



Electronically Filed in TPUC Docket Room
on November 3, 2023 at 12:50 p.m.

November 1, 2023

Mr. David Foster
Tennessee Public Utility Commission
502 Deaderick Street, Fourth Floor
Nashville TN 37243

Re: Atmos Energy Corporation – SmartChoice Carbon Offset Rider
Docket No 22-00035 – Purchased Carbon Offset Adjustment (“PCOA”)

Dear Mr. Foster:

In accordance with the Atmos Energy SmartChoice Carbon Offset (“SCCO”) tariff rider, Sheet No. 51.2, section 7, Atmos Energy hereby submits the required annual Purchased Carbon Offset Adjustment (“PCOA”) report filing.

A copy of the report is attached electronically, and a mailed copy will also be sent to the Commission.

Sincerely,

/s/ Brannon Taylor
Vice President, Rates & Regulatory

Enclosure

SmartChoice Carbon Offset Rider

Approved in Docket No. 22-0035

Purchased Carbon Offset Adjustment (“PCOA”)

November 1, 2023

Background:

In accordance with the Atmos Energy (the “Company”) SmartChoice Carbon Offset (“SCCO”) tariff rider, the Company hereby submits the required Purchased Carbon Offset Adjustment (“PCOA”). Section 7 of the tariff (on T.R.A. No. 1, 2nd revised sheet 51.2) states:

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.

Status of the voluntary SCCO program:

The effective date of the SCCO tariff rider was November 1, 2022.

Live billing for residential customers began in March 2023. Several Atmos Energy employees who are enrolled in the program volunteered to assist in verifying the appropriate function of the end-to-end processes. The Company plans to activate its communication about the voluntary program to residential customers soon.

Rate Assumptions:

In setting the initial rates for SCCO, the Company assessed the carbon offset credit cost ranges for various accredited projects throughout the US and calculated the fraction of carbon offset credits needed to offset emissions from the consumption of one-hundred standard cubic feet (“Ccf”) of natural gas. The Company also estimated the per Ccf administrative costs as the program becomes available to increasing numbers of customers across the Atmos Energy footprint.

The underlying rate assumptions for residential customers were as follows:

Cost per Ccf of Carbon Credit	\$0.0850
Cost per Ccf of Program Administration	\$0.0350
Total Cost per Ccf	\$0.1200
Average Weather Adjusted TN Residential Ccf/month	53.5
Monthly SCCO Cost - Residential	\$6.42
Proposed SCCO Rate per month - Residential	\$6.00

To convert the cost per Ccf of Carbon Credit of \$0.0850 reflected in the SCCO rate to the cost of one carbon offset credit, one must divide \$0.0850 by 0.0055,¹ which equals \$15.51. Therefore, the current rate is sufficient to reimburse the Company \$15.45 for each carbon offset credit that is retired on behalf of the customer.

To launch the SCCO program, Atmos Energy explored the purchase of certified carbon offset credits from multiple providers and ultimately purchased credits associated with 13 certified projects (as a pool for use in any Atmos Energy jurisdiction). This inventory is sufficient to provide the SCCO service to customers for multiple years in the jurisdictions in which the program has been approved. The cost of these carbon offset credits will not be recovered by Atmos Energy until and unless credits are retired on behalf of a customer enrolled in our SCCO program. The cost of a carbon credit associated with these 13 projects ranges from \$4.90 to \$18.25. Therefore, the current cost per Ccf of Carbon Credit reflected in the SCCO rate should be sufficient to reimburse the Company for the cost incurred to retire the carbon offset credit on behalf of the customer.

The calculation of administrative costs reflected in the current rate is based on the estimated costs the Company expects to incur once broader promotion begins and customer participation increases. The Company expects to under-recover administrative costs until a reasonable adoption level is achieved and then balance the under-recovery with higher participation rates. We believe that the current rate for administrative costs remains appropriate. We will continue to monitor and propose a rate change if it appears that we may begin to over-recover such costs once the program is well established.

Conclusion:

Given these facts, the Company proposes to leave the existing SCCO rates in place during this continued stage of launching the program and will continue to reevaluate the appropriateness of the rates as more information about participation becomes available.

¹ Atmos Energy relies upon the Greenhouse Gas Equivalencies provided by the U.S. Environmental Protection Agency ("EPA"). In April 2023, EPA updated the emission factor of natural gas to 0.0550 metric tons of CO₂/Mcf.