SETTLEMENT AGREEMENT

This Settlement Agreement, made and entered into this 5th day of September, 1991, between and among Kentucky Power Company (Kentucky Power), the Kentucky Attorney General (Attorney General), Nola Scaggs, Gladys and Vernal Maynard, Debra and James Mollette (collectively the Kentucky Low Income Residential Customers (LIRC)), Armco Steel Company, LP (Armco), and the Kentucky Industrial Utility Customers on behalf of Air Products & Chemicals, Inc., Ashland Oil, Inc. and Kentucky Electric Steel Corporation (collectively KIUC), and Kentucky Cable Television Association, Inc. (KCTA).

W I T N E S S E T H:

That, WHEREAS, on March 27, 1991, Kentucky Power filed before the Kentucky Public Service Commission (Commission) an Application (Case No. 91-066) to reduce its base retail electric rates by approximately $3.3 million annually, effective April 1, 1991; and

WHEREAS, in addition to the $3.3 million annual base rate decrease, Kentucky Power sought approval from the Commission to implement a permanent System Sales Clause and further sought approval of a Depreciation Study as well as a proposed change to the Company's depreciation rates; and

WHEREAS, the Attorney General, the LIRC, Armco, and the KIUC each separately intervened in Kentucky Power's rate proceeding and took various positions in opposition to the rate application, as well as to the revenue allocation proposed by Kentucky Power among the various customer classes served by Kentucky Power and represented by the various intervenors; and

WHEREAS, the Kentucky Cable Television Association, Inc. (KCTA) also intervened in Kentucky Power's rate proceeding and thereafter objected to Kentucky Power's proposed methodology for establishing pole attachment rates for cable television companies; and

WHEREAS, the parties hereto believe that a settlement of the rate application by Kentucky Power (except as hereinbelow set out) is in their best interest as well as the public interest.

NOW, THEREFORE, for and in consideration of the mutual covenants and premises set forth above, the parties hereto agree as follows:

(1) Upon approval of this Settlement Agreement by Order of the Commission, Kentucky Power shall reduce its base retail electric rates by $11.5 million on an annual basis for electric service rendered on and after April 1, 1991. The difference between the rates in effect from April 1, 1991 and the new rates to be established pursuant to this Settlement Agreement and pursuant to such Commission Order shall be refunded to the Company's customers through its regular billing process within 60 days of such final order. The refund will be based on historical usage during the period new rates have been in effect. The refund will be in the form of a one-time credit to current customers with checks issued to customers who have left the Company. The refund

shall be paid with interest calculated in accordance with Commission practice.

(2) The System Sales Clause (Tariff P.S.C. Electric No. 6, Sheet Nos. 19-1 and 19-2) as filed by the Company on March 27, 1991 and made effective by Order of the Commission dated April 1, 1991 shall remain in effect and operational as filed.

(3) In addition to the refund referred to in Paragraph (1) above, Kentucky Power shall by a one-time credit to the System Sales Clause commence refunding the sum of $600,000 within 60 days of the Order approving this Settlement Agreement.

(4) Kentucky Power shall flow back the unprotected portion of the excess deferred Federal income tax (DFIT) over a 5-year period commencing April 1, 1991.

(5) Kentucky Power's Depreciation Study and corresponding revised depreciation rates shall be approved as filed, effective April 1, 1991.

(6) The revenue allocation among the Company's various classes of customers, including the apportionment of the refund referred to in Paragraph (1) above, shall be as set forth and prescribed in the methodology which is attached hereto as Exhibit No. 1 and included as if fully set out herein.

(7) Kentucky Power shall not adjust or amend its miscellaneous service charges or late payment charges, but will instead retain such miscellaneous service charges and late payment charges at the levels that existed immediately prior to the March 27th Rate Application.

(8) This Settlement Agreement shall not be considered as precedent for any issue except:

(a) The Depreciation Study and corresponding depreciation rates; and

(b) The flowback of unprotected DFIT over a 5-year period.

However, this Settlement Agreement shall settle and resolve all issues in the current rate proceeding except those specifically set forth below:

(a) The proposal of the LIRC for the LIRAR plan as set forth in LIRC's prefiled testimony;

(b) The proposal of the KIUC to reduce the Interruptible (IRP) tariff minimum demand from 5,000 kw to 3,000 kw.

Issue (a) will be tried immediately and issue (b) may, at the request of the KIUC, or at the request of Kentucky Power, be submitted to the Commission for separate adjudication by Notice to all parties within 30 days of the date of this Settlement Agreement. Thereafter the Commission shall cause any such issue, if so requested, to be set for hearing and litigated separate and apart from the instant rate proceeding, but without otherwise affecting the terms of this Settlement Agreement or the unrelated tariffs to be filed pursuant thereto.

(9) The proposed tariff for pole attachments of CATV shall be withdrawn and the tariffs currently in effect shall not be amended until the Company's next general rate case.

(10) The tariffs, including the terms and conditions, as filed in this proceeding, except as modified by this Settlement Agreement, shall be approved as filed. Kentucky Power shall submit revised tariffs, terms and conditions to the Public Service Commission within 14 days from the date of the Commission's Order approving this Settlement Agreement to the extent that this Settlement Agreement calls for those revisions.

(11) This Settlement Agreement is conditioned upon and subject to the express approval by the Kentucky Public Service Commission. The terms of this Settlement Agreement are inseparable from one another, and accordingly are not severable by the Commission. In the event the Commission fails to approve this Settlement Agreement in its entirety, then this Agreement shall be deemed to be null and void <u>ab initio</u> and of no legal effect, and the parties shall be returned to the status quo existing at the time immediately prior to the execution of this Agreement; nor shall the Settlement Agreement be binding on the parties hereto, nor shall the Settlement Agreement, or any of its terms, be admissible in any court or administrative proceeding.

(12) The rates provided for in this Agreement are based upon the independent analysis of the parties and reflect a fair and reasonable resolution of the issues settled herein; and said rates as of the date of this Agreement are fair, just and reasonable as those terms are used in KRS 278.030.

(13) This Settlement Agreement shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors and assigns.

(14) This Settlement Agreement constitutes the complete agreement and understanding between the parties hereto, and any and all oral statements, representations and/or agreements made prior hereto or contemporaneous herewith shall be null and void and shall be deemed to have been merged into this Settlement Agreement.

IN WITNESS WHEREOF, the parties hereto, through counsel, execute this Settlement Agreement, with the signatories hereto hereby representing their authority to enter into this Settlement Agreement on behalf of their clients.

KENTUCKY POWER COMPANY

By: ____________________________

KENTUCKY ATTORNEY GENERAL
UTILITY & RATE INTERVENTION
DIVISION

By: ______________________

KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS

AIR PRODUCTS AND CHEMICALS, INC.
ASHLAND OIL, INC.
KENTUCKY ELECTRIC STEEL CORPORATION

By: ______________________

ARMCO STEEL COMPANY, LP

By: ______________________

KENTUCKY LOW INCOME RESIDENTIAL
CUSTOMERS

NOLA SCAGGS, GLADYS AND VERNAL
MAYNARD, DEBRA AND JAMES MOLLETTE

By: ______________________

KENTUCKY CABLE TELEVISION ASSOCIATION,
INC.

By: ______________________

Rate Class	Total %	Total Dollars
RS	32.0819%	3,689,419
OL	.7672%	88,228
SL	.2513%	28,900
GS Fixed	1.8278%	210,197
GS Other	12.6400%	1,453,600
LGS	15.9467%	1,833,870
QP	11.8973%	1,368,189
CIP-TOD	22.5150%	2,589,225
MW	.2941%	33,821
IRP	1.7787%	204,551
Total		$11,500,000

EXHIBIT 1