



October 15, 2025

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

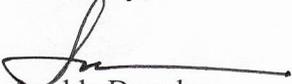
Re: Atmos Energy Corporation – SmartChoice Carbon Offset Rider
Docket No 22-00035 – Purchased Carbon Offset Adjustment (“PCOA”)

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.

Enclosed with this letter are the original and three copies. An electronic copy has been provided by email.

Sincerely,


Inelda Douglas
Sr Rate Admin Analyst

Enclosure

RECEIVED
OCT 22 2025
TN PUBLIC UTILITY COMMISSION
DOCKET OFFICE

SmartChoice Carbon Offset Rider
Approved in Docket No. 22-00035
Purchased Carbon Offset Adjustment (“PCOA”)
November 1, 2025

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.

In March 2023, the Company conducted a pilot test using employee volunteers to assist in verifying the appropriate function of the end-to-end processes. Open enrollment to residential customers began in November 2023. The attached Table 1 – Customer Enrollments shows steady, modest growth in program participation. As of September 2025 we have 178 participating customers. Since inception, we have had 2,238 monthly purchases, at various tiers, for a total of 360.31 carbon offsets and revenue of \$7,347.

Carbon Credit Inventory and Retirements:

To launch the SCCO program, Atmos Energy 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 customers enrolled in our SCCO program. In June 2024, the Company retired 17 carbon credits at a cost of \$11.30 per credit. This transaction caught retirements up to the balance of customer payments through December 2023. In October 2025, the Company retired an additional 300 carbon credits at \$11.30 per credit. This transaction caught retirements up to the balance of customer payments through August 2025.

Administrative Costs:

Administrative costs consisting of registry transfer fees, annual maintenance fees and market access fees have amounted to \$9,271 thus far.

SCCO Rates:

To fully offset the annual CO₂ emissions of an average Tennessee residential customer, 3.53 carbon credits are needed (53.5 ccf/month x 12 months x 0.0055¹). As noted earlier in this report, the Company's first two retirement blocks cost \$11.30 per carbon credit. Based on that unit cost, the annual cost for a 100% offset is \$39.89, (3.53 x \$11.30). The current annual SCCO revenue for 100% offset is \$72 (\$6.00/month x 12 months). That leaves \$32.11/year which would defray a portion of administrative costs. As shown in attached Table 1, the SCCO revenues through September 2025 for Tennessee is \$7,347. Dividing that figure by \$72, yields an equivalent 100% offset customer count of 102 for the period from March 2023 through September 2025. 102 times \$32.11/year = \$3,275 to defray administrative costs. A similar calculation for Kansas (in effect 17 months, beginning May 2024) yields an additional \$1,720 to defray administrative costs. Through September 2025, a total of \$4,995 is available for coverage of administrative costs of \$9,271, a current shortfall of \$4,276. It is noteworthy that the shortfall one year ago was \$5,414.

The Company expects to continue to make progress in fully funding the administrative costs. We believe that the current rate for carbon credits and administrative costs remains appropriate. We will continue to monitor and propose a rate change if it appears warranted.

Conclusion:

Given these facts, the Company proposes to leave the existing SCCO rates in place at this time and will continue to reevaluate the appropriateness of the current rates.

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.

Table 1 – Customer Enrollments

Line	Month	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Participants				Carbon Credits		SCCO Revenue	
		100%	50%	25%	Total	for Month	Cumulative	for Month	Cumulative
1	03/2023	2	1	0	3	0.74	0.74	\$15.00	\$15.00
2	04/2023	3	1	2	6	1.18	1.91	\$24.00	\$39.00
3	05/2023	3	1	2	6	1.18	3.09	\$24.00	\$63.00
4	06/2023	3	1	3	7	1.25	4.34	\$25.50	\$88.50
5	07/2023	4	1	3	8	1.54	5.89	\$31.50	\$120.00
6	08/2023	4	1	3	8	1.54	7.43	\$31.50	\$151.50
7	09/2023	4	1	3	8	1.54	8.97	\$31.50	\$183.00
8	10/2023	5	1	3	9	1.84	10.81	\$37.50	\$220.50
9	11/2023	5	2	5	12	2.13	12.95	\$43.50	\$264.00
10	12/2023	8	3	7	18	3.31	16.26	\$67.50	\$331.50
11	01/2024	11	7	10	28	5.00	21.26	\$102.00	\$433.50
12	02/2024	13	10	12	35	6.18	27.44	\$126.00	\$559.50
13	03/2024	16	9	17	42	7.28	34.72	\$148.50	\$708.00
14	04/2024	19	11	19	49	8.61	43.33	\$175.50	\$883.50
15	05/2024	20	13	22	55	9.42	52.74	\$192.00	\$1,075.50
16	06/2024	20	14	23	57	9.64	62.38	\$196.50	\$1,272.00
17	07/2024	21	14	26	61	10.15	72.53	\$207.00	\$1,479.00
18	08/2024	26	17	28	71	12.21	84.74	\$249.00	\$1,728.00
19	09/2024	28	18	30	76	13.09	97.84	\$267.00	\$1,995.00
20	10/2024	34	20	47	101	16.37	114.21	\$333.75	\$2,328.75
21	11/2024	33	22	51	106	16.70	130.90	\$340.50	\$2,669.25
22	12/2024	36	24	56	116	18.21	149.11	\$371.25	\$3,040.50
23	01/2025	40	23	60	123	19.57	168.68	\$399.00	\$3,439.50
24	02/2025	42	24	63	129	20.52	189.20	\$418.50	\$3,858.00
25	03/2025	44	24	68	136	21.44	210.65	\$437.25	\$4,295.25
26	04/2025	47	27	72	146	23.10	233.74	\$471.00	\$4,766.25
27	05/2025	48	29	75	152	23.91	257.65	\$487.50	\$5,253.75
28	06/2025	48	32	77	157	24.46	282.11	\$498.75	\$5,752.50
29	07/2025	47	33	83	163	24.75	306.87	\$504.75	\$6,257.25
30	08/2025	50	36	89	175	26.52	333.39	\$540.75	\$6,798.00
31	09/2026	50	38	90	178	26.92	360.31	\$549.00	\$7,347.00
32									
33	Totals	734	458	1,046	2,238	360.31		\$7,347.00	