

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

VERIFIED APPLICATION OF LOUISVILLE)	
GAS AND ELECTRIC COMPANY AND)	
KENTUCKY UTILITIES COMPANY)	CASE NO. 2014-00321
FOR A DECLARATORY ORDER AND)	
APPROVAL PURSUANT TO KRS 278.300)	
FOR A CAPACITY PURCHASE)	
AND TOLLING AGREEMENT)	

**PETITION OF LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY FOR CONFIDENTIAL PROTECTION
PURSUANT TO 807 KAR 5:001, SECTION 13**

Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (LG&E and KU, collectively, the “Companies”) hereby petition the Kentucky Public Service Commission (the “Commission”) pursuant to 807 KAR 5:001 Section 13 and KRS 621.878(1)(c) to grant confidential protection for certain information contained in the Companies’ written presentation to be used and distributed at the October 10, 2014 Informal Conference, titled: Overview of Short-term Capacity Need and Bluegrass Generation Agreement (“Overview”).

In support of this Petition, the Companies state as follows:

1. The Kentucky Open Records Act exempts from disclosure certain confidential commercial information. KRS 61.878(1)(c). To qualify for this exemption and maintain the confidentiality of the information, a party must establish the disclosure of the commercial information would permit an unfair advantage to competitors of the party seeking confidentiality.
2. The information contained in the portions of the Overview that the Companies seek to protect are the names of the companies receiving the request for proposal issued by LG&E and KU and the names of the respondents (and their respective balancing area) to request

for proposals (“the Confidential Information”). The Confidential Information reflects the internal business evaluations and analysis that the Companies then used to negotiate for the benefit of the Companies and their customers the subject Capacity Purchase and Tolling Agreement with Bluegrass Generation Company LLC.

3. Making the Confidential Information publicly available would allow the Companies’ competitors, who also seek to negotiate the best contracts possible, to take advantage of the Companies internal business evaluations and analysis to negotiate in their own negotiations.

4. The Confidential Information contains the identities of the vendors who submitted various alternatives to the Companies, based upon proprietary information provided to the Companies by potential vendors. Those vendors, and others who might make proposals to the Companies in the future, would not favor public disclosure of this information, and may be less willing to make proposals or respond to the Companies requests for proposals in the future.

5. Future vendors might also be in a position to determine how the Companies evaluate certain terms and conditions, and where they might have advantages over other vendors. Those vendors could use that information to fully exploit any inherent advantages they might have, rather than offering their best proposal, to the disadvantage of the Companies and their rate payers.

6. The information contained in the Overview the Companies seek to protect is not publicly known and is not disseminated within the Companies except to persons with a legitimate business need to know and act on this information.

7. There is no public interest to be served by disclosure of the confidential information which the Companies seek to protect.

8. Due to the ongoing sensitive nature of contract negotiations and the possibility that the Companies could enter into similar contracts in the future, the Companies request that confidential protection be granted for an indefinite period.

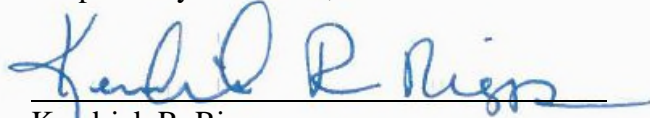
9. All of the information for which the Companies seek confidential protection demonstrates on its face that it merits confidential protection. If, however, the Commission disagrees, the Commission must hold an evidentiary hearing to protect the due process rights of the Companies and supply the Commission with a complete record to enable it to reach a decision with regards to this matter. *Utility Regulatory Commission v. Kentucky Water Service Company, Inc.*, Ky. App. 642 S.W. 2d 591, 592-594 (1982).

10. In accordance with the Commission's regulations, the Companies have filed electronically pursuant to 807 KAR 5:001 Section 8, and pursuant to KRS 807 KAR 5:001 Section 13, a paper copy of their Application and Exhibits showing the confidential information highlighted.

WHEREFORE, Louisville Gas and Electric Company and Kentucky Utilities Company respectfully request that the Commission grant confidential protection to the information at issue, or in the alternative, to schedule an evidentiary hearing on all factual issues while maintaining confidentiality of the information pending the outcome of the hearing.

Dated: October 9, 2014

Respectfully submitted,



Kendrick R. Riggs
John Wade Hendricks
Joseph T. Mandlehr
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202-2828
Telephone: (502) 333-6000
kendrick.riggs@skofirm.com

Allyson K. Sturgeon
Senior Corporate Attorney
LG&E and KU Energy LLC
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088

*Counsel for Louisville Gas and Electric Company
and Kentucky Utilities Company*

CERTIFICATE OF SERVICE

This is to certify that Louisville Gas and Electric Company and Kentucky Utilities Company's October 9, 2014 electronic filing of the Petition for Confidential Protection is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on October 9, 2014; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original and one copy in paper medium of the Petition for Confidential Protection will be hand delivered to the Commission on October 10, 2014.

A handwritten signature in blue ink, reading "Gerald R. Niess". The signature is written in a cursive style with a horizontal line underneath the name.

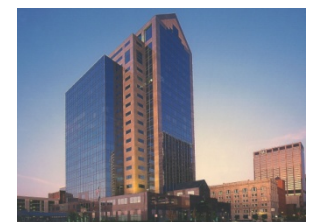
*Counsel for Louisville Gas and Electric Company
and Kentucky Utilities Company*



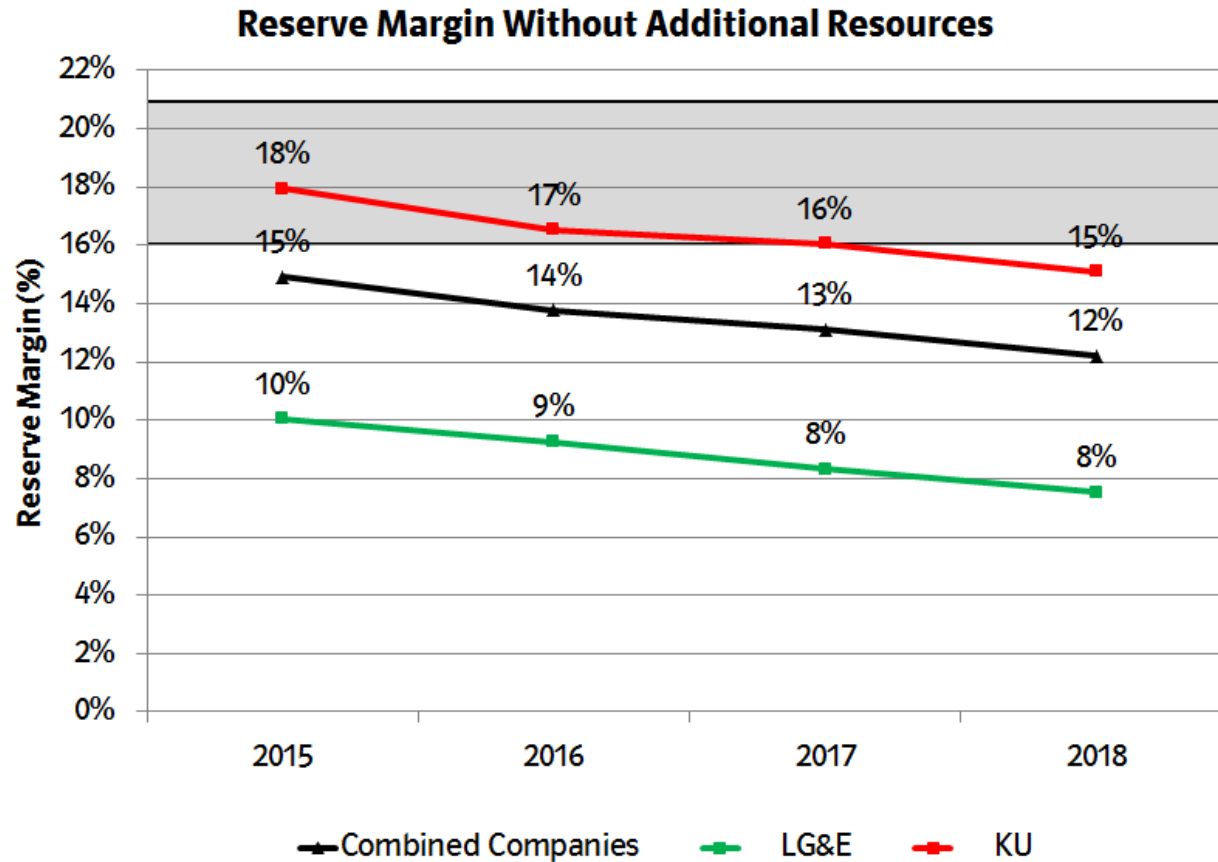
PPL companies

Overview of Short-term Capacity Need and Bluegrass Generation Agreement

*Case No. 2014-00321
Informal Conference
October 10, 2014*



Reserve margin without additional resources forecasted to be below minimum of target range in 2015-2018



Source: 2014 IRP, excluding Green River NGCC

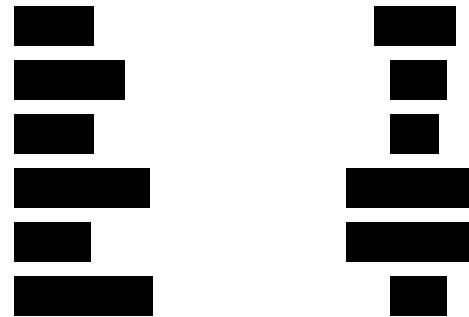
Issued RFP in May 2014 to 14 parties

- RFP was issued to OVEC owners and September 2012 RFP respondents with existing assets capable of meeting 2015-2018 reserve margin need to maintain system reliability.*

Companies Receiving RFP



Respondents (Balancing Area)



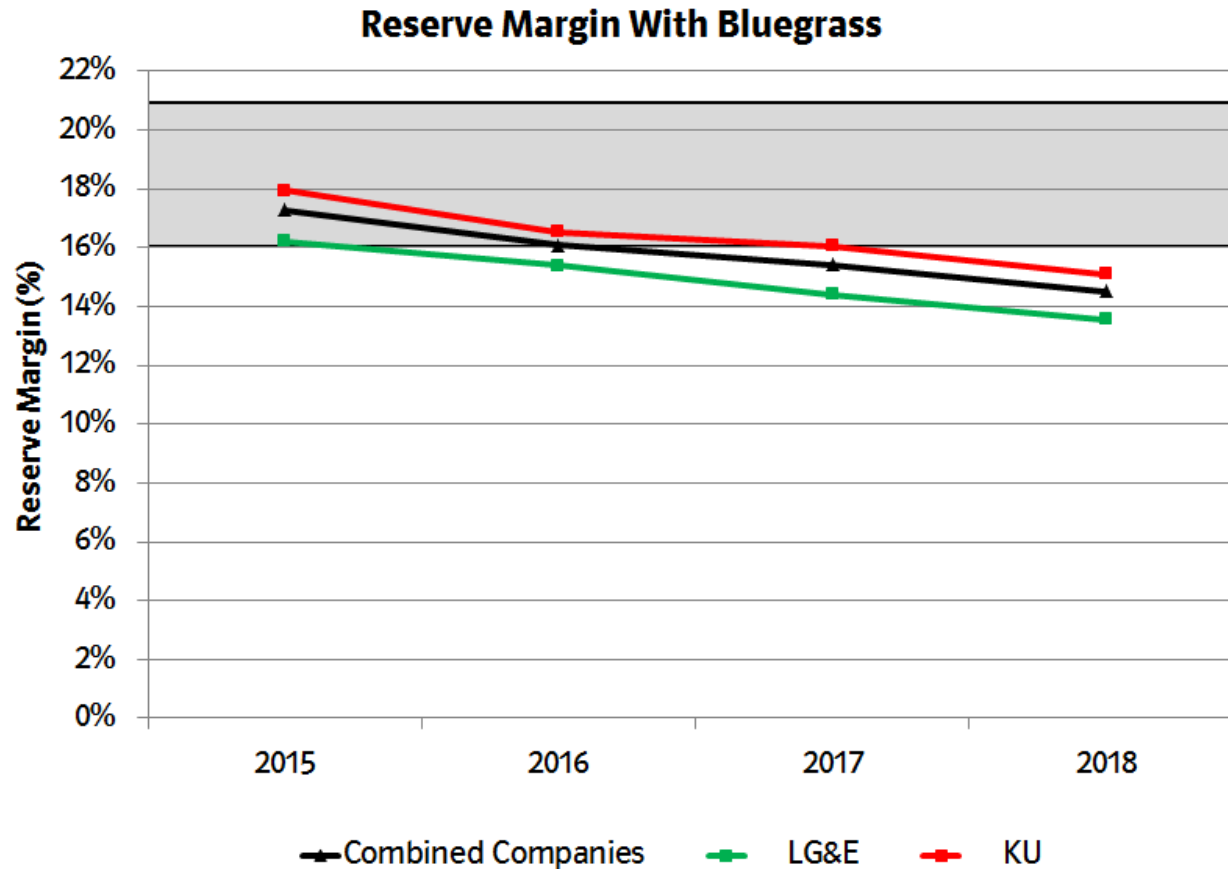
Contract with LS Power's Bluegrass Generation is the least-cost alternative

- [REDACTED] proposal was eliminated due to non-firm nature of proposal.
- [REDACTED], [REDACTED], and [REDACTED] proposals were eliminated due to lack of electric transmission transfer capability.
- [REDACTED] proposal was lower cost than [REDACTED] proposal due primarily to transmission cost advantages associated with [REDACTED] balancing area.

Highlights of Bluegrass Capacity Purchase and Tolling Agreement

- *Volume and Term*
 - 165 MW
 - May 2015 through April 2019
 - Energy scheduled with 2-hour notice
- *Tolling Agreement*
 - LG&E/KU delivers natural gas to site
- *Contract Contingencies*
 - KPSC approval
 - Securing electric transmission service (LG&E/KU balancing area)
 - Securing firm gas transportation service (Texas Gas Transmission)
- *Financial Terms*
 - Capacity price \$4.15/ kW-month (fixed)
 - Fixed O&M charge \$0.70/kW-month (escalates 2.5%)
 - Variable O&M charge \$0.55/MWh (escalates 2.5%)
 - Startup Charge \$8,500/start (escalates 2.5%)
- *Performance Guarantees*
 - Guaranteed heat rate (10,900 btu/kWh)
 - Availability incentive (prorated credit for hours not available when scheduled)
 - Letter of Credit and Parent Guarantee

Bluegrass allocated 100% to LG&E to better align reserve margins between companies



Source: 2014 IRP, excluding Green River NGCC, including Bluegrass

Fuel Adjustment Clause Recovery

- *Capacity Purchase and Tolling Agreement characteristics*
 - *Considered to be an Operating Lease from accounting standpoint*
 - *Designated Unit No. 3 as a network resource*
 - *LG&E-KU will dispatch unit as if they owned the unit*
- *Charge the fuel and transportation costs used to operate the Unit to FERC Account No. 547, Fuel, and then book all costs to FERC Account No. 151, Fuel Stock.*
- *Monthly Fuel Adjustment terms provide a credit from Seller to the Buyer should the unit fail to achieve the guaranteed heat rate. Credit reflected in Account 151 and flowed back through Account 547, Other Production Fuel Expense, in the calculation of the monthly fuel adjustment clause factor.*
- *Fuel costs incurred are fuel costs for purposes of fuel adjustment clause recovery under 807 KAR 5:056(1)*
 - *(3)(a) ("Fossil fuel consumed in the utility's own plants, and the utility's share of fossil and nuclear fuel consumed in jointly owned or leased plants") or:*
 - *(3)(b) ("The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (c) of this subsection")*

Current activities

- *Awaiting approval of request for 165 MW of Network Integration Transmission Service for Bluegrass Unit #3*
 - *Taking steps to make Energy Management System ("EMS") information on Bluegrass Unit #3 available to Generation Dispatch*
- *Discussing firm gas transport agreement with Texas Gas Transmission ("TGT")*
 - *Working with Bluegrass Generation and TGT on gas metering and telemetry*
- *LG&E and KU are required to make a change in status filing with FERC within 30 days after power flow under the contract commences*
- *Request Commission issue an order by November 18, 2014*