

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

In the Matter of:

| | | |
|------------------------------------|---|---------------------|
| AN ELECTRONIC EXAMINATION OF THE |) | |
| APPLICATION OF THE FUEL ADJUSTMENT |) | |
| CLAUSE OF KENTUCKY POWER COMPANY |) | Case No. 2025-00338 |
| FROM NOVEMBER 1, 2022 THROUGH |) | |
| OCTOBER 31, 2024 |) | |

JOINT MOTION TO APPROVE SETTLEMENT AGREEMENT

Kentucky Power Company (“Kentucky Power” or “Company”), the Attorney General of the Commonwealth of Kentucky (“Attorney General”), and Kentucky Industrial Utility Customers, Inc. (“KIUC”) (collectively, “Parties”) jointly move the Public Service Commission of Kentucky (“Commission”) to approve the May 28, 2026 Settlement Agreement (“Settlement Agreement”) among the Parties attached as **EXHIBIT 1**.

The Commission initiated this proceeding on December 19, 2025 to examine Kentucky Power’s application of its Fuel Adjustment Clause (“FAC”) for the period November 1, 2022 through October 31, 2024. The Attorney General and KIUC timely intervened in the proceeding and have participated jointly in its litigation.

The Parties also participated in the Company’s prior two-year FAC review in Case No. 2023-00008. In that proceeding, the Parties entered into a Settlement Agreement dated November 13, 2024 (“2023-00008 Settlement Agreement”). The Commission approved the 2023-00008 Settlement Agreement by Order dated December 13, 2024. The Parties filed an amended 2023-00008 Settlement Agreement on December 12, 2025 (“Amended 2023-00008 Settlement Agreement” together with the 2023-00008 Settlement Agreement, the “2023-00008 Settlement Agreements”), and the Commission approved that agreement by Order dated December 22, 2025.

The parties to this proceeding have had a full opportunity to and have engaged in substantial discovery, including the filing of written data requests and responses. The Parties also engaged in settlement negotiations in an effort to resolve the contested issues in this proceeding consistent with the Commission-approved 2023-00008 Settlement Agreements. Those efforts produced this Settlement Agreement.

The Parties submit that the Settlement Agreement is a fair and reasonable resolution of all issues in this proceeding that will provide significant customer benefits consistent with the Commission-approved 2023-00008 Settlement Agreements.

DISCUSSION

A. Settlement Agreement Terms

The Commission-approved 2023-00008 Settlement Agreements provided a revision to how Kentucky Power performed its Peaking Unit Equivalent (“PUE”) calculation, and in conjunction with that change, provided for credits to be paid to customers in the first four months of 2025 and the first four months of 2026. Section 2.d of both the 2023-00008 Settlement Agreements provides that:

The Attorney General and KIUC will move to intervene in the 2-year review proceeding concerning the 2022-2024 FAC Review Period. In that proceeding, KIUC will support this Settlement Agreement as the reasonable resolution of all issues and will not advocate for adjustments to Kentucky Power’s FAC rates during the 2022-2024 Review Period.

Section 3.b.iii of the Commission-approved 2023-00008 Settlement Agreements also includes the following provision:

In the event that the transitional monthly credits described above in subparts i. and ii. are issued, and the Commission issues a final order that does not approve without modification the settlement agreement to be filed in the 2-year review proceeding concerning the 2022-2024 FAC Review Period, described in Paragraph 2.d above, then Kentucky Power shall recoup from customers the transitional monthly credits in accordance with the Commission’s order.

The Settlement Agreement resolves the key issues in this proceeding. Kentucky Power and KIUC agree that the Commission should issue a final Order in this proceeding that finds that (i) Kentucky Power’s proposed base fuel rate is reasonable and approved; (ii) Kentucky Power’s charges and credits billed through the FAC during the review period at issue are reasonable and approved; (iii) Kentucky Power’s fuel procurement practices during the review period at issue were reasonable and prudent; and (iv) Kentucky Power operated its generating units prudently during the review period.¹ The Attorney General agrees that the Commission should issue a final Order in this proceeding approving this Settlement Agreement.²

B. The Settlement Agreement Is A Reasonable Resolution Of All Pending Issues In This Case, Results In Fair, Just, And Reasonable Rates, And Should Be Approved Without Modification.

The Parties present this Settlement Agreement to the Commission as a full and fair resolution of all issues pending in this proceeding. The Settlement Agreement is reasonable and in the public interest and should be approved without modification. The unanimous Settlement Agreement will resolve all outstanding issues in this proceeding and adheres to the Commission-approved 2023-00008 Settlement Agreements. Approval of the Settlement Agreement without modification would, consistent with Section 3.b.iii of the Commission-approved 2023-00008 Settlement Agreements, allow the credits paid in the first four months of 2026 to remain and not be recouped by the Company.

The Settlement Agreement represents a reasonable resolution to several important and contentious issues that have consumed significant amounts of the Parties’ and the Commission’s time and resources. Continued litigation would require the Parties and the Commission to expend additional resources.

¹ Settlement Agreement at 1.a.

² *Id.* at 1.b.

CONCLUSION

For the reasons above, Kentucky Power, the Attorney General, and KIUC respectfully request the Commission approve the Settlement Agreement in its entirety and without modification.

Respectfully submitted,



Kenneth J. Gish, Jr.
Harlee P. Havens
STITES & HARBISON PLLC
250 West Main Street, Suite 2300
Lexington, Kentucky 40507-1758
Telephone: (859) 226-2300
Fax: (859) 253-9144
kgish@stites.com
hhavens@stites.com

COUNSEL FOR KENTUCKY POWER
COMPANY

RUSSELL COLEMAN
ATTORNEY GENERAL

/s/

J. Michael West
Lawrence W. Cook
Angela M. Goad
John G. Horne II
Assistant Attorneys General
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204
PH: (502) 696-5433
FAX:(502) 564-2698
michael.west@ky.gov
larry.cook@ky.gov
angela.goad@ky.gov
john.horne@ky.gov

/s/

Michael L. Kurtz, Esq.
Jody Kyler Cohn, Esq.
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
PH: 513.421.2255
FAX: 513.421.2764
mkurtz@bklawfirm.com
jkylercohn@bklawfirm.com

COUNSEL FOR KENTUCKY INDUSTRIAL
UTILITY CUSTOMERS, INC.

EXHIBIT 1

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

In the Matter of:

| | | |
|------------------------------------|---|---------------------|
| AN ELECTRONIC EXAMINATION OF THE |) | |
| APPLICATION OF THE FUEL ADJUSTMENT |) | |
| CLAUSE OF KENTUCKY POWER COMPANY |) | Case No. 2025-00338 |
| FROM NOVEMBER 1, 2022 THROUGH |) | |
| OCTOBER 31, 2024 |) | |

SETTLEMENT AGREEMENT

This Settlement Agreement is entered this 28th day of May, 2026, by and between Kentucky Power Company (“Kentucky Power” or “Company”); the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (“Attorney General”); and Kentucky Industrial Utility Customers, Inc. (“KIUC”). Kentucky Power, the Attorney General, and KIUC are collectively, the “Signatory Parties.”

RECITALS

1. On December 19, 2025 the Public Service Commission of Kentucky (“Commission”) initiated this proceeding to examine Kentucky Power’s application of its Fuel Adjustment Clause (“FAC”) from November 1, 2022, through October 31, 2024.
2. The Commission has granted the Attorney General and KIUC intervention in this proceeding. The Attorney General and KIUC are referred to herein collectively as “AG-KIUC.”
3. The Signatory Parties also participated in the Company’s prior two-year FAC review in Case No. 2023-00008. In that proceeding, the Signatory Parties entered into a Settlement Agreement dated November 13, 2024 (“2023-00008 Settlement Agreement”). The Commission approved the 2023-00008 Settlement Agreement by Order dated December 13, 2024. The Parties filed an amended 2023-00008 Settlement Agreement on December 12, 2025 (“Amended 2023-

00008 Settlement Agreement”), and the Commission approved that agreement by Order dated December 22, 2025.

4. Section 2.d of both the 2023-00008 Settlement Agreement and the Amended 2023-00008 Settlement Agreement provides that:

The Attorney General and KIUC will move to intervene in the 2-year review proceeding concerning the 2022-2024 FAC Review Period. In that proceeding, KIUC will support this Settlement Agreement as the reasonable resolution of all issues and will not advocate for adjustments to Kentucky Power’s FAC rates during the 2022-2024 Review Period.

5. The parties to this proceeding have had a full opportunity to and have engaged in substantial discovery, including the filing of written data requests and responses.

6. 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 a fair, just, and reasonable resolution of all issues in this proceeding.

7. Adoption of this Settlement Agreement in its entirety will lessen the need for the Commission and the Signatory Parties to expend significant resources 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. Resolution of Contested Issues.

a. Kentucky Power and KIUC agree that the Commission should issue a final

Order in this proceeding that finds that:

- i. Kentucky Power's proposed base fuel rate is reasonable and approved;
- ii. Kentucky Power's charges and credits billed through the FAC during the review period at issue are reasonable and approved;
- iii. Kentucky Power's fuel procurement practices during the review period at issue were reasonable and prudent; and
- iv. Kentucky Power operated its generating units prudently during the review period.

b. The Attorney General agrees that the Commission should issue a final Order in this proceeding approving this Settlement Agreement.

2. Filing of Settlement Agreement.

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 approval of this Settlement Agreement in its entirety without modification.

3. Good Faith and Best Efforts to Seek Approval.

a. 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.

b. The Signatory Parties also agree to support the reasonableness and enforceability of this Settlement Agreement before the Commission, and to cause their counsel to do the same, including in connection with any appeal from the Commission's adoption or enforcement of either settlement agreement.

c. No party to this Settlement Agreement shall challenge any order of the Commission approving the Settlement Agreement in its entirety and without modification.

4. Failure of Commission to Approve Settlement Agreement.

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 Signatory 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.

5. Continuing Commission Jurisdiction.

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

6. Effect of Settlement Agreement.

This Settlement Agreement shall inure to the benefit of, and be binding on, the Signatory Parties, their successors, and assigns.

7. Complete Agreement.

This Settlement Agreement constitutes the complete agreement and understanding among the Signatory Parties. 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.

8. Independent Analysis.

The terms of this Settlement Agreement are based on the independent analysis of the Signatory Parties, 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.

9. 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 this compromise represent fully the objectives of the Signatory Parties.

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, or binding on any of the Signatory Parties, or be 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.

10. 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 on such advice in entering into this agreement.

11. Authority to Bind.

Each of the Signatory Parties hereby warrant they are authorized to sign this agreement on behalf of, and bind, their respective parties.

12. 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. This Settlement Agreement is submitted for purposes of this case only and is not to be considered binding on the Signatory Parties in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving Kentucky Power or any other utility, unless necessary to support the enforceability of the commitments made in this Settlement Agreement.

13. Counterparts.

This Settlement Agreement may be executed in multiple counterparts.

14. Future Rate Proceedings.

Nothing in this Settlement Agreement shall preclude, prevent, or prejudice any party to this Settlement Agreement from making 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 28th day of May, 2026.

[SIGNATURE PAGE TO FOLLOW]

KENTUCKY POWER COMPANY



By: _____

Its: Counsel

ATTORNEY GENERAL OF THE
COMMONWEALTH OF KENTUCKY

By: _____

Its: _____

KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS, INC.

By: _____

Its: _____

KENTUCKY POWER COMPANY

ATTORNEY GENERAL OF THE
COMMONWEALTH OF KENTUCKY

By: _____

By:  _____

Its: _____

Its: Assistant Attorney General

KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS, INC.

By: _____

Its: _____

KENTUCKY POWER COMPANY

ATTORNEY GENERAL OF THE
COMMONWEALTH OF KENTUCKY

By: _____

By: _____

Its: _____

Its: _____

KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS, INC.

By: M.P. Kat

Its: counsel