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PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:  
GENERAL ADJUSTMENTS IN ELECTRIC  
RATES OF KENTUCKY POWER COMPANY

CASE NO. 2009-00459

**UNANIMOUS SETTLEMENT AGREEMENT**

This Settlement Agreement, made and entered into this 19<sup>th</sup> day of May, 2010, by and among Kentucky Power Company ("Kentucky Power"); Attorney General, Commonwealth of Kentucky ("Attorney General"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); Community Action Kentucky, Inc. ("CAK"); Wal-Mart Stores East, LP and Sam's East, Inc. (collectively "Wal-Mart"); Hazard Perry County Community Ministries, Inc. ("Community Ministries"); and Kentucky School Boards Association ("KSBA"),

WITNESSETH:

**WHEREAS**, on December 29, 2009 Kentucky Power filed pursuant to KRS 278.190 an application styled "In the Matter of: Application for General Adjustments of Electric Rates of Kentucky Power Company," P.S.C. Case No. 2009-00459 ("Rate Application") with the Public Service Commission of Kentucky ("Commission") seeking an annual increase in retail electric rates and charges totaling \$123.6 million and seeking authority to implement or amend certain tariffs; and

**WHEREAS**, on December 29, 2009 Kentucky Power filed an application styled "The Application for Approval of Renewable Energy Purchase Agreement for Wind Energy Resources Between Kentucky Power Company and FPL Illinois Wind, LLC, P.S.C. Case No. 2009-00545 ("Wind Application") for approval pursuant to KRS 278.300 of a 20-year purchase

power agreement. A portion of the increase sought by Kentucky Power in P.S.C. Case No. 2009-00459 was to recover the net increase in costs resulting from Kentucky Power's obligations under the purchase power agreement that is the subject of P.S.C. Case No. 2009-00545. KIUC and the Attorney General sought and were granted intervention in P.S.C. Case No. 2009-00545; and

**WHEREAS**, the Attorney General, KIUC, CAK, Wal-Mart, KSBA, and Community Ministries filed motions for full intervention in P.S.C. Case No. 2009-00459. The Commission granted the intervention motions. Collectively the Attorney General, KIUC, CAK, Wal-Mart, KSBA, and Community Ministries are referred to in this Unanimous Settlement Agreement as the "Intervenors;" and

**WHEREAS**, certain of the Intervenors in P.S.C. Case No. 2009-00459 filed written testimony raising issues regarding Kentucky Power's Rate Application; and

**WHEREAS**, Kentucky Power and the Intervenors have had a full opportunity for discovery, including the filing of written data requests and responses; and

**WHEREAS**, Kentucky Power offered the Intervenors and the Pike County Seniors, along with Commission Staff, the opportunity to meet and review the issues presented by Kentucky Power's application in this proceeding and for purposes of settlement; and

**WHEREAS**, Kentucky Power and the Intervenors have reviewed the issues raised in P.S.C. Case No. 2009-00459 by Kentucky Power and the Intervenors, and Kentucky Power and the Intervenors have reached a unanimous settlement of the case, including the issues raised therein; and

**WHEREAS**, Kentucky Power and the Intervenors execute this Unanimous Settlement Agreement for purposes of submitting it to the Kentucky Public Service Commission for

approval pursuant to KRS 278.190, and for further approval by the Commission of the rate increase, rate structure and tariffs as described herein; and

**WHEREAS**, Kentucky Power and the Intervenors hereto believe that this Unanimous Settlement Agreement provides for fair, just and reasonable rates.

**WHEREAS**, the adoption of this Unanimous Settlement Agreement will eliminate the need for the Commission and the parties to expend considerable resources in the litigation of this proceeding, and will eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein.

**NOW, THEREFORE**, for and in consideration of the mutual premises set forth above, and the agreements and covenants set forth herein, Kentucky Power and the Intervenors hereby agree as follows:

1. General Rate Increase.

Effective for service rendered on or after June 29, 2010, the first day of the first billing cycle of July, 2010, Kentucky Power shall implement an increase in retail base rates sufficient to generate additional annual retail revenues of \$63.66 million based on the September 30, 2009 test year used by Kentucky Power in the Rate Application.

(a) Kentucky Power agrees to design rates and tariffs that will generate the additional \$63.66 million in retail rates. The tariffs shall be in the same format as set forth in the Rate Application, except as otherwise provided in this Unanimous Settlement Agreement.

(i) In designing rates to generate additional annual revenue of \$63.66 million the revenue requirements shall be allocated among the tariff classes in accordance with the revenue allocation attached as EXHIBIT 1 to this Unanimous Settlement Agreement. In calculating the allocations set forth in EXHIBIT 1 to this Unanimous Settlement Agreement, \$10

million of the increase in revenue requirements, that is associated with the increased reliability spending described in paragraph 5 of this Unanimous Settlement Agreement, was allocated solely to tariff classes with primary and secondary service offerings.

(ii) As part of the Commission's consideration of the reasonableness of this Unanimous Settlement Agreement, the tariffs designed in accordance with this subparagraph shall be filed with the Commission and served on the Intervenors no later than May 18, 2010.

(iii) Within ten days of the entry of the Commission's Order approving this Unanimous Settlement Agreement and the rates and thereunder, Kentucky Power shall file with the Commission signed copies of the tariffs in conformity with 807 KAR 5:011.

(b) The rates described in subparagraph (a) of this paragraph shall remain in effect until the Commission's Order in Kentucky Power's next base rate case, unless and until modified in accordance with subparagraphs 2(d) and 2(e) of this Unanimous Settlement Agreement.

2. Commission Action On Wind Application And Rates Related Thereto.

Kentucky Power and the Intervenors acknowledge that a portion of the \$123.6 million increase sought by Kentucky Power in the Rate Application was related to the increased net costs that would result if the purchase power agreement that is the subject of the proceedings in P.S.C. Case No. 2009-00545 is approved. Kentucky Power, KIUC and the Attorney General have not resolved the issues arising in connection with P.S.C. Case No. 2009-00545, but have agreed to the following procedures with respect to the proceedings in P.S.C. Case No. 2009-00545 and their relationship to the rate adjustment sought by Kentucky Power in this P.S.C. Case No. 2009-00459:

(a) Upon execution of this agreement by Kentucky Power and the Intervenors, Kentucky Power, KIUC and the Attorney General shall request that a hearing be conducted by the Commission on Kentucky Power's Wind Application in P.S.C. Case No. 2009-00545 immediately upon the conclusion of the hearing, currently scheduled for May 25, 2010, seeking approval of this Unanimous Settlement Agreement;

(b) Kentucky Power and the Intervenors shall request that the Commission enter an order approving, modifying, or disapproving Kentucky Power's Wind Application in P.S.C. Case No. 2009-00545 before or at the same time as it enters its order with respect to this Unanimous Settlement Agreement;

(c) Nothing in this Unanimous Settlement Agreement shall constitute a waiver by KIUC, the Attorney General, or Kentucky Power of their rights to appeal or seek rehearing of any Commission order in P.S.C. Case No. 2009-00545;

(d) Upon the entry of an order approving the purchase power agreement that is the subject of P.S.C. Case No. 2009-00545 which is final and non-appealable, the rates set forth in paragraph 1(a) of this Unanimous Settlement Agreement may, if the purchase power agreement is in effect, immediately reflect without further order or action of the Commission an amount sufficient to generate annual retail revenues of \$14.479 million (or the amount as modified by the Commission) calculated based upon the September 30, 2009 test year used by Kentucky Power in the Rate Application in addition to the increased revenues and rates described in paragraph 1 of this Unanimous Settlement Agreement.

(e) Kentucky Power agrees to design tariffs that will generate the additional \$14.479 million (or the amount as modified by the Commission) in retail revenues.

(i) In designing rates to generate annual retail revenue of \$14.479 million (or the amount as modified by the Commission) in addition to the \$63.66 million increase described in paragraph 1 of this Unanimous Settlement Agreement, the revenue requirements shall be allocated among the tariff classes in accordance with the revenue allocation attached as EXHIBIT 2 to this Unanimous Settlement Agreement.

(ii) The tariffs shall be in the same format as set forth in the Rate Application, except as otherwise provided in this Unanimous Settlement Agreement.

(iii) Immediately upon the occurrence of the conditions precedent set forth in subparagraph (2)(d) of this Unanimous Settlement Agreement, or soon thereafter as reasonably possible, Kentucky Power shall file with the Commission signed copies of the tariffs in conformity with 807 KAR 5:011.

(f) If and upon becoming effective, the rates described in subparagraphs (d) and (e) of this paragraph shall remain in effect until the Commission's Order in Kentucky Power's next base rate case.

3. Kentucky Power's Tariff E.S.

Kentucky Power shall retain its existing Tariff E.S. except that the annual baseline level for environmental cost recovery under the tariff shall be \$44,185,079 and the monthly baseline amounts shall be as set forth in Exhibit EKW-5, page 125 of 142 to the Rate Application.

4. Kentucky Power's System Sales Clause Tariff.

Kentucky Power's System Sales Clause tariff for its off-system sales margins shall continue in full force and effect, with the following modifications. Effective for service rendered in the first billing cycle of July 2010 (beginning June 29, 2010) the sharing of off-system sales margins shall be calculated using an annual baseline of \$15,290,363. The July 2010 system sales margins shall be calculated using the May 2010 system sales margins. The monthly amounts shall be as set forth in Section V, Workpaper S-4, Page 26, Column 7 of the Rate Application. Any difference between each month's actual off-system sales margins and the monthly baseline shall be shared between the ratepayers and Kentucky Power on a 60%-40% basis respectively for service rendered on or after the first billing cycle of July 2010 (beginning June 29, 2010).

5. Reliability.

Kentucky Power shall make the following expenditures for Distribution Vegetation Management with respect to system reliability.

(a) Beginning on the effective date of the rates described in paragraph 1(a) of this Unanimous Settlement Agreement and annually thereafter until the entry of the Commission's order in Kentucky Power's next base rate case, Kentucky Power agrees to make expenditures in the sum of \$7,237,965 for Distribution Vegetation Management with respect to system reliability. For the year 2010 only, Kentucky Power shall spend during the period June 29 through December 31, 2010 an amount under this subparagraph (5)(a) equal to \$7,237,965 multiplied by that percentage of the calendar days of 2010 the rates described in paragraph 1(a) are in effect.

(b) Beginning on the effective date of the rates described in paragraph 1(a) of this Unanimous Settlement Agreement and annually thereafter until the entry of the

Commission's order in Kentucky Power's next base rate case, Kentucky Power agrees to make expenditures in the sum of \$10,000,000 for Distribution Vegetation Management with respect to system reliability in addition to the sums set forth in subparagraph (5)(a) of this Unanimous Settlement Agreement. For the year 2010 only, Kentucky Power shall spend during the period June 29 through December 31, 2010 an amount under this subparagraph (5)(b) equal to \$10,000,000 multiplied by that percentage of the calendar days of 2010 the rates described in paragraph 1(a) of this Unanimous Settlement Agreement are in effect.

(c) On or before May 21, 2010 Kentucky Power shall provide to the Intervenors and file with the Commission detailed plans for the expenditure of the sums described in subparagraphs (a) and (b) of this paragraph for the portion of the year 2010 the rates described in paragraph 1(a) of this Unanimous Settlement Agreement are in effect. The work plan shall identify on a circuit by circuit basis the Distribution Vegetation Management work to be performed during the remainder of 2010 and the projected operation and maintenance expenditures during 2010 to carry out the planned work.

(i) Beginning September 30, 2010, and each September 30 thereafter until the entry of the Commission's order in Kentucky Power's next base rate case, Kentucky Power shall file with the Commission a reliability work plan outlining the Distribution Vegetation Management expenditures for the following calendar year. The work plan shall identify on a circuit by circuit basis the Distribution Vegetation Management work to be performed during the relevant calendar year and the projected operation and maintenance expenditures during the relevant period to carry out the planned work.

(ii) Kentucky Power shall use reasonable and prudent efforts to adhere to and carry out any work plan filed in connection with this subparagraph. Kentucky Power may



alter its proposed spending upon discovery of a more pressing need for Distribution Vegetation Management expenditures relating to system reliability purposes. Kentucky Power shall notify the Commission in writing within 30 days of any material deviation from the work plans filed in connection with this subparagraph.

(d) Beginning April 1, 2011, and each April 1 thereafter until the entry of the Commission's order in Kentucky Power's next base rate case, Kentucky Power shall file with the Commission the following reports concerning system reliability and the expenditure of the funds described in subparagraphs (a) and (b) of this paragraph:

(i) the Kentucky Power Customer Average Interruption Duration Index for the reporting period;

(ii) the Kentucky Power System Average Interruption Frequency Index for the reporting period;

(iii) the Kentucky Power System Average Interruption Duration Index for the reporting period;

(iv) a description on a circuit by circuit basis of the Distribution Vegetation Management work performed by Kentucky Power during the reporting period;

(v) a description on a circuit by circuit basis of the operation and maintenance expenditures for Distribution Vegetation Management performed by Kentucky Power during the reporting period; and

(vi) any unanticipated problems or further information useful to the Commission's review of the report. In the event Kentucky Power is unable to complete a material portion of the planned work on a circuit during a reporting period, Kentucky Power shall provide an explanation for its inability to do so.

(e) A copy of any report or notice filed with the Commission under this paragraph (5) shall concurrently be served upon the Office of the Attorney General.

6. Depreciation And Amortization.

(a) Kentucky Power shall continue to include in the calculation of its annual depreciation expense the depreciation rates currently approved by the Commission in, and utilized by the Kentucky Power since, its 1991 rate case (P.S.C. Case No. 91-066.)

(b) Kentucky Power shall amortize for financial reporting purposes the \$23,280,776 in deferred costs associated with January, February, May and December, 2009 storms over a five year period at an annual amount of \$4,656,155.

(c) Kentucky Power shall amortize for financial reporting purposes a monthly amount of \$20,833 associated with payments to the Management Research Group and The Kentucky Consortium for Carbon Storage which are being deferred pursuant to the Commission's Order in Case No. 2008-00308.

7. Rate of Return On Equity For Certain Purposes.

The parties to this Unanimous Settlement Agreement have specified a return on equity of 10.5% for purposes of determining the rate increase referred in paragraph 1 above. For purposes of the Tariff E.S., and for accounting for allowance for funds used during construction (AFUDC), Kentucky Power shall be entitled to use a 10.5% rate of return on equity.

8. Home Energy Assistance Program.

Effective for bills rendered in connection with service provided on or after June 29, 2010 (the first date of the July 2010 billing cycle), Kentucky Power shall increase the present monthly charge of \$0.10 per residential meter on the monthly bill of each residential customer to a monthly charge of \$0.15 per residential meter.

(a) The funds collected in connection with the \$0.15 per residential meter charge, along with the contributions to be made by Kentucky Power as set out in subparagraph 8(c) of this agreement, will be credited to the monthly bills of customers qualifying for the Home Energy Assistance Program (“HEAP”) (certified to Kentucky Power through CAK) in accordance with the agreement between Kentucky Power and CAK (formerly known as Kentucky Association for Community Action, Inc.) approved by the Commission in P.S.C. Case No. 2006-00373.

(b) This charge will be recovered as provided by KRS 278.285(4).

(c) Kentucky Power agrees to contribute \$0.125 for each monthly payment of \$0.15 to the HEAP by a residential customer. Kentucky Power’s obligation to make the \$0.125 monthly contribution shall continue until new base rates are established by entry of the Commission’s Order in Kentucky Power’s next general base rate case.

(d) Up to ten percent of the sum of revenues collected through (i) the \$0.15 per month per meter charge; and (ii) Kentucky Power’s contributions to HEAP provided for in subparagraph (c) of this Unanimous Settlement Agreement, may be expended on HEAP administrative expenses.

9. QP, RTP and CIP-TOD Rate Design And Tariffs.

(a) The existing RTP Tariff shall be extended for an additional three-year period; further the tariff shall be amended to permit customers to enroll at any point during a year for a minimum twelve consecutive month period.

(b) In designing rates, Kentucky Power shall reduce by 25% the existing rate subsidy currently being provided by the CIP-TOD and QP tariff classes to other tariff classes.

(c) In designing the QP Tariff rate the full amount of the revenue increase shall be assigned, up to full cost, to the demand charge component of the rate. The balance, if any, shall be assigned to the energy charge.

10. Customer Charge For Residential Class. The Customer charge for the Residential Class (RS) shall be increased to \$8.00 per month (Exhibit EKW-5 Page 31 of 142). All miscellaneous non-recurring charges shall remain unchanged.

11. Non-Rate Tariff Changes.

Kentucky Power and the Intervenors agree that the non-rate terms of the following tariffs may be modified or implemented as described in the indicated direct testimony:

<u>Tariff Modified or Implemented</u>	<u>Testimony</u>
Utility Gross Receipts Tax (School Tax) Tariff	E.K. Wagner – Page 49 (Pre-Filed Direct Testimony)
Kentucky Sales Tax Tariff	E.K. Wagner – Page 49 (Pre-filed Direct Testimony)
Terms and Conditions (Bill Format)	E.K. Wagner – Pages 49-50 (Pre-filed Direct Testimony)
Terms and Conditions (Additional Deposit Requirement for Certain Customers) (Sheet No. 2-3, paragraph 4(D))	E.K. Wagner – Page 56 (Pre-filed Direct Testimony)
Terms and Conditions (Company Liability) (Sheet No. 2-5, paragraph 7)	E.K. Wagner – Page 56 (Pre-filed Direct Testimony)
Experimental Residential Service Time-Of-Day 2 (RS-T.O.D.2)	D.M. Roush –Pages 13-14 (Pre-filed Direct Testimony)
Experimental Small General Service Time-Of-Day (S.G.S.-T.O.D.)	D.M. Roush –Pages 13-14 (Pre-filed Direct Testimony)
Experimental Large General Service Time-Of-Day (L.G.S.-T.O.D.)	D.M. Roush –Pages 13-14 (Pre-filed Direct Testimony)

**Tariff Modified or Implemented**

**Testimony**

Outdoor Lighting (O.L.)	D.M. Roush –Page 12 (Pre-filed Direct Testimony)
Street Lighting (S.L.)	D.M. Roush –Page 12 (Pre-filed Direct Testimony)
Emergency Curtailable Service-Capacity and Energy Rider (E.C.S.-C.&E.)	D.M. Roush –Pages 15-16 (Pre-filed Direct Testimony)
Energy Price Curtailable Service Rider (E.P.C.S.)	D.M. Roush –Pages 15-16 (Pre-filed Direct Testimony)
Net Metering Service (N.M.S.)	Exhibit EKW-5 – Pages 105, 110 and 116
Alternate Feed Service Rider (A.F.S.)	D.M. Roush –Pages 18-19 (Pre-filed Direct Testimony)

Kentucky Power and the Intervenors also agree that the incidental, non-rate text changes discussed at page 47 of Mr. Wagner's Pre-Filed Direct Testimony and identified on Exhibit EKW-5 shall be implemented.

12. DSM Collaborative.

Kentucky Power continues to encourage KSBA's participation in the upcoming DSM Collaborative and is agreeable to KSBA joining the Collaborative. Kentucky Power will discuss at the collaborative possible DSM incentives for schools.

13. Filing Of Unanimous Settlement Agreement With The Commission And Request For Approval.

Following the execution of this Unanimous Settlement Agreement, Kentucky Power and the Intervenors shall file this Unanimous Settlement Agreement with the Commission along with a joint request to the Commission for consideration and approval of this Unanimous Settlement Agreement so that Kentucky Power may begin billing under the approved adjusted rates for service rendered on or after the first billing cycle of July, 2010 (June 29, 2010).

14. Good Faith And Best Efforts To Seek Approval.

(a) This Unanimous Settlement Agreement is subject to approval by the Public Service Commission.

(b) Kentucky Power and the Intervenors shall act in good faith and use their best efforts to recommend to the Commission that this Unanimous Settlement Agreement be approved in its entirety and without modification, and that the rates and charges set forth herein implemented.

(c) Kentucky Power and certain Intervenors filed testimony in this case and Kentucky Power filed rebuttal testimony. Kentucky Power also filed testimony in support of the Unanimous Settlement Agreement. For purposes of any hearing, the Intervenors and Kentucky Power waives all cross-examination of the other parties' witnesses except for supporting this Recommendation, unless the Commission disapproves this Recommendation, and each further stipulates and recommends that the Notice of Intent, Application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record.

(d) Kentucky Power and the Intervenors further agree to support the reasonableness of this Unanimous Settlement Agreement before the Commission, and to cause their counsel to do the same, including in connection with any appeal from the Commission's adoption or enforcement of this Settlement Agreement.

(e) No party to this Unanimous Settlement Agreement shall challenge any Order of the Commission approving the Unanimous Settlement Agreement in its entirety and without modification, except as it relates to the rate impact of the Commission's order in P.S.C. Case No. 2009-00545.

15. Failure Of Commission To Approve Unanimous Settlement Agreement.

If the Commission does not accept and approve this Unanimous Settlement Agreement in its entirety and without modification, this Unanimous Settlement Agreement shall be void and withdrawn by Kentucky Power and the Intervenors from further consideration by the Commission and none of the parties to this Unanimous Settlement Agreement shall be bound by any of the provisions herein.

16. Continuing Commission Jurisdiction.

This Unanimous Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

17. Effect of Unanimous Settlement Agreement.

This Unanimous Settlement Agreement shall inure to the benefit of and be binding upon the parties to this Unanimous Settlement Agreement, their successors and assigns.

18. Complete Agreement.

This Unanimous Settlement Agreement constitutes the complete agreement and understanding among the parties to this Unanimous Settlement Agreement, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Unanimous Settlement Agreement.

19. Independent Analysis.

The terms of this Unanimous Settlement Agreement are based upon the independent analysis of the parties to this Unanimous Settlement Agreement, are the product of compromise and negotiation, and reflect a fair, just and reasonable resolution of the issues herein.

Notwithstanding anything contained in this Unanimous Settlement Agreement, Kentucky Power

and the Intervenors recognize and agree that the effects, if any, of any future events upon the operating income of Kentucky Power are unknown and this Settlement Agreement shall be implemented as written.

20. Unanimous Settlement Agreement And Negotiations Are Not An Admission.

(a) This Unanimous Settlement Agreement shall not be deemed to constitute an admission by any party to this Unanimous Settlement Agreement that any computation, formula, allegation, assertion or contention made by any other party in these proceedings is true or valid. Nothing in this Unanimous Settlement Agreement shall be used or construed for any purpose to imply, suggest or otherwise indicate that the results produced through the compromise reflected herein represent fully the objectives of Kentucky Power or the Intervenors.

(b) Neither the terms of this Unanimous Settlement Agreement nor any statements made or matters raised during the settlement negotiations shall be admissible in any proceeding, or binding on any of the parties to this Unanimous Settlement Agreement, or be construed against any of the parties to this Unanimous Settlement Agreement, except that in the event of litigation or proceedings involving the approval, implementation or enforcement of this Agreement, the terms of this Unanimous Settlement Agreement shall be admissible. This Unanimous Settlement Agreement shall not have any precedential value in this or any other jurisdiction.

21. Consultation With Counsel

The parties to this Unanimous Settlement Agreement warrant that they have informed, advised, and consulted with their respective counsel with regard to the contents and significance of this Unanimous Settlement Agreement and are relying upon such advice in entering into this agreement.



22. Authority To Bind.

Each of the signatories to this Unanimous Settlement Agreement hereby warrant they are authorized to sign this agreement upon behalf of, and bind, their respective parties.

23. Construction Of Agreement.

This Unanimous Settlement Agreement is a product of negotiation among all parties to this Unanimous Settlement Agreement, and no provision of this Unanimous Settlement Agreement shall be construed in favor of or against any party hereto. This Unanimous Settlement Agreement is submitted for purposes of this case only and is not to be deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving Kentucky Power or any other utility.

24. Counterparts.

This Unanimous Settlement Agreement may be executed in multiple counterparts.

25. Future Rate Proceedings.

Nothing in this Unanimous Settlement Agreement shall preclude, prevent or prejudice any party to this Unanimous Settlement Agreement from raising any argument or issue, or challenge any adjustment, in any future rate proceeding of Kentucky Power.

IN WITNESS WHEREOF, this Unanimous Settlement Agreement has been agreed to as of this 19<sup>th</sup> day of May 2010.

KENTUCKY POWER COMPANY

By: Mar R. Under

Its: Attorney

ATTORNEY GENERAL  
COMMONWEALTH OF KENTUCKY

By: \_\_\_\_\_

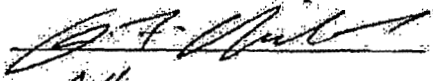
Its: \_\_\_\_\_

*COUNSEL*  
*Assistant Attorney General*

KENTUCKY INDUSTRIAL UTILITY  
CUSTOMERS, INC.

*David A. Beal*  
By: *Michael L. Beal*  
Its: *Attorneys*

COMMUNITY ACTION KENTUCKY,  
INC.

By:   
Its: Attorney

WAL-MART STORES EAST, LP  
AND SAM'S EAST, INC.

By: Holly Radtke

Their: Attorney

HAZARD PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

By: DW Boushard  
Its: Exec. Director

KENTUCKY SCHOOL BOARDS  
ASSOCIATION

By: W. Allen Miller  
Its: Attorney for and on behalf of  
KSBA



Exhibit 1

Kentucky Power Company  
Settlement Revenue Allocation  
Twelve Months Ended September 30, 2009

Class (1)	Current Revenue (2)	Basic Increase		Reliability Increase		Total Increase		Total Settlement Revenue (9)=(2)+(7)
		\$ (3)	% (4)	\$ (5)	% (6)	\$ (7)=(3)+(5)	% (8)	
RS	196,964,517	27,564,832	13.99	5,606,426	2.85	33,171,258	16.84	230,135,775
SGS	14,551,918	2,036,515	13.99	414,208	2.85	2,450,723	16.84	17,002,641
MGS	51,640,578	7,227,007	13.99	1,452,488	2.81	8,679,495	16.81	60,320,073
LGS	58,995,442	8,256,307	13.99	1,528,483	2.59	9,784,790	16.59	68,780,232
QP	54,976,107	2,857,375	5.20	762,128	1.39	3,619,503	6.58	58,595,610
CIP-TOD	124,336,206	4,496,324	3.62	0	0.00	4,496,324	3.62	128,832,530
MW	582,698	81,548	13.99	16,586	2.85	98,134	16.84	680,832
OL	6,588,349	922,028	13.99	187,532	2.85	1,109,560	16.84	7,697,909
SL	1,129,448	158,064	13.99	32,149	2.85	190,213	16.84	1,319,661
Total	509,765,263	53,600,000	10.51	10,000,000	1.96	63,600,000	12.48	573,365,263

Exhibit 2

Kentucky Power Company  
 Settlement Revenue Allocation with Wind Purchase  
 Twelve Months Ended September 30, 2009  
 Allocation of Wind Based upon KIUC's Method 2

Class (1)	Current Revenue (2)	Basic & Reliability Increase		Wind Increase		Total Increase		Total Settlement Revenue With Wind (9)=(2)+(7)
		\$ (3)	% (4)	\$ (5)	% (6)	\$ (7)=(3)+(5)	% (8)	
RS	196,964,517	33,171,258	16.84	6,726,967	3.42	39,898,225	20.26	236,862,742
SGS	14,551,918	2,450,723	16.84	496,994	3.42	2,947,717	20.26	17,499,635
MGS	51,640,578	8,679,495	16.81	1,763,690	3.42	10,443,185	20.22	62,083,763
LGS	58,995,442	9,784,790	16.59	2,014,882	3.42	11,799,672	20.00	70,795,114
QP	54,976,107	3,619,503	6.58	1,136,414	2.07	4,755,917	8.65	59,732,024
CIP-TOD	124,336,206	4,496,324	3.62	2,057,565	1.65	6,553,889	5.27	130,890,095
MW	582,698	98,134	16.84	19,901	3.42	118,035	20.26	700,733
OL	6,588,349	1,109,560	16.84	225,013	3.42	1,334,573	20.26	7,922,922
SL	1,129,448	190,213	16.84	38,574	3.42	228,787	20.26	1,358,235
Total	509,765,263	63,600,000	12.48	14,480,000	2.84	78,080,000	15.32	587,845,263