

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Tariff Filing Of Kentucky Power)
Company For Approval Of A Special Contract Under)
Its Economic Development Rider And Demand)
Response Service Tariffs With Cyber Innovation)
Group, LLC)

Case No. 2022-00424

REBUTTAL TESTIMONY OF
AMANDA C. CLARK
ON BEHALF OF KENTUCKY POWER COMPANY

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I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.**

2 A. My name is Amanda C. Clark. My position is External Affairs Manager for Kentucky
3 Power Company (“Kentucky Power” or the “Company”). My business address is 1645
4 Winchester Avenue, Ashland, KY 41101.

II. BACKGROUND

5 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
6 **EXPERIENCE.**

7 A. I earned a Bachelor’s degree in Elementary Education from Marshall University in 2000.
8 I was an elementary school teacher until 2007 when I accepted a management role at the
9 Boyd County Public Library. From 2007 to 2016, I was the programming supervisor for
10 the library system. In 2016, I became the Vice President of operations for Ashland Alliance,
11 a regional economic development organization and chamber of commerce.

12 As the Vice President of Ashland Alliance, I was introduced to economic
13 development and have experience in all aspects of the profession including site
14 development, industrial recruitment, and community development. I completed the
15 University of Kentucky Gatton College of Business and Economics Economic
16 Development Institute and the International Economic Development Council’s Economic

1 Development Institute at the University of Oklahoma. I serve on the Board of Directors of
2 the Kentucky Association for Economic Development and am an active member of the
3 Southern Economic Development Council.

4 In 2014, I was elected to the City of Ashland's Board of Commissioners. I have
5 been re-elected for four additional terms, and I am currently serving for the ninth
6 consecutive year. The City of Ashland Commission is responsible for setting the policy
7 and budget to manage the city's operations. I represent the city on the Ashland Housing
8 Authority Board, as well as the executive board of Ashland in Motion, an organization
9 committed to the development of downtown Ashland. I also chair the city's capital projects
10 committee. In June 2019 I accepted my current position as external affairs manager for
11 Kentucky Power.

12 **Q. WHAT ARE YOUR RESPONSIBILITIES AS EXTERNAL AFFAIRS MANAGER**
13 **FOR KENTUCKY POWER?**

14 A. My responsibilities include managing local government relations, community outreach and
15 economic development. I work diligently to maintain relationships with the local
16 governments in Kentucky Power's service territory. I am responsible for the northern part
17 of the territory and cover Boyd, Carter, Elliott, Greenup, Lawrence, Lewis, Morgan,
18 Owsley, and Rowan counties. I am also responsible for Kentucky Power's community
19 outreach in those counties. I organize staff and resources for community events, parades,
20 and volunteer opportunities.

21 My responsibilities in economic development include providing support to local
22 and regional economic development partners by assisting with site visits, recruitment trips,
23 and information gathering for consultant requests for potential projects. I also maintain

1 relationships with the Kentucky Cabinet for Economic Development and the Kentucky
2 Association for Economic Development.

3 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

4 A. Yes. I recently provided written rebuttal testimony in support of the Company's application
5 for approval of a special contract with Ebon International, LLC in Case No. 2022-00387.

6 **Q. DID YOU OFFER DIRECT TESTIMONY IN THIS PROCEEDING?**

7 A. No.

III. PURPOSE OF REBUTTAL TESTIMONY

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. The purpose of my rebuttal testimony is to address certain positions taken by Stacy L.
10 Sherwood, witness for Mountain Association, Kentuckians for The Commonwealth,
11 Appalachian Citizens' Law Center, Sierra Club, and Kentucky Resources Council, Inc.
12 (collectively, "Joint Intervenors").

13 **Q. ARE YOU SPONSORING ANY REBUTTAL EXHIBITS?**

14 A. No.

IV. KENTUCKY POWER'S SERVICE TERRITORY AND THE IMPORTANCE OF ECONOMIC DEVELOPMENT

15 **Q. PLEASE EXPLAIN WHY ECONOMIC DEVELOPMENT IS CRITICAL TO**
16 **KENTUCKY POWER'S SERVICE TERRITORY.**

17 A. Kentucky Power's service territory has endured devastating job losses, mostly due to
18 losses in the coal and steel sectors. With the loss of jobs also comes population loss.
19 Over the past 10 years, the Company has lost more than 10,000 of its customers and

1 population in the service territory has decreased by approximately 33,000 people.¹

2 These losses have produced a decline in the company's load over the past decade and
3 require the Company's fixed costs to be spread over fewer customers.

4 **Q. PLEASE EXPLAIN WHAT DIFFICULTIES ARE UNIQUE TO KENTUCKY**
5 **POWER / EASTERN KENTUCKY WHEN RECRUITING ECONOMIC**
6 **DEVELOPMENT.**

7 A. Kentucky Power's service territory is relatively new to the concept of economic
8 development, and this puts it at a disadvantage when compared to other regions. For
9 example, Greater Louisville, Inc., the regional chamber of commerce/economic
10 development organization for the metro-Louisville area has been involved in economic
11 development activities since 1987, while One East Kentucky, the largest regional
12 economic development organization in Eastern Kentucky began operations in 2015.
13 Regions like Central Kentucky have a nearly 30-year head start in identifying sites and
14 preparing them for economic development.

15 Additionally, Eastern Kentucky faces a particular hardship because of its lack of
16 economic diversity. The decline of coal and the closure of major manufacturers across
17 the region have left Eastern Kentucky in need. It further is difficult for communities to
18 allocate resources specifically to economic development purposes with an ever-declining
19 tax base.

20 Finally, Eastern Kentucky's terrain makes large, quality sites for economic
21 development scarce. Many of the sites without a significant slope are hindered by flood

¹ <https://www.kentuckypower.com/company/about/rates/>

1 plain issues. The regional industrial parks in the Company’s service territory are re-
 2 claimed strip mine sites that face a unique set of challenges as well.

3 Kentucky Power and its economic development partners have worked diligently
 4 to remove barriers to development. By working together, the region has produced
 5 certified and build-ready sites and quantified the skills of its workforce so that it can be
 6 ready for potential projects when they come.

V. ECONOMIC DEVELOPMENT OPPORTUNITY IN
THE COMPANY’S SERVICE TERRITORY

7 **Q. PLEASE PROVIDE A SYNOPSIS OF THE CRYPTOCURRENCY INDUSTRY**
 8 **ACTIVITY IN KENTUCKY AND IN KENTUCKY POWER’S SERVICE**
 9 **TERRITORY.**

10 A. The push for economic development opportunities, particularly with respect to the
 11 cryptocurrency industry, extends beyond Kentucky Power’s efforts. House Bill 230
 12 (“HB230”) and Senate Bill 255 (“SB255”) were both adopted by the Kentucky General
 13 Assembly and signed into law by the Governor in 2021. HB230 notes the importance of
 14 the cryptocurrency industry to the Commonwealth.

15 The General Assembly has actively encouraged the use and growth of
 16 blockchain technology in the Commonwealth as evidenced by 2019 House
 17 Resolution 171 authorizing a comprehensive study on the growing use of
 18 blockchain technology and its economic development potential for a
 19 variety of businesses and industries, as well as the passage of 2020 Senate
 20 Bill 55 which enacted KRS 42.747 and created a Blockchain Technology
 21 Working Group to study the use of blockchain in various sectors...the
 22 Commonwealth has an opportunity to become a national leader in the
 23 emerging industry of the commercial mining of cryptocurrency given its
 24 abundant supply of electricity that can be provided at lower rates than
 25 most states, and its established infrastructure to provide such energy.²

² <https://apps.legislature.ky.gov/law/acts/21RS/documents/0122.pdf>

1 HB230 exempts the electricity used in the commercial mining of cryptocurrency from
2 sales and utility gross receipts taxes. It also provides a sales and use tax exemption for
3 tangible personal property purchased by commercial mining facilities to construct,
4 retrofit, or upgrade eligible projects. SB255 added definitions to KRS 154.27-010 to
5 include blockchain and cryptocurrency language to create tax incentives for the industry.

6 The Kentucky Cabinet for Economic Development recognizes the cryptocurrency
7 industry as a means of economic development. The Kentucky General Assembly paved
8 the way for economic development incentives to be offered by the Commonwealth “in
9 order to advance the public purposes of achieving energy independence, creating new and
10 advanced technologies, creating new jobs and new investment, and creating new sources
11 of tax revenues that but for the inducements to be offered by the authority to approved
12 companies would not exist.”³ If not for these incentives and those provided in KRS
13 160.613 for tax purposes, cryptocurrency companies would be looking to other states for
14 locations. Securing reasonably priced power should not be the impediment to bringing
15 these companies to the Commonwealth.

16 In response to these two pieces of legislation, Kentucky Power fielded more than
17 100 cryptocurrency inquiries⁴ and eastern Kentucky became a hotbed of activity in the
18 cryptocurrency industry.⁵ Sites like the one chosen by Cyber Innovation at Rockhouse
19 contain infrastructure put in place by former coal companies that have sat dormant since

³ KRS 154.27-020; <https://apps.legislature.ky.gov/law/statutes/statute.aspx?id=51755>

⁴ See the Company’s response to data request JI 1-15.

⁵ https://techcrunch.com/2022/03/30/bitcoin-miners-are-dusting-off-kentucky-coal-towns-spurred-by-state-crypto-tax-incentives/?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAJzWACFnpgHL65JLxiayNrfWw9QRW78TwAxxPkKTw-oRJ79JthNS9rCbP6F7E7fpki599vEdtVi2HbBcmb0NBLq6HeTENyJtNA6JEZncfQa8T2I-P4osRt1Vzm3V8WZCo_75ByeuZq0bF66qiCDIVj43iv5DLi4Bh20J9JcEmguB

1 the decline of the coal industry—sites that otherwise would not have much practical use.
 2 These sites are attractive to the cryptocurrency industry as they have the capacity and
 3 infrastructure to serve the industry and allow the companies to make minimal adaptations
 4 to begin mining cryptocurrencies.⁶

5 **Q. WILL THE PROPOSED CONTRACT BRING ECONOMIC DEVELOPMENT**
 6 **BENEFITS TO THE COMPANY’S SERVICE TERRITORY?**

7 A. Yes. As an initial matter, it is important to note that Cyber Innovation meets all the
 8 eligibility requirements to receive the discounts offered under Tariff E.D.R., as explained
 9 further in the Rebuttal Testimony of Brian K. West. Nonetheless, the economic
 10 development benefits to Kentucky Power’s service territory include Cyber Innovation’s
 11 estimated capital investment at Rockhouse (\$1.13 million) and employee annual wages⁷
 12 expected to matriculate through the local economy. The Rockhouse facility also is
 13 intended by Cyber Innovation to operate in tandem with its Long Fork Facility. Between
 14 those two facilities, over \$8 million in capital investment has been added to date and
 15 \$687,920 in annual wages will be added to the local economy by Cyber Innovation.⁸

VI. JOINT INTERVENORS CONCERNS

16 **Q. HAS CYBER INNOVATION APPLIED FOR THE SUPPLEMENTAL BILLING**
 17 **DEMAND DISCOUNT (“SBDD”), WHICH REQUIRES A MINIMUM NUMBER**
 18 **OF JOBS TO BE ADDED?**

⁶ See the Company’s response to data request AG 1-11.

⁷ The estimated average salary of a Cyber Innovation employee at Rockhouse is \$47,840; well above the \$20,900 median income of Pike County. Thus, the three estimated jobs will result in expected total annual wages of \$143,520.

⁸ See the Company’s response to KPSC data request 1-2.

1 A. Cyber Innovation has not applied for the SBDD of Tariff E.D.R., thus the number of jobs
 2 created is not part of the Commission's determination here. Nonetheless, the Joint
 3 Intervenors take issue with the fact that Cyber Innovation plans to add only three new
 4 jobs at the Rockhouse Facility, these complaints are inapposite.

5 First, neither Tariff E.D.R. nor the Commission's Order in Administrative Case
 6 No. 327 require the applicant to add a minimum number of jobs to receive the
 7 Incremental Billing Demand Discount ("IBDD"). Second, jobs are not the only metric by
 8 which to measure economic development. As with any other economic development
 9 project, there are ancillary benefits to a new company locating in a region. For example,
 10 Cyber Innovation's capital investment in the facility also adds additional economic
 11 development benefits via the indirect jobs created for project site development. The
 12 Commission's September 24, 1990 Order in Administrative Case 327 recognized the
 13 above and found that,

14 ... while job creation and increases in capital investment are the desired
 15 outcome of EDRs, requiring specific levels of job creation and capital
 16 investment for EDR eligibility might, in some instances, impede rather
 17 than promote economic activity. For instance, such a requirement might
 18 prevent a customer from participating in an EDR program even if tangible
 19 economic benefits unrelated to job creation or capital investment would
 20 have been realized. Furthermore, specific job creation and capital
 21 investment levels would be arbitrary and would not recognize the needs
 22 and characteristics of individual service areas and of new and expanding
 23 customers.⁹

24 **Q. AT PAGE 5, WITNESS SHERWOOD IMPLIES THIS E.D.R. CUSTOMER DOES**
 25 **NOT BRING 'ENOUGH' ECONOMIC DEVELOPMENT BENEFIT, AND THAT**

⁹ Order, In The Matter Of: An Investigation Into The Implementation Of Economic Development Rates By Electric And Gas Utilities, Admin. Case No. 327 at 10-11 (Ky. P.S.C. September 24, 1990).

1 **THE COMPANY SHOULD RESERVE E.D.R. BENEFITS FOR OTHER BETTER**
2 **OPPORTUNITIES WITH MANUFACTURING ENTITIES. DO YOU AGREE?**

3 A. I do not agree. Cyber Innovation's Rockhouse facility plainly meets the eligibility
4 requirements for Tariff E.D.R. Moreover, Ms. Sherwood's logic that sites like
5 Rockhouse can attract another industry that would bring even more economic
6 development benefit(s) is flawed. Sites like this one are exactly why eastern Kentucky is
7 attractive to the cryptocurrency industry. The Rockhouse site was formerly used for coal
8 mining. Rockhouse and other similar sites are remote and make the moving of goods in
9 and out difficult. It is neither feasible nor economical to locate traditional manufacturing
10 at such locations. Moreover, because coal companies installed robust electric
11 infrastructure for operation the existing infrastructure makes it well-suited for the
12 cryptocurrency industry.

VII. CONCLUSION

13 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

14 A. Yes, it does.

