

Exhibit No.: \_\_\_\_\_  
Issues: Experimental School  
Transportation Tariff  
Witness: Mark A. Martin  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Atmos Energy Corporation  
Case No.: GT-2003-0037

**MISSOURI PUBLIC SERVICE COMMISSION**

**ATMOS ENERGY CORPORATION**

**CASE NO. GT-2003-0037**

**TESTIMONY OF**

**MARK A. MARTIN**

**Jefferson City, Missouri**

**September 10, 2002**

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Tariff Filing of )  
Atmos Energy Corporation )

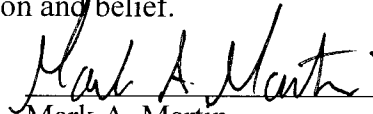
Case No. GT-2003-0031

County of )  
State of Tennessee )

AFFIDAVIT OF

MARK A. MARTIN

Mark A. Martin, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Mark A. Martin"; that said testimony and schedules attached thereto was prepared by him and/or under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Mark A. Martin

Subscribed and sworn to before me this 9<sup>th</sup> day of September, 2002.

  
\_\_\_\_\_  
Notary Public

My Commission expires July 26, 2003

**TESTIMONY OF MARK A. MARTIN**

**CASE NO. GT-2003-0037**

**September 10, 2002**

1   **Q.    WILL YOU PLEASE STATE YOUR NAME, TITLE, AND BUSINESS**  
2       **ADDRESS?**

3    A.   Mark A. Martin, Senior Analyst, United Cities Gas Company, a division of Atmos  
4       Energy Corporation, 810 Crescent Centre Drive, Suite 600, Franklin, TN 37067-  
5       6226.

6

7   **Q.    PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL BACKGROUND**  
8       **AND EXPERIENCE WITHIN THE NATURAL GAS INDUSTRY.**

9    A.   I received a Bachelor of Science degree in Accounting from Eastern Illinois  
10   University. My employment at United Cities Gas Company began in September  
11   1995. My present duties include the responsibility of all regulatory matters and  
12   filings required by the Georgia, Missouri, Illinois, Iowa, Tennessee, and Virginia  
13   Commissions.

14

15   **Q.    HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION OR**  
16       **SIMILAR COMMISSION?**

17       No, I have not testified before this Commission. However, I have testified before the  
18   South Carolina Public Service Commission, Georgia Public Service Commission, and  
19   the Illinois Commerce Commission.

1    **Q.     WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

2    A.     The purpose of my testimony in this proceeding is to describe the tariff sheets filed by  
3           Atmos Energy Corporation (Atmos) that will allow the public school districts within  
4           the Atmos service territory (including the service areas of the United Cities and  
5           Greeley divisions) to aggregate the purchasing of natural gas supplies and transport  
6           said supplies to eligible schools in compliance with House Bill No. 1402 which was  
7           signed into law on July 11, 2002.

8

9    **Q.     WHAT ARE THE SPECIFIC REQUIREMENTS OF NEW LAW?**

10   A.    On July 11, 2002 the Governor signed into law House Bill No. 1402, enacting Section  
11          393.310, RSMo 2002 which directed Atmos and the state's other regulated natural  
12          gas distribution companies to file with the Commission by August 1, 2002 a set of  
13          experimental tariff sheets applicable to public school districts and which: (1) provides  
14          for the aggregate purchasing of natural gas supplies and pipeline transportation  
15          services on behalf of eligible school entities in accordance with aggregate purchasing  
16          contracts negotiated by and through a not-for-profit school association; (2) provides  
17          for the resale of such natural gas supplies, including related transportation service  
18          costs, to the eligible school entities at the gas corporation's cost of purchasing of such  
19          gas supplies and transportation, plus all applicable distribution costs, plus an  
20          aggregation and balancing fee to be determined by the commission, not to exceed  
21          four-tenths of one cent per therm delivered during the first year; and (3) not require  
22          telemetry or special metering, except for individual school meters over one hundred  
23          thousand therms annually. The new law also sets the requirements that the

1 Commission may suspend the tariff as required for a period ending no later than  
2 November 1, 2002, and shall approve such tariffs upon finding that implementation of  
3 the aggregation program set forth in such tariffs will not have any negative financial  
4 impact on the gas corporation, its other customers or local taxing authorities, and that  
5 the aggregation charge is sufficient to generate revenue at least equal to all  
6 incremental costs caused by the experimental aggregation program. In addition the  
7 law states that the Commission may adopt by order such other procedures not  
8 inconsistent with this section that the Commission determines are reasonable or  
9 necessary to administer the experimental program.

10  
11 **Q. DID ATMOS FILE THE REQUIRED TARIFF SHEETS IN ACCORDANCE**  
12 **WITH THE LAW?**

13 A. Yes. On August 1, 2002 Atmos filed with the Commission the proposed  
14 Experimental School Transportation Program tariff sheets (ESTP). The sheets  
15 contained an issue date of August 1, 2002 and an effective date of November 1, 2002.  
16 As a result of discussion with the staff and the Missouri School Board Association,  
17 Atmos has agreed to make certain changes in the tariff sheets it originally filed.  
18 These changes are reflected in Schedule 1 appended hereto.

1   **Q.    THE NEW LAW ALLOWS ATMOS TO COLLECT AN AGGREGATION**  
2       **AND BALANCING FEE NOT TO EXCEED \$0.004 PER THERM THE FIRST**  
3       **YEAR. HAS ATMOS INCLUDED THAT FEE IN THE FILED TARIFFS?**

4    A.   Yes. Atmos has included an aggregation and balancing fee of \$0.04 per Mcf to  
5       cover the incremental costs of initiating and implementing this new tariff. This rate is  
6       equivalent to \$0.004 per therm. This fee will be subject to adjustment on an annual  
7       basis based on whether Atmos is over or under recovering the costs to implement this  
8       new law.

9

10   **Q.   THE NEW LAW ALSO PROVIDES THAT THERE WILL NOT BE ANY**  
11       **NEGATIVE FINANCIAL IMPACT ON LOCAL TAXING AUTHORITIES.**  
12       **HAS ATMOS ADDRESSED THAT CONCERN IN THE PROPOSED TARIFF**  
13       **SHEETS?**

14   A.   Yes. Atmos has included tariff language designed to mitigate negative financial  
15       impact on local taxing authorities by requiring eligible school entities to agree to pay  
16       local taxes or similar fees in a manner similar to the way such taxes are currently  
17       levied on sales customers.

18

19   **Q.   THE NEW LAW ALSO REQUIRES THAT THE TARIFF BE DESIGNED TO**  
20       **BE REVENUE NEUTRAL TO ATMOS AND ITS OTHER CUSTOMERS.**  
21       **WILL THESE TARIFF SHEETS BE REVENUE NEUTRAL?**

22   A.   Yes. With the inclusion of the aggregation and balancing fees, the new ESTP tariff  
23       should not cause any shift of costs to the detriment of either Atmos or other existing

1 sales or transportation customers. It has been proposed by the Commission Staff and  
2 agreed to by Atmos that no later than June 1 of each year of the experimental  
3 program, Atmos will provide an accounting of the revenues and expenses incurred as  
4 a result of this experimental program.

5

6 **Q. DOES ATMOS PROPOSE TO RELEASE ANY OF ITS PIPELINE**  
7 **CAPACITY TO THE SCHOOLS IN CONJUNCTION WITH THIS**  
8 **EXPERIMENTAL PROGRAM?**

9 A. Yes. Atmos will make available pipeline capacity on from the various interstate  
10 pipelines that connect with the Atmos local distribution systems in Missouri.

11

12 **Q. HAS THE SCHOOL BOARD ASSOCIATION AGREED WITH THE**  
13 **CAPACITY RELEASE LANGUAGE CONTAINED IN THE ESTP TARIFF**  
14 **SHEETS?**

15 A. Yes they have.

16

17 **Q. ARE THERE ANY PARTS OF ATMOS' PROPOSED TARIFFS WHICH ARE**  
18 **IN DISPUTE EITHER WITH THE COMMISSION STAFF OR THE SCHOOL**  
19 **BOARD ASSOCIATION?**

20 A. No. It is my understanding at the time of writing this testimony that Atmos has  
21 addressed any concerns of either the Commission Staff or the School Board  
22 Association. Atmos believes its tariff filing complies with the provisions of section  
23 393.310 RSMo.

1    **Q.     DO YOU HAVE ANY OTHER COMMENTS TO MAKE AT THIS TIME?**

2    A.     Atmos has designed the ESTP tariff and seeks to implement this program in a spirit  
3           that is in keeping with the experimental nature of the program.  Atmos has used its  
4           best efforts to design a program that complies with the requirements of Section  
5           393.310 RSMo 2002 and is at the same time capable of being administered with as  
6           few structural or process changes as reasonably possible.  Nevertheless, despite these  
7           best efforts, it must be understood that actual experience under the program may be  
8           considerably different than the projections that were of necessity used in the  
9           development of the ESTP tariff and that such actual experience may necessitate  
10          changes during the course of the experiment.

11

12   **Q.     DOES THAT CONCLUDE YOUR DIRECT TESTIMONY AT THIS TIME?**

13   A.     Yes it does.



Cancelling P.S.C. MO. No.

**Atmos Energy Corporation****FOR - All Areas**

Name of Issuing Corporation

Community, Town or City

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

1. Availability

This service is available to any seven-director, urban or metropolitan school district as defined pursuant to Section 393.310.2(3), RSMo. (Cum.Supp. 2002), and shall also include, one year after the effective date of this section and thereafter, any school for elementary or secondary education situated in this state, whether a charter, private, or parochial school or school district within the Company's Missouri service area who has purchased natural gas from a third party supplier and desires transportation of those volumes through the Company's facilities. The implementation of the pilot program will not have any negative financial impact on the Company, its other customers or local taxing authorities.

2. Applicability

- a. Service provided under this Schedule shall be subject to the Company's priorities of curtailment as filed with the Missouri Public Service Commission.
- b. All gas transported hereunder by the Company shall be subject to the quality terms specified in respective pipeline company tariff and shall be subject to retention of a portion of the gas received for transportation to compensate the Company for Company used gas and Lost and Unaccounted for gas at a rate of 2%.
- c. Service will be furnished at the utilization pressure normally supplied from the distribution system in the area. By mutual agreement, a higher pressure, if available, may be supplied. The heating value of gas must meet the applicable interstate pipeline quality specifications.
- d. This Pilot Program upon approval of the Missouri Public Service Commission will become effective the first day of the month following the month of approval by the Missouri Public Service Commission as a pilot program through June 30, 2005. Participants should notify the Company no later than thirty (30) days prior to service beginning date. Customer shall agree to remain on this Rate Schedule for a period of not less than one year. Customer may return to sales service on November 1 of any year or at the end of the program by giving the Company notice no later than October 1 of that year.

DATE OF ISSUE: August 1, 2002  
month day year

Effective : November 1, 2002  
month day year

ISSUED BY: Patricia J. Childers  
name of officer

Vice President Rates & Regulatory Affairs  
title

Franklin, TN  
address

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- e. 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.
- f. Pool Operator is defined as the entity responsible on the Customer's behalf, to act as an agent for Customer in nominating, scheduling and capacity release activities associated with this program, and cause delivery of, adequate natural gas supplies necessary to meet the Customer's Forecasted Daily Gas Supply Requirements. The Missouri School Board Association will select the Pool Operator for this Pilot Program.
- g. Pool Group is defined as the Customers participating in this Pilot Program. A customer is assigned to a specific pool group on the basis of the connecting pipeline which serves the respective customer.
- h. Company will be responsible for forecasting the Daily Gas Supply Requirements of participating transporters. The Forecasted Daily Gas Supply Requirement will be the average daily usage for each school for a particular month using two years (where available) of usage history. The Forecasted Daily Gas Supply Requirement will include a retention adjustment for distribution system losses in accordance with Section 2(b). The Forecasted Daily Gas Supply Requirement will be provided to the Pool Operator by September 20 of each Plan Year. The Pool Operator will be responsible for taking the Forecasted Daily Gas Supply Requirement provided by the Company and providing a nomination to the interstate pipeline supplier and the Company. Nomination Procedures, Balancing and Cash-out Charges will be handled in accordance with Sections 3, 4 and 5 set forth below.
- i. 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. 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. Customer (s) Balancing Obligation**

- a. The Company will be responsible 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. No additional daily balancing fees will be imposed during the first year of the Pilot Program. In the event that there is a residual balance, the Company will be allowed to true-up any differences as approved by the Commission. The support for any true-up will be filed by June 1<sup>st</sup> of each program year. The Commission will approve any true-up by November 1<sup>st</sup> of each program year. Balancing charges will be collected and credited to the monthly cost of the Purchased Gas Adjustment Clause.
- b. Customers 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. Customers will be held responsible for any and all charges levied against their Pool Operator which are not paid.
- c. Customers 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. Imbalances will be cashed-out in accordance with Section 5.

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5. Cash-Out of Monthly Imbalances

- a. Meters for all customers within a Pool Group will be read on the same meter reading cycle.
- b. Consumption for all customers within a Pool Group will be aggregated to be compared to monthly-confirmed nominations for that Pool Group before calculating the monthly imbalance.
- c. Define by pipe. The cash-out rate will be calculated by applying the applicable pipeline's maximum firm transportation commodity rate and fuel charges to the pipeline's applicable cash-out rate as published at the end of each month.
- d. The cash-out charge or credit will be calculated by multiplying the Monthly imbalance by the cash-out rate.
- e. Revenue generated from cash-out charges shall be included in the annual PGA reconciliation filings as a reduction to the cost of gas for system sales customers.

6. Overrun Charges

On any day that the Confirmed Nomination volume is different than the Forecasted Daily Gas Supply Volume and the Pool Operator has not obtained prior approval for the variance, the Company shall charge the Pool Operator the greater of the appropriate pipeline cash-out charges or \$25.00 per Mcf.

Overrun Charges will be collected and the revenues will be credited to the monthly Cost of Purchased Gas Adjustment Clause.

7. Assignment of Stranded Cost

- a. The Peak Day Need is defined as the Daily Average of the highest use month for each of the two most recent years for each participant.
- b. 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. 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.

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**8. 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.
- f. The Pool Operator will be billed all Overrun charges and cash-outs.

**9. 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, schools shall agree, as a condition of obtaining service under this experimental program, 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.

**10. 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.

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10. Terms of Payment (Continued)

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.

11. Rules and Regulations

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

12. 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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2. Applicability

- a. Service provided under this Schedule shall be subject to the Company's priorities of curtailment as filed with the Missouri Public Service Commission.
- b. All gas transported hereunder by the Company shall be subject to the quality terms specified in respective pipeline company tariff and shall be subject to retention of a portion of the gas received for transportation to compensate the Company for Company used gas and Lost and Unaccounted for gas at a rate of 2%.
- c. Service will be furnished at the utilization pressure normally supplied from the distribution system in the area. By mutual agreement, a higher pressure, if available, may be supplied. The heating value of gas must meet the applicable interstate pipeline quality specifications.
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- e. 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.
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- 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. 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.

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- a. The Company will be responsible 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. No additional daily balancing fees will be imposed during the first year of the Pilot Program. In the event that there is a residual balance, the Company will be allowed to true-up any differences as approved by the Commission. The support for any true-up will be filed by June 1<sup>st</sup> of each program year. The Commission will approve any true-up by November 1<sup>st</sup> of each program year. Balancing charges will be collected and credited to the monthly cost of the Purchased Gas Adjustment Clause.
- b. Customers 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. Customers will be held responsible for any and all charges levied against their Pool Operator which are not paid.
- c. Customers 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. Imbalances will be cashed-out in accordance with Section 5.

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5. Cash-Out of Monthly Imbalances

- a. Meters for all customers within a Pool Group will be read on the same meter reading cycle.
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- d. The cash-out charge or credit will be calculated by multiplying the Monthly imbalance by the cash-out rate.
- e. Revenue generated from cash-out charges shall be included in the annual PGA reconciliation filings as a reduction to the cost of gas for system sales customers.

6. Overrun Charges

On any day that the Confirmed Nomination volume is different than the Forecasted Daily Gas Supply Volume and the Pool Operator has not obtained prior approval for the variance, the Company shall charge the Pool Operator the greater of the appropriate pipeline cash-out charges or \$25.00 per Mcf.

Overrun Charges will be collected and the revenues will be credited to the monthly Cost of Purchased Gas Adjustment Clause.

7. Assignment of Stranded Cost

- a. The Peak Day Need is defined as the Daily Average of the highest use month for each of the two most recent years for each participant.
- b. 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. 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.

DATE OF ISSUE: August 1, 2002  
month day year

Effective : November 1, 2002  
month day year

ISSUED BY: Patricia J. Childers Vice President Rates & Regulatory Affairs  
name of officer title

Franklin, TN  
address

Cancelling P.S.C. MO. No.

Atmos Energy Corporation

Name of Issuing Corporation

Community, Town or City

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

## 8. 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.
- f. The Pool Operator will be billed all Overrun charges and cash-outs.

## 9. 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, schools shall agree, as a condition of obtaining service under this experimental program, 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.

## 10. 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.

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**Atmos Energy Corporation****FOR - All Areas**

Name of Issuing Corporation

Community, Town or City

**Missouri School Pilot Program  
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10. Terms of Payment (Continued)

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.

11. Rules and Regulations

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

12. 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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