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December 4, 2014

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DEC 04 2014
PUBLIC SERVICE
COMMISSION

Via Hand-Delivery

Mr. Jeffrey Derouen
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: In the Matter of: An Application of South Kentucky Rural Electric Cooperative Corporation for a Certificate of Public Convenience and Necessity to Construct a New Headquarters Facility and For Approval to Transfer Ownership of Certain Assets or, in the Alternative, a Determination That Such Approval is Unnecessary
PSC Case No. 2014-00355

Dear Mr. Derouen:

Enclosed please find for filing with the Commission in the above-referenced case an original and ten (10) copies each of South Kentucky Rural Electric Cooperative Corporation's ("SKRECC") Motion for Confidential Treatment and Responses to Data Requests regarding the above-styled matter. Please return file-stamped copies to me.

Also find enclosed for filing the unredacted pages, with certain Confidential Information highlighted, of SKRECC's Responses to Data Requests which are to be filed and kept under seal.

Do not hesitate to contact me if you have any questions.

Very truly yours,

Mark David Goss

Enclosures

M:\Clients\7100 - South Kentucky Rural Electric Coop Corp\1600 - Special Counsel\Correspondence\Ltr. to Jeff Derouen - 141204

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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DEC 04 2014

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

AN APPLICATION OF SOUTH KENTUCKY)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY)
TO CONSTRUCT A NEW HEADQUARTERS)
FACILITY AND FOR APPROVAL TO TRANSFER)
OWNERSHIP OF CERTAIN ASSETS OR, IN)
THE ALTERNATIVE, A DETERMINATION THAT)
SUCH APPROVAL IS UNNECESSARY)

CASE NO. 2014-00355

MOTION FOR CONFIDENTIAL TREATMENT

Comes now South Kentucky Rural Electric Cooperative Corporation (“Applicant” or “SKRECC”), by and through counsel, pursuant to KRS 61.878, 807 KAR 5:001 Section 13, and other applicable law, and for its Motion requesting that the Kentucky Public Service Commission (“Commission”) afford confidential treatment to certain portions of SKRECC’s Response to Commission Staff’s Initial Request for Information propounded November 20, 2014, in the above-referenced proceeding, respectfully states as follows:

1. SKRECC’s Application requests that the Commission issue a Certificate of Public Convenience and Necessity (“CPCN”) for the construction of a new headquarters facility (the “2014 Proposed Headquarters”) on approximately 30.2 acres of real estate located in Somerset, Pulaski County, Kentucky (the “Somerset Houseboats Property”). SKRECC’s Application also requests that the Commission approve Applicant’s transfer of approximately 88 acres of real estate located on Norwood Road in north Somerset, Pulaski County, Kentucky (the “Northern

Property”) or, in the alternative, determine that no such approval is necessary. Finally, SKRECC’s Application requests that Commission award the relief it requests on an expedited basis.

2. On November 20, 2014, Commission Staff propounded its Initial Request for Information upon SKRECC. The specific Requests relevant to this Motion are as follows:

- Request No. 1(a), which instructs SKRECC to provide any appraisals or other documentation that supports the purchase price of the Somerset Houseboats Property;
- Request No. 1(b), which instructs SKRECC to provide any appraisals or other documentation that supports the amount that is represented as SKRECC’s interest in the Northern Property;
- Request No. 1(c), which instructs SKRECC to explain the decision to transfer ownership in the Northern Property as described in SKRECC’s Application rather than to make it available for sale in the local real estate market;
- Request No. 4(a), which instructs SKRECC to provide the estimated market value of its existing headquarters facility located at 925-929 North Main Street, Somerset, Pulaski County, Kentucky (the “Existing Headquarters”), as well as the basis for the estimated market value so provided;
- Request No. 10, which instructs SKRECC to provide a detailed “all-in cost” analysis of the current proposal, including the land and property costs, that substantiate the listed savings of the current proposal as it compares to the prior 2010 property headquarters building;

- Request No. 11, which instructs SKRECC to provide any and all available documentation or analysis supporting the items described in certain portions of the Direct Testimony of Michelle D. Herrman (Exhibit 4 to SKRECC’s Application); and
- Request No. 13, which instructs SKRECC to provide the calculations of the Interest Expense and Depreciation Expense shown in Table 2 of the Direct Testimony of Michelle D. Herrman (Exhibit 4 to SKRECC’s Application).

3. Contemporaneous with the filing of this Motion, SKRECC is tendering information and documentation responsive to Commission Staff’s Initial Request for Information. This information and documentation includes, *inter alia*:

- With respect to Request No. 1(a), SKRECC is providing an appraisal of the Somerset Houseboats Property conducted by Childers Financial Services on or about June 2, 2014 (the “Somerset Houseboats Appraisal”);
- With respect to Request No. 1(b), SKRECC is providing an appraisal of the Northern Property conducted by Childers Financial Services on or about August 28, 2014 (the “Northern Property Appraisal”);
- With respect to Request No. 1(c), SKRECC is providing an explanation of its decision to transfer ownership of the Northern Property rather than make it available for sale in the local real estate market;
- With respect to Request No. 4(a), SKRECC is providing an appraisal of the Existing Headquarters conducted by Mike Humfleet Appraisal Service on or about August 15, 2013 (the “Existing Headquarters Appraisal”);

- With respect to Request Nos. 10 and 11, SKRECC is providing certain commercial real estate terms and other pricing details related to the Somerset Houseboats Property and the Northern Property, as well as detailed, line-item estimations for various construction costs related to the 2014 Proposed Headquarters; and
- With respect to Request No. 13, SKRECC is providing certain value estimations related to the Somerset Houseboats Property, as well the total estimated net cost of the 2014 Proposed Headquarters (and thus certain commercial real estate terms and other pricing details related to the Somerset Houseboats Property and the Northern Property).

4. The Somerset Houseboats Appraisal, Northern Property Appraisal, and Existing Headquarters Appraisal (collectively, the “Confidential Appraisals”) that SKRECC is providing in response to Request Nos. 1(a), 1(b), and 4(a), respectively, contain, *inter alia*, site and improvement descriptions, marketability assumptions, relevant analyses, and the estimated values of the relevant real estate (the “Confidential Appraisal Information”).

5. The Confidential Appraisal Information is proprietary and commercially sensitive information that is not publicly available. Each of the Confidential Appraisals was conducted at SKRECC’s request and expense and is retained by SKRECC on a “need-to-know” basis. If the Confidential Appraisal Information relating to the Existing Headquarters is disclosed, potential purchasers of that property would obtain a tremendous advantage in the course of future negotiations. This market advantage would likely translate into a less competitive sales process for the Existing Headquarters, which, in turn, would likely reduce the sum realized by SKRECC upon the sale of the Existing Headquarters and, by extension, result in detrimentally higher rates

for SKRECC's customers. Similarly, if the Confidential Appraisal Information relating to the Northern Property and Somerset Houseboats Property is disclosed, especially prior to the finalization of any transactions involving those properties, those with whom SKRECC conducts business and its competitors would realize an unfair commercial advantage by acquiring highly relevant and proprietary information. This advantage would detrimentally impact the integrity of the commercial process and would be highly prejudicial to both SKRECC and its customers. Disclosure of the Confidential Appraisal Information would also give participants in the broader commercial market a material, unfair advantage in relations with SKRECC as a result of knowing the values and assumptions ascribed to the relevant properties and other business-sensitive decisions and activities undertaken by SKRECC. These market advantages would again very likely translate into higher costs for SKRECC and, by extension, detrimentally higher rates for SKRECC's customers.

6. The Kentucky Open Records Act exempts the Confidential Appraisal Information from public disclosure. *See* KRS 61.878(1)(c). As set forth above, disclosure of the Confidential Appraisal Information would permit an unfair advantage to third parties. Moreover, the Kentucky Supreme Court has stated, "information concerning the inner workings of a corporation is 'generally accepted as confidential or proprietary.'" *Hoy v. Kentucky Industrial Revitalization Authority*, 907 S.W.2d 766, 768 (Ky. 1995). Because the Confidential Appraisal Information is critical to the success of SKRECC's foreseeable real estate transactions and to the effective execution of SKRECC's business decisions and strategy, it satisfies both the statutory and common law standards for affording confidential treatment.

7. SKRECC does not object to limited disclosure of the Confidential Appraisal Information described herein, pursuant to an acceptable confidentiality and nondisclosure

agreement, to intervenors with a legitimate interest in reviewing same for the sole purpose of participating in this case. To this point in this case, however, there are no intervenors.

8. In accordance with the provisions of 807 KAR 5:001 Section 13(2), SKRECC is filing one (1) unredacted copy of the Confidential Appraisals separately under seal. Due to the pervasiveness of the Confidential Appraisal Information within the Confidential Appraisals and the nature of the documents themselves, SKRECC considers proprietary the entirety of the Confidential Appraisals and requests that same be afforded confidential treatment by the Commission.

9. SKRECC's responses to Request Nos. 1(c), 10, 11, and 13 contain Confidential Real Estate Information and Confidential Construction Cost Information (as those terms are defined in SKRECC's Motion for Confidential Treatment filed in conjunction with its Application on October 8, 2014).¹ Because the Confidential Real Estate Information and Confidential Construction Cost Information contained in SKRECC's responses to Request Nos. 1(c), 10, 11, and 13 are subject to a previously-filed Motion for Confidential Treatment, SKRECC is filing one (1) unredacted copy of these responses separately under seal. Redacted copies of SKRECC's responses to Request Nos. 1(c), 10, 11, and 13 are filed contemporaneously herewith.

10. Also in accordance with the provisions of 807 KAR 5:001 Section 13(2), SKRECC respectfully requests that the Confidential Appraisal Information be withheld from public disclosure for a period of at least two (2) years from the date of entry of an Order. This will ensure that the Confidential Appraisal Information – if disclosed after that time – will be less likely to include information that continues to be commercially sensitive so as to impair the

¹ SKRECC adopts and incorporates herein its Motion for Confidential Treatment filed on October 8, 2014.

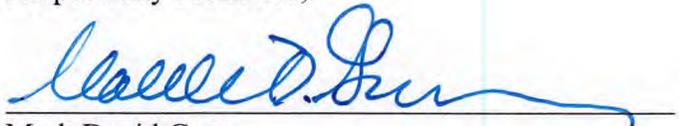
interests of SKRECC if publicly disclosed. However, SKRECC reserves the right to seek an extension of the grant of confidential treatment if it is necessary to do so at that time.

11. If and to the extent the Confidential Appraisal Information becomes publicly available or otherwise no longer warrants confidential treatment., SKRECC will notify the Commission and have its confidential status removed, pursuant to 807 KAR 5:001 Section 13(10).

WHEREFORE, on the basis of the foregoing, SKRECC respectfully requests that the Commission classify and protect as confidential the Confidential Appraisal Information described herein for a period of at least two (2) years from the date of entry of an Order.

Dated this 4th day of December, 2014.

Respectfully submitted,



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