

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ATMOS	)	
ENERGY CORPORATION FOR AN ORDER	)	CASE NO.
APPROVING THE ESTABLISHMENT OF A	)	2021-00480
REGULATORY ASSET	)	

ORDER

On December 21, 2021, Atmos Energy Corporation (Atmos) filed an application, pursuant to KRS 278.220, requesting authorization to establish a regulatory asset to account for operation and maintenance (O&M) expenses incurred to repair damage and restore service caused by tornados and severe storms in Atmos’s service territory from December 10–11, 2021 (Major Storm Event).

By Order dated January 12, 2022, the Commission established a procedural schedule for the processing of this matter. The procedural schedule provided for a deadline for intervention requests and two rounds of discovery upon Atmos. There were no parties requesting intervenor status to this proceeding.

BACKGROUND

In support of the request to establish a regulatory asset for the restoration expenses related to the Major Storm Event, Atmos stated the storms caused extensive and widespread damage to its transmission and distribution facilities.<sup>1</sup> Atmos stated that

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<sup>1</sup> Application at 3.

the Major Storm Event destroyed 2,700 meter connections and other gas facilities.<sup>2</sup> Atmos indicated there were 2,700 customers without gas service.<sup>3</sup> Based upon its 2020 annual report, Atmos has approximately 180,000 customers. Atmos stated that while it cannot estimate the amount, the incremental O&M expenses attributable to the Major Storm Event are not included in base rates.<sup>4</sup>

Pursuant to Executive Order 2021-923, there exists a state of emergency in Kentucky beginning on December 10, 2021, resulting from a “powerful severe weather system generating heavy rain, thunderstorms, tornadoes, and strong straight-line winds impacted the Commonwealth of Kentucky, causing flash flooding, loss of power, damage to public infrastructure and private properties.”<sup>5</sup> The conditions arising from the severe weather endangered public health and safety.

### DISCUSSION

As the Commission noted in Case No. 2008-00436:

A regulatory asset is created when a rate-regulated business is authorized by its regulatory authority to capitalize an expenditure that under traditional accounting rules would be recorded as a current expense. The reclassification of an expense to a capital item allows the regulated business the opportunity to request recovery in future rates of the amount capitalized. The authority for establishing regulatory assets arises under the Commission’s plenary authority to regulate utilities under KRS 278.040 and the Commission’s authority to establish a system of accounts under KRS 278.220. Historically, the Commission has exercised its discretion to

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<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 3–4.

<sup>5</sup> Executive Order 2021-923 (Dec. 11, 2021), <http://web.sos.ky.gov/execjournalimages/2021-MISC-2021-0923-277844.pdf>.

approve regulatory assets where a utility has incurred: (1) an extraordinary, nonrecurring expense which could not have reasonably been anticipated or included in the utility's planning; (2) an expense resulting from a statutory or administrative directive; (3) an expense in relation to an industry sponsored initiative; or (4) an extraordinary or nonrecurring expense that over time will result in a saving that fully offsets the cost.<sup>6</sup>

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the costs related to the Major Storm Event to repair the damaged assets are extraordinary and nonrecurring and could not have been reasonably anticipated or included in Atmos's planning. The damage to nearly 3,000 meter connections and other gas facilities, relative to the number of Atmos customers, is significant regardless of the dollar amount expended. Accordingly, the Commission finds that Atmos should be authorized to establish, for accounting purposes only, a regulatory asset based on the jurisdictional incremental costs of extraordinary O&M expenses incurred by Atmos as a result of the Major Storm Event.

The Commission finds that the procedural schedule should be canceled and this matter submitted for a decision on the record.

IT IS THEREFORE ORDERED that:

1. The remainder of the procedural schedule is canceled.
2. Atmos is authorized to establish regulatory assets for the incremental actual costs of extraordinary O&M expenses related to the Major Storm Event.
3. The regulatory asset accounts established in this case are for accounting purposes only.

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<sup>6</sup> Case No. 2008-00436, *The Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages* (Ky. PSC Dec. 23, 2008), Order at 3–4.

4. The amount, if any, of the regulatory assets herein that are to be amortized and included in rates shall be determined Atmos's next base rate case.

5. This case is closed and removed from the Commission's docket.

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By the Commission

ENTERED  
JAN 31 2022 rcs  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2021-00480

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