- Application Number: 2022-02

Recipient: **Johnson County Fiscal Court**

Date of Grant: 03/09/2022

Amount of Grant: \$296,775

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

Kentucky Power issued a K-PEGG grant to Johnson County Fiscal Court to continue the development of the Hager Hill Industrial Site. This award was combined with the remaining balance of \$21,775 from Johnson County's 2022 award for site development of the same property. As a result of K-PEGG funding, Hager Hill Industrial site was able to achieve Build Ready certification from the Kentucky Cabinet for Economic Development. In July 2023, Johnson County completed the purchase of the adjacent

property through a Kentucky Product Development Initiative grant. Johnson County is in discussion with a possible tenant for the industrial site. Johnson County intends to use the remaining K-PEGG funds to assist in utility expansion, and the construction of a spec building or building pad. The project is on-going and will be carried into 2024.

- Application Number: 2022-03

Recipient: **Ashland Alliance**

Date of Grant: 05/14/2022

Amount of Grant: \$135,000

Counties Served: Boyd and Greenup

Kentucky Power issued a K-PEGG grant 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 met with state and local partners on the redevelopment industrial property in Ashland. Ashland Alliance and City of Ashland conducted 25 in-person meetings and site visits with companies seeking relocation. Due to an organizational change, the remaining balance of \$9,352.00 will be transferred to K-PEGG 2024-04. All reports are up to date and this award is considered closed for administrative purposes.

- Application Number: 2022-04

Recipient: **One East Kentucky**

Date of Grant: 06/03/2022

Amount of Grant: \$270,000

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

Kentucky Power issued a K-PEGG grant 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 Kentucky entered into a contract with Retail Strategies in November 2022. Retail Strategies held stakeholder meetings and provided communities with tools necessary for downtown revitalization efforts to attract community-building businesses which enhance the quality of life and create jobs. All funds have been expended and all reports are up to date.

- Application Number: 2022-06

Recipient: **City of Pikeville**

Date of Grant: 10/07/2022

Amount of Grant: \$50,000

Counties Served: Pike

Kentucky Power issued a K-PEGG grant to the City of Pikeville to assist in the development of a medical industry cluster led by a non-profit organization 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. The project is on-going and will be carried into 2024.

- Application Number: 2022-07

Recipient: **SOAR**

Date of Grant: 10/10/2022

Amount of Grant: \$100,000

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

Kentucky Power issued a K-PEGG grant 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 ten years. In 2023, SOAR presented the CMH 23 Tribute Show and implemented EKY Remote. SOAR received more than 1,500 applications for participation in EKY Remote, and 190 applicants were pre-approved. Twenty-six applicants were extended an offer to relocate to eastern Kentucky and fifteen of those applicants accepted. As of December 30, 2023, two have successfully relocated to Johnson and Harlan counties. SOAR launched the Remote Playbook Part II in November 2023. The playbook was downloaded thirty-one times by the end of the year. All funds have been expended and all reports are up to date.

- Application Number: 2022-08

- Recipient: **CEDAR, Inc.**

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 grant to CEDAR, Inc. to fund the continuation of the CEDAR Future of Work in Appalachia Education Program and the Entrepreneurial Community Improvement Program (E-CIP). 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. CEDAR conducted its Future of Work Study Unit Program. Teachers from seventeen schools participated and ten teaching unit proposals were awarded funding for implementation. Six hundred and eighty-four students participated in the Future of Work Student Fair. Kentucky Power participated in judging the Entrepreneurial Community Improvement Program contest. All funds have been expended and all reports are up to date.

- Application Number: 2022-09

Recipient: **Lawrence County Fiscal Court**

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 grant 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. Three sites were critiqued for building a 60,000 square foot speculative building, and three sites were critiqued for industrial sites. All funds have been expended and all reports are up to date.

- Application Number: 2022-10

Recipient: **City of Ashland**

Date of Grant: 12/15/2022

Amount of Grant: \$21,000

Counties Served: Boyd

Kentucky Power issued a K-PEGG grant 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 OUEDI. The grant will assist the City of Ashland with tuition and travel to the institute's three required sessions. In 2023, the economic development specialist completed two of four required institute sessions. The remaining sessions will be completed in 2024.