COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES AND FOR CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY

CASE NO. 2016-00370

PETITION OF KENTUCKY UTILITIES COMPANY FOR CONFIDENTIAL PROTECTION

Kentucky Utilities Company ("KU" or the "Company") hereby petitions the Kentucky Public Service Commission ("Commission") pursuant to 807 KAR 5:001, Section 13 and KRS 61.878(1) to grant confidential protection for the items described herein, which KU seeks to provide in response to Items 67, 81, 90, 94, 111(d), 112, 133, 134, 135, 263, 276, 300, 359(a), 360(a), 361(c) and (d), 365, 366, 367(a), 368(a), and 393 of the Attorney General's ("AG") First Set of Data Requests; Items 7, 41(b), and 64(g) of the Commission's Second Set of Data Requests; Items 28, 48(b), and 59 of Lexington Fayette Urban County Government's ("LFUCG") First Set of Data Requests; Items 1(b) and 28 of Kentucky Cable Telecommunications Association's ("KCTA") First Set of Data Requests; Item 3 of AT&T Kentucky's ("AT&T") First Set of Data Requests; and Item 8 of the Kentucky Industrial Utility Customers, Inc.'s ("KIUC") First Set of Data Requests.

Confidential Personal Information – Customer-Identifying Information (KRS 61.878(1)(a))

1. The Kentucky Open Records Act exempts from disclosure certain private and personal information.¹ LFUCG Item 28 requests various plans, presentations, and studies related to street lighting. KU is providing a presentation titled "Lighting Rate Code Consolidation" in

¹ KRS 61.878(1)(a).

response to LFUCG Item 28. Portions of this presentation contain customer identifying information. The identification of specific customers is personal information that should not be in the public domain. The Commission recently granted confidential protection to similar customer-identifying information.² Because information in the response to LFUCG Item 28 identifies specific customers, KU requests through this petition that the Commission protect the confidential portions of the document from public disclosure.

<u>Confidential Information Protected from Disclosure by Federal or State Law</u> (KRS 61.878(1)(k) and (l))

2. AG Items 94, 133, 134, and 135 ask KU to provide federal and state income tax returns. Specifically, AG Item 94 requests the "consolidation pages and schedules for the parent company federal income tax returns for tax years 2013 through 2015." AG Item 133 requests a "copy of the parent company's federal tax returns and supporting 'M' schedules and all consolidating schedules for tax years 2014 through 2015." AG Item 134 requests workpapers detailing the calculation of taxable income, along with other tax-related explanations. AG Item 135 requests a "copy of the parent company's and KU's Kentucky Corporate Income Tax Return and all other Kentucky Tax Returns" for tax years 2014 and 2015.

3. Tax related documents and information merit confidential protection. KRS 61.878(1)(k) exempts from disclosure "[a]ll public records or information the disclosure of

² In the Matter of: Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, Case No. 2012-000221, Order at 1-2 (Ky. PSC July 25, 2013) (granting confidential protection to customer names, account numbers, and usage information); In the Matter of: Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Rates, a Certificate of Public Convenience and Necessity, Approval of Ownership of Gas Service Lines and Risers, and a Gas Line Surcharge, Case No. 2012-0022, Order at 1-2 (Ky. PSC July 16, 2013) (granting confidential protection to "customer-identifying information such as customer names and account numbers"); see also In the Matter of: Application of Kentucky-American Water Company for an Adjustment of Rates Supported by a Fully Forecasted Test Year, Case No. 2012-00520, Order at 4 (Ky. PSC Aug. 1, 2014) (granting confidential protection to the response of Staff Item 77, which contained customer-identifying information like names, account numbers, balance history, and the names of customers qualifying for discounted service); In the Matter of: DPi Teleconnect, LLC v. Bellsouth Telecommunications, Inc. d/b/a AT&T Kentucky, Case No. 2005-00455, Letter from Stephanie Stumbo to Mary Keyer (Ky. PSC May 29, 2008).

which is prohibited by federal law or regulation."³ Under 26 U.S.C. § 6103(a), state officials are prohibited from publicly disclosing any federal income tax return or its contents. Therefore, federal income tax returns and their content fall within the KRS 61.878(1)(k) exemption from public disclosure. The Kentucky Open Records Act also exempts from disclosure "[p]ublic records or information the disclosure of which is prohibited or restricted or otherwise made confidential by enactment of the General Assembly."⁴ KRS 131.190(1) requires all income tax information filed with the Kentucky Department of Revenue be treated in a confidential manner. Thus, state income tax returns are also confidential in nature and protected from disclosure by the Kentucky Open Records Act. The Commission has previously kept LG&E's and KU's federal and state income tax returns confidential in base rate cases.⁵ Because KU's responses to AG Items 94, 133, 134, and 135 contain federal and state tax returns, the Commission should grant confidential protection of this information. KU requests confidentiality of the entire documents provided in responses to AG Items 94, 133, 134, and 135.

Confidential or Proprietary Commercial Information (KRS 61.878(1)(c)(1))

4. The Kentucky Open Records Act exempts from disclosure information "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."⁶

AG Item 90 asks KU to provide the "amount of non-rate case legal expense, by 5. account for the test year." The request further asks for the payee, amount, account, services performed, and subject for "each distinct item over \$20,000." The documents provided in

³ KRS 61.878(1)(k).

⁴ KRS 61.878(1)(*l*).

⁵ See, e.g., In the Matter of: Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates, Case No. 2012-00221, Order Regarding Request for Confidential Treatment (Ky. PSC Sep. 18, 2013); In the Matter of: Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Base Rates, Case No. 2008-00252, Letter from Executive Director Derouen (Ky. PSC Feb. 6, 2009). ⁶ KRS 61.878(1)(c)(1).

response to AG Item 90 contain pricing details, descriptions of the scope of work, and the unique way in which work is priced and packaged for the Company by legal service providers. The public disclosure of this information will prejudice both the service provider by allowing its competitors to know how it offers and prices its services and the Company's ability to obtain the most reasonable prices for such professional services in the competitive marketplace and negotiate rates for professional services in the future. KU requests with this petition that the Commission protect from public disclosure the entire documents provided in response to AG Item 90 containing confidential information. The public disclosure of this information will create precisely the kind of competitive harm KRS 61.878(1)(c)(1) intends to prevent. Thus, the Commission should grant confidential protection to this information.

6. AG Item 263 requests "copies of all presentations made to rating agencies and/or investment firms by PPL, and/or Kentucky Utilities between January 1, 2015 and the present." The Company seeks confidential protection with respect to the presentations that have been made to rating agencies because these presentations were made in confidence to those agencies. Such information merits confidential protection because, having provided it on a confidential basis, the Company is obligated to protect the public disclosure of the information. In addition, the information contains commercially sensitive information and a candid review of the Company's business strategies. Public disclosure of this information would discourage the Company from providing such information to rating agencies in the future. A less thorough review by the credit rating agencies could lead to less favorable credit ratings and higher capital costs for the Company, placing the Company at a competitive disadvantage. The Commission

has found that such information warrants confidential protection in prior proceedings.⁷ KU requests confidential protection of the entire document provided in response to AG Item 263.

7. AG Item 276 requests, with regard to the LOLP study in the Seelye Testimony, that KU "provide a detailed explanation along with all mathematical formulae showing how hourly LOLP was calculated." Further, the requests asks for specific explanations as to how "off-system sales, wholesale purchases of power, curtailment capabilities, reserve margin requirements, and outage rates are considered, evaluated, and quantified in developing hourly LOLP." In response, KU is providing a document developed by the vendor that provides KU's PROSYM software and requests confidential protection of the document in its entirety. The document explains how the software calculates LOLP and is not part of the standard manual provided when purchasing PROSYM software. The document is proprietary to the vendor and public disclosure could harm the relationship between KU and the vendor and others that provide software to KU. If the document is disclosed, vendors may be less willing to provide software to KU in the future to the detriment of KU and its ratepayers. KU requests confidential protection of the entire document provided in response to AG Item 276.

8. AG Item 112 requests copies of Board of Directors minutes. KU seeks confidential protection for a portion of these minutes, which contain certain confidential and sensitive information. Particularly, the minutes contain KU's annual business plan resolutions, which include rate case outcome assumptions, and some resolutions approving large coal or construction contracts that show the aggregate value or pricing information. This is confidential business information, the public disclosure of which would enable the Company's competitors to

⁷ In the Matter of: Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, Case No. 2014-00371, Order Regarding Request for Confidential Treatment to AG's Initial Request for Information (Ky. PSC Dec. 2, 2015); In the Matter of Application of Columbia Gas of Kentucky for an Adjustment of Rates for Gas Service, Case No. 2013-00167, Order (Ky. PSC Oct. 29, 2013).

discover, and make use of, the strategies the Company employs in developing business plans and contracts. Further, disclosing the value and pricing information of coal and construction contracts could negatively impact KU's ability to obtain favorable pricing on similar contracts in the future. The Commission has found that Board of Directors minutes containing similar information warrant confidential protection.⁸

9. Commission Item 64(g) requests, in reference to pages 152-58 of the Malloy Testimony, "all assumptions, calculations and spreadsheets used to support the savings calculated on these pages." In response, KU is producing a spreadsheet containing the AMS business model, which includes all inputs, assumptions, sources, calculations, and outputs used to derive the benefits and costs associated with the AMS cost-benefit analysis. The spreadsheet warrants confidential protection because many of the inputs and assumptions are estimated costs received from vendors. This is confidential business information and disclosure of this information could be used by competitors of the Company and the vendors. Moreover, public disclosure of this information would reveal information about KU's business strategies and decision-making processes, which could affect KU's ability to negotiate with vendors in the future, to the detriment of KU's ratepayers. Thus, KU seeks confidential protection of the entire spreadsheet provided in response to Commission Item 64(g).

10. LFUCG Item 59 requests all invoices, statements, or other documentation from Wilhod, Inc., Reed Utilities, and any other entity "related to street lighting provided to KU's Kentucky jurisdictional operations" from September 2015 to August 2016. In response, KU is providing invoices related to street lighting services provided to KU and requests confidential protection of the invoices in their entirety. The agreements are confidential business information

⁸ In the Matter of: Application of Big Rivers Electric Corporation for an Adjustment of Rates, Case No. 2012-00535, Order Regarding Request for Confidential Treatment (Ky. PSC Apr. 25, 2013) (granting confidential protection to AG 1-25(g), which contained board meeting minutes).

and disclosing the invoices publicly would put KU at a competitive disadvantage in negotiating future contracts. The Commission recently granted confidential protection to similar agreements between the Company and third parties on the same grounds.⁹ KU seeks confidential protection in full of the documents provided in response to LFUCG Item 59.

11. Commission Item 7 requests, in reference to Tab 5 of KU's application, "supporting calculations for the increase in the rates for EVSE, Electronic Vehicle Supply Equipment." In response, KU is providing documents that contain equipment costs. The equipment costs are negotiated contract rates with vendors that the Company agreed would remain confidential. Publicly disclosing these costs for EVSE would negatively impact the Company and its ratepayers because it may harm the relationship with KU and its vendors; as a result, KU may have difficulty negotiating favorable costs for equipment in the future. Thus, the Commission should grant confidential protection to the equipment costs contained in the response to Commission Item 7.

12. KU is providing confidential NATF, SAIDI, and SAIFI benchmarking survey information in response to AG Items 359(a), 360(a), 361(c) and (d), 367(a), and 368(a). This information details how KU ranks relative to its industry peers. The survey information is proprietary to the vendors supplying this information because the vendors derive revenues from developing and selling such survey information to customers. Public disclosure of the survey information would render it commercially worthless and KU has agreed to not disclose the survey information publicly. Thus, KU seeks confidential protection of the entire documents provided in response to AG Items 359(a), 360(a), 361(c) and (d), 367(a), and 368(a).

⁹ In the Matter of: Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, Case No. 2014-00371, Order Regarding Request for Confidential Treatment to KIUC's Initial Request for Information (Ky. PSC Dec. 2, 2015).

13. AG Item 300 requests, in reference to the Malloy Testimony, the Companies' most recent Residential Competitive Customer Satisfaction Study. KU is providing the study and requests confidential protection for the peer competition customer satisfaction information highlighted on page 8 of the study because it is confidential business information. Disclosing the peer competition information publicly would allow KU's competitors to obtain valuable information about customer satisfaction without expending resources to obtain the information. Thus, protecting the peer competition information from public disclosure is necessary in order prevent competitive disadvantage to KU.

14. KIUC Item 8 requests information about the remaining service life for the SAP CCS. In response to KIUC Item 8, KU is providing a document that contains the Companies' estimated funding requirements for a variety of projects. Disclosing this information publicly would be disadvantageous to KU because it allows KU's competitors to discover the Companies' strategies for growth and future projects. Further, public disclosure of this information may limit KU's ability to secure favorable contracts and agreements because KU's vendors will have access to the amount KU expects to pay for certain projects. To prevent competitive disadvantage to KU and its customers, KU requests that the information be granted confidential protection.

15. KCTA Item 1(b) requests a copy of all agreements with users related to the rates, terms, and conditions of attachment to KU's poles. Additionally, AT&T Item 3 asks KU to "identify and describe the specific contract, agreement, document, or arrangement . . . that governs the rates, terms, and conditions of the [pole] attachment(s)." In a similar request, LFUCG Item 48(b) asks for agreements for the non-governmental utilization of public street lights in Fayette County. The agreements provided in response to KCTA Item 1(b), AT&T Item

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3, and LFUCG Item 48(b) merit confidential protection because they are confidential business information. A number of the agreements have provisions requiring KU to keep the agreement confidential. Further, pending the Commission's decision in this case on KU's proposed tariff changes, pole attachment agreements remain subject to negotiation. If potential users seeking pole attachment had access to KU's pole attachments, the users could use this information to unfairly negotiate pole attachment agreements. Thus, disclosing the agreements could potentially harm the relationships that KU has with existing pole attachment users and could place KU at a competitive disadvantage in negotiating future pole attachment agreements. The Commission recently granted confidential protection to agreements between the Company and third parties on similar grounds.¹⁰ KU requests confidential protection for the entire documents provided in response to KCTA Item 1(b), AT&T Item 3, and LFUCG Item 48(b).

16. AG Item 81 requests information about each injury and damage claim where the settlement exceeded \$10,000. KU requests confidential protection for the details of certain claims provided in response to AG Item 81. The terms of settlement of these cases are confidential and disclosing the names of the claimants, dates, and settlement amount would violate the terms of the settlement agreements. The Commission has recently relied on KRS 61.878(1)(c)(1) to grant confidential protection to settlement agreements.¹¹

17. AG Item 111(d) requests cost-benefit studies conducted prior to purchasing new or upgraded software and systems costing over \$20,000. In response, KU is providing an investment proposal discussing the implementation of Optical Transport Network technology.

¹⁰ In the Matter of: Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, Case No. 2014-00371, Order Regarding Request for Confidential Treatment to KIUC's Initial Request for Information (Ky. PSC Dec. 2, 2015).

¹¹ In the Matter of: An Examination of the Application of the Fuel Adjustment Clause of Louisville Gas and Electric Company from November 1, 2010 through October 31, 2012, Case No. 2012-00553, Order (Ky. PSC Aug. 26, 2013).

The proposal contains the bids submitted by competitive bidders and details KU's process for selecting a bidder. Confidential protection of the competitive bid information is necessary because disclosure would disrupt the competitive bid process and reveal KU's internal analysis of bids to the detriment of the Company and its ratepayers. Thus, KU requests confidential protection for the highlighted portions of the proposal provided in response to AG Item 111(d).

18. AG Item 393 requests, in reference to the telecommunications consultant engagement discussed in section 5.1.3 of Exhibit PWT-5, "all written reports, findings and conclusions." In response, KU is providing a presentation that contains pricing information and maps that detail potential locations of future growth. If disclosed, this information would disadvantage KU in future negotiations. Thus, KU requests protection for the confidential pricing information contained in the response to AG Item 393.

19. AG Item 67 asks KU to provide "for each employee position during 2015 and 2016 that experienced a change of incumbent: Position title; Employee replace; Annual salary of replaced employee; Replacement employee; Annual salary of replacement employee; and Date of replacement." The Kentucky Open Records Act exempts from disclosure certain private and personal information.¹² The Kentucky Court of Appeals has stated, "information such as . . . wage rate . . . [is] generally accepted by society as [a] detail in which an individual has at least some expectation of privacy."¹³ Additionally, the Kentucky Supreme Court has characterized "one's income" as "intimate" information of a private nature.¹⁴ The Commission should therefore give confidential treatment to the information in KU's response to AG Item 67 because disclosing the contents thereof would invade the privacy rights of certain individuals. Individuals are not named in the response to AG Item 67, but detailed job titles and

¹² KRS 61.878(1)(a).

¹³ Zink v. Department of Workers' Claims, Labor Cabinet, 902 S.W.2d 825, 828 (Ky. App. 1994).

¹⁴ Cape Pub'ns, Inc. v. Univ. of Louisville Found., Inc., 260 S.W.3d 818, 822 (Ky. 2008).

compensation information given in the response would allow viewers to deduce the wage rate of individuals. Confidential protection of portions of AG Item 67 is thus necessary because disclosure would constitute an unwarranted invasion of employee's personal privacy in contravention of KRS 61.878(1)(a).

Critical Energy Infrastructure Information (KRS 61.878(1)(m))

20. KRS 61.878(1)(m)(1) exempts from disclosure public records that have a reasonable likelihood of threatening public safety by exposing a vulnerability, such as infrastructure records that disclose the "location, configuration, or security of critical systems," or "detailed drawings, schematics, maps, or specifications of structural elements, floor plans, and operating, utility, or security systems." KCTA Item 28 requests a copy of KU's "strategic network design study." The strategic network design study contains drawings, site information, network details, and GPS coordinates of many of the Company's communication sites. Releasing a copy of the strategic network design study would thus pose a security concern. The Commission has recently granted confidential protection to similar Critical Energy Infrastructure Information.¹⁵ Because this information relates to the security of Critical Energy Infrastructure Information, the Company requests that the Commission protects KU's response to KCTA Item 28 in its entirety from public disclosure.

21. AG Item 365 requests KU's "latest and four previous annual transmission expansion plans." AG Item 366 requests, in reference to the 2016 security assessment for transmission substations discussed in the Thompson Testimony, the resulting consultant report. The plans and report provided in response to AG Items 365 and 366 contain Critical Energy Infrastructure Information that would threaten public safety if disclosed. All of the information

¹⁵ In the Matter of: Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, Case No. 2014-00371, Order Regarding Request for Confidential Treatment to AG's Initial Request for Information (Ky. PSC Dec. 2, 2015).

provided in response pertains to the Company's transmission system. The disclosure of the information provided in response to AG Items 365 and 366 would be useful to anyone seeking to threaten or harm the public safety by a terrorist act. Because this information is Critical Energy Infrastructure Information, the Company requests that the Commission protect the entire responses to AG Items 365 and 366 from public disclosure.

22. Commission Item 41(b) requests, in reference to page 11 of the Thompson Testimony, the NERC 2014 audit of the Companies. In response, KU is providing two 2015 audit reports by SERC, one of NERC's regional entities that audited the Companies, one for compliance with the Order 693, or legacy, standards and one for compliance with the CIP standards. Both audit reports contain highly sensitive cyber security information that is not released to the public. The 2015 LG&E/KU SERC CIP report provided in response to Commission Item 41(b) includes Bulk Electric System Cyber Security Information ("BESCSI") which, if disclosed, could result in significant malicious activity. Industry practice is to keep CIP audits, reports, and enforcement actions strictly confidential; therefore, ordinarily KU does not disclose this information. In fact, as part of the CIP requirements, KU is required to have in place and implement a full and extensive program to protect BESCSI and report any violations of the program. Thus, due to the highly sensitive nature of the data contained in the CIP audit and the possible malicious activities which may result from disclosure of this information, even NERC and SERC take extensive precautions to protect the information. KU requests confidential treatment of the two documents provided in response to Commission Item 41(b).

The Confidential Information Subject to this Petition

23. The information for which KU is seeking confidential treatment is not known outside of KU, and it is not disseminated within KU except to those employees with a legitimate business need to know the information.

24. KU will disclose the confidential information, pursuant to a confidentiality agreement, to intervenors with a legitimate interest in this information and as required by the Commission.

25. If the Commission disagrees with this request for confidential protection, however, it must hold an evidentiary hearing (a) to protect KU's due process rights and (b) to supply the Commission with a complete record to enable it to reach a decision with regard to this matter.¹⁶

26. Unless otherwise noted, in compliance with 807 KAR 5:001, Sections 8(3) and 13(2)(e), KU is filing with the Commission one paper copy that identifies by highlighting or other means the information for which confidential protection is sought and one electronic copy with the same information obscured. KU is filing a CD containing its response to Commission Item 64(g). Pursuant to 807 KAR 5:001, Section 13(2)(a)(3)(b), confidential treatment is sought for the entire documents produced in response to AG Items 90, 94, 133, 134, 135, 263, 276, 359(a), 360(a), 361(c) and (d), 365, 366, 367(a), and 368(a); Commission Items 41(b) and 64(g); LFUCG Items 48(b) and 59; KCTA Items 1(b) and 28; and AT&T Item 3. For these documents, as required by 807 KAR 5:001, Section 13(2)(a)(3)(b), written notification that the entire document is confidential is filed in lieu of highlighting.

27. Due to the serious security concerns related to the disclosure of Critical Energy Infrastructure Information, the Company requests that the responses to KCTA Item 28, AG Items

¹⁶ Utility Regulatory Commission v. Kentucky Water Service Company, Inc., 642 S.W.2d 591, 592-94 (Ky. App. 1982).

365 and 366, and Commission Item 41(b) remain confidential indefinitely. For all other requests for confidential protection, the Company requests that confidential protection be granted for five years due to the sensitive nature of the information at issue.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Commission grant confidential protection for the information described herein.

Dated: January 25, 2017

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

This is to certify that Kentucky Utilities Company's January 25, 2017 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 January 25, 2017; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original in paper medium of the Petition and an unobscured copy of the material for which confidentiality is sought sealed in an opaque envelope are being hand delivered to the Commission on January 25, 2017.

Counsel for Kentucky Utilities Company