

## Muskie Data Campus – Electricity & Rates Fact Sheet

### **FIVCO Community Informational Event – June 17th**

This document provides clear, factual information about electric service at the Muskie Data Campus ("MDC"). Our goal is to listen, engage, and ensure the community has a full understanding of how this project interacts with Kentucky Power's electric system and what protections are in place for existing customers.

For additional details on Muskie Data Campus, visit: <https://www.muskiedatacampus.com/>

### **Campus Power Demand**

- MDC will be built in two phases. Phase 1 is designed for up to 500 MW of power demand, with expected start of operations in late 2028. Phase 2 brings total capacity up to 1,000 MW (1 GW).
- The campus's power demand ramps gradually — it does not switch on at full capacity on day one. The load increases in stages over approximately two years as buildings come online.

### **Electric Service & Rate Structure**

- MDC's power supply agreements are in place with Kentucky Power / AEP under the utility's published Industrial General Service (I.G.S.) tariff, as approved by the Kentucky Public Service Commission (PSC).
- The campus will pay the full, standard industrial rate — the same rate schedule available to any qualifying industrial customer. There are no discounts, subsidies, or special exemptions.
- I.G.S. tariff rates include a monthly service charge, on-peak and off-peak demand charges per kW, and an energy charge per kWh. In addition, MDC will pay all riders and surcharges (like the Fuel Adjustment Clause). These rates, riders and surcharges are set by the PSC and apply equally to all qualifying customers.

### **Ratepayer Protections**

The Kentucky PSC has approved a set of protections specifically for large-load customers (150 MW or more). These protections are designed to shield existing Kentucky Power customers from financial risk and are not imposed on any other Kentucky Power customer except TeraWulf:

- **20-year minimum contract term.** The contract remains in effect unless canceled with at least five years' written notice. The notice cannot reduce the 20-year initial term.
- **90% minimum billing demand floor.** The campus must pay for at least 90% of its contracted capacity every month — even if actual usage is lower. This ensures the utility and its existing customers receive stable, predictable revenue.
- **Financial collateral required before service begins.** TeraWulf must provide collateral equal to 24 times the previous maximum monthly non-fuel bill, in a form acceptable to Kentucky Power (such as irrevocable letters of credit from investment-grade entities). The collateral amount is recomputed annually and updated if it changes by more than 10%.
- **Early exit fee.** If the facility permanently closes after the first five years of the contract, the customer must make a one-time payment equal to five full years of minimum billing.
- **Limits on capacity reductions.** The customer cannot reduce contracted capacity by more than 20% without mutual agreement, and no reductions are permitted during the first five years. Any reduction requires at least five years' written notice.

These protections were approved by the Kentucky Public Service Commission on March 18, 2025 (Case No. 2024-00305), following a public proceeding in which the Kentucky Attorney General's Office of Rate Intervention — the organization whose job is to challenge utility costs on behalf of customers — participated and raised no objection.

In addition, there is strong **ongoing independent oversight**. The Kentucky Attorney General's Office of Rate Intervention has the legal authority to intervene in any future Kentucky Power rate case on behalf of existing customers. If any tariff change were to unfairly burden ratepayers, the Attorney General can challenge it before the PSC.

### How Power Gets to the Campus

- Delivering electricity to the campus requires new grid infrastructure: a new 765/345kV substation that connects to the existing Baker–Hanging Rock 765kV transmission line — a high-voltage line that already runs through the region as part of AEP's multi-state transmission network — and new 345kV transmission lines running from the substation to the campus site.
- As the regulated utility, Kentucky Power builds, owns, and operates all utility-side grid infrastructure. This is how electric service works for any customer in Kentucky — the utility makes additions to its own electric system in response to a customer's request for service. The infrastructure belongs to Kentucky Power, not the customer, and Kentucky Power retains the right to use it to serve other customers as well.
- Kentucky Power recovers the cost of these additions through its regulated tariff system — the same cost-recovery mechanism used for all utility infrastructure, subject to PSC review and approval.

To secure these costs, the MDC is required to:

1. Post approximately **\$631 million in total financial security** — irrevocable letters of credit from A-rated banks — covering both the infrastructure investment (~\$320M) and the customer's ongoing tariff payment obligations (~\$311M). These are delivered in stages before construction begins and before service commences. If the customer fails to meet its obligations, Kentucky Power draws on this security.
2. Pay **the full published industrial tariff** for a minimum of 20 years, with a **90% minimum billing floor** every month. No other Kentucky Power customer has such strict contract terms.
3. Provide the **land and rights-of-way** for the substation and transmission lines at no cost to Kentucky Power.
  - Separately, TeraWulf builds and pays for its own on-site substation entirely at its own expense. Kentucky Power will not be performing any work on any facilities or equipment owned, or to be owned, by TeraWulf.
  - Construction has not started. Kentucky Power must first obtain a Certificate of Public Convenience and Necessity (CPCN) from the PSC — the same regulatory approval required for most major utility construction.

## What About Broader Regional Transmission Upgrades?

- The new substation and 345kV lines described above are being built to connect the campus to the grid. However, the **765kV transmission network they connect to** — including the Baker–Hanging Rock line — is part of AEP's existing multi-state system that **predates the Muskie project**.
- When upgrades are made to this regional network, the costs are shared across the multi-state system under formulas approved by federal regulators — allocated first across the broader PJM region, and then among AEP's operating companies across multiple states, based on each utility's share of electricity use and who benefits from the upgrade. The overwhelming majority of regional upgrade costs are allocated outside Kentucky. Of the share allocated to Kentucky, the campus itself — as the largest electricity user in the territory — is expected to fund a substantial portion through its own bills.

### **Clarification: What does “Cost Allocation” Mean for my bill?**

This cost allocation is not a rate increase. It refers to a share of a specific infrastructure investment that enters the utility's rate base and is recovered gradually over the life of the asset — spread across all customers, over many years. The campus's own tariff payments — backed by a 20-year contract, a 90% billing floor, and ~\$631 million in collateral — are expected to generate far more revenue for the utility system than the cost of the infrastructure built to serve it. At 1,000 MW, the minimum demand charge revenue from MDC will exceed \$247 million per year.

### **Grid Reliability & Interconnection Studies**

Connecting a large customer to the electric grid is not a quick or simple process. Before any power is delivered, the interconnection undergoes extensive engineering review at both the local and regional level:

- **Kentucky Power's engineering teams** have conducted detailed studies of the local transmission system as part of long-term planning efforts — evaluating substation design, circuit breakers, transformers, voltage stability, and thermal limits to ensure the grid can safely accommodate the new load.
- **PJM, the regional grid operator**, will independently study the interconnection's impact on the broader 13-state transmission network through its large load interconnection process. If any points of failure are identified, Kentucky Power is required to address them before service begins.

The goal of this process is to ensure that the campus can be served without compromising reliability for surrounding homes and businesses.

## Common Questions

### **Q: How will this impact my electric bill?**

**A:** The campus will pay the full published industrial rate with no subsidies or discounts. The tariff protections — 20-year contract, 90% billing floor, ~\$631M in total collateral, exit fees — are specifically designed so existing customers are not left paying costs caused by a large new customer. Large industrial customers also help spread the utility's fixed operating costs across a broader base, which can help reduce upward pressure on bills over time.

For more information, visit: <https://www.kentuckypower.com/company/about/rates/data-centers>

### **Q: Could this project have beneficial effects for ratepayers?**

**A:** Large industrial customers create consistent demand and long-term investment, which helps distribute the utility's fixed operating costs — things like power plants, poles, wires, substations, and crews — across a broader customer base. This can help lower pressure on bills over time. Electricity rates are ultimately set through the PSC's regulatory process and are influenced by many factors, but adding a major new customer paying full tariff rates for 20 years is a net positive for the system. At 1,000 MW, the minimum demand charge revenue from MDC will exceed \$247 million per year. AEP's experience serving data center load across multiple states has consistently shown that the revenue from large customers exceeds the incremental cost to serve them.

### **Q: Will there be on-site nuclear reactors, or SMRs?**

**A:** No. The campus is served entirely by the electric grid through Kentucky Power's transmission system. There are no plans for on-site small modular reactors (SMRs) or nuclear energy of any kind.

### **Q: Is Kentucky Power's recent rate request related to this project?**

**A:** No. Kentucky Power's recent rate request covers the cost of maintaining the electric system that serves customers today — power plants, poles, wires, substations, vegetation management, and reliability work. The Muskie project is separate from that process and is still years away from operation.

### **Q: A 250 MW project was rejected by the PSC in 2023. Why is 1,000 MW acceptable now?**

**A:** That case involved a cryptocurrency mining operation seeking a discounted special contract rate below the published tariff, with revenue tied to the volatile price of Bitcoin — and the Attorney General opposed it. The Muskie Data Campus will pay the full standard tariff with no discounts, backed by protections that didn't exist then: a 20-year contract, 90% billing floor, ~\$631M in collateral, and an exit fee. The PSC created those rules in 2025 specifically so that large new customers — not existing ratepayers — bear the costs of serving them.

### **Q: What if the campus shuts down?**

**A:** The campus serves the AI and high-performance computing market — one of the fastest-growing sectors globally — and is leased to hyperscale, investment-grade tenants on long-term contracts that run in conjunction with the 20-year utility agreement. A shutdown is unlikely, but if it happened, existing ratepayers are protected: ~\$631M in irrevocable financial security Kentucky Power can draw on, an exit fee equal to five years of minimum billing, and a 90% billing floor. The grid infrastructure itself remains a Kentucky Power asset, available to serve other customers.

### **Q: Where does the power come from? Is it from the Big Sandy plant?**

**A:** The campus receives power from the regional electric grid through the 765kV/345kV transmission interconnection — not from any single power plant. The plan for new generation at Big Sandy was a separate project with its own drivers that predates the Muskie agreements, and like all new generation in Kentucky, it requires its own PSC approval before its costs can affect anyone's rates.

**Learn more:** <https://www.muskiedatacampus.com> | **Questions?** [info@muskiedatacampus.com](mailto:info@muskiedatacampus.com)