**COMMONWEALTH OF KENTUCKY**
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

| | | |
|---|---|---|
| Electronic Application Of Kentucky Power Company For (1) A General Adjustment Of Its Rates For Electric Service; (2) Approval Of Tariffs And Riders; (3) Approval Of Certain Regulatory And Accounting Treatments; and (4) All Other Required Approvals And Relief | ) ) ) ) ) ) | Case No. 2025-00257 |

# TESTIMONY OF TANNER S. WOLFFRAM

# ON BEHALF OF KENTUCKY POWER COMPANY

# IN SUPPORT OF THE SETTLEMENT AGREEMENT

**SETTLEMENT TESTIMONY OF**
**TANNER S. WOLFFRAM, ON BEHALF OF**
**KENTUCKY POWER COMPANY**
**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

**CASE NO. 2025-00257**

## TABLE OF CONTENTS



## EXHIBITS

| EXHIBIT | DESCRIPTION |
|---|---|
| EXHIBIT TSW-S1 | Settlement Agreement |
| EXHIBIT TSW-S2 | Updated Generation Rider |
| EXHIBIT TSW-S3 | New Deferred Tax Liability Rider |

**SETTLEMENT TESTIMONY OF**
**TANNER S. WOLFFRAM, ON BEHALF OF**
**KENTUCKY POWER COMPANY**
**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

**CASE NO. 2025-00257**

## I. INTRODUCTION

**Q. PLEASE STATE YOUR NAME AND POSITION WITH KENTUCKY POWER COMPANY.**

A. My name is Tanner S. Wolffram and I am the Director, Regulatory Services for Kentucky Power Company ("Kentucky Power" or the "Company").

**Q. DID YOU FILE DIRECT AND REBUTTAL TESTIMONY IN THIS RATE PROCEEDING?**

A. Yes.

**Q ARE YOU FAMILIAR WITH THE ISSUES PRESENTED IN THIS CASE BY THE COMPANY AND THE OTHER PARTIES GRANTED INTERVENTION?**

A. Yes.

**Q. DID YOU PARTICIPATE IN THE NEGOTIATIONS WHICH LED TO THE SETTLEMENT AGREEMENT BEING SUBMITTED FOR CONSIDERATION AND APPROVAL BY THE COMMISSION?**

A. Yes. I participated in the virtual settlement conferences, held via Microsoft Teams, on December 15, 2025 and January 6, 2026 along with an in-person settlement conference held at the Commission offices on December 17, 2025 that led to the agreement in principle. I was also materially involved in analyzing feedback received from the Parties and developing counter proposals that ultimately culminated in the Settlement Agreement filed on January 9, 2026. The Settlement Agreement is attached as **<u>EXHIBIT TSW-S1</u>**.

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

A. In my testimony I explain and support the terms of the Settlement Agreement, as well as demonstrating why the terms of the Settlement Agreement will produce fair, just, and reasonable rates. The underlying support for the issues in the case-in-chief is still sponsored by the Company witnesses sponsoring those issues. My testimony explains the deviation from the Company's filed case and summarizes the settlement process leading to those changes.

## II. <u>THE SETTLEMENT AGREEMENT</u>

**Q. BEFORE DISCUSSING THE SPECIFIC TERMS OF THE SETTLEMENT AGREEMENT, PLEASE IDENTIFY THE PARTIES TO THE AGREEMENT.**

A. The Signatory Parties in this case include: Kentucky Power, Kentucky Industrial Utility Customers, Inc. ("KIUC"), and Kentucky Solar Energy Industries Association, Inc. ("KYSEIA") (collectively, the "Signatory Parties").

**Q. ARE THERE OTHER PARTIES TO THIS PROCEEDING WHO ARE NOT SIGNATORIES TO THE SETTLEMENT AGREEMENT?**

A. Yes. The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, ("Attorney General" or "AG"); SWVA Kentucky, LLC; and Mountain Association, Appalachian Citizens' Law Center, Kentuckians for the Commonwealth, and Kentucky Solar Energy Society (collectively, "Joint Intervenors") are not signatories to the Settlement Agreement.

**Q. WERE ALL PARTIES TO THIS PROCEEDING OFFERED THE OPPORTUNITY TO PARTICIPATE IN THE NEGOTIATIONS THAT LED TO THE EXECUTION OF THE SETTLEMENT AGREEMENT?**

A. Yes. Representatives from each Party, along with representatives from Commission Staff, were invited to attend each of the virtual settlement conferences, held via Microsoft Teams, on December 15, 2025 and January 6, 2026 and the in-person settlement conference held at the Commission offices on December 17, 2025. Each Party received copies of and were able to comment on all settlement term sheets prepared for the Settlement Agreement.

**Q. DID ALL OF THE PARTIES TO THIS PROCEEDING PARTICIPATE IN THE NEGOTIATIONS THAT LED TO THE EXECUTION OF THE SETTLEMENT AGREEMENT?**

A. No. Following the December 15, 2025 virtual settlement conference, the Attorney General ceased participating in settlement negotiations.

**Q. DOES THE SETTLEMENT AGREEMENT STILL REFLECT BENEFITS TO RESIDENTIAL CUSTOMERS DESPITE THE ATTORNEY GENERAL'S DECISION NOT TO PARTICIPATE IN SETTLEMENT NEGOTIATIONS AT ALL?**

A. Yes. This Settlement Agreement includes benefits to residential customers that exceed the positions argued for by the Attorney General's witnesses. These benefits would not be available to residential customers absent the Settlement Agreement.

**Q. DOES THE SETTLEMENT AGREEMENT REPRESENT THE COMPLETE SETTLEMENT IN THIS CASE?**

A. Yes. There are no agreements or understandings regarding the Company's application that are not reflected in the Settlement Agreement. The agreements and terms in the Settlement Agreement represent the sum total of the give and take of the Signatory Parties. Further, there are no agreements nor understandings with non-signatory parties relating to the subject matter of the Company's application.

**Q. IS THE COMMISSION STAFF A PARTY TO THE SETTLEMENT AGREEMENT?**

A. No. However, Commission Staff was present at each of the virtual settlement conferences, held via Microsoft Teams, on December 15, 2025 and January 6, 2026 and the in-person settlement conference held at the Commission offices on December 17, 2025. Commission Staff was also included on all communications containing drafts of the Term Sheet and Stipulation that led to the filed Settlement Agreement.

**Q. DID THE PARTIES TO THIS CASE ACTIVELY LITIGATE THIS MATTER?**

A. Yes. In addition to the four sets of data requests propounded by the Commission Staff and answered by Kentucky Power, each of the Parties propounded and the Company answered multiple rounds of data requests. The intervenor parties filed testimony and discovery was taken regarding certain of these witnesses' testimony. The Company also filed rebuttal testimony. Thus, Kentucky Power and the parties were fully informed of each other's respective positions while engaging in settlement negotiations.

## III. THE TERMS OF THE SETTLEMENT AGREEMENT

**Q. PLEASE SUMMARIZE THE TERMS OF THE SETTLEMENT AGREEMENT.**

A. Except for the modifications identified in the Settlement Agreement, the Signatory Parties agreed that Kentucky Power's Application should be approved as filed. The modifications to the Company's application in the Settlement Agreement are summarized below.

### A. Settlement Revenue Requirement

**Q. HOW DOES THE SETTLEMENT AGREEMENT REDUCE THE REQUESTED INCREASE IN THE COMPANY'S ANNUAL REVENUE REQUIREMENT?**

A. Pursuant to Section 2 of the Settlement Agreement, Kentucky Power will, effective for service rendered on and after March 1, 2026, implement a base rate adjustment sufficient to generate additional annual retail revenues of $58,730,654, and implement the new Generation Rider with a first year annual revenue requirement of $18,669,720, for a total annual revenue increase of $77,400,374. The total annual retail revenue amount represents a $18,157,874 reduction from the $95,558,248 sought in the Company's Application. The $58,730,654 base rate retail revenue amount, plus the $18,669,720 first-year annual Generation Rider revenue amount, represents an overall increase of 11.9% on test year retail revenue. A residential customer with average monthly usage of 1,210 kWh would see a 12.3 % increase over current billed amounts as a result of the implementation of rates designed based on this revenue requirement. However, the Settlement Agreement uses creative means to mitigate this increase even further, as I describe next. A detailed summary of the adjustments to the Company's proposed overall revenue requirement as agreed to in this Settlement Agreement is included as **EXHIBIT 1** to the Settlement Agreement.

**Q. DOES THE SETTLEMENT AGREEMENT INCLUDE ADDITIONAL REVENUE REQUIREMENT REDUCTION MEASURES?**

A. Yes. As described in more detail below, the Settlement Agreement provides for the creation of a new Deferred Tax Liability ("DTL") Rider through which the Company will make use of deferred tax liabilities to offset the revenue requirements for the first two years. Because of this additional mitigation measure, the total revenue requirement to be collected from customers will actually be $52,400,374 in the first year, which represents an overall increase of 8% on total test year retail revenue. A residential customer with average monthly usage of 1,210 kWh will therefore actually see an 8.2% increase over current billed amounts, and a residential customer with monthly usage of 2,500 kWh will actually only see a 4.0% increase over current billed amounts, as a result of the implementation of Company's rate design, coupled with the revenue requirement and offsetting deferred tax liabilities provided by the Settlement Agreement. **EXHIBIT 2** to the Settlement Agreement provides estimated typical bill impacts under the terms of this Settlement Agreement. **EXHIBIT 3** to the Settlement Agreement provides a revenue allocation and percentage increase for each customer class under the terms of this Settlement Agreement.

## B. Return on Equity; Cost of Capital

**Q. WHAT RETURN ON EQUITY DID THE COMPANY PROPOSE IN THIS CASE?**

A. The Company proposed a return on equity of 10.0%. The Company's proposal was at the lower bound of the 10.0% to 11.0% range of reasonable returns on equity identified by Company Witness McKenzie.

**Q. WHAT RETURN ON EQUITY IS INCLUDED IN THE SETTLEMENT AGREEMENT?**

A. The Settlement Agreement replaces the Company's proposed return on equity of 10.0% with a return on equity of 9.80%, applicable to base rates and all existing riders except the Generation Rider, which was further reduced as I discuss later in my testimony.

**Q. DOES THE SETTLEMENT AGREEMENT INCLUDE ANY CORRECTIONS TO THE SHORT-TERM DEBT RATE?**

A. Yes. The Company short-term debt rate in the application was stated as 0.00%, but the formula cell in the spreadsheet used to calculate the weighted average cost of capital ("WACC") inadvertently included a value of 0.0004 resulting in a WACC that was 0.004% higher than intended. This value has been removed. An updated calculation of the Company's cost of capital is shown in **EXHIBIT 4**.

**Q. WHAT IS THE IMPACT OF THE CHANGE IN THE COST OF CAPITAL ON THE COMPANY'S REVENUE REQUIREMENT?**

A. The reduction in the authorized return on equity from 10.0% to 9.80%, as well as removing the 0.0004 from the calculation of the WACC, results in a decrease of $2.230 million in annual base rate revenue requirement.

### C. Changes to the Company's Rate Base

**Q. DID THE SETTLEMENT AGREEMENT ALTER THE COMPANY'S PROPOSAL WITH REGARD TO NET OPERATING LOSS CARRYFORWARD ("NOLC")?**

A. Yes. Under the Settlement Agreement, Kentucky Power will exclude its proposed adjustment to include a NOLC until reflected in rates ("Current NOLC Revenue Requirement"). Kentucky Power shall continue to accrue the foregone revenue requirement to a regulatory asset ("NOLC Regulatory Asset") established in accordance with the Commission's January 19, 2024 Order in Case No. 2023-00159. Upon receipt of a private letter ruling or other guidance from the Internal Revenue Service verifying the Company's position regarding the NOLC, Kentucky Power shall notify the Stipulating Parties and the NOLC Regulatory Asset shall be recovered through the Federal Tax Change Tariff ("Tariff F.T.C."), with the Current NOLC Revenue Requirement. Upon such circumstances, Kentucky Power will make a filing to recover the NOLC Regulatory Asset and the Current NOLC Revenue Requirement through Tariff F.T.C. The Signatory Parties reserve their rights to make recommendations regarding the calculation of the NOLC Regulatory Asset and the amortization period of the accrued NOLC Regulatory Asset. The Current NOLC Revenue Requirement will be collected through Tariff F.T.C. until such time that the NOLC is reflected in base rates. Additionally, upon verification of the Company's position, the Company will adjust the excess deferred income tax regulatory liability to reflect the deficient deferred income taxes related to the stand-alone NOLC. This change would result in a decrease of $4.995 million in annual base rate revenue requirement.

**Q. DOES THE SETTLEMENT AGREEMENT MAKE OTHER RATE BASE ADJUSTMENTS?**

A. Yes. There are two additional rate base adjustments in the Settlement Agreement. First, the Settlement Agreement removes financing costs related to the portion of the inventories that are financed temporarily by vendors in the form of accounts payable as proposed in the testimony of AG-KIUC Witness Kollen. This change would result in a decrease of $1.121 million in annual base rate revenue requirement. Second, the Settlement Agreement excludes from rate base the proposed pro forma adjustment for the Company's trees out of right-of-way ("TOR") vegetation management program described in the Direct Testimony of Company Witness Ross. This change would result in a decrease of $1.646 million in annual base rate revenue requirement.

**D. <u>Changes in the Company's Operating Expenses</u>**

**Q. DOES THE SETTLEMENT AGREEMENT RESULT IN CHANGES TO THE COMPANY'S OPERATING EXPENSES?**

A. Yes, the Settlement Agreement includes the following adjustments to operating expenses.

- Kentucky Power will remove operating expense related to incentive compensation, supplemental employee retirement plan ("SERP") expense, and 401(k) matching expense for employees who also participate in the pension plan. This change would result in a decrease of $3.929 million in annual base rate revenue requirement.

- Kentucky Power will correct the amount of property tax expense in base rates consistent with its response to AG-KIUC 2-12. This change would result in a decrease of $0.320 million in annual base rate revenue requirement.

- Kentucky Power will defer the pension settlement accounting expenses in account 9230064 to a regulatory asset and amortize that regulatory asset over 12 years. This change would result in a decrease of $0.985 million in annual base rate revenue requirement.

- Kentucky Power will reduce depreciation expense by removing terminal net salvage for the Big Sandy Plant only. This change would result in a decrease of $1.011 million in annual base rate revenue requirement.

- Kentucky Power will reduce depreciation expense to account for the corresponding reduction to rate base associated with the changes in the TOR vegetation management described above. This change would result in a decrease of $0.588 million in annual base rate revenue requirement.

- Kentucky Power will reduce depreciation expense associated with interim retirements and interim net salvage associated with the Mitchell Plant, which has a corresponding reduction to the revenue requirement of $2.793 million. This reduction requires a $1.190 million increase in the base revenue requirement and corresponding $1.190 million reduction to the Generation Rider revenue requirement. These changes, combined, would result in a decrease of $1.604 million in annual base rate revenue requirement and a decrease of $1.185 million in annual Generation Rider revenue requirement.

- Kentucky Power will reduce miscellaneous expense by removing Edison Electric Institute dues and Kentucky Chamber of Commerce dues. This change would result in a decrease of $0.113 million in annual base rate revenue requirement.

- Kentucky Power will increase the level of storm expense included in base rates from $0 to $2.0M. The Company will defer actual Storm Expense above or below the $2 million included in base rates as a regulatory asset (under-collection) or a regulatory liability (over-collection), respectively. Storm costs may be deferred only if they would otherwise be expensed, are incremental to business as normal expenses[1], and are not presently being recovered in rates. Deferrals will be subject to review by the Commission in the next base rate case prior to their recovery. This change would result in an increase of $2.000 million in annual base rate revenue requirement.

**Q. DOES THE SETTLEMENT AGREEMENT INCLUDE A PROVISION REGARDING THE TREATMENT OF INTERIM NET SALVAGE AT THE MITCHELL PLANT?**

A. Yes. The Settlement Agreement includes language expressing the Signatory Parties' agreement that, absent a legislative prohibition, interim net salvage is generally appropriate to be included in depreciation expense; however, Kentucky Power agrees to reduce the base rate and Generation Rider revenue requirements to reduce depreciation expense associated with interim retirement and interim net salvage associated with the Mitchell Plant for this case only while the Company continues to seek securitization legislation associated with the Michell Plant. If the Company is unsuccessful in obtaining approval to securitize its interest in the Mitchell Plant, it will include depreciation expense associated with Mitchell Plant interim retirements and interim net salvage in its next and future base rate proceedings.

[1] As defined using Kentucky Power's historical methodology to identify incremental storm expense, which was most recently applied by Kentucky Power and authorized by the KPSC in Case No. 2023-00159.

**E. Generation Rider**

**Q. DID THE SETTLEMENT AGREEMENT MAKE ANY CHANGES TO THE COMPANY'S PROPOSED GENERATION RIDER?**

A. Yes. The Settlement Agreement includes two changes to the Company's proposed new Generation Rider. First, Kentucky Power will utilize a return on equity of 9.7% instead of the requested 10.0% to calculate the Generation Rider revenue requirement. Notably, the return on equity for the Generation Rider is reduced below the 9.8% agreed to be applicable to base rates. This change would result in a decrease of $0.240 million in annual Generation Rider revenue requirement. Second, Kentucky Power will recover property tax expense associated with the Generation Rider through base rates and not through the Generation Rider. This change would result in a decrease of $0.195 million in annual Generation Rider revenue requirement.

Finally, the Settlement Agreement provides that, in addition to the non-environmental plant balances included within the initial revenue requirement, the Company will recover through the Generation Rider the capital investments made after May 31, 2025, at the Big Sandy and Mitchell Plants, including return on and of such investments at the Company's approved WACC and depreciation expense, and subject to annual true-up. Costs incurred between annual true-ups shall not be included in the Generation Rider rate until the next annual true up, other than approximately $60.4 million associated with the Company's Application in Case No. 2025-00175; however, the Company shall have the authority to defer all such costs eligible to be included in the Generation Rider (including those incurred beginning June 1, 2025). The Company retains the ability to make a one-off filing to begin collection, through the Generation Rider, of

$60.4 million that was approved by the Commission in Case No. 2025-00175. Additionally, the costs associated with any new generating assets, including related O&M, may be eligible for inclusion in the Generation Rider, if approved by the Commission for inclusion. The Company must, however, still meet its obligations under KRS 278.020 or KRS 278.183. A copy of the Generation Rider reflecting these changes is included as **EXHIBIT TSW-S2**.

**F. Deferred Tax Liability Rider**

**Q. DOES THE SETTLEMENT AGREEMENT INCLUDE ANY ADDITIONAL RATE MITIGATION MEASURES?**

A. Yes. In addition to the rate mitigation measures identified by the Company in its Application and the reduction in revenue requirements described above, the Settlement Agreement includes a new mechanism to provide revenue credits directly to customers for the period of March 1, 2026 – February 28, 2027 ("2026 Rate Case Year") and for the period of March 1, 2027 – February 28, 2028) ("2027 Rate Case Year"). These credits will meaningfully mitigate and reduce the increase in rates resulting from the Settlement Agreement. This mechanism will be effectuated by a new Deferred Tax Liability ("DTL") Rider. A copy of the proposed DTL Rider is included as **Exhibit TSW-S3**.

**Q. CAN YOU DESCRIBE GENERALLY HOW THE DTL RIDER WILL WORK?**

A. Yes. In order to provide further reductions to the revenue requirements agreed to in the Settlement Agreement, the Company will modify the timing over which income tax expense associated with unprotected income tax timing differences is incorporated into ratemaking. Put simply, the reflection of that expense is being accelerated such that it results in a larger revenue credit to customers (although over a shorter period of time) and faster than it otherwise would, absent the Settlement Agreement. Additional detail about deferred tax liabilities and timing modification is provided in the Settlement Testimony of Company Witness Hodgson.

**Q. PLEASE DESCRIBE THE TIMING OF THE REVENUE CREDITS UNDER THE DTL RIDER.**

A. Through the DTL Rider, the Company will provide in the 2026 Rate Case Year $20 million in revenue credits allocated across all classes on a levelized basis and an additional $5 million revenue credit allocated to the residential class, for a total of $25 million. In the 2027 Rate Case Year, the Company will provide $12.5 million in revenue credits allocated across all classes on a levelized basis and an additional $2.5 million revenue credit allocated to the residential class, for a total of $15 million.

**Q. DOES THE DTL RIDER REQUIRE ANY SPECIAL ACCOUNTING TREATMENT?**

A. Yes. The details of the specific accounting mechanisms are discussed in further detail in the Settlement Testimony of Company Witness Hodgson.

**G. <u>Additional Deferral Accounting</u>**

**Q. DOES THE SETTLEMENT AGREEMENT ADDRESS ANY ADDITIONAL DEFERRAL ACCOUNTING?**

A. Yes. The Settlement Agreement provides for two deferrals. First, deferral accounting treatment will be authorized for actual incurred costs above or below the base rate level of vegetation management operation and maintenance expense ("O&M") and capital costs, including return on capital investment and depreciation expense. For purposes of the deferral, the total costs associated with the Company's trees in right of way ("TIR") program will not exceed $25 million on an annual basis and total costs associated with the Company's trees outside of right of way ("TOR") program will not exceed $20 million in 2026 and $27 million in 2027.

Additionally, deferral accounting treatment will be authorized allowing the Company to defer increases in short-term debt interest costs in excess of the $0 in base rates up to $2 million annually to the extent it is needed to fund the DTL Credits.

**H. <u>Other Settlement Agreement Terms</u>**

**Q. DOES THE SETTLEMENT AGREEMENT MAKE ANY CHANGES TO THE COMPANY'S PROPOSED RATE DESIGN?**

A. Yes. Under the Settlement Agreement, Kentucky Power will make revenue-neutral modifications to Tariff Industrial General Service ("I.G.S.") rates, as proposed by AG-KIUC Witness Wellborn, that set the I.G.S. energy rates to recover only variable costs, and recovering the remaining proposed revenue requirement through the demand charges.

**Q. DOES THE SETTLEMENT AGREEMENT INCLUDE COMMITMENTS FROM THE COMPANY REGARDING DISTRIBUTED GENERATION RESOURCES?**

A. Yes. The Settlement Agreement includes a number of provisions relating to the Company's customers interested in installing distributed generation resources, including cogeneration ("COGEN") and small power production ("SPP") resources. These provisions are designed to provide clarity and increased certainty for customers relating to the review and processing of applications for the installation of distributed generation resources. The Settlement Agreements provides the following:

- The Company will update the language in Tariff COGEN/SPP to remove the 45kW minimum size threshold.

- For customers taking service under Tariff COGEN/SPP that require a meter replacement earlier than their scheduled AMI meter change, such replacement will be made with an AMI meter to the extent the customer is within a district that AMI deployment has begun and the AMI network and equipment is available to serve that customer.

- Kentucky Power will implement procedures for customers with behind-the-meter generation facilities of 45 kW or less to enroll and take service under the Company's Tariff COGEN/SPP in a manner similar to how customers enroll and take service under Tariff N.M.S. II; provided, however, that there may be different requirements, including the interconnection agreement and more detailed operation profile information, that are specific to each class of service that are necessary for the Company to operate consistently with applicable state or federal regulations.

- Kentucky Power will develop a form for customers seeking to take service under Tariff COGEN/SPP with Qualifying Facilities with capacities less than 1 MW that may be submitted instead of a FERC Form 556. This form will be substantially similar to the form attached to the testimony of KYSEIA Witness Barnes. To the extent a customer with a Qualifying Facility with capacities less than 1 MW completes a FERC Form 556, they may submit that in place of the aforementioned form.

- Kentucky Power will implement an application fee for customers seeking to connect distributed energy resources to its system that is calculated as follows: $100 + $1/kW of the proposed resource.

- Kentucky Power will not conduct a System Impact Study for distributed energy resources with capacities less than 100 kW, but will conduct technical reviews and screening for all resources that are proposed to be connected to its system. There will be no additional costs for such technical screening beyond the application fee.

- Kentucky Power will conduct interconnection studies within 140 days of receipt of a complete application for interconnection.

- Kentucky Power will not implement internal prohibitions on the ability of leased systems to participate in net metering and COGEN/SPP. Such systems, however, must comply with the requirements of state and federal law including, but not limited, to KRS 278.465(1).

## IV. REASONABLENESS OF THE SETTLEMENT AGREEMENT AND THE PROPOSED RATES

**Q. DOES THE SETTLEMENT AGREEMENT FAIRLY BALANCE THE INTERESTS OF THE COMPANY AND ITS CUSTOMERS?**

A. Yes. The Settlement Agreement represents a fair and proper balance between Kentucky Power's right to a fair return on its investment and the requirement that customers be charged fair, just, and reasonable rates.

**Q. WHAT IS THE BASIS FOR THAT CONCLUSION?**

A. Kentucky Power has faced significant financial challenges in the period since its last base rate case and the Company could wait no longer to file a rate case to address these challenges. The Company is well aware that its customers face many of the same financial challenges it faces. The provisions of the Settlement Agreement balance addressing the Company's need to address its dire financial circumstances with its desire to minimize the impacts of rate increases on its customers. Indeed, the Settlement Agreement adopts nearly all of the revenue requirement adjustment recommendations of the various witnesses sponsored by the Attorney General and KIUC, who were the only witnesses to submit testimony regarding the Company's requested revenue requirement. The Settlement Agreement provides further unique and significant customer benefits that can only be accomplished through the settlement process, notably, including the revenue credits provided to customers through the DTL Rider for the next two years. As a result, the bill impacts for the first two years are further reduced far below the litigation position of the Attorney General. The Settlement Agreement further provides non-monetary benefits to customers, like clarifications and commitments to specifics reading the proposed Tariff COGEN/SPP.

**Q. DOES THE SETTLEMENT AGREEMENT PROVIDE FOR FAIR, JUST, AND REASONABLE RATES?**

A. Yes. Rates and tariffs should be designed to reflect and capture the opportunity to earn revenues that will produce a fair return on equity for the Company without posing an unfair or unreasonable burden on the ratepayers. The terms of the Settlement Agreement accomplish these objectives by balancing the need to provide sufficient revenues for the utility to maintain safe and reliable service while addressing the affordability of the rate increase. The revenue allocations, tariffs and charges, while not those originally proposed by the Company, reflect a fair and proper balancing of the interests of the affected customer classes.

**Q. DO YOU HAVE A RECOMMENDATION FOR THE COMMISSION?**

A. Yes. The Settlement Agreement should be approved by the Commission without modification. In addition, the Commission should establish rates and charges in conformity with the agreement.

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

A. Yes.

**COMMONWEALTH OF KENTUCKY**
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

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| Electronic Application Of Kentucky Power Company For (1) A General Adjustment Of Its Rates For Electric Service; (2) Approval Of Tariffs And Riders; (3) Approval Of Certain Regulatory And Accounting Treatments; and (4) All Other Required Approvals And Relief | ) | Case No. 2025-00257 |

## SETTLEMENT AGREEMENT

This Settlement Agreement is made and entered into this 9th day of January, 2026, by and among Kentucky Power Company ("Kentucky Power" or "Company"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); and Kentucky Solar Industries Association, Inc. ("KYSEIA"). Kentucky Power, KIUC, and KYSEIA are collectively referred to herein as the "Signatory Parties."

## RECITALS

1. On August 29, 2025, Kentucky Power filed an application pursuant to KRS 278.180; KRS 278.190; KRS 278.220; and the rules and regulations of the Public Service Commission of Kentucky ("Commission"), seeking an annual increase in retail electric rates and charges totaling $95,558,248, approval of its tariffs and riders, approval of certain regulatory and accounting treatments, and all other required approvals and relief.

2. The Commission accepted and deemed the Company's Application filed as of August 29, 2025, and is hereinafter referred to as the "Application."

3. The Attorney General of the Commonwealth of Kentucky ("Attorney General"); KIUC; Appalachian Citizens' Law Center, Kentuckians For The Commonwealth, Kentucky Solar Energy Society, and Mountain Association (collectively, "Joint Intervenors"); KYSEIA; and SWVA

Kentucky, LLC ("SWVA") filed motions for full intervention in Case No. 2025-00257. The Commission granted the intervention motions. The Attorney General and KIUC proceeded jointly throughout the pendency of this proceeding, filed joint testimony and have been referred to throughout collectively as "AG-KIUC."

4. The Signatory Parties, the Attorney General, SWVA, and the Joint Intervenors are collectively referred to in this Settlement Agreement as the "Parties."

5. Certain of the Parties filed written testimony in this proceeding, raising issues regarding the Company's Application.

6. The Parties have had a full opportunity for and have engaged in substantial discovery, including the filing of written data requests and responses.

7. Kentucky Power offered the Parties, along with Commission Staff, the opportunity to meet and review the issues presented by Kentucky Power's Application and for the purposes of settlement.

8. The Signatory Parties, representing diverse interests and viewpoints, have reached a complete settlement of all issues raised in this proceeding and have executed this Settlement Agreement for purposes of documenting and submitting their agreement to the Commission for approval. The Signatory Parties agree that this Settlement Agreement provides for fair, just, and reasonable rates. It is the intent and purpose of the Signatory Parties to express their agreement on a mutually satisfactory resolution of all issues in this proceeding.

9. The Signatory Parties understand that this Settlement Agreement is not binding upon the Commission but believe it is entitled to careful consideration by the Commission. The Signatory Parties agree that this Settlement Agreement, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

10. The Signatory Parties request that the Commission issue an Order approving this Settlement Agreement in its entirety pursuant to KRS 278.180, KRS 278.190, and KRS 278.220, including the rate increase, rate structure, and tariffs as described herein. This request is based upon the belief that the Parties' participation in settlement negotiations and the materials on file with the Commission adequately support this Settlement Agreement. Adoption of this Settlement Agreement in its entirety will lessen the need for the Commission and the Parties to expend significant resources in 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 promises, agreements, and covenants set forth herein, the Signatory Parties hereby agree as follows:

## AGREEMENT

1. **Kentucky Power's Application.** Except as modified in this Settlement Agreement, Kentucky Power's Application is approved as filed.

2. **Revenue Increase.**

A. Effective for service rendered on and after March 1, 2026, Kentucky Power shall implement a base rate adjustment sufficient to generate additional annual retail revenues of $58,730,654, and implement the new Generation Rider with a first year annual revenue requirement of $18,669,720, for a total annual revenue increase of $77,400,374. The total annual retail revenue amount represents a $18,157,874 reduction from the $95,558,248 sought in the Company's Application. **EXHIBIT 1** provides a detailed summary of the adjustments to the Company's proposed overall revenue requirement as agreed to in this Settlement Agreement. The $58,730,654 base rate retail revenue amount, plus the $18,669,720 first-year annual Generation Rider revenue amount, represents an overall increase of 11.9% on test year retail revenue. A residential customer with average monthly usage of 1,210 kWh would see a 12.3 % increase over current billed amounts as a result of the implementation of rates designed based on this revenue requirement. These amounts will be reduced for the first two years due to Settlement Agreement provisions that make use of deferred tax liabilities to offset the revenue requirement. Accordingly, the total revenue requirement to be collected from customers will actually be $52,400,374 in the first year, which represents an overall increase of 8% on total test year retail revenue. A residential customer with average monthly usage of 1,210 kWh would see an 8.2% increase over current billed amounts, and a residential customer with monthly usage of 2,500 kWh would see a 4.0% increase over current billed amounts, as a result of the implementation of rates designed based on the revenue requirement and offsetting deferred tax liabilities agreed to in this Settlement Agreement. **EXHIBIT 2** provides estimated typical bill impacts under the terms of this Settlement Agreement. **EXHIBIT 3** provides a revenue allocation and percentage increase for each customer class under the terms of this Settlement Agreement. The updated calculation of the Company's cost of capital is shown in **EXHIBIT 4**.

B. *Return on Equity; Cost of Capital*. The Signatory Parties agree to the following with regard to the Company's return on equity ("ROE") and cost of capital:

i. Kentucky Power will reduce the requested return on equity ("ROE") from 10.0% to 9.8%, applicable to base rates and all existing riders except the Generation Rider as discussed in Section 5.A. below, and will correct the small error of 0.0004% in the short-term debt rate. The impact of this adjustment is a reduction to the Company's revenue requirement of $2.230 million in base rates.

C. *Rate Base*. The Signatory Parties agree to the following adjustments to rate base amounts identified in the Application:

i. The Signatory Parties agree Kentucky Power shall exclude from rate base its proposed adjustment to include a net operating loss carryforward ("NOLC") until reflected in rates ("Current NOLC Revenue Requirement"). Kentucky Power shall continue to accrue the foregone revenue requirement to a regulatory asset ("NOLC Regulatory Asset") established in accordance with the Commission's January 19, 2024 Order in Case No. 2023-00159. Upon receipt of a private letter ruling or other guidance from the Internal Revenue Service verifying the Company's position regarding the NOLC, Kentucky Power shall notify the Parties, and the NOLC Regulatory Asset shall be recovered through the Federal Tax Change Tariff ("Tariff F.T.C."), with the Current NOLC Revenue Requirement. Upon such circumstances, Kentucky Power will make a filing with the Commission to recover the NOLC Regulatory Asset and the Current NOLC Revenue Requirement through Tariff F.T.C. The Signatory Parties reserve their rights to make recommendations regarding the calculation of the NOLC Regulatory Asset and the amortization period of the accrued NOLC Regulatory Asset. The Current NOLC Revenue Requirement will be collected through Tariff F.T.C. until such time that the NOLC is reflected in base rates. Additionally, upon verification of the Company's position, the Company will adjust the excess deferred income tax regulatory liability to reflect the deficient deferred income taxes related to the stand-alone NOLC. The impact of this adjustment is a reduction to the Company's revenue requirement of $4.995 million in base rates.

ii. The Signatory Parties agree that Kentucky Power will exclude from rate base fuel/allowance inventories and non-fuel materials and supplies inventories as proposed in the testimony of AG-KIUC Witness Kollen. The impact of this adjustment is a reduction to the Company's revenue requirement of $1.121 million in base rates.

iii. The Signatory Parties agree that Kentucky Power will exclude from rate base its proposed pro forma adjustment for its trees out of right-of-way ("TOR") vegetation management program described in the Direct Testimony of Michele Ross. The impact of this adjustment is a reduction to the Company's revenue requirement of $1.646 million in base rates.

D. *Operating Expenses*. The Signatory Parties agree to the following adjustments to the operating expense amounts identified in the Application:

i. Kentucky Power will make operating expense adjustments related to incentive compensation, supplemental employee retirement plan ("SERP") expense, and 401(k) matching expense for employees who also participate in the pension plan. The impact of this adjustment is a reduction to the Company's revenue requirement of $3.929 million in base rates.

ii. Kentucky Power will correct the amount of property tax expense in base rates consistent with the Company's response to AG-KIUC 2-12. The impact of this adjustment is a reduction to the Company's revenue requirement of $0.320 million in base rates.

iii. Kentucky Power will defer the pension settlement accounting expenses in account 9230064 to a regulatory asset and amortize that regulatory asset over 12 years. The impact of this adjustment is a reduction to the Company's revenue requirement of $0.985 million in base rates.

iv. Kentucky Power will reduce depreciation expense by removing terminal net salvage for the Big Sandy Plant only. The impact of this adjustment is a reduction to the Company's revenue requirement of $1.011 million in base rates.

v. Kentucky Power will reduce depreciation expense to account for the corresponding reduction to rate base associated with TOR vegetation management as set forth in

Section 2.D.iv. The impact of this adjustment is a reduction to the Company's revenue requirement of $0.588 million in base rates.

vi. Kentucky Power will reduce depreciation expense associated with interim retirements and interim net salvage associated with the Mitchell Plant. This necessarily includes a $1.190 million increase in the base revenue requirement and corresponding $1.190 million reduction to the Generation Rider revenue requirement. The Signatory Parties agree that absent a legislative prohibition interim net salvage is generally appropriate to be included in depreciation expense; however, the Signatory Parties agree to reduce the base rate and Generation Rider revenue requirements for this case only while the Company continues to seek securitization legislation associated with the Michell Plant. If the Company is unsuccessful in obtaining approval to securitize its interest in the Mitchell Plant, it will include depreciation expense associated with Mitchell Plant interim retirements and interim net salvage in its next and future base rate proceedings. The impact of this adjustment is a net reduction to the Company's revenue requirement of $1.604 million in base rates and $1.185 million in the Generation Rider revenue requirement.

vii. Kentucky Power will reduce miscellaneous expense by removing Edison Electric Institute dues and Kentucky Chamber of Commerce dues. The impact of this adjustment is a reduction to the Company's revenue requirement of $0.113 million in base rates.

viii. Kentucky Power will increase the level of major and non-major storm expense ("Storm Expense") included in base rates from $0 to $2.0 million in response to the Commission's orders in Case No. 2025-00031 and Case No. 2025-00291. The Company will defer actual Storm Expense above or below the $2.0 million included in base rates as a regulatory asset (under-collection) or a regulatory liability (over-collection), respectively. Storm costs may be deferred only if they would otherwise be expensed, are incremental to business as normal expenses,[1] and are not presently being recovered in rates. Deferrals will be subject to review by the Commission in the Company's next base rate case prior to their recovery. The impact of this adjustment is an increase to the Company's revenue requirement of $2.000 million in base rates.

3. **Rate Design.** Kentucky Power will agree to AG-KIUC's proposed revenue-neutral modifications to the Tariff I.G.S. rates supported by Witness Wellborn that set the I.G.S. energy rates to recover only variable costs and recovering the remaining proposed revenue requirement through the demand charges.

4. **Customer Rate Relief.** In recognition of the extraordinary economic circumstances impacting customers in Kentucky Power's service territory, Kentucky Power will offer the following rate relief measures in 2026 and 2027 to ease the burden on customers while maintaining reliable service and the Company's financial health.

A. *Rate Credits*. The Company will implement a new Deferred Tax Liability ("DTL") Rider to provide the following revenue credits to customers for the period of March 1, 2026 – February 28, 2027 ("2026 Rate Case Year") and for the period of March 1, 2027 – February 29, 2028) ("2027 Rate Case Year") by modifying the timing over which income tax expense associated with unprotected income tax timing differences is incorporated into ratemaking:

i. 2026 Rate Case Year: $20 million revenue credit allocated across all classes on a levelized basis and an additional $5 million revenue credit allocated to the residential class, for a total of $25 million.

[1] As defined using Kentucky Power's historical methodology to identify incremental storm expense, which was most recently applied by Kentucky Power and authorized by the KPSC in Case No. 2023-00159.

ii. 2027 Rate Case Year: $12.5 million revenue credit allocated across all classes on a levelized basis and an additional $2.5 million revenue credit allocated to the residential class, for a total of $15 million.

B. *Accounting Treatment*.

i. To accomplish the credits set forth in subpart (a), the Company will credit operating deferred income tax expense and will debit a new regulatory asset ("DTL Regulatory Asset") in the amount necessary to provide DTL Rider revenue credits for the 2026 Rate Case Year and the 2027 Rate Case Year of $25 million and $15 million, respectively. The credit to operating deferred income tax expense will be incorporated into the DTL Rider revenue requirement and is expected to be approximately $20.2 million in 2026 Rate Case Year and $13.7 million in 2027 Rate Case Year ("DTL $RA^{defer}$").

ii. Through the DTL Rider revenue requirement, the DTL Regulatory Asset will earn a return at the Company's authorized after-tax WACC until collected or incorporated into future base rates as an offset to base rate DTLs ("ROR").

iii. Unless securitized through new securitization legislation, beginning March 1, 2028, the Company will amortize the DTL Regulatory Asset over the life of the underlying plant for which the DTL was established (currently estimated to be 26 years) and recover the amortization expense through the DTL Rider ("DTL $RA^{amort}$").

iv. The DTL Rider revenue requirement will include a gross-up for revenue-related taxes based on the most recently authorized base rate gross revenue conversion factor ("GRCF").

v. The DTL Rider revenue requirement will be subject to true-up on an annual basis ("TU").

vi. DTL Rider Annual Revenue Requirement = (- DTL $RA^{defer}$ + ROR + DTL $RA^{amort}$ + TU) x GRCF.

C. *Other Deferral Accounting Authority*. The Parties agree the Commission should approve deferral accounting treatment for Kentucky Power for any actual amounts above or below the levels in rates for the following items:

i. Vegetation management operation and maintenance expense ("O&M") and capital costs, including return on capital investment and depreciation expense. For purposes of the deferral, the total TIR Program cost will not exceed $25 million on an annual basis and total TOR Program cost will not exceed $20 million in 2026 and $27 million in 2027. For clarity, this accounting treatment supersedes the one-way balancing mechanism that currently exists for TIR expense as referenced in the Direct Testimony of Company Witness Ross; and

ii. If incremental short-term debt is needed to fund the DTL Credits, the Company may defer short-term debt interest costs in excess of the $0 in rates up to $2 million annually.

5. **Generation Rider.** The Parties agree that the Commission should approve the Company's proposed Generation Rider ("Generation Rider" or "GR"), subject to the modifications included in subparts (A) through (E) below:

A. Kentucky Power will agree to reduce the requested ROE for this rider from 10.0% to 9.7%. The impact of this adjustment is a reduction to the Company's revenue requirement of $0.240 million in the Generation Rider.

B. Kentucky Power will recover the property tax expense associated with the Generation Rider through base rates and not through the GR. The impact of this adjustment is a reduction to the Company's revenue requirement of $0.195 million in the Generation Rider.

C. The Parties agree the Generation Rider, in addition to the non-environmental plant balances included within the initial revenue requirement as explained in the Direct Testimony of Company Witness Wolffram, shall recover the capital investments made after May 31, 2025, at the Big Sandy and Mitchell Plants, including return on and of at the Company's approved WACC and depreciation expense, and subject to annual true-up. This section is not to be interpreted as relieving the Company of its obligations under KRS 278.020 or KRS 278.183. Costs incurred between annual true-ups shall not be included in the Generation Rider rate until the next annual true up, other than approximately $60.4 million associated with the Company's CPCN Application in Case No. 2025-00175; however, the Company shall have the authority to defer all such costs eligible to be included in the Generation Rider (including those incurred beginning June 1, 2025). The Company maintains the ability to make a one-off filing to begin collection, through the Generation Rider, of $60.4 million that was approved by the Commission in Case No. 2025-00175 consistent with Company Witness Wolffram's Direct Testimony.

D. The costs associated with any new generating assets, including related O&M, will be eligible for inclusion in the Generation Rider, if approved by the Commission for inclusion. Purchase power costs from generation owned by other Kentucky utilities that may have long-term or short-term surplus generation that is deliverable into PJM in lieu of Company owned generation will be eligible for inclusion in the Purchase Power Adjustment ("PPA") Rider, if approved by the Commission for inclusion.

E. The Generation Rider will continue until the next base rate case. Continuation of the Rider after such time shall be subject to renewed application and review by the Commission.

6. **<u>Tariff COGEN/SPP</u>.** The Signatory Parties agree to the following in connection with its proposed Tariff COGEN/SPP:

A. The Company will update the language in its COGEN/SPP tariffs to remove the 45kW minimum size threshold.

B. The Company agrees that for COGEN/SPP customers that require a meter replacement earlier than their scheduled meter change, such replacement will be made with an Advanced Metering Infrastructure ("AMI") meter to the extent the customer is within a district where AMI deployment has begun and the AMI network and equipment is available to serve that customer.

C. Kentucky Power agrees to implement procedures for customers with behind-the-meter generation facility of 45 kW or less to enroll and take service under the Company's COGEN/SPP tariff in a manner similar to how customers enroll and take service under Tariff N.M.S. II; provided, however, that there may be different requirements, including the interconnection agreement and more detailed operation profile information, that are specific to each class of service that are necessary for the Company to operate consistently with applicable state or federal regulations.

D. Kentucky Power agrees to develop a form substantially similar to the form attached to the testimony of KYSEIA Witness Barnes for customers seeking to take service under Tariff COGEN/SPP with Qualifying Facilities with capacities less than 1 MW, which may be submitted instead of a FERC Form 556. To the extent a customer with a Qualifying Facility with capacities less than 1 MW completes a FERC Form 556, they may submit that in place of the aforementioned form.

E. Kentucky Power will implement an application fee for customers seeking to connect distributed energy resources to its system that is calculated as follows: $100 + $1/kW of the proposed resource.

F. Kentucky Power will not conduct a System Impact Study for distributed energy resources with capacities less than 100 kW, but must conduct technical reviews and screening for all resources that are proposed to be connected to its system. However, the Company agrees there will be no additional costs for such technical screening other than the aforementioned application fee.

G. Kentucky Power will conduct interconnection studies within 140 days of receipt of a complete application for interconnection.

H. Kentucky Power will not implement internal prohibitions on the ability of leased systems to participate in net metering and COGEN/SPP. Such systems, however, must comply with the requirements of state and federal law, including but not limited to KRS 278.465(1).

7. **Tariff Changes.** The Signatory Parties agree that any language changes to tariff sheets as proposed in the Company's Application and as modified through the Company's responses to discovery and this Settlement Agreement should be approved. An annotated version of the Company's tariff sheets affected by this Settlement Agreement, *i.e.* the Generation Rider and the new Deferred Tax Liability Rider, which reflect the changes from the clean tariff sheets filed with the Company's Application is attached as **EXHIBIT 5.**

8. **Filing of Settlement Agreement; Request for Approval by March 1, 2026.**

A. Following the execution of this Settlement Agreement, the Signatory Parties shall file this Settlement Agreement with the Commission along with a joint request to the Commission for consideration and approval of this Settlement Agreement so that Kentucky Power may begin billing under the approved adjusted rates as established by this Settlement Agreement for service rendered on and after March 1, 2026.

B. The Signatory Parties respectfully request prompt Commission approval of this Settlement Agreement without modification within the suspension period set forth in KRS 278.190(2).

9. **Good Faith and Best Efforts to Seek Approval.**

A. This Settlement Agreement is subject to approval by the Public Service Commission of Kentucky.

B. The Signatory Parties shall act in good faith and use their best efforts to recommend to the Commission that this Settlement Agreement be approved in its entirety and without modification and that the rates and charges set forth herein be implemented.

C. Kentucky Power and certain of the other Signatory Parties filed testimony in this case. Kentucky Power also filed testimony in support of the Settlement Agreement. For purposes of any hearing, the Signatory Parties agree to waive all cross-examination of the other Signatory Parties' witnesses except in support of the Settlement Agreement, unless the Commission disapproves this Settlement Agreement prior to the hearing in this case set to begin on January 13, 2026. For clarity, based upon the Witness Sharing Agreement filed by AG-KIUC on September 5, 2025, witnesses who initially filed testimony on behalf of AG-KIUC jointly are subject to cross-examination by Signatory Parties (except KIUC) to the extent they are not offered as witnesses supporting this Settlement Agreement.

D. The Signatory Parties further agree to support the reasonableness and enforceability of this Settlement Agreement before the Commission, and to cause their counsel and witnesses 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 Settlement Agreement shall challenge any Order of the Commission approving the Settlement Agreement in its entirety and without modification.

10. **<u>Failure of Commission to Approve Settlement Agreement</u>.** If the Commission does not accept and approve this Settlement Agreement in its entirety and without modification, then any adversely affected Signatory Party may withdraw from the Settlement Agreement within the statutory periods provided for rehearing and appeal of the Commission's order by (1) giving written notice of withdrawal to all other Parties and (2) timely filing for rehearing or appeal. Upon the latter of (1) the expiration of the statutory periods provided for rehearing and appeal of the Commission's order and (2) the conclusion of all rehearings and appeals, all Signatory Parties that have not withdrawn will continue to be bound by the terms of the Settlement Agreement as modified by the Commission's order.

11. **<u>Continuing Commission Jurisdiction</u>.** This Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

12. **<u>Effect of Settlement Agreement</u>.** This Settlement Agreement shall inure to the benefit of, and be binding upon, the parties to this Settlement Agreement, their successors, and assigns.

13. **<u>Complete Agreement</u>.** This Settlement Agreement constitutes the complete agreement and understanding among the parties to this Settlement Agreement. 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 Settlement Agreement.

14. **<u>Independent Analysis</u>.** The terms of this Settlement Agreement are based upon the independent analysis of the parties to this 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 Settlement Agreement, the Signatory Parties recognize and agree that the effects, if any, of any future events upon the income of Kentucky Power are unknown and this Settlement Agreement shall be implemented as written.

15. **Settlement Agreement and Negotiations Are Not an Admission.**

A. The Settlement Agreement shall not be deemed to constitute an admission by any party to this 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 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 fully represents the objectives of the Signatory Parties or any individual Signatory Party.

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

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

17. **Authority to Bind.** Each of the individuals signing this Settlement Agreement on behalf of a Party hereby warrant they are authorized to sign this agreement upon behalf of, and bind, their respective parties.

18. **Construction of Agreement.** This Settlement Agreement is a product of negotiation among all Signatory Parties, and no provision of this Settlement Agreement shall be construed in favor of or against any party hereto. This 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, except when necessary to support the enforceability of the commitments made in this Settlement Agreement.

19. **Counterparts.** This Settlement Agreement may be executed in multiple counterparts.

20. **Future Rate Proceedings.** Nothing in this Settlement Agreement shall preclude, prevent, or prejudice any party to this Settlement Agreement from raising any argument or issue, or challenging any adjustment, in any future rate proceeding of Kentucky Power.

IN WITNESS WHEREOF, this Settlement Agreement has been agreed to by and between the following Signatory Parties as of this 9th day of January, 2026.

KENTUCKY POWER COMPANY

By: ______________________________

Its: Counsel

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

By: ______________________________

Its: ______________________________

KENTUCKY SOLAR INDUSTRIES ASSOCIATION, INC.

By: ______________________________

Its: ______________________________

| | |
|---|---|
| KENTUCKY POWER COMPANY | KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. |
| By: ______________________ | By: ______________________ |
| Its: ______________________ | Its: Counsel |

KENTUCKY SOLAR INDUSTRIES ASSOCIATION, INC.

By: ______________________

Its: ______________________

KENTUCKY POWER COMPANY

By: ______________________________

Its: ______________________________

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

By: ______________________________

Its: ______________________________

KENTUCKY SOLAR INDUSTRIES ASSOCIATION, INC.

By: [illegible]

Its: Strobo Barkley PLLC
Counsel for KYSEIA

Kentucky Power Company
Settlement Agreement Exhibit 1
Case No. 2025-00257
Settlement Revenue Requirement Page 1 of 1

| Line | | KPCo As-Filed | Joint Intervenors[1] | AG-KIUC | Settlement |
|---|---|---|---|---|---|
| 1 | **Company's Filed Position** | **95.558** | | | |
| 2 | Rate Base | | | | |
| 3 | Fuel Inventory | | | (0.914) | (0.914) |
| 4 | Materials & Supplies Inventory | | | (0.207) | (0.207) |
| 5 | Deferred Tax Asset Federal NOL ADIT | | | (4.110) | (4.110) |
| 6 | Deficient Federal NOL ADIT | | | (0.885) | (0.885) |
| 7 | Capital Increase to TOR | | | (1.646) | (1.646) |
| 8 | Operating Income | | | | |
| 9 | Incentive Compensation Expense Tied to Financial Performance | | | (1.842) | (1.842) |
| 10 | SERP Expense | | | (0.144) | (0.144) |
| 11 | 401(k) Matching Expense for Employees Who Also Participate in Pension Plan | | | (1.943) | (1.943) |
| 12 | Correct Property Tax Expense | | | (0.320) | (0.320) |
| 13 | Defer Pension Settlement Accounting Expenses for AEPSC Employees and Amortize Over 12 Years | | | (0.985) | (0.985) |
| 14 | Remove Depreciation Expense - Capital Increase for TOR Vegetation Management | | | (0.588) | (0.588) |
| 15 | Reduce Depreciation Expense to Remove Terminal Net Salvage - Big Sandy | | | (1.011) | (1.011) |
| 16 | Reduce Depreciation Expense to Remove Interim Retirements and Interim Net Salvage - Big Sandy | | | (0.779) | |
| 17 | Reduce Depreciation Expense to Remove Interim Retirements and Interim Net Salvage - Mitchell | | | (2.793) | (2.793) |
| 18 | Reduce Depreciation Expense Removal to Recover in Generation Rider - Mitchell | | | 1.190 | 1.190 |
| 19 | Remove EEI and Kentucky Chamber of Commerce Dues | | | (0.113) | (0.113) |
| 20 | Increase Non-Major Storm Expense | | | | 2.000 |
| 21 | Cost of Capital | | | | |
| 22 | Correct Small Error of 0.0004% in the Short-Term Debt Rate | | | (0.075) | (0.075) |
| 23 | Reduce Return on Equity from 10% to 9.5%[2] | | | (5.502) | (2.15) |
| 24 | **Total Adjustments to KPCo Base Rate Request** | | | **(22.667)** | **(16.539)** |
| 25 | Generation Rider | | | | |
| 26 | Correction to property tax expense - to be recovered through base rates | | | (0.195) | (0.195) |
| 27 | Reduce Depreciation Expense to Remove Interim Retirements and Interim Net Salvage - Mitchell | | | (1.185) | (1.185) |
| 28 | Reduce Return on Equity from 10% to 9.5%[2] | | | (0.393) | (0.24) |
| 29 | **Total Adjustments to Generation Rider Rate Request** | | | **(1.773)** | **(1.619)** |
| 30 | **Total Rate Increase** | **95.558** | | **71.118** | **77.400** |
| 31 | **DTL amortization of $20M annually** | | | | **(20.000)** |
| 32 | **Rate Increase after DTL Credit Rider** | | | | **57.400** |
| 33 | **Additional Residential DTL Amortization** | | | | **(5.000)** |
| 34 | **Total Rate Increase after Year 1 DTL Amortization/Credit Rider** | | | | **52.400** |

1 No revenue requirement recommendations
2 AG-KIUC position reduces ROE to 9.5%, settlement counter includes 9.8% ROE for base rates and 9.7% ROE for the Generation Rider

Settlement Agreement Exhibit 2
Case No. 2025-00257
Settlement Typical Bill Impacts

| | | | | | | Settlement Base Rate Increase on Total Bill | | Settlement Increase with DTL Rider | |
|---|---|---|---|---|---|---|---|---|---|
| Current Tariff | Proposed Tariff | Billing Demand Peak | Billing Demand O P Exc | Metered Energy | Current Bill | Bill Increase | % Change | Bill Increase | % Change |
| **RS** | **RS** | | | 100 | $ 38.50 | $ 10.48 | 27.2% | $ 9.75 | 25.3% |
| | | -- | -- | 200 | $ 54.35 | $ 14.31 | 26.3% | $ 12.85 | 23.6% |
| | | -- | -- | 300 | $ 70.21 | $ 18.13 | 25.8% | $ 15.94 | 22.7% |
| | | -- | -- | 400 | $ 86.06 | $ 21.95 | 25.5% | $ 19.03 | 22.1% |
| | | -- | -- | 500 | $ 101.91 | $ 25.77 | 25.3% | $ 22.12 | 21.7% |
| | | -- | -- | 600 | $ 117.77 | $ 29.60 | 25.1% | $ 25.22 | 21.4% |
| | | -- | -- | 700 | $ 133.62 | $ 29.07 | 21.8% | $ 23.97 | 17.9% |
| | | -- | -- | 800 | $ 149.47 | $ 28.54 | 19.1% | $ 22.71 | 15.2% |
| | | -- | -- | 900 | $ 165.32 | $ 28.02 | 16.9% | $ 21.46 | 13.0% |
| | | -- | -- | 1,000 | $ 181.18 | $ 27.50 | 15.2% | $ 20.21 | 11.2% |
| | | -- | -- | 1,100 | $ 197.03 | $ 26.98 | 13.7% | $ 18.96 | 9.6% |
| | | -- | -- | 1,210 | $ 214.47 | $ 26.40 | 12.3% | $ 17.58 | 8.2% |
| | | -- | -- | 1,300 | $ 228.74 | $ 25.93 | 11.3% | $ 16.46 | 7.2% |
| | | -- | -- | 1,400 | $ 244.59 | $ 25.40 | 10.4% | $ 15.19 | 6.2% |
| | | -- | -- | 1,500 | $ 260.44 | $ 24.88 | 9.6% | $ 13.94 | 5.4% |
| | | -- | -- | 1,600 | $ 276.30 | $ 24.36 | 8.8% | $ 12.69 | 4.6% |
| | | -- | -- | 1,700 | $ 292.15 | $ 23.84 | 8.2% | $ 11.44 | 3.9% |
| | | -- | -- | 1,800 | $ 307.99 | $ 23.32 | 7.6% | $ 10.20 | 3.3% |
| | | -- | -- | 1,900 | $ 323.85 | $ 22.78 | 7.0% | $ 8.93 | 2.8% |
| | | -- | -- | 2,000 | $ 339.70 | $ 22.27 | 6.6% | $ 7.69 | 2.3% |
| | | -- | -- | 2,001 | $ 339.86 | $ 37.80 | 11.1% | $ 23.21 | 6.8% |
| | | -- | -- | 2,500 | $ 418.97 | $ 35.19 | 8.4% | $ 16.97 | 4.0% |
| | | -- | -- | 3,000 | $ 498.23 | $ 32.57 | 6.5% | $ 10.70 | 2.1% |
| | | -- | -- | 3,500 | $ 577.49 | $ 29.95 | 5.2% | $ 4.44 | 0.8% |
| | | -- | -- | 4,000 | $ 656.76 | $ 27.34 | 4.2% | $ (1.82) | -0.3% |
| | | -- | -- | 4,500 | $ 736.02 | $ 24.72 | 3.4% | $ (8.08) | -1.1% |
| | | -- | -- | 5,000 | $ 815.29 | $ 22.11 | 2.7% | $ (14.34) | -1.8% |
| | | | | | | | | | |
| **RS-TOD** | **RS-TOD** | -- | -- | 500 | $ 99.34 | $ 11.97 | 12.0% | $ 8.32 | 8.4% |
| On-Peak % | 30% | -- | -- | 750 | $ 136.03 | $ 14.62 | 10.7% | $ 9.15 | 6.7% |
| Off-Peak % | 70% | -- | -- | 1,000 | $ 172.71 | $ 17.27 | 10.0% | $ 9.98 | 5.8% |
| | | -- | -- | 1,500 | $ 246.08 | $ 22.58 | 9.2% | $ 11.65 | 4.7% |
| | | -- | -- | 2,000 | $ 319.44 | $ 27.89 | 8.7% | $ 13.31 | 4.2% |
| | | -- | -- | 3,000 | $ 466.16 | $ 38.50 | 8.3% | $ 16.63 | 3.6% |
| | | | | | | | | | |
| **GS-SEC** | | - | - | 250 | $ 74.87 | $ 8.35 | 11.2% | $ 7.04 | 9.4% |
| | | - | - | 350 | $ 91.17 | $ 10.28 | 11.3% | $ 8.45 | 9.3% |
| | | - | - | 455 | $ 108.29 | $ 12.32 | 11.4% | $ 9.94 | 9.2% |
| | | - | - | 750 | $ 156.37 | $ 18.01 | 11.5% | $ 14.08 | 9.0% |
| | | - | - | 1,000 | $ 197.12 | $ 22.84 | 11.6% | $ 17.60 | 8.9% |
| | | - | - | 2,000 | $ 360.13 | $ 42.15 | 11.7% | $ 31.67 | 8.8% |
| | | - | - | 4,000 | $ 686.12 | $ 80.77 | 11.8% | $ 59.81 | 8.7% |
| | | | | | | | | | |
| **GS-SEC** | | 15 | - | 2,738 | $ 529.59 | $ 78.99 | 14.9% | $ 64.64 | 12.2% |
| 25% | 25% | 25 | - | 4,563 | $ 923.47 | $ 158.19 | 17.1% | $ 134.28 | 14.5% |
| | | 31 | | 5,658 | $ 1,141.93 | $ 194.58 | 17.0% | $ 164.94 | 14.4% |
| | | 50 | - | 9,125 | $ 1,833.60 | $ 309.86 | 16.9% | $ 262.05 | 14.3% |
| | | 75 | - | 13,688 | $ 2,743.87 | $ 461.53 | 16.8% | $ 389.81 | 14.2% |
| | | | | | | | | | |
| **GS-SEC** | | 15 | - | 5,475 | $ 957.89 | $ 120.74 | 12.6% | $ 92.05 | 9.6% |
| 50% | 50% | 25 | - | 9,125 | $ 1,587.68 | $ 196.90 | 12.4% | $ 149.09 | 9.4% |
| | | 31 | | 11,315 | $ 1,965.57 | $ 242.57 | 12.3% | $ 183.28 | 9.3% |
| | | 50 | | 18,250 | $ 3,162.17 | $ 387.27 | 12.2% | $ 291.64 | 9.2% |
| | | 75 | - | 27,375 | $ 4,736.65 | $ 577.66 | 12.2% | $ 434.21 | 9.2% |
| | | | | | | | | | |
| **GS-PRI** | | 15 | - | 2,738 | $ 584.69 | $ 91.10 | 15.6% | $ 76.76 | 13.1% |
| 25% | 25% | 25 | - | 4,563 | $ 937.20 | $ 160.98 | 17.2% | $ 137.07 | 14.6% |
| | | 40 | | 7,300 | $ 1,427.96 | $ 241.25 | 16.9% | $ 203.00 | 14.2% |
| | | 50 | | 9,125 | $ 1,755.14 | $ 294.77 | 16.8% | $ 246.95 | 14.1% |
| | | 75 | | 13,688 | $ 2,573.11 | $ 428.53 | 16.7% | $ 356.81 | 13.9% |
| | | 90 | - | 16,425 | $ 3,063.87 | $ 508.80 | 16.6% | $ 422.73 | 13.8% |
| | | | | | | | | | |
| **GS-PRI** | | 25 | - | 9,125 | $ 1,532.75 | $ 197.65 | 12.9% | $ 149.84 | 9.8% |
| 50% | 50% | 43 | - | 15,695 | $ 2,550.49 | $ 320.37 | 12.6% | $ 238.13 | 9.3% |
| | | 50 | | 18,250 | $ 2,946.27 | $ 368.11 | 12.5% | $ 272.48 | 9.2% |
| | | 60 | | 21,900 | $ 3,511.69 | $ 436.27 | 12.4% | $ 321.52 | 9.2% |
| | | 85 | | 31,025 | $ 4,925.20 | $ 606.73 | 12.3% | $ 444.16 | 9.0% |
| | | 95 | - | 34,675 | $ 5,490.61 | $ 674.91 | 12.3% | $ 493.21 | 9.0% |

| Current Tariff | Proposed Tariff | Billing Demand Peak | Billing Demand O P Exc | Metered Energy | Current Bill | Bill Increase | % Change | Bill Increase | % Change |
|---|---|---|---|---|---|---|---|---|---|
| **GS-SUB** | | 15 | - | 2,738 | $ 941.56 | $ 58.49 | 6.2% | $ 44.14 | 4.7% |
| 25% | 25% | 25 | - | 4,563 | $ 1,251.93 | $ 114.58 | 9.2% | $ 90.68 | 7.2% |
| | | 40 | | 7,300 | $ 1,683.22 | $ 176.34 | 10.5% | $ 138.08 | 8.2% |
| | | 50 | | 9,125 | $ 1,970.75 | $ 217.50 | 11.0% | $ 169.69 | 8.6% |
| | | 75 | | 13,688 | $ 2,689.59 | $ 320.42 | 11.9% | $ 248.69 | 9.2% |
| | | 90 | - | 16,425 | $ 3,120.87 | $ 382.17 | 12.2% | $ 296.10 | 9.5% |
| **GS-SUB** | | 25 | - | 9,125 | $ 1,798.96 | $ 149.80 | 8.3% | $ 101.99 | 5.7% |
| 50% | 50% | 43 | - | 15,695 | $ 2,710.37 | $ 249.26 | 9.2% | $ 167.02 | 6.2% |
| | | 52 | | 18,980 | $ 3,166.08 | $ 299.00 | 9.4% | $ 199.54 | 6.3% |
| | | 60 | | 21,900 | $ 3,571.17 | $ 343.18 | 9.6% | $ 228.43 | 6.4% |
| | | 85 | | 31,025 | $ 4,837.02 | $ 481.33 | 10.0% | $ 318.76 | 6.6% |
| | | 95 | - | 34,675 | $ 5,343.36 | $ 536.59 | 10.0% | $ 354.89 | 6.6% |
| **LGS-SEC** | **LGS-SEC** | 100 | - | 29,200 | $ 5,095.51 | $ 718.50 | 14.1% | $ 575.50 | 11.3% |
| Load Factor | 40% | 150 | - | 43,800 | $ 7,585.63 | $ 1,070.68 | 14.1% | $ 856.18 | 11.3% |
| | | 200 | - | 58,400 | $ 10,075.72 | $ 1,422.88 | 14.1% | $ 1,136.88 | 11.3% |
| | | 300 | - | 87,600 | $ 15,055.93 | $ 2,127.25 | 14.1% | $ 1,698.25 | 11.3% |
| | | 500 | - | 146,000 | $ 25,016.33 | $ 3,536.00 | 14.1% | $ 2,821.00 | 11.3% |
| **LGS-SEC** | **LGS-SEC** | 100 | - | 36,500 | $ 5,923.44 | $ 814.87 | 13.8% | $ 671.87 | 11.3% |
| Load Factor | 50% | 170 | - | 62,050 | $ 9,989.13 | $ 1,375.40 | 13.8% | $ 1,132.30 | 11.3% |
| | | 250 | - | 91,250 | $ 14,635.64 | $ 2,016.00 | 13.8% | $ 1,658.50 | 11.3% |
| | | 500 | - | 182,500 | $ 29,155.95 | $ 4,017.88 | 13.8% | $ 3,302.88 | 11.3% |
| | | 750 | - | 273,750 | $ 43,676.28 | $ 6,019.76 | 13.8% | $ 4,947.26 | 11.3% |
| **LGS-SEC** | **LGS-SEC** | 100 | - | 43,800 | $ 6,751.37 | $ 911.24 | 13.5% | $ 768.24 | 11.4% |
| Load Factor | 60% | 170 | - | 74,460 | $ 11,396.60 | $ 1,539.24 | 13.5% | $ 1,296.14 | 11.4% |
| | | 250 | - | 109,500 | $ 16,705.44 | $ 2,256.94 | 13.5% | $ 1,899.44 | 11.4% |
| | | 500 | - | 219,000 | $ 33,295.59 | $ 4,499.76 | 13.5% | $ 3,784.76 | 11.4% |
| | | 750 | - | 328,500 | $ 49,885.72 | $ 6,742.58 | 13.5% | $ 5,670.08 | 11.4% |
| **LGS-SEC** | **LGS-SEC** | 100 | - | 51,100 | $ 7,579.30 | $ 1,007.62 | 13.3% | $ 864.62 | 11.4% |
| Load Factor | 70% | 170 | - | 86,870 | $ 12,804.07 | $ 1,703.09 | 13.3% | $ 1,459.99 | 11.4% |
| | | 250 | - | 127,750 | $ 18,775.27 | $ 2,497.87 | 13.3% | $ 2,140.37 | 11.4% |
| | | 500 | - | 255,500 | $ 37,435.20 | $ 4,981.64 | 13.3% | $ 4,266.64 | 11.4% |
| | | 750 | - | 383,250 | $ 56,095.16 | $ 7,465.39 | 13.3% | $ 6,392.89 | 11.4% |
| **LGS-PRI** | **LGS-PRI** | 125 | - | 36,500 | $ 5,796.90 | $ 778.45 | 13.4% | $ 599.70 | 10.3% |
| Load Factor | 40% | 225 | - | 65,700 | $ 10,296.99 | $ 1,384.27 | 13.4% | $ 1,062.52 | 10.3% |
| | | 315 | - | 91,980 | $ 14,347.07 | $ 1,929.51 | 13.4% | $ 1,479.06 | 10.3% |
| | | 550 | - | 160,600 | $ 24,922.28 | $ 3,353.19 | 13.5% | $ 2,566.69 | 10.3% |
| | | 750 | - | 219,000 | $ 33,922.46 | $ 4,564.83 | 13.5% | $ 3,492.33 | 10.3% |
| **LGS-PRI** | **LGS-PRI** | 125 | - | 45,625 | $ 6,740.98 | $ 895.71 | 13.3% | $ 716.96 | 10.6% |
| Load Factor | 50% | 225 | - | 82,125 | $ 11,996.32 | $ 1,595.33 | 13.3% | $ 1,273.58 | 10.6% |
| | | 315 | - | 114,975 | $ 16,726.13 | $ 2,224.98 | 13.3% | $ 1,774.53 | 10.6% |
| | | 550 | - | 200,750 | $ 29,076.19 | $ 3,869.08 | 13.3% | $ 3,082.58 | 10.6% |
| | | 750 | - | 273,750 | $ 39,586.88 | $ 5,268.32 | 13.3% | $ 4,195.82 | 10.6% |
| **LGS-PRI** | **LGS-PRI** | 125 | - | 54,750 | $ 7,685.05 | $ 1,012.95 | 13.2% | $ 834.20 | 10.9% |
| Load Factor | 60% | 225 | - | 98,550 | $ 13,695.65 | $ 1,806.37 | 13.2% | $ 1,484.62 | 10.8% |
| | | 315 | - | 137,970 | $ 19,105.19 | $ 2,520.45 | 13.2% | $ 2,070.00 | 10.8% |
| | | 550 | - | 240,900 | $ 33,230.11 | $ 4,384.98 | 13.2% | $ 3,598.48 | 10.8% |
| | | 750 | - | 328,500 | $ 45,251.31 | $ 5,971.80 | 13.2% | $ 4,899.30 | 10.8% |
| **LGS-PRI** | **LGS-PRI** | 125 | - | 63,875 | $ 8,629.12 | $ 1,130.21 | 13.1% | $ 951.46 | 11.0% |
| Load Factor | 70% | 225 | - | 114,975 | $ 15,394.97 | $ 2,017.42 | 13.1% | $ 1,695.67 | 11.0% |
| | | 315 | - | 160,965 | $ 21,484.26 | $ 2,815.91 | 13.1% | $ 2,365.46 | 11.0% |
| | | 550 | - | 281,050 | $ 37,384.01 | $ 4,900.87 | 13.1% | $ 4,114.37 | 11.0% |
| | | 750 | - | 383,250 | $ 50,915.74 | $ 6,675.30 | 13.1% | $ 5,602.80 | 11.0% |
| **LGS-SUB** | **LGS-SUB** | 250 | - | 73,000 | $ 9,454.71 | $ 1,066.98 | 11.3% | $ 709.48 | 7.5% |
| Load Factor | 40% | 350 | - | 102,200 | $ 12,883.12 | $ 1,452.36 | 11.3% | $ 951.86 | 7.4% |
| | | 450 | - | 131,400 | $ 16,311.55 | $ 1,837.73 | 11.3% | $ 1,194.23 | 7.3% |
| | | 600 | - | 175,200 | $ 21,454.16 | $ 2,415.80 | 11.3% | $ 1,557.80 | 7.3% |
| | | 750 | - | 219,000 | $ 26,596.79 | $ 2,993.86 | 11.3% | $ 1,921.36 | 7.2% |
| **LGS-SUB** | **LGS-SUB** | 250 | - | 91,250 | $ 10,950.30 | $ 1,211.50 | 11.1% | $ 854.00 | 7.8% |
| Load Factor | 50% | 350 | - | 127,750 | $ 14,976.96 | $ 1,654.69 | 11.0% | $ 1,154.19 | 7.7% |
| | | 450 | - | 164,250 | $ 19,003.61 | $ 2,097.87 | 11.0% | $ 1,454.37 | 7.7% |
| | | 600 | - | 219,000 | $ 25,043.60 | $ 2,762.64 | 11.0% | $ 1,904.64 | 7.6% |
| | | 750 | - | 273,750 | $ 31,083.57 | $ 3,427.42 | 11.0% | $ 2,354.92 | 7.6% |

| Current | Proposed | Billing Demand | | Metered | Current | Bill | % | Bill | % |
|---|---|---|---|---|---|---|---|---|---|
| Tariff | Tariff | Peak | O P Exc | Energy | Bill | Increase | Change | Increase | Change |
| **LGS-SUB** | **LGS-SUB** | 250 | - | 109,500 | $ 12,445.90 | $ 1,356.03 | 10.9% | $ 998.53 | 8.0% |
| Load Factor | 60% | 350 | - | 153,300 | $ 17,070.80 | $ 1,857.02 | 10.9% | $ 1,356.52 | 7.9% |
| | | 450 | - | 197,100 | $ 21,695.68 | $ 2,358.01 | 10.9% | $ 1,714.51 | 7.9% |
| | | 600 | - | 262,800 | $ 28,633.03 | $ 3,109.49 | 10.9% | $ 2,251.49 | 7.9% |
| | | 750 | - | 328,500 | $ 35,570.36 | $ 3,860.99 | 10.9% | $ 2,788.49 | 7.8% |
| **LGS-SUB** | **LGS-SUB** | 250 | - | 127,750 | $ 13,941.50 | $ 1,500.55 | 10.8% | $ 1,143.05 | 8.2% |
| Load Factor | 70% | 350 | - | 178,850 | $ 19,164.63 | $ 2,059.34 | 10.7% | $ 1,558.84 | 8.1% |
| | | 450 | - | 229,950 | $ 24,387.76 | $ 2,618.15 | 10.7% | $ 1,974.65 | 8.1% |
| | | 600 | - | 306,600 | $ 32,222.46 | $ 3,456.34 | 10.7% | $ 2,598.34 | 8.1% |
| | | 750 | - | 383,250 | $ 40,057.16 | $ 4,294.54 | 10.7% | $ 3,222.04 | 8.0% |
| **LGS-TRAN** | **LGS-TRAN** | 250 | - | 91,250 | $ 10,796.43 | $ 1,185.45 | 11.0% | $ 827.95 | 7.7% |
| Load Factor | 50% | 350 | - | 127,750 | $ 14,761.54 | $ 1,618.21 | 11.0% | $ 1,117.71 | 7.6% |
| | | 450 | - | 164,250 | $ 18,726.64 | $ 2,050.98 | 11.0% | $ 1,407.48 | 7.5% |
| | | 600 | - | 219,000 | $ 24,674.29 | $ 2,700.13 | 10.9% | $ 1,842.13 | 7.5% |
| **LGS-TRAN** | **LGS-TRAN** | 250 | - | 109,500 | $ 12,271.84 | $ 1,324.18 | 10.8% | $ 966.68 | 7.9% |
| Load Factor | 60% | 350 | - | 153,300 | $ 16,827.10 | $ 1,812.43 | 10.8% | $ 1,311.93 | 7.8% |
| | | 450 | - | 197,100 | $ 21,382.37 | $ 2,300.68 | 10.8% | $ 1,657.18 | 7.8% |
| | | 600 | - | 262,800 | $ 28,215.27 | $ 3,033.06 | 10.7% | $ 2,175.06 | 7.7% |
| **LGS-TRAN** | **LGS-TRAN** | 250 | - | 127,750 | $ 13,747.26 | $ 1,462.89 | 10.6% | $ 1,105.39 | 8.0% |
| Load Factor | 70% | 350 | - | 178,850 | $ 18,892.68 | $ 2,006.64 | 10.6% | $ 1,506.14 | 8.0% |
| | | 450 | - | 229,950 | $ 24,038.11 | $ 2,550.39 | 10.6% | $ 1,906.89 | 7.9% |
| | | 600 | - | 306,600 | $ 31,756.27 | $ 3,365.99 | 10.6% | $ 2,507.99 | 7.9% |
| **LGS-TRAN** | **LGS-TRAN** | 250 | - | 146,000 | $ 15,222.66 | $ 1,601.62 | 10.5% | $ 1,244.12 | 8.2% |
| Load Factor | 80% | 350 | - | 204,400 | $ 20,958.26 | $ 2,200.86 | 10.5% | $ 1,700.36 | 8.1% |
| | | 450 | - | 262,800 | $ 26,693.85 | $ 2,800.09 | 10.5% | $ 2,156.59 | 8.1% |
| | | 600 | - | 350,400 | $ 35,297.24 | $ 3,698.94 | 10.5% | $ 2,840.94 | 8.0% |
| **IGS-SEC** | **IGS-SEC** | 1,000 | 0 | 474,500 | $ 58,289.62 | $ 9,072.65 | 15.6% | $ 7,622.65 | 13.1% |
| Load Factor | 65% | 5,000 | 0 | 2,372,500 | $ 290,144.36 | $ 45,363.24 | 15.6% | $ 38,113.24 | 13.1% |
| | | 10,000 | 0 | 4,745,000 | $ 579,962.80 | $ 90,726.49 | 15.6% | $ 76,226.49 | 13.1% |
| | | 15,000 | 0 | 7,117,500 | $ 869,781.23 | $ 136,089.73 | 15.6% | $ 114,339.73 | 13.1% |
| | | 20,000 | 0 | 9,490,000 | $1,159,599.65 | $ 181,452.97 | 15.6% | $ 152,452.97 | 13.1% |
| | | 1,000 | 200 | 474,500 | $ 58,722.63 | $ 9,112.66 | 15.5% | $ 7,662.66 | 13.0% |
| | | 5,000 | 500 | 2,372,500 | $ 291,226.89 | $ 45,463.26 | 15.6% | $ 38,213.26 | 13.1% |
| | | 10,000 | 500 | 4,745,000 | $ 581,045.33 | $ 90,826.50 | 15.6% | $ 76,326.50 | 13.1% |
| | | 15,000 | 750 | 7,117,500 | $ 871,405.02 | $ 136,239.75 | 15.6% | $ 114,489.75 | 13.1% |
| | | 20,000 | 1,000 | 9,490,000 | $1,161,764.71 | $ 181,653.01 | 15.6% | $ 152,653.01 | 13.1% |
| **IGS-SEC** | **IGS-SEC** | 1,000 | 0 | 620,500 | $ 66,186.35 | $ 9,069.21 | 13.7% | $ 7,619.21 | 11.5% |
| Load Factor | 85% | 5,000 | 0 | 3,102,500 | $ 329,628.01 | $ 45,346.06 | 13.8% | $ 38,096.06 | 11.6% |
| | | 10,000 | 0 | 6,205,000 | $ 658,930.09 | $ 90,692.13 | 13.8% | $ 76,192.13 | 11.6% |
| | | 15,000 | 0 | 9,307,500 | $ 988,232.16 | $ 136,038.19 | 13.8% | $ 114,288.19 | 11.6% |
| | | 20,000 | 0 | 12,410,000 | $1,317,534.23 | $ 181,384.26 | 13.8% | $ 152,384.26 | 11.6% |
| | | 1,000 | 200 | 620,500 | $ 66,619.36 | $ 9,109.22 | 13.7% | $ 7,659.22 | 11.5% |
| | | 5,000 | 500 | 3,102,500 | $ 330,710.53 | $ 45,446.08 | 13.7% | $ 38,196.08 | 11.5% |
| | | 10,000 | 500 | 6,205,000 | $ 660,012.62 | $ 90,792.14 | 13.8% | $ 76,292.14 | 11.6% |
| | | 15,000 | 750 | 9,307,500 | $ 989,855.95 | $ 136,188.22 | 13.8% | $ 114,438.22 | 11.6% |
| | | 20,000 | 1,000 | 12,410,000 | $1,319,699.28 | $ 181,584.29 | 13.8% | $ 152,584.29 | 11.6% |
| **IGS-PRI** | **IGS-PRI** | 1,000 | 0 | 474,500 | $ 55,045.57 | $ 8,075.30 | 14.7% | $ 6,625.30 | 12.0% |
| Load Factor | 65% | 5,000 | 0 | 2,372,500 | $ 273,924.08 | $ 40,376.52 | 14.7% | $ 33,126.52 | 12.1% |
| | | 10,000 | 0 | 4,745,000 | $ 547,522.22 | $ 80,753.06 | 14.7% | $ 66,253.06 | 12.1% |
| | | 15,000 | 0 | 7,117,500 | $ 821,120.37 | $ 121,129.58 | 14.8% | $ 99,379.58 | 12.1% |
| | | 20,000 | 0 | 9,490,000 | $1,094,718.50 | $ 161,506.12 | 14.8% | $ 132,506.12 | 12.1% |
| | | 1,000 | 200 | 474,500 | $ 55,464.46 | $ 8,112.95 | 14.6% | $ 6,662.95 | 12.0% |
| | | 5,000 | 500 | 2,372,500 | $ 274,971.31 | $ 40,470.66 | 14.7% | $ 33,220.66 | 12.1% |
| | | 10,000 | 500 | 4,745,000 | $ 548,569.45 | $ 80,847.19 | 14.7% | $ 66,347.19 | 12.1% |
| | | 15,000 | 750 | 7,117,500 | $ 822,691.21 | $ 121,270.78 | 14.7% | $ 99,520.78 | 12.1% |
| | | 20,000 | 1,000 | 9,490,000 | $1,096,812.96 | $ 161,694.38 | 14.7% | $ 132,694.38 | 12.1% |
| **IGS-PRI** | **IGS-PRI** | 1,000 | 0 | 620,500 | $ 62,686.33 | $ 8,022.04 | 12.8% | $ 6,572.04 | 10.5% |
| Load Factor | 85% | 5,000 | 0 | 3,102,500 | $ 312,127.87 | $ 40,110.24 | 12.9% | $ 32,860.24 | 10.5% |
| | | 10,000 | 0 | 6,205,000 | $ 623,929.81 | $ 80,220.50 | 12.9% | $ 65,720.50 | 10.5% |
| | | 15,000 | 0 | 9,307,500 | $ 935,731.74 | $ 120,330.75 | 12.9% | $ 98,580.75 | 10.5% |
| | | 20,000 | 0 | 12,410,000 | $1,247,533.67 | $ 160,441.00 | 12.9% | $ 131,441.00 | 10.5% |
| | | 1,000 | 200 | 620,500 | $ 63,105.22 | $ 8,059.70 | 12.8% | $ 6,609.70 | 10.5% |
| | | 5,000 | 500 | 3,102,500 | $ 313,175.10 | $ 40,204.38 | 12.8% | $ 32,954.38 | 10.5% |
| | | 10,000 | 500 | 6,205,000 | $ 624,977.03 | $ 80,314.63 | 12.9% | $ 65,814.63 | 10.5% |
| | | 15,000 | 750 | 9,307,500 | $ 937,302.58 | $ 120,471.95 | 12.9% | $ 98,721.95 | 10.5% |
| | | 20,000 | 1,000 | 12,410,000 | $1,249,628.12 | $ 160,629.27 | 12.9% | $ 131,629.27 | 10.5% |

| Current Tariff | Proposed Tariff | Billing Demand Peak | Billing Demand O P Exc | Metered Energy | Current Bill | Bill Increase | % Change | Bill Increase | % Change |
|---|---|---|---|---|---|---|---|---|---|
| **IGS-SUB** | **IGS-SUB** | 1,000 | 0 | 474,500 | $ 46,495.91 | $ 6,637.20 | 14.3% | $ 5,187.20 | 11.2% |
| Load Factor | 65% | 5,000 | 0 | 2,372,500 | $ 228,737.77 | $ 33,185.99 | 14.5% | $ 25,935.99 | 11.3% |
| | | 10,000 | 0 | 4,745,000 | $ 456,540.11 | $ 66,371.98 | 14.5% | $ 51,871.98 | 11.4% |
| | | 15,000 | 0 | 7,117,500 | $ 684,342.43 | $ 99,557.97 | 14.5% | $ 77,807.97 | 11.4% |
| | | 20,000 | 0 | 9,490,000 | $ 912,144.76 | $ 132,743.96 | 14.6% | $ 103,743.96 | 11.4% |
| | | 1,000 | 200 | 474,500 | $ 46,907.74 | $ 6,677.20 | 14.2% | $ 5,227.20 | 11.1% |
| | | 5,000 | 500 | 2,372,500 | $ 229,767.35 | $ 33,286.01 | 14.5% | $ 26,036.01 | 11.3% |
| | | 10,000 | 750 | 4,745,000 | $ 458,084.47 | $ 66,522.00 | 14.5% | $ 52,022.00 | 11.4% |
| | | 15,000 | 1,000 | 7,117,500 | $ 686,401.59 | $ 99,758.00 | 14.5% | $ 78,008.00 | 11.4% |
| | | 20,000 | 1,000 | 9,490,000 | $ 914,203.92 | $ 132,943.99 | 14.5% | $ 103,943.99 | 11.4% |
| **IGS-SUB** | **IGS-SUB** | 1,000 | 0 | 620,500 | $ 54,062.80 | $ 6,565.05 | 12.1% | $ 5,115.05 | 9.5% |
| Load Factor | 85% | 5,000 | 0 | 3,102,500 | $ 266,572.21 | $ 32,825.23 | 12.3% | $ 25,575.23 | 9.6% |
| | | 10,000 | 0 | 6,205,000 | $ 532,208.98 | $ 65,650.45 | 12.3% | $ 51,150.45 | 9.6% |
| | | 15,000 | 0 | 9,307,500 | $ 797,845.75 | $ 98,475.68 | 12.3% | $ 76,725.68 | 9.6% |
| | | 20,000 | 0 | 12,410,000 | $1,063,482.51 | $ 131,300.90 | 12.3% | $ 102,300.90 | 9.6% |
| | | 1,000 | 200 | 620,500 | $ 54,474.63 | $ 6,605.05 | 12.1% | $ 5,155.05 | 9.5% |
| | | 5,000 | 500 | 3,102,500 | $ 267,601.79 | $ 32,925.24 | 12.3% | $ 25,675.24 | 9.6% |
| | | 10,000 | 750 | 6,205,000 | $ 533,753.35 | $ 65,800.47 | 12.3% | $ 51,300.47 | 9.6% |
| | | 15,000 | 1,000 | 9,307,500 | $ 799,904.90 | $ 98,675.71 | 12.3% | $ 76,925.71 | 9.6% |
| | | 20,000 | 1,000 | 12,410,000 | $1,065,541.67 | $ 131,500.93 | 12.3% | $ 102,500.93 | 9.6% |
| **IGS-TRAN** | **IGS-TRAN** | 5,000 | 0 | 3,102,500 | $ 263,761.26 | $ 32,084.84 | 12.2% | $ 24,834.84 | 9.4% |
| Load Factor | 85% | 10,000 | 0 | 6,205,000 | $ 525,929.33 | $ 64,169.68 | 12.2% | $ 49,669.68 | 9.4% |
| | | 15,000 | 0 | 9,307,500 | $ 788,097.39 | $ 96,254.52 | 12.2% | $ 74,504.52 | 9.5% |
| | | 20,000 | 0 | 12,410,000 | $1,050,265.44 | $ 128,339.37 | 12.2% | $ 99,339.37 | 9.5% |
| | | 5,000 | 500 | 3,102,500 | $ 264,779.07 | $ 32,178.97 | 12.2% | $ 24,928.97 | 9.4% |
| | | 10,000 | 750 | 6,205,000 | $ 527,456.04 | $ 64,310.88 | 12.2% | $ 49,810.88 | 9.4% |
| | | 15,000 | 1,000 | 9,307,500 | $ 790,133.01 | $ 96,442.78 | 12.2% | $ 74,692.78 | 9.5% |
| | | 20,000 | 1,000 | 12,410,000 | $1,052,301.06 | $ 128,527.63 | 12.2% | $ 99,527.63 | 9.5% |

Kentucky Power Company
Settlement Agreement Exhibit 3
Case No. 2025-00257
Settlement Revenue Allocation and Percentage Increase
Page 1 of 1

| | KPCo As-Filed | Settlement | Year 1 | Year 2 |
|---|---|---|---|---|
| Current Class | Estimated Bill Increase | Estimated Bill Increase[1] | Estimated Total Bill Increase Including DTL Rider | Estimated Total Bill Increase Including DTL Rider |
| **RS** | 15.0% | 11.9% | 7.0% | 9.1% |
| **GS** | 13.8% | 11.9% | 8.8% | 9.9% |
| **LGS** | 13.9% | 11.9% | 8.8% | 9.9% |
| **IGS** | 14.9% | 11.9% | 8.8% | 9.9% |
| **MW** | 13.5% | 11.9% | 8.8% | 9.9% |
| **OL** | 12.0% | 11.9% | 8.8% | 9.9% |
| **SL** | 11.8% | 11.9% | 8.8% | 9.9% |
| **Total** | **14.6%** | **11.9%** | **8.0%** | **9.6%** |

1. Includes Base Rates and Generation Rider

Kentucky Power Company
Settlement Agreement Exhibit 4
Case No. 2025-00257
Cost of Capital
Page 1 of 1

KENTUCKY POWER COMPANY
COST OF CAPITAL
TEST YEAR ENDED MAY 31, 2025

| Line No. | Description | Reapportioned Kentucky Jurisdictional Capital | Percentage of Total | Annual Cost Percentage Rate | Weighted Average Cost Percent | Gross-up | Pre-Tax Weighted Average Cost Percent |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) = (4) X (5) | (7) | (8) = (6) X (7) |
| 1 | Long Term Debt | $990,515,425 | 53.87% | 5.49% | 2.96% | 1.0044 | 2.97% |
| 2 | Short Term Debt | 0 | 0.00% | 5.50% | 0.00% | 1.0044 | 0.00% |
| 4 | Common Equity | 848,272,359 | 46.13% | **9.80%** | 4.52% | 1.3385 | 6.05% |
| 5 | Total | $1,838,787,784 | 100.00% | | **7.48%** | | **9.02%** |

# Tariff G.R.
# (Generation Rider)

**Applicable**
To Tariffs R.S., R.S.D., R.S.-L.M.-T.O.D., R.S.-T.O.D., Experimental R.S.-T.O.D.2, G.S., S.G.S.-T.O.D., M.G.S.-T.O.D., L.G.S., L.G.S.-T.O.D., I.G.S., C.S. – I.R.P., M.W., O.L. and S.L.

**Rate**
The annual Generation Rider factors will be computed using the following formula:

Annual Revenue Requirement (ARR) = (RBML+RBBS+CWIP)(ROR)+DE+OU

Where:

RBML = Non-Environmental Rate Base for Mitchell represented by the sum of plant in service less accumulated depreciation;

RBBS = Non-Environmental Rate Base for capital investments made after May 31, 2025 for Big Sandy represented by the sum of plant in service less accumulated depreciation;

CWIP = Construction Work in Progress for Non-Environmental Mitchell and Big Sandy Projects not included within the Company's base rates;

ROR = Rate of Return on Non-Environmental Mitchell and Big Sandy Rate Base and Construction Work in Progress;

DE = Depreciation Expense;

OU = Cumulative difference between revenues received and actual costs for the reporting period, representing the (over) or under recovery, including those costs incurred beginning June 1, 2025.

**Rates**

| Tariff Class | $/kWh | $/kW |
|---|---|---|
| R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., and R.S.-T.O.D. 2, R.S.D. | $0.00478 | -- |
| S.G.S.-T.O.D. | $0.00374 | -- |
| M.G.S.-T.O.D. | $0.00374 | -- |
| G.S. | $0.00374 | -- |
| L.G.S., L.G.S.-T.O.D. | -- | $1.06 |
| L.G.S.-L.M.-T.O.D. | $0.00324 | -- |
| I.G.S. and C.S.-I.R.P. | -- | $1.50 |
| M.W. | $0.00246 | -- |
| O.L. | $0.00077 | -- |
| S.L. | $0.00077 | -- |

*Continued on Sheet 32-2*

DATE OF ISSUE: XXXX XX, XXXX
DATE EFFECTIVE: Services Rendered On And After March 1, 2026
ISSUED BY: /s/ Tanner S. Wolffram
TITLE: Director, Regulatory Services
By Authority of an Order of the Public Service Commission
In Case No.: 2025-00257 Dated XXXX XX, XXXX

# Tariff G.R. Continued
# (Generation Rider)

Rates Continued

The kWh factor as calculated above will be applied to all billing kilowatt-hours for those tariff classes listed above. The kW factor as calculated above will be applied to all on-peak and minimum billing demand kW for the LGS, LGS-T.O.D, IGS, and CS-I.R.P. tariff classes.

The Generation Rider factors shall be modified annually using the following formula:

For all tariff classes without demand billing:

$$\text{kWh Factor} = \frac{GR(E) \times (BE_{Class} / BE_{Total}) + GR(D) \times (CP_{Class} / CP_{Total})}{BE_{Class}}$$

$$\text{kW Factor} = 0$$

For all tariff classes with demand billing:

$$\text{kWh Factor} = \frac{GR(E) \times (BE_{Class} / BE_{Total})}{BE_{Class}}$$

$$\text{kW Factor} = \frac{GR(D) \times (CP_{Class} / CP_{Total})}{BD_{Class}}$$

Where:

1. "GR(D)" is the actual annual retail GR demand-related costs.
2. "GR(E) is the actual annual retail GR energy-related costs.
3. "$BE_{Class}$" is the forecasted annual retail jurisdictional billing kWh for each tariff class for the current year.
4. "$BD_{Class}$" is the forecasted annual retail jurisdictional billing kW for each applicable tariff class for the current year.
5. "$CP_{Class}$" is the coincident peak demand for each tariff class estimated as follows:

*Continued on Sheet 32-3*

# Tariff G.R. Continued
# (Generation Rider)

| Tariff Class | $BE_{Class}$ | CP/kWh Ratio | $CP_{Class}$ |
|---|---|---|---|
| R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., and R.S.-T.O.D. 2, R.S.D. | | 0.022274% | |
| S.G.S.-T.O.D. | | 0.017461% | |
| M.G.S.-T.O.D. | | 0.017461% | |
| G.S. | | 0.017461% | |
| L.G.S., L.G.S.-T.O.D. | | 0.015157% | |
| L.G.S.-L.M.-T.O.D. | | 0.015157% | |
| I.G.S. and C.S.-I.R.P. | | 0.011787% | |
| M.W. | | 0.011468% | |
| O.L. | | 0.003614% | |
| S.L. | | 0.003595% | |

6. "$BE_{Total}$" is the sum of the BE Class for all tariff classes.

7. "$CP_{Total}$" is the sum of the CP Class for all tariff classes.

8. The factors as computed above are calculated to allow the recovery of Uncollectible Accounts Expense of 0.28% and the KPSC Maintenance Fee of 0.1595% and other similar revenue based taxes or assessments occasioned by the Generation Rider revenues.

9. The annual GR factors shall be filed with the Commission by February 15 of each year based on prior calendar year, with rates to begin with the April billing period, along with all necessary supporting data to justify the amount of the adjustments, which shall include data and information as may be required by the Commission.

10. Copies of all documents required to be filed with the Commission shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS 61.870 to 61.884.

# Deferred Tax Liability Rider
# (D.T.L. Rider)

**Applicable**
To Tariffs R.S., R.S.D., R.S.-L.M.-T.O.D., R.S.-T.O.D., Experimental R.S.-T.O.D.2, G.S., S.G.S.-T.O.D., M.G.S.-T.O.D., L.G.S., L.G.S.-T.O.D., I.G.S., C.S. – I.R.P., M.W., O.L. and S.L.

**Rate**

1. Pursuant to the final order of the Kentucky Public Service Commission in Case No. 2025-00257, Kentucky Power is to credit retail ratepayers the deferred income tax expense incurred as a result of unprotected income tax timing differences to support transition to new base rates. Accordingly, the credit is to be provided over the 24 months following implementation of new base rates on the following schedule:

| First 12 Months<br>March 1, 2026 through February 28, 2027 | Second 12 months<br>March 1, 2027 through February 28, 2028 |
|---|---|
| $25 million<br>($20 million to all classes<br>with an additional $5 million to Residential) | $15 million<br>($12.5 million to all classes<br>with an additional $2.5 million to Residential) |

2. Allocation of the credit between each class shall be based upon their respective contribution to total retail revenues except for the additional $5 and $2.5 million which is to be explicitly allocated to the Residential class in the first and second 12 months respectively.

3. To accomplish the credits set forth in paragraphs 1 and 2, the Company will credit operating deferred income tax expense and will debit a new regulatory asset ("DTL Regulatory Asset") in the amount necessary to provide the $25 million and $15 million, respectively. The credit to operating deferred income tax expense will be incorporated into the annual revenue requirement ("DTL $RA^{defer}$").

4. The DTL Regulatory Asset is to earn a return at the Company's authorized after-tax weighted average cost of capital until collected or incorporated into future base rates as an offset to base rate deferred tax liabilities ("ROR").

5. Beginning March 1, 2028, the Company will amortize the DTL Regulatory Asset over the life of the underlying plant for which the DTL was established and recover the amortization expense through the D.T.L. Rider ("DTL $RA^{amort}$").

6. The annual revenue requirement shall include a gross-up for revenue-related taxes based on the most recently authorized base rate gross revenue conversion factor ("GRCF").

7. The annual revenue requirement shall be subject to true-up ("TU").

8. The D.T.L. Rider annual revenue requirement will be computed using the following formula:

$$(-\text{DTL } RA^{defer} + \text{ROR} + \text{DTL } RA^{amort} + \text{TU}) \times \text{GRCF}$$

9. The D.T.L. Rider annual revenue requirement will be allocated to each class on a levelized basis.

*Continued on Sheet XX-2*

DATE OF ISSUE: XXXX XX, XXXX
DATE EFFECTIVE: Services Rendered On And After March 1, 2026
ISSUED BY: /s/ Tanner S. Wolffram
TITLE: Director, Regulatory Services
By Authority of an Order of the Public Service Commission
In Case No.: 2025-00257 Dated XXXX XX, XXXX

# Deferred Tax Liability Rider Continued
# (D.T.L. Rider)

10. The applicable rates for service rendered on and after March 1, 2026 are:

| Tariff Class | \$/kWh | \$/kW |
|---|---|---|
| R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., and R.S.-T.O.D. 2, R.S.D. | \$(0.00729) | -- |
| S.G.S.-T.O.D. | \$(0.00524) | -- |
| M.G.S.-T.O.D. | \$(0.00524) | -- |
| G.S. | \$(0.00524) | -- |
| L.G.S., L.G.S.-T.O.D. | -- | \$(1.43) |
| L.G.S.-L.M.-T.O.D. | \$(0.00440) | -- |
| I.G.S. and C.S.-I.R.P. | -- | \$(1.45) |
| M.W. | \$(0.00406) | -- |
| O.L. | \$(0.00925) | -- |
| S.L. | \$(0.00744) | -- |

The kWh factor as calculated above will be applied to all billing kilowatt-hours for those tariff classes listed above. The kW factor as calculated above will be applied to all on-peak and minimum billing demand kW.

For all tariff classes utilizing a per kWh factor the calculation shall be:

$$\text{kWh Factor} = \frac{\text{Allocated Amount}}{\text{Class's 12 Month Billed kWh}}$$

For all tariff classes utilizing a demand factor the calculation shall be:

$$\text{kW Factor} = \frac{\text{Allocated Amount}}{\text{Class's 12 Month Billed kW}}$$

11. The D.T.L. Rider factors shall be filed annually with the Commission by February 1 of each year before scheduled to go into effect March 1. The D.T.L. Rider shall continue to be filed, and result in either a charge or credit, until a subsequent base rate case proceeding where the DTL Regulatory Asset can be incorporated.

All necessary supporting data to justify the amount of the adjustments, which shall include data and information as may be required by the Commission.

Copies of all documents required to be filed with the Commission shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS 61.870 to 61.884.

# Tariff G.R.
# (Generation Rider)

**Applicable**
To Tariffs R.S., R.S.D., R.S.-L.M.-T.O.D., R.S.-T.O.D., Experimental R.S.-T.O.D.2, G.S., S.G.S.-T.O.D., M.G.S.-T.O.D., L.G.S., L.G.S.-T.O.D., I.G.S., C.S. – I.R.P., M.W., O.L. and S.L.

**Rate**
The annual Generation Rider factors will be computed using the following formula:

Annual Revenue Requirement (ARR) = (RBML+RBBS+CWIP)(ROR)+DE+OU

Where:

RBML = Non-Environmental Rate Base for Mitchell represented by the sum of plant in service less accumulated depreciation;

RBBS = Non-Environmental Rate Base for capital investments made after May 31, 2025 for Big Sandy represented by the sum of plant in service less accumulated depreciation;

CWIP = Construction Work in Progress for Non-Environmental Mitchell and Big Sandy Projects not included within the Company’s base rates;

ROR = Rate of Return on Non-Environmental Mitchell and Big Sandy Rate Base and Construction Work in Progress;

DE = Depreciation Expense;

OU = Cumulative difference between revenues received and actual costs for the reporting period, representing the (over) or under recovery, including those costs incurred beginning June 1, 2025.

**Rates**

| Tariff Class | $/kWh | $/kW |
|---|---|---|
| R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., and R.S.-T.O.D. 2, R.S.D. | $0.00478 | -- |
| S.G.S.-T.O.D. | $0.00374 | -- |
| M.G.S.-T.O.D. | $0.00374 | -- |
| G.S. | $0.00374 | -- |
| L.G.S., L.G.S.-T.O.D. | -- | $1.06 |
| L.G.S.-L.M.-T.O.D. | $0.00324 | -- |
| I.G.S. and C.S.-I.R.P. | -- | $1.50 |
| M.W. | $0.00246 | -- |
| O.L. | $0.00077 | -- |
| S.L. | $0.00077 | -- |

*Continued on Sheet 32-2*

DATE OF ISSUE: XXXX XX, XXXX
DATE EFFECTIVE: Services Rendered On And After March 1, 2026
ISSUED BY: /s/ Tanner S. Wolffram
TITLE: Director, Regulatory Services
By Authority of an Order of the Public Service Commission
In Case No.: 2025-00257 Dated XXXX XX, XXXX

# Tariff G.R. Continued
# (Generation Rider)

Rates Continued

The kWh factor as calculated above will be applied to all billing kilowatt-hours for those tariff classes listed above. The kW factor as calculated above will be applied to all on-peak and minimum billing demand kW for the LGS, LGS-T.O.D, IGS, and CS-I.R.P. tariff classes.

The Generation Rider factors shall be modified annually using the following formula:

For all tariff classes without demand billing:

$$\text{kWh Factor} = \frac{GR(E) \times (BE_{Class} / BE_{Total}) + GR(D) \times (CP_{Class} / CP_{Total})}{BE_{Class}}$$

$$\text{kW Factor} = 0$$

For all tariff classes with demand billing:

$$\text{kWh Factor} = \frac{GR(E) \times (BE_{Class} / BE_{Total})}{BE_{Class}}$$

$$\text{kW Factor} = \frac{GR(D) \times (CP_{Class} / CP_{Total})}{BD_{Class}}$$

Where:

1. "GR(D)" is the actual annual retail GR demand-related costs.
2. "GR(E) is the actual annual retail GR energy-related costs.
3. "$BE_{Class}$" is the forecasted annual retail jurisdictional billing kWh for each tariff class for the current year.
4. "$BD_{Class}$" is the forecasted annual retail jurisdictional billing kW for each applicable tariff class for the current year.
5. "$CP_{Class}$" is the coincident peak demand for each tariff class estimated as follows:

*Continued on Sheet 32-3*

# Tariff G.R. Continued
# (Generation Rider)

| Tariff Class | $BE_{Class}$ | CP/kWh Ratio | $CP_{Class}$ |
|---|---|---|---|
| R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., and R.S.-T.O.D. 2, R.S.D. | | 0.022274% | |
| S.G.S.-T.O.D. | | 0.017461% | |
| M.G.S.-T.O.D. | | 0.017461% | |
| G.S. | | 0.017461% | |
| L.G.S., L.G.S.-T.O.D. | | 0.015157% | |
| L.G.S.-L.M.-T.O.D. | | 0.015157% | |
| I.G.S. and C.S.-I.R.P. | | 0.011787% | |
| M.W. | | 0.011468% | |
| O.L. | | 0.003614% | |
| S.L. | | 0.003595% | |

6. "$BE_{Total}$" is the sum of the BE Class for all tariff classes.

7. "$CP_{Total}$" is the sum of the CP Class for all tariff classes.

8. The factors as computed above are calculated to allow the recovery of Uncollectible Accounts Expense of 0.28% and the KPSC Maintenance Fee of 0.1595% and other similar revenue based taxes or assessments occasioned by the Generation Rider revenues.

9. The annual GR factors shall be filed with the Commission by February 15 of each year based on prior calendar year, with rates to begin with the April billing period, along with all necessary supporting data to justify the amount of the adjustments, which shall include data and information as may be required by the Commission.

10. Copies of all documents required to be filed with the Commission shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS 61.870 to 61.884.

DATE OF ISSUE: XXXX XX, XXXX
DATE EFFECTIVE: Services Rendered On And After March 1, 2026
ISSUED BY: /s/ Tanner S. Wolffram
TITLE: Director, Regulatory Services
By Authority of an Order of the Public Service Commission
In Case No.: 2025-00257 Dated XXXX XX, XXXX

# Deferred Tax Liability Rider
# (D.T.L. Rider)

**Applicable**
To Tariffs R.S., R.S.D., R.S.-L.M.-T.O.D., R.S.-T.O.D., Experimental R.S.-T.O.D.2, G.S., S.G.S.-T.O.D., M.G.S.-T.O.D., L.G.S., L.G.S.-T.O.D., I.G.S., C.S. – I.R.P., M.W., O.L. and S.L.

**Rate**

1. Pursuant to the final order of the Kentucky Public Service Commission in Case No. 2025-00257, Kentucky Power is to credit retail ratepayers the deferred income tax expense incurred as a result of unprotected income tax timing differences to support transition to new base rates. Accordingly, the credit is to be provided over the 24 months following implementation of new base rates on the following schedule:

| First 12 Months<br>March 1, 2026 through February 28, 2027 | Second 12 months<br>March 1, 2027 through February 28, 2028 |
|---|---|
| $25 million<br>($20 million to all classes<br>with an additional $5 million to Residential) | $15 million<br>($12.5 million to all classes<br>with an additional $2.5 million to Residential) |

2. Allocation of the credit between each class shall be based upon their respective contribution to total retail revenues except for the additional $5 and $2.5 million which is to be explicitly allocated to the Residential class in the first and second 12 months respectively.

3. To accomplish the credits set forth in paragraphs 1 and 2, the Company will credit operating deferred income tax expense and will debit a new regulatory asset ("DTL Regulatory Asset") in the amount necessary to provide the $25 million and $15 million, respectively. The credit to operating deferred income tax expense will be incorporated into the annual revenue requirement ("DTL $RA^{defer}$").

4. The DTL Regulatory Asset is to earn a return at the Company's authorized after-tax weighted average cost of capital until collected or incorporated into future base rates as an offset to base rate deferred tax liabilities ("ROR").

5. Beginning March 1, 2028, the Company will amortize the DTL Regulatory Asset over the life of the underlying plant for which the DTL was established and recover the amortization expense through the D.T.L. Rider ("DTL $RA^{amort}$").

6. The annual revenue requirement shall include a gross-up for revenue-related taxes based on the most recently authorized base rate gross revenue conversion factor ("GRCF").

7. The annual revenue requirement shall be subject to true-up ("TU").

8. The D.T.L. Rider annual revenue requirement will be computed using the following formula:

$$(-\text{DTL RA}^{defer} + \text{ROR} + \text{DTL RA}^{amort} + \text{TU}) \times \text{GRCF}$$

9. The D.T.L. Rider annual revenue requirement will be allocated to each class on a levelized basis.

*Continued on Sheet XX-2*

DATE OF ISSUE: XXXX XX, XXXX
DATE EFFECTIVE: Services Rendered On And After March 1, 2026
ISSUED BY: /s/ Tanner S. Wolffram
TITLE: Director, Regulatory Services
By Authority of an Order of the Public Service Commission
In Case No.: 2025-00257 Dated XXXX XX, XXXX

# Deferred Tax Liability Rider Continued
# (D.T.L. Rider)

10. The applicable rates for service rendered on and after March 1, 2026 are:

| Tariff Class | $/kWh | $/kW |
|---|---|---|
| R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., and R.S.-T.O.D. 2, R.S.D. | $(0.00729) | -- |
| S.G.S.-T.O.D. | $(0.00524) | -- |
| M.G.S.-T.O.D. | $(0.00524) | -- |
| G.S. | $(0.00524) | -- |
| L.G.S., L.G.S.-T.O.D. | -- | $(1.43) |
| L.G.S.-L.M.-T.O.D. | $(0.00440) | -- |
| I.G.S. and C.S.-I.R.P. | -- | $(1.45) |
| M.W. | $(0.00406) | -- |
| O.L. | $(0.00925) | -- |
| S.L. | $(0.00744) | -- |

The kWh factor as calculated above will be applied to all billing kilowatt-hours for those tariff classes listed above. The kW factor as calculated above will be applied to all on-peak and minimum billing demand kW.

For all tariff classes utilizing a per kWh factor the calculation shall be:

$$\text{kWh Factor} = \frac{\text{Allocated Amount}}{\text{Class's 12 Month Billed kWh}}$$

For all tariff classes utilizing a demand factor the calculation shall be:

$$\text{kW Factor} = \frac{\text{Allocated Amount}}{\text{Class's 12 Month Billed kW}}$$

11. The D.T.L. Rider factors shall be filed annually with the Commission by February 1 of each year before scheduled to go into effect March 1. The D.T.L. Rider shall continue to be filed, and result in either a charge or credit, until a subsequent base rate case proceeding where the DTL Regulatory Asset can be incorporated.

All necessary supporting data to justify the amount of the adjustments, which shall include data and information as may be required by the Commission.

Copies of all documents required to be filed with the Commission shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS 61.870 to 61.884.

## VERIFICATION

The undersigned, Tanner S. Wolffram, being duly sworn, deposes and says he is the Directory of Regulatory Services for Kentucky Power Company, that he has personal knowledge of the matters set forth in the foregoing testimony and the information contained therein is true and correct to the best of his information, knowledge, and belief after reasonable inquiry.

Tanner S. Wolffram

Commonwealth of Kentucky )
) Case No. 2025-00257
County of Boyd )

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Tanner S. Wolffram, on January 9, 2026.

Marilyn Michelle Caldwell
Notary Public

MARILYN MIC... CALDWELL
Notary ...
Commonwealth of Kentucky
Commission Number KYNP71841
My Commission Expires May 5, 2027

My Commission Expires May 5, 2027

Notary ID Number KYNP71841