

**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) An Order	)	
Approving Its 2017 Environmental Compliance	)	
Plan; (3) An Order Approving Its Tariffs And	)	
Riders; (4) An Order Approving Accounting	)	Case No. 2017-00179
Practices To Establish A Regulatory Asset Or	)	
Liability Related To The Big Sandy 1 Operation	)	
Rider; And (5) An Order Granting All Other	)	
Required Approvals And Relief	)	

**KENTUCKY POWER COMPANY’S MOTION  
FOR CONFIDENTIAL TREATMENT AND FOR DEVIATION**

Kentucky Power Company (“Kentucky Power” or “Company”) moves the Public Service Commission of Kentucky pursuant to 807 KAR 5:001, Section 13(2), for an Order granting confidential treatment to the identified portions of the following attachments to its data request responses:

- (1) Attachment 1 to its response to Commission Staff Data Request 1-46 (“KPSC 1-46”);
- (2) Attachments 1 through 8 to its response to Commission Staff Data Request 1-61 (“KPSC 1-61”);
- (3) Attachments 1 and 2 to its response to Commission Staff Data Request 1-67 (“KPSC 1-67”);
- (4) Attachment 1 to its response to Commission Staff Data Request 1-68 (“KPSC 1-68”); and
- (5) Attachment 1 to its response to Commission Staff Data Request 1-71 (“KPSC 1-71”).

Specifically, Kentucky Power seeks confidential treatment of information relating to the non-public, personal compensation information for the Company’s executive officers and other

employees (Attachment 1 to KPSC 1-46, Attachment 7 to KPSC 1-61, Attachment 1 to KPSC 1-67, and Attachment 1 to KPSC 1-68), studies prepared by third-party vendors relating to the market-competitiveness of the Company's compensation packages (Attachments 1 through 4 and 7 through 8 to KPSC 1-61 and Attachments 1 and 2 to KPSC 1-67), third party vendor analyses of the Company's compensation system (Attachments 5 and 6 to KPSC 1-61), and information relating to negotiated rates for insurance premiums (Attachment 1 to KPSC 1-71).

Pursuant to 807 KAR 5:001, Section 13, Kentucky Power is filing under seal those portions of the attachments containing confidential information with the confidential portions highlighted in yellow. Kentucky Power is also filing redacted versions of the affected documents. Kentucky Power will notify the Commission when it determines the information for which confidential treatment is sought is no longer confidential.

Kentucky Power Company further moves the Commission pursuant to 807 KAR 5:001, Section 22 for leave to deviate from the requirement of 807 KAR 5:001, Section 13(2)(a)(3) that it file with the Commission an unredacted copy in paper medium of a document for which it is seeking confidential treatment. Because of the size of the attachment, Kentucky Power seeks leave to file the required copy of Confidential Attachment 8 to KPSC 1-61 in electronic medium in lieu of in paper medium.

## **I. MOTION FOR CONFIDENTIAL TREATMENT**

### **A. The Requests and the Statutory Standard.**

Kentucky Power does not object to filing the identified information for which it is seeking confidential treatment, but requests that the identified portions of the responses be excluded from the public record and public disclosure.

KRS 61.878(1) excludes from the Open Records Act:

(c) (1) Upon and after July 15, 1992, records confidentially disclosed to an agency or required to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records.

...

(k) All public records or information the disclosure of which is prohibited by federal law or regulation;

These exceptions apply to the following information for which Kentucky Power is seeking confidential treatment:

**1. Attachment 1 to KPSC 1-46, Attachment 7 to KPSC 1-61, Attachment 1 to KPSC 1-67, and Attachment 1 to KPSC 1-68.**

Attachment 1 to KPSC 1-46, Attachment 7 to KPSC 1-61, Attachment 1 to KPSC 1-67, and Attachment 1 to KPSC 1-68 include non-public compensation information for Kentucky Power's executive officers. With regard to the public dissemination of compensation information, Kentucky Power's executive officers are separated into two broad categories: (1) those for which compensation information is provided in the annual filings with the Securities and Exchange Commission ("SEC") of the Company's parent, American Electric Power Company, Inc. ("AEP") and (2) those for which compensation information is not publicly disclosed.

(a). Personal Compensation Information Provided in Annual SEC Filings

AEP provides personal compensation information for AEP's Chief Executive Officer, Chief Financial Officer, and the three other AEP executive officers with the highest compensation totals ("Named Executive Officers")<sup>1</sup> as part of its annual filings with the SEC.<sup>2</sup> The compensation information for the Named Executive Officers included in the Attachments

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<sup>1</sup> The individuals who comprise the list of Named Executive Officers can vary from year to year depending on individual compensation levels during the prior calendar year.

<sup>2</sup> 17 C.F.R. 229.402.

for 2017 contains certain assumptions regarding forward-looking earnings-related information and stock-based information, and, accordingly, Kentucky Power is required to maintain the confidentiality of the information under SEC regulations until the information is included in public filing documents. Review of this information on a confidential basis subjects the reviewer to confidentiality and insider information obligations and restrictions under SEC rules.<sup>3</sup>

AEP makes its annual filings with the SEC containing prior calendar year compensation information for the Named Executive Officers in March of each year. The test year compensation information requested in KPSC 1-46 and KPSC 1-68 includes the compensation for the months of January and February 2017. The January and February 2017 personal compensation information for the Named Executive Officers will not be publicly disclosed until AEP makes its calendar year 2017 annual filings with the SEC in March 2018. Accordingly, the Company seeks confidential treatment of the January and February 2017 personal compensation information of the Named Executive Officers until it is published in AEP's annual filings in March 2018.

(b) Personal Compensation Information Not Publicly Filed

With the exception of the compensation information for Named Executive Officers described above, personal compensation for the Company's executive officers and other employees is kept confidential. This confidential employee compensation information, if disclosed, would enable competitors to attempt to recruit key Company and AEP personnel, and would compromise AEP's and the Company's position in negotiating employee compensation terms. This is especially true for high-level management and highly specialized personnel. This information is highly sensitive, even internally within the Company, and is only available on a

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<sup>3</sup> 17 C.F.R. 240.10b-5.

need-to-know basis. Public disclosure of this information is likely to result in increased costs and a loss of negotiating ability for the Company. Disclosure of this information also increases the risk of a higher cost of service resulting from greater employee compensation demands and higher costs to recruit and retain skilled employees and managers.

With the exception of the information relating to Named Executive Officers described above, personal compensation information should remain confidential for five years. After five years, the labor market will have changed sufficiently and there will no longer be any competitive advantage to gain from the information.

**2. Attachments 1 through 4 and 7 through 8 to KPSC 1-67 and Attachments 1 and 2 to KPSC 1-68.**

Kentucky Power seeks confidential treatment for the identified portions of Attachments 1 through 4 and 7 through 8 to KPSC 1-67 and Attachments 1 and 2 to KPSC 1-68 (“Third Party Market Studies”)<sup>4</sup>. The Third Party Market Studies are studies performed and supporting data obtained by third party vendors on the market-competitiveness of the Company’s compensation packages. The information contained in the Third Party Market Studies is highly competitive and confidential, and its disclosure will result in competitive disadvantage by limiting the Company’s ability to recruit and retain employees, set compensation levels, and obtain reliable information in the future about the competitiveness of the Company’s employee compensation levels.

The Third Party Market Studies prepared on behalf of the Company are confidential and proprietary and protected by non-disclosure agreements and/or intellectual property rights agreements between AEP and the vendors preparing the studies. Failure to keep the Third Party

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<sup>4</sup> In addition to the bases set forth in this section, Attachment 7 to KPSC 1-61 and Attachment 1 to KPSC 1-67 include personal compensation information for which confidential treatment is also being sought on the bases described in Section I.A.1 above.

Market Studies confidential could limit the Company's ability to maintain access to these vital studies.

For each employment position within the Company and AEP there is competition for talent and qualified candidates. It is an industry standard among utilities and other businesses of similar scope and magnitude to protect the confidentiality of information such as that at issue in this response. Without this protection, other businesses will obtain information that will provide an unfair advantage in recruiting and retaining skilled and qualified workers, managers, professionals, and executives. The Company asks that this information be afforded confidential treatment for a period of five years, which should provide sufficient time for market conditions to change and the information to become outdated.

**3. Attachments 5 and 6 to KPSC 1-61.**

Attachments 5 and 6 to KPSC 1-61 provide reports summarizing a third party analysis of potential changes to the Company's compensation system. These reports include a detailed discussion of the Company's compensation system including a review of how the Company determines compensation for employee groups. Without the protections afforded by confidential treatment, other businesses will obtain information that will provide an unfair advantage in recruiting and retaining skilled and qualified workers, managers, professionals, and executives.

This information is highly sensitive, even internally within the Company, and is only available on a need-to-know basis. Public disclosure of this information is likely to result in competitive disadvantage through increased costs and a loss of negotiating ability for the Company. Disclosure of this information increases the risk of a higher cost of service resulting from greater employee compensation demands and higher costs to recruit and retain skilled employees and managers.

Attachments 5 and 6 to KPSC 1-61 should be kept confidential until such time as the Company's compensation system is changed. At such time there will no longer be any competitive advantage to be gained from the information.

**4. Attachment 1 to KPSC 1-71.**

Attachment 1 to KPSC 1-71 includes life insurance premium rates negotiated by AEP with the Company's life insurance provider. Public disclosure of these negotiated rates would provide competitors of the Company's life insurance provider with information on how the Company's provider negotiates rates allowing those competitors to undercut the Company's provider in competitive bidding processes. Failure by the Company to maintain these negotiated rates as confidential could create a chilling effect on the willingness of insurance providers to enter into negotiations with the Company over future premium rates. As a result, the Company's costs to obtain life insurance for its employees could be higher than it otherwise could be if the rates were negotiated.

The identified information in Attachment 1 to KPSC 1-71 should be maintained as confidential for seven years. At such time, the Company will have negotiated new life insurance premium rates and the current rates will be outdated.

**B. The Identified Information is Generally Recognized as Confidential and Proprietary and Public Disclosure of it Will Result in an Unfair Commercial Advantage for Kentucky Power's Competitors.**

The identified information required to be disclosed by Kentucky Power in response to KPSC 1-46, KPSC 1-61, KPSC 1-67, KPSC 1-68, and KPSC 1-71 is highly confidential. Dissemination of the information for which confidential treatment is being requested is restricted by Kentucky Power, its parent, AEP, and its affiliates (including American Electric Power Service Corporation ("AEPSC")). In addition, dissemination of the identified information contained in Attachments 1 through 4 and 7 through 8 to KPSC 1-67 and Attachments 1 and 2 to

KPSC 1-68 is restricted by the third-party vendors that compile and produce the information. The Company, AEP, and its affiliates (and third party vendors where applicable) take all reasonable measures to prevent its disclosure to the public as well as persons within the Company and third-party vendors who do not have a need for the information. The information is not disclosed to persons outside Kentucky Power, AEP, or its affiliates. Within those organizations, the information is available only upon a confidential need-to-know basis that does not extend beyond those employees with a legitimate business need to know and act upon the identified information.

C. The Identified Information is Required to be Disclosed to an Agency.

The identified information is by the terms of the Commission's Order required to be disclosed to the Commission. The Commission is a "public agency" as that term is defined in KRS 61.870(1). Any filing should be subject to a confidentiality order and any party requesting such information should be required to enter into an appropriate confidentiality agreement.

## **II. MOTION FOR DEVIATION**

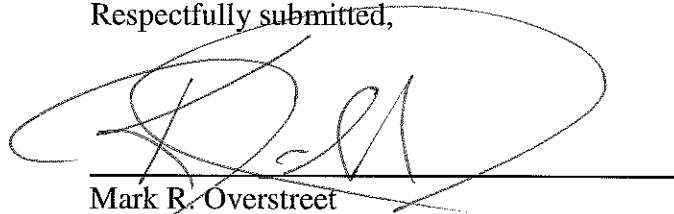
The Company further moves pursuant to 807 KAR 5:001, Section 22 for leave to deviate from the requirement in the 807 KAR 5:001, Section 13(2)(a)(3) that it file with the Commission a copy in paper medium of Attachment 8 to KPSC 1-61. As discussed above, the Company is seeking confidential treatment of Attachment 8 to KPSC 1-61. Attachment 8 to KPSC 1-61 includes the supporting data and analyses utilized by third party vendors to prepare compensation market analysis reports and was provided to the Company only in electronic form. The Company estimates that based on the size of the electronic files included as part of Attachment 8, it would require over 10,000 pages of paper to print out the full attachment. The Company is filing Attachment 8 in an electronic medium.



WHEREFORE, Kentucky Power Company respectfully requests the Commission to enter an Order:

1. According confidential status to and withholding from public inspection the identified information;
2. Granting Kentucky Power leave to deviate from the requirement in 807 KAR 5:001, Section 13(2)(a)(3) that it file a paper copy of Attachment 8 to KPSC 1-61; and
3. Granting Kentucky Power all further relief to which it may be entitled.

Respectfully submitted,



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