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December 21, 2021

Linda C. Bridwell  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

Re: Atmos Energy Corporation:  
Case No. 2021-00480

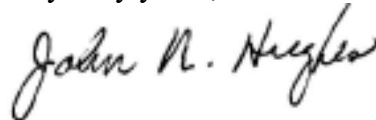
Dear Ms. Bridwell:

Atmos Energy Corporation submits its application for a regulatory asset.

I certify that the electronic filing is a complete and accurate copy of the original documents and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

If you have any questions about this matter, please contact me.

Very truly yours,



John N. Hughes

And

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Wilson, Hutchinson and Littlepage  
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Attorneys for Atmos Energy  
Corporation

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

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

**VERIFIED APPLICATION**

Atmos Energy Corporation (“Atmos Energy” or “the Company”), by counsel, applies to the Public Service Commission (“Commission”) pursuant to KRS 278.220 for an order authorizing Atmos Energy’s establishment of a regulatory asset to account for the Company’s O&M expenses incurred to repair damage and restore service to its customers caused by the December 11, 2021 Tornado (“Tornado”). In support of this Application, Atmos Energy states:

Atmos Energy is a Virginia and Texas corporation qualified under the laws of Kentucky to carry on its business in the Commonwealth of Kentucky. Atmos Energy operates as a public utility in the business of purchasing, transmitting and distributing natural gas to residential, commercial and industrial users in western and southcentral Kentucky. No transfer of ownership or control, or right to control, Applicant, by sale of assets, transfer of stock or otherwise, will occur as a result of this request.

Applicant’s principal operating office and place of business in Kentucky is 3275 Highland Pointe Drive, Owensboro, Kentucky 42303. The post office address of Applicant is P.O. Box 650205, Dallas, Texas 75265-0205.

A certified copy of Applicant’s Restated Articles of Incorporation as Amended, together with all amendments thereto, is on file in the records of the Commission and the same are

incorporated herein by reference. Atmos Energy is in good standing with the Kentucky Secretary of State and is authorized to operate in Kentucky.

Correspondence and communications with respect to this Application should be directed to:

Brannon Taylor  
Vice President, Rates and Regulatory Affairs  
Atmos Energy Corporation  
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This Application is filed pursuant to KRS 278.220, which authorizes the Commission to prescribe the accounting to be used by any public utility subject to its jurisdiction and pursuant to the Commission's plenary authority to regulate utilities under KRS 278.040.

## **I. STANDARD FOR APPROVAL OF A REGULATORY ASSET**

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 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. *Electronic Joint Application Of Kentucky Utilities Company And Louisville Gas And Electric Company For An Order Approving The Establishment Of Regulatory Liabilities And Regulatory Assets Case No. 2018-304, Order dated December 20, 2018, p.13.*

## II. DECEMBER 2021 TORNADO EVENT

On Friday and Saturday December 10<sup>th</sup> and 11<sup>th</sup> a series of tornadoes caused widespread damage to property and utility facilities throughout the service territory of Atmos Energy. The tornadoes caused damage to the Company's distribution and transmission facilities and left approximately 2,700 of the Company's customers in six counties without natural gas service. The tornadoes resulted in extensive, widespread damage across the impacted services areas, taking down nearly 2,700 meter connections and other gas facilities. Cumulative system damages have already required securing the natural gas distribution system and will require a currently inestimable amount of time to restore service to impacted customers. All available Company personnel and additional contractors are now dedicated to the task of restoring service. Repairing such extraordinary, significant, and widespread damage will result in both O&M and capital expense to be incurred. Atmos Energy has no estimate at this time of the costs to secure and restore natural gas service or of the portion that can be reimbursed through insurance coverage.

Importantly, the Company's ongoing rate case (Case No. 2021-00214) does not include O&M or capital amounts that will be required to respond and restore the damage.

Atmos Energy's tornado-related costs are extraordinary and not included in the Company's test period O&M of approximately \$29.0 million that is currently anticipated in rates for 2022 nor embedded in base rates in effect for 2021. The level of expense associated with the tornadoes in the Atmos Energy service territory exceeds the amount of expense included in base rates. The amount of expense associated with the tornado damage could not have been reasonably anticipated or included in planning. The tornadoes have been described as being of historic proportions and as one of the most damaging storms in the commonwealth's history. Thus, Atmos Energy is filing for approval of regulatory asset treatment.

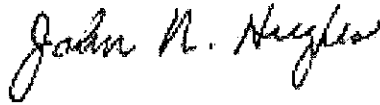
Atmos Energy asks the Commission to authorize Atmos Energy's establishment of its regulatory asset to defer for future recovery its actual, incremental tornado-related operations and maintenance costs. The measures Atmos Energy is taking to restore service and related costs are reasonable and prudent and should be recoverable as a necessary cost of providing natural gas service to Atmos Energy's customers. If approved, Atmos Energy will continue to hold its deferred costs in a regulatory asset account pending the Commission's consideration and decision of the recovery and amortization of the regulatory asset in a future Atmos Energy rate case.

**WHEREFORE**, Atmos Energy Company requests the Commission enter an order authorizing Atmos Energy's establishment of a regulatory asset for an amount to be determined at the conclusion of restoration to account for the Company's expenses incurred to repair damage and restore service to its customers caused by the tornadoes on December 10 and 11, 2021 or as may be ordered by the Commission and all other appropriate relief.

Submitted on this 21st day of December, 2021.

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And



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COUNSEL FOR ATMOS ENERGY CORPORATION

VERIFICATION

STATE OF KENTUCKY           §  
                                          §  
COUNTY OF DAVIESS       §

The undersigned, being under oath, says that he is the Vice President of Atmos Energy Corporation, Mid-States Division, the Applicant named in the Application, that he has read said Application, knows the contents thereof and that the same is true to the best of his personal knowledge, information and belief.

  
\_\_\_\_\_  
Brannon Taylor

Subscribed and sworn to before me this 21 day of December, 2021, by Brannon Taylor.

  
\_\_\_\_\_  
Notary Public

My Commission expires: 2-19-24

Registration Number: KYNP2030

CLARY HOWARD  
Notary Public, Kentucky - State at Large  
Notary ID KYNP2030  
My Commission Expires February 19, 2024