

Cancelling P.S.C. MO. No.

Fidelity Natural Gas, Inc.

For Refer to Sheet i

Name of Issuing Corporation

Community, Town or City

**Missouri School Pilot Program
Transportation Service
Rate Schedule**

1. Availability

This service is available to any eligible school entity as defined in Section 393.310.2(3), RSMo. (Cum.Supp. 2002) within Fidelity Natural Gas, Inc.'s (Company's) service area who has purchased natural gas from a third party supplier and desires transportation of those volumes through the Company's facilities. All provisions of the Transportation Service, Tariff Sheet Nos. 7-20.1, inclusive, shall apply to this program, unless otherwise indicated below. Transporter shall be required to execute a Transportation Agreement prior to receiving service under this Rate Schedule. This service shall be offered upon approval by the Missouri Public Service Commission as a pilot program in accordance with Section 393.310, RSMo. (Cum.Supp. 2002). As a condition of taking this transportation service, an eligible school entity must agree to pay local gross receipts taxes, or local franchise taxes, or other similar local fees or taxes, in a manner similar to the way such taxes would be paid if service were not taken under the experimental school program but under rate schedules GS, CS or LVS.

2. Applicability of Missouri School Pilot Program

- a. This Pilot Program will become effective upon approval by the Commission and continue as a pilot program through June 30, 2005.
Participants should notify the Company no later than sixty (60) days prior to service beginning date. Transporter shall agree to remain on this Rate Schedule for a period of not less than one year.
Transporter may return to sales service on November 1 of any year by giving the Company notice no later than September 1 of that year.

DATE OF ISSUE: August 1, 2002
month day year

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ISSUED BY: Dave Beier Vice- President--Regulatory 64 North Clark, Sullivan, MO 63080
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- b. Company will prepare a contract for execution by the Pool Operator addressing its obligations in respect to Nominations, Balancing Charges and Cash-Out provisions and other applicable charges.
- c. Pool Operator is defined as the entity responsible on the Transporter's behalf, to contract for, and cause delivery of, adequate natural gas supplies necessary to meet the Transporter's Forecasted Daily Gas Supply Requirements. The Missouri School Board Association will select the Pool Operator for this Pilot Program.
- d. Pool Group is defined as the transporters or schools participating in this Pilot Project. A customer is assigned to a specific pool group on the basis of the connecting pipeline which serves the respective customer.
- e. The Pool Operator will be responsible for forecasting the Daily Gas Supply Requirements of participating eligible school entities. The Company will initially provide historical monthly consumption information to the Pool Operator to assist it in the determination of the Daily Gas Supply Requirements of participating school entities. The Pool Operator will be responsible for taking the Forecasted Daily Gas Supply Requirement determined by the Pool Operator and the Company and provide a nomination to the interstate pipeline supplier and the Company. Nomination Procedures and Balancing Charges will be handled in accordance with Sections 3, and 4 set forth below or in the Pool Operator contract.
- f. The Pool Operator shall be responsible for pipeline imbalances, cash-outs, penalties, overrun gas charges or other charges it may create with the pipeline suppliers. All balancing charges or balancing-related obligations shall be the responsibility of the Pool Operator. Should the Pool Operator fail to satisfy such obligation, each individual transporter within such Pool Group shall remain responsible for their obligations. The Pool Operator shall enter into a group balancing agreement with the Company for a term of not less than one year.

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3. Nomination Procedures

- a. The Pool Operator will actively confirm with the Company's Gas Supply Department by 3:00 p.m. (CST) six (6) working days prior to the end of the preceding month the aggregated daily volumes and associated upstream transportation contract number(s) to be delivered for the Pool Group on whose behalf they are supplying natural gas requirements. This information will be relayed using Company's standard nomination form.
- b. In the event the Pool Operator must make any changes to the nomination during the month, the Pool Operator must directly advise Company's Gas Supply Department of those changes by 9:00 a.m. (CST) on the day preceding the effective date of the change. The Pool Operator must obtain prior approval from the Company to change the total daily volumes to be delivered to the city gate.

4. Transporter (s) Balancing Obligation

- a. The Transporters will be responsible to pay Company for any imbalances between the Forecasted Daily Gas Supply Requirement and the actual consumption caused by differences between actual weather and forecasted weather. An aggregation and balancing charge of \$.04 per Mcf on all throughput will be collected to offset the costs incurred by the Company to provide this service during the first year of availability and as approved by the Commission for subsequent years. Balancing charges will be collected and credited to the monthly cost of the Purchased Gas Adjustment Clause.
- b. Transporters within the Pool Group for respective Company pricing zones on common pipeline will have the obligation to insure that their Pool Operator delivers the Forecasted Daily Gas Supply Requirement volume to the Company's city gate. Transporters will be held responsible for any and all charges levied against their Pool Operator which are not paid.
- c. Transporters within one Pool Group will be treated as one customer for balancing. Consumption for all Transporters under this Pilot Program will be aggregated to be compared to monthly aggregated Confirmed Nominations to calculate the Monthly Imbalance. Any imbalances and cash-outs will be treated pursuant to the terms of Tariff Sheet Nos. 10-12, inclusive.

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5. Capacity Release Provisions

Company will release firm pipeline capacity on the applicable pipeline(s) equal to the peak day needs for all customers in aggregate to the Pool Operator, as specified in the Pool Operator Contract. The release will be at the same rate that the applicable pipeline(s) charges the Company for that capacity and will be for a term of one year. The release will be made on a recallable basis, but the Company agrees not to recall capacity unless requested to do so by Customer.

6. Billing

- a. In year one, Transporter shall pay the Company an aggregation and balancing charge of \$.04 per MMBtu. After year one, Transporter may pay the Company a higher or lower aggregation and balancing charge to cover incremental administrative costs, as may be approved by the Commission.
- b. The monthly commodity charges and customer charges equivalent in the applicable companion sales rate will be billed each transporter within the Pool Group by the Company in accordance with non-gas charges set forth in the Company's tariff for applicable sales service.
- c. Customer will be billed a daily balancing charge on all volumes delivered or set forth above under 4a.
- d. Customer will be billed any pipeline transition cost recovery factor which would otherwise be applicable as a system sales customer.
- e. ACA charges related to prior periods approved by the Commission will apply and will be billed to the customer for the first year.
- d. The Pool Operator will be billed all Overrun charges and cash-outs.

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7. Taxes

The Pool Operator shall be required to collect local municipal franchise taxes, if any, on natural gas supplied by a Third Party and remit franchise tax collections to the applicable local municipal entity. In addition to local franchise taxes specified under Paragraph 1, above, schools shall agree to pay franchise tax on commodity transportation if applicable to Sales service for schools. Transportation shall be billed any applicable proportionate part of any directly allocable tax, impost or assessment imposed or levied by a governmental authority, which is assessed or levied against the Company or affects the Company's cost of operation and which the Company is legally obligated to pay on the basis of meters, customers, or rates of, or revenues from gas or service sold, or on the volume of gas produced, transported, purchased for sale, or sold, or on any other basis where direct allocation is possible.

8. Terms of Payment

Bills are delinquent if unpaid after the twenty-first (21st) day following rendition or as may be specified by law. Rendition occurs on the date of physical mailing or personal delivery, as the case may be, of the bill by the Company.

The Company shall add to any delinquent unpaid bill a sum equal to one and one half percent (1-1/2%) of the outstanding balance. In calculating the outstanding balance for these purposes, the Company may not include any amounts due to deposit arrears and amounts agreed to be paid under any deferred payment agreement. An unpaid bill shall be any undisputed amount that remains owing to the Company at the time of the rendition of the next bill. Failure to pay the late payment charge is grounds for discontinuance of service.

9. Rules and Regulations

Service will be furnished in accordance with Company's Standard Rules and Regulations.

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FORM NO. 13

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10. Reporting Requirements

The company shall, no later than June 1st of each year of the experimental program, provide records of the revenues and expenses incurred as a result of this experimental program. These records shall be provided to the Staff of the Missouri Public Service Commission and the Office of the Public Counsel and shall be categorized in sufficient detail to permit the PSC Staff and Office of the Public Counsel to determine what under or over recovery of expenses may be taking place at that time and to determine what changes in rates, if any, may be appropriate at that time to prevent any harm to the groups identified in RSMo section 393.310. The Commission may, no later than November 1st of each year of the experimental program, implement any adjustments in rates it deems appropriate to comply with RSMO section 393.310.

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