

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

IN RE:)
)
PETITION OF ATMOS ENERGY)
CORPORATION FOR APPROVAL)
OF A SMARTCHOICE CARBON) **Docket No. 22- 00035**
OFFSET RIDER)

PETITION FOR APPROVAL OF A SMARTCHOICE CARBON OFFSET RIDER

Atmos Energy Corporation (“Atmos Energy” or “Company”) respectfully requests that the Tennessee Public Utility Commission (“Commission”) approve its petition for the inclusion of a SmartChoice Carbon Offset Rider (“SCCO Rider”) in its Tariff under TPUC Rule 1220-04-01-.06.

In support of this Petition, Atmos Energy respectfully submits the following:

1. Full name and address of the principal place of business of the company are:

Atmos Energy Corporation
5430 LBJ Freeway S 1800
Dallas, TX 75240

2. All correspondence and communications with respect to this Petition should be sent to the following:

Brannon C. Taylor
Vice President, Rates & Regulatory Affairs
KY/Mid-States Division
Atmos Energy Corporation
810 Crescent Centre Dr. Ste. 600
Franklin, TN 37067
(615) 771-8301 – Facsimile

Erik C. Lybeck, Esq.
Neal & Harwell, PLC
1201 Demonbreun Street, Ste. 1000
Nashville, TN 37203
(615) 726-0573 – Facsimile
elybeck@nealharwell.com

Douglas C. Walther, Esq.
Associate General Counsel
Atmos Energy Corporation
P. O. Box 650205
Dallas, TX 75265-0205
(972) 855-3080 – Facsimile

3. Atmos Energy is a corporation organized and existing under the laws of the state of Texas and Virginia and is engaged in the business of transporting, distributing and selling natural gas, including in areas of Tennessee.

4. Atmos Energy developed the SmartChoice Program to accommodate customer interest in a utility program offering of this nature to address the carbon emissions associated with natural gas consumption. The Company structured the proposed program to allow both residential classes and large-volume customer classes to engage voluntarily in the purchase of carbon credits and to offer flexibility for that engagement.

5. Atmos Energy requests that the Commission accept the SCCO Rider and approve the establishment of the proposed SmartChoice Program to provide qualifying customers with the option to offset the carbon emissions associated with their natural gas usage. Through the SmartChoice Program, participating customers will directly fund the Company's purchase of carbon credits—which represent measurable, verifiable emission reductions from certified climate action projects. The Company (or its carbon credit provider) will purchase and retire these carbon credits collectively on behalf of the customers participating under this proposed rider.

6. Atmos Energy proposes to offer the SmartChoice Program to both residential and non-residential customers who receive concurrent natural gas service from the Company who are current on their Atmos Energy bills. Participating customers will contract with the Company under the SCCO Rider for carbon credits sourced by the Company. Participation in the program is voluntary and is designed to give participating customers a mechanism for offsetting natural gas usage emissions with carbon credits procured by the Company.

7. Customers who elect to participate in the SmartChoice Program will contract for Atmos Energy's purchase of carbon credits each month. For residential customers, the average monthly usage in Tennessee is approximately 53.5 Ccf. The SmartChoice Program will allow residential customers to offset either 25%, 50%, or 100% of this average monthly usage for a fixed monthly contribution. For non-residential customer classes, the SmartChoice Program offers volumetric options based directly on a customer's Ccf contribution due to varying gas requirements among these customer classes. For a fixed volumetric fee, these non-residential customers can target an offset percentage of either 25%, 50%, or 100% of their monthly gas usage.

8. Given that the SmartChoice Program is entirely voluntary and requires participating customers to pay a premium above their standard service, the Company proposes to allow participating customers to terminate their participation by giving at least thirty (30) days' notice of termination. The Company also seeks to reserve the right to terminate a customer's participation under the SmartChoice Program without prior notice when the customer is sixty days or more past due on payment of amounts billed to them pursuant to the SmartChoice

Program. In no instance would the failure to pay amounts due under solely the SmartChoice Program subject a customer to disconnection of gas service.¹

9. Tennessee customers receiving Low Income Home Energy Assistance Program (LIHEAP) funds would not be eligible to participate under the proposed SmartChoice Program.

10. Following approval by the Commission of this proposed SmartChoice Program, the Company tentatively anticipates implementation around November 2022, but a precise start date for customer participation under the program has not yet been determined.

11. All administrative costs incurred by the Company as part of the SmartChoice Program will be tracked separately through a deferred account and will be recovered from participating customers only. SmartChoice rates discussed above include a contribution toward administrative costs, but do not include any margin. Customers who are not enrolled members of SmartChoice will not bear any additional costs associated with SmartChoice.

12. To assist with the Commission's oversight of the SmartChoice Program, the Company proposes to file a Purchase Carbon Offset Adjustment ("PCOA") filing, similar to the Company's purchased gas adjustment filing, reviewing the balance of revenues and costs under SmartChoice at least once every twelve months. The PCOA may propose to adjust rates prospectively under SmartChoice based on the actual and anticipated costs of purchasing carbon credits and administering the program. The Company would potentially file a PCOA more frequently if warranted by changing market conditions.

13. The Company's proposed SCCO Rider is attached as Exhibit A to this Petition.

¹ In other words, if a customer is current on its charges for natural gas usage, the failure to pay the portion of the customer's bill associated with the SmartChoice Program would not subject the customer to potential disconnection of natural gas service.

14. The Company's proposed SCCO Rider is further supported in the attached Direct Testimony of Gary L. Smith.

WHEREFORE, Atmos Energy respectfully requests that the Commission issue an order that approves the attached proposed SCCO Rider on or before August 1, 2022, or as soon thereafter as is reasonably practicable.

Respectfully submitted,

NEAL & HARWELL, PLC

By: 

Erik C. Lybeck, #35233
1201 Demonbreun Street, Ste. 1000
Nashville, TN 37203
(615) 244-1713 – Telephone
(615) 726-0573 – Facsimile
elybeck@nealharwell.com

Counsel for Atmos Energy Corporation

EXHIBIT A

TABLE OF CONTENTS

	<u>Sheet No.</u>
Table of Contents	1
Preliminary Statement	3
Service Areas	3
Rate Schedules	
210 Residential Gas Service	4
211 Residential and Small Commercial/Industrial Heating and Cooling Services	6
220 Commercial/Industrial Gas Service	8
221 School Gas Service	10
225 Public Housing Authority	12
230 Large Commercial/Industrial	14
240 Demand/Commodity Gas Service (Comm./Ind.)	16
250 Optional Gas Service	19
260 Transportation Service	21
280 Economic Development Rate	25
291 Negotiated Gas Service	28
292 Cogeneration, Compressed Natural Gas,	30
Prime Mover, Fuel Cell Service	
293 Large Tonnage Air Conditioning Gas Service	32
294 Emergency Service	34
Annual Review Mechanism (ARM)	34.1
Purchased Gas Adjustment Rider	35
Margin Loss Recovery Rider	44
Capacity Assignment Credit Rider	45
Weather Normalization Adjustment (WNA) Rider	50
SmartChoice Carbon Offset (SCCO) Rider	51.1

SmartChoice Carbon Offset ("SCCO") Tariff Rider**1. PURPOSE:**

This Rider provides Customers the option to fully or partially offset the carbon emissions associated with their natural gas usage through direct funding of the Company's purchase and retirement of Carbon Credits on their behalf.

2. AVAILABILITY:

Participation in the SCCO program is voluntary and customers must enroll to participate. Participation in the SCCO program is available to all Customers that are current on their Atmos Energy bills. Residential Customers receiving LIHEAP funding are not eligible to participate in the SCCO. The SCCO is available to Rate Schedule 210, 211, 220, 221, 225, 230, 240, 250, 260, 280, 291, 292, 293, and 294 customer classes.

3. APPLICABILITY:

The rider is applicable to customers who voluntarily elect to offset their natural gas emissions with credits from qualifying Carbon Credit sources made available by Atmos Energy.*

4. DEFINITIONS:

4.1 "Ccf". One hundred cubic feet

4.2 "Target Offset". The percentage of a customer's natural gas usage for which Atmos will purchase and retire Carbon Credits. The monthly charge levels are based on an estimated Carbon Credit price and estimated administrative costs associated with this program. Monthly charges may be adjusted as set forth in Section 7 of this tariff.

4.3 "Participation". Customers wanting to enroll in the SCCO Program should call Atmos Energy customer service at 1.888.286.6700. Customers may also enroll online through the Atmos Energy Account Center at www.atmosenergy.com. Customers who elect to participate in the SCCO tariff will pay a monthly premium on their natural gas bill that will show up as a separate line item on their monthly bill. Participation in this pilot program will be available from the effective date of this sheet. Customers will be able to change their designated Target Offset Percentage or terminate their participation prospectively by providing timely notice to the Company by calling Atmos Energy customer service at 1.888.286.6700, or online through the Atmos Energy Account Center at www.atmosenergy.com.

5. RATE SCHEDULES

Residential Customers and Public Housing Authority: Residential Customers and Public Housing Authority (Rate Schedules 210, 211, and 225) may select a participation level from the table below.

Residential and Public Housing Authority Customers	
Target Offset Percentage	Monthly Charge
25%	\$1.50
50%	\$3.00
100%	\$6.00

** Please note: Carbon offsets will be achieved through the purchase of certified carbon credits.*

Commercial, Industrial and Transportation Customers: Non-Residential Customers (Rate Schedules 220, 221, 230, 240, 250, 260, 280, 291, 292, 293, 294) may select a volumetric rate participation level from the table below. Implementation of the Non-Residential SCCO program will begin on or about 60 days following the implementation of the Residential SCCO program.

Non-Residential Sales and Transportation Customers	
Target Offset Percentage	Per Ccf Charge
25%	\$0.02700
50%	\$0.05400
100%	\$0.10800

6. ADMINISTRATIVE COSTS:

All administrative costs incurred by the Company as part of the SCCO Program will be tracked separately through a deferred account and will be recovered only from participating customers through the rates set forth in the SCCO Rider. SCCO Rider rates as approved above include a contribution toward administrative costs. Customers who are not enrolled in the SCCO program will not bear any additional costs associated with the SCCO program.

7. PURCHASED CARBON OFFSET ADJUSTMENT ("PCOA") FILING

The Company shall be required to file a PCOA reviewing the balance of revenues and costs under the SCCO Tariff at least once every 12 months. The PCOA will propose any prospective adjustment in rates under the SCCO. The Company may file a PCOA more frequently if warranted by changing Carbon Credit market conditions. The Company will provide notice on customers bills prior to any changes in the SCCO rates taking effect.

8. GENERAL

8.1 The Carbon Credit purchases pursuant to this tariff are provided on an interruptible basis. If interrupted, the Customer will be credited for amounts not purchased or retired on their behalf.

8.2 No late payment charge shall be assessed to amounts not paid timely by the Customer under this tariff.

8.3 Either the Customer or the Company may terminate the Customer's participation under this tariff by giving at least thirty (30) days prior written notice of such termination, with the exception as follows. The Company may terminate a Customer's participation under this tariff without prior notice when the Customer is 60 days or more past due on payment of amounts billed to them pursuant to this tariff, and/or upon disconnection of Gas Service to the Customer.

8.4 Failure of the Customer to pay any amounts due pursuant to this Rider shall not result in disconnection of Gas Service to the Customer.