

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT

Minutes of the 1st Meeting of the 2024 Interim

June 20, 2024

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on June 20, 2024, at 9:00 AM in Room 149 of the Capitol Annex. Senator Max Wise, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Max Wise Co-Chair; Representative Josh Branscum Co-Chair; Senators Gary Boswell, Robby Mills, and Reginald Thomas; Representatives Shane Baker, Jared Bauman, Steve Bratcher, Josh Calloway, Adrielle Camuel, Robert Duvall, Daniel Elliott, Peyton Griffiee, Thomas Huff, Kevin Jackson, Kim King, Nima Kulkarni, Matt Lockett, Ashley Tackett Laferty, and Timmy Truett.

Guests: Amy Elliott, Vice President of Customer Service and External Affairs, Kentucky Power; Amanda Clark, Manager of External Affairs, Kentucky Power; Kevin Howard, General Manager, Berea Municipal Utilities; Kent Oyler, Board Chair, Canopy KY; and Adam Watson, Education Director, Canopy KY.

LRC Staff: Janine Coy, Crystal Thompson, and Sasche Allen.

Importance of Utilities in Economic Development

Kentucky Power serves over 160,000 customers in the 20 easternmost counties of the Commonwealth with over 240 employees and generates approximately \$12 million in state and local taxes. Economic development is imperative for job creation in the company's service area because of the critical link between a robust energy sector and a thriving economy. Kentucky Power offers competitive energy pricing, optional tariffs, assistance for partners and local governments, site development, and recruitment. Rate incentives are available that include interruptible rates and economic development rider rates.

Through collaboration with commercial and industrial customers, Kentucky Power allocates the Kentucky Power Economic Growth Grant for economic development training for elected officials and local economic developers. As of 2023, the company has awarded \$5.3 million for economic development education; professional consultants; marketing and promotion; and site and product development. In addition, it is one of the original utility partners for

the Kentucky Product Development Initiative, a newly established partnership between the Cabinet for Economic Development and the Kentucky Association for Economic Development that will support upgrades at industrial sites throughout the Commonwealth.

Kevin Howard, General Manager of Berea Municipal Utilities, discussed the electric utility company which collectively provides electric, water, broadband, and sewer services to over 171,000 customers in the Berea area. Although the area is in dire need of infrastructure updates, there has recently been an unprecedented amount of funding available for those improvements. These updates are necessary for continued economic growth and the company's capability of meeting consumer demands. Mr. Howard discussed average kilowatt an hour price trends in the state for residential and commercial class consumers compared to national averages, and he stated the Commonwealth's energy rates are competitive and should be promoted to businesses as a site selection factor. Factors that could be strengthened, are infrastructure development and sound governance. He briefly spoke about the Central Kentucky airport expansion and highlighted the local collaboration amongst four different utility providers.

Answering a question from Chairman Wise, Ms. Clark said Kentucky Power has eight active projects that vary in number of anticipated employees and sectors. In response to a follow up question, Ms. Elliott explained Kentucky Power thoroughly evaluates the estimated power usage of each project and plans for additional procurement accordingly.

Responding to questions from Senator Mills, speakers from Kentucky Power stated estimated power usage and procurement, if needed, for active projects are thoroughly evaluated prior to the start of each project. Kentucky Power has capabilities up to 285 megawatts at its Louisa location and 800 megawatts at its partially owned plant in West Virginia. Types of power vary from natural gas to coal. Energy is also procured through its regional transmission organization. According to Ms. Elliott, however, the future of the company's energy portfolio is difficult to predict, especially with recent rulings by the Environment Protection Agency (EPA).

Addressing questions from Representative Lockett, the speakers clarified that no residence has had power interrupted through the interruptible rates incentive because only industrial or commercial customers are eligible for the incentive. Four of their industrial customers are currently enrolled in the program. Reducing the overall peak reduces the cost for all customers due to how certain utilities are allocated, and interruptible rates are attractive to businesses during the site selection process. Mr. Howard confirmed that Berea Municipal Utilities does not offer an interruptible rate incentive to customers, but it does have a plan in place for times of peak demand.

Replying to Representative Bratcher, Ms. Elliott stated she is not familiar with the practice of

placing electrical boxes on residential properties for usage monitoring, and Kentucky Power does not have the technological capabilities for that type of metering infrastructure. A load management system pilot program was implemented in the past, but it is not currently being utilized. The program was being used for monitoring air conditioning units and hot water heaters. Addressing a follow up question, Ms. Elliott confirmed Kentucky Power is formulating long-term plans to transition from coal to other energy sources. When asked if the Public Service Commission (PSC) is a supportive resource, Ms. Elliott stated that the PSC is an impartial body that balances the needs of both the utilities and customers.

Answering a question from Representative Duvall, Mr. Howard said Kentucky has the third lowest average kilowatt per hour prices in the region.

In response to Senator Boswell, Mr. Howard explained that most rate changes that have occurred over the last 25 years are policy driven, and Berea Municipal Utilities along with all other cooperatives in the state have some of the lowest rates in the country.

Replying to questions from Representative Kulkarni, Ms. Clark stated that Kentucky Power has created revitalization plans for Ashland, Hazard, Inez, Pikeville, Prestonsburg, and Whitesburg. These cities were chosen based on various metrics including quality of life. Answering a follow up question, Mr. Howard stated Berea Municipal Utilities has stringent regulations it must follow from the EPA, and the company regularly discussed environmental protections with local officials and other related parties. He briefly discussed an upcoming solar energy project. Ms. Elliott added that, alternatively, Kentucky Power's areas of coverage have varying types of terrain that can make service outages more common. The company is in the process of expanding its right of way due to about 50 percent of outages being related to topography. Other solutions are also being explored.

Addressing questions from Senator Thomas, Ms. Elliott said the utility company procures varying energy sources from its regional transmission organization that range from solar to wind, and the remainder of the portfolio is comprised of approximately 30 percent natural gas and 70 percent coal. Replying to a follow up question, Ms. Elliott stated since 2020, numerous factors have affected the industry.

Responding to Chairman Branscum, the speakers from Kentucky Power confirmed that there is an average of one and a half poles per customer and highlighted that the company has competitive residential and commercial rates compared to other providers in the state. Addressing a follow up question, Ms. Elliott stated Kentucky Power is planning for future capacity concerns, technology changes, terrain challenges, implementing any changes by the PSC, and the transition to other forms of energy. Every three years, utilities have to file an integrated resource plan with the PSC.

Making Kentucky First in Good Business

Canopy is a nonprofit organization dedicated to assisting employers with reinvesting profits back into local communities with the goal of retaining employers and employees in the Commonwealth. Academic research shows, purpose-driven companies that operate using good business practices, which Canopy provides to companies across the state, financially outperform the market, have less turnover, and operate safer and healthier workplaces. Canopy educates businesses, consumers, and elected officials through online content and live events; serves as a third-party certifier to verify good business practices; and connects businesses from across the state to one another and other resources. The company's newest initiative is Canopy Membership that offers employers access to educational and connective benefits.

Answering a question from Chairman Wise, Mr. Watson said after teaching a course on business ethics and sustainability at the University of Louisville's College of Business, Canopy is working to adapt the curriculum for high school students. If funding permits, Canopy's goal is to offer this curriculum to schools for free.

Responding to Chairman Branscum, Mr. Watson explained Canopy's business certification program that involves four tracks that include leadership, governance, culture, and external impact. Answering a follow up question, Mr. Watson stated the company seeks collaborative opportunities. Canopy has collaborated with the Young Professional Association of Louisville (YPAL), Junior Achievement, and other nonprofit organizations.

Addressing questions from Representative King, Mr. Watson highlighted the company's founder and CEO, Scott Koloms, who transformed his family's janitorial business utilizing Canopy's philosophies and programs.

Replying to questions from Senator Boswell, Mr. Oyler discussed U.S. consumers preferring to support companies that are addressing social and environmental issues, and Mr. Watson confirmed that there were no legislative requests at this time.

Answering questions from Representative Jackson, Mr. Watson said Canopy members pay a monthly fee that is on a sliding scale based on the company's revenue. Currently, Canopy has four full time staffers and one part time staffer but plans to increase staff and expand its reach across the Commonwealth.

Adjournment

There being no further business before the committee, the meeting adjourned at 10:18 a.m.