

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF)	
KENTUCKY UTILITIES COMPANY AND)	CASE NO.
LOUISVILLE GAS AND ELECTRIC COMPANY)	2023-00093
FOR AN ORDER APPROVING THE)	
ESTABLISHMENT OF REGULATORY ASSETS)	

ORDER

On March 17, 2023, Kentucky Utilities Company (KU) and Louisville Gas and Electric Company (LG&E) (jointly, KU/LG&E) filed an application pursuant to KRS 278.220 requesting authorization to establish a regulatory asset for incremental operating and maintenance (O&M) expenses related to storm restoration efforts after a windstorm affected their service territories on March 3, 2023 (Major Storm Event). KU/LG&E requested that the Commission render a decision on or before April 6, 2023. Because there are no intervenors in this case and a hearing is not necessary in the public interest, the Commission will adjudicate this case based on the evidence of record.

BACKGROUND

In support of the request to establish regulatory assets for the restoration expenses related to the Major Storm Event, KU/LG&E stated the storms caused extensive and widespread damage to their transmission and distribution systems.¹ KU/LG&E stated that the windstorm was declared a state of emergency.²

¹ Application, paragraph 14.

² Application, paragraph 9.

On March 3, 2023, KU/LG&E's service area experienced a severe windstorm which resulted in combined total of 800 broken poles, 3,500 downed wires, 1,200 affected distribution circuits, and 400,000 customer outages.³ Restoration efforts lasted six days, exceeded average annual storm-related costs, and resulted in an estimated combined distribution and transmission windstorm-related O&M and capital costs of \$83 million, \$44 million for KU and \$39 million for LG&E.⁴ KU/LG&E estimated that approximately 1,800 off-system resources assisted in restoration efforts.⁵

KU/LG&E estimated that the total O&M costs will be \$23.2 million, \$12.3 million for KU and \$10.9 million for LG&E.⁶ The total storm restoration costs included in base rates are \$7.8 million, \$3.2 million for KU and \$4.6 million for LG&E.⁷ KU/LG&E have not yet completed their calculation of the incremental O&M costs associated with the windstorm, but committed to filing the actual amounts in this docket when they are known.⁸

LEGAL STANDARD

KRS 278.220 sets out that the Commission may establish a uniform system of accounts (USoA) for utilities and in KU/LG&E's case, that the system of accounts shall conform as nearly as practicable to the system adopted or approved by the Federal Energy Regulatory Commission (FERC). The FERC USoA provides for regulatory assets, or the capitalization of costs that would otherwise be expensed but for the actions

³ Application, paragraph 10.

⁴ Application, paragraphs 15 and 16.

⁵ Application, paragraph 13.

⁶ Application, paragraphs 24 and 25.

⁷ Application, paragraphs 24 and 25.

⁸ Application, paragraph 26.

of a rate regulator. It must be probable that the utility will recover approximately equal revenue through the inclusion of these costs for ratemaking purposes, with the intent to recover the previously incurred cost not a similar future cost.

The Commission has established parameters for expenses which qualify for regulatory asset treatment; the Commission has approved 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.⁹ Additionally, the Commission has established a requirement that utilities seek Commission approval before recording regulatory assets,¹⁰ and requirements regarding the timing for applications seeking such approval.¹¹

DISCUSSION AND FINDINGS

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that with regard to KU/LG&E's request for authorization to establish deferral accounting for the repair and restoration of the Major Storm Event, the costs to repair the damaged assets are extraordinary and nonrecurring and could not have been reasonably anticipated or included in KU/LG&E's planning. Accordingly, the Commission

⁹ 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.

¹⁰ Case No. 2016-00180, *Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with the Two 2015 Major Storm Events* (Ky. PSC Nov. 3, 2016), Order at 9.

¹¹ Case No. 2016-00180, *Kentucky Power* (Ky. PSC Dec. 12, 2016), Order at 5.

finds that KU/LG&E should be authorized to establish, for accounting purposes only, regulatory assets based on the jurisdictional incremental costs of extraordinary O&M expenses incurred by KU/LG&E as a result of the Major Storm Event.

IT IS THEREFORE ORDERED that:

1. KU/LG&E are authorized to establish regulatory assets for the incremental actual costs of extraordinary O&M expenses related to the Major Storm Event.
2. The regulatory asset accounts established in this case are for accounting purposes only.
3. The amount, if any, of the regulatory assets herein that is to be amortized and included in rates shall be determined in KU/LG&E's next base rate case.
4. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
APR 05 2023 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

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