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September 09, 2002

FILED[2]
SEP 09 2002
Missouri Public Service Commission

Secretary
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Missouri Public Service - Case No. GT-2003-0038

Dear Mr. Roberts:

Enclosed for filing in the above-referenced proceeding please find an original and eight copies of the Direct Testimony of Robert J. Amdor. Please stamp the enclosed extra copy "filed" and return same to me.

If you have any questions concerning this matter, then please do not hesitate to contact me. Thank you very much for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By: Dean L. Cooper

DLC/tli
Enclosures
cc: Office of the Public Counsel
General Counsel
Richard Brownlee

Exhibit No.:
Issues: Experimental School Aggregation Tariff
Witness: Robert J. Amdor
Exhibit Type: Direct
Sponsoring Party: Aquila, Inc. d/b/a Aquila Networks - MPS and Aquila Networks - L&P
Case No.: GT-2003-0038 (As consolidated with Case No. GT-2003-0039)
Date: September 9, 2002

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GT-2003-0038

(As consolidated with Case No. GT-2003-0039)

DIRECT TESTIMONY

OF

ROBERT J. AMDOR

ON BEHALF OF

AQUILA, INC

D/B/A AQUILA NETWORKS - MPS

AND AQUILA NETWORKS - L&P

JEFFERSON CITY, MISSOURI

State of Nebraska)
) ss
County of Douglas)

AFFIDAVIT OF ROBERT J. AMDOR

Robert J. Amdor, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony and schedules entitled "Direct Testimony of Robert J. Amdor"; that said testimony 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.

Robert J Amdor

Subscribed and sworn to before me this 6th day of September, 2002.

RICHARD G PETERSEN
GENERAL NOTARIAL
SEAL
STATE OF NEBRASKA
COMMISSION EXPIRES
JULY 4, 2005

Richard G. Petersen
Notary Public

My Commission expires:

7/4/05

DIRECT TESTIMONY

ROBERT J. AMDOR

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Robert J. Amdor and my business address is 1815 Capitol Avenue, Omaha, Nebraska.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Aquila, Inc. ("Aquila") as a State Regulatory Manager. In this position, I am responsible for natural gas related matters in Iowa and Missouri.

Q. WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE?

A. I graduated from Iowa State University in 1978 with a Bachelor of Science degree in Finance. I received a Juris Doctorate degree from Creighton University in 1982 and was admitted to the Nebraska Bar Association in that same year. Since that time, I have held various positions in law, investments and business. In 1995, I joined the Regulatory Services department of Aquila (then known as UtiliCorp United Inc.).

Q. HAVE YOU PREVIOUSLY PARTICIPATED IN REGULATORY MATTERS?

A. Yes. I have testified before the Kansas Corporation Commission and the Missouri Public Service Commission. I have also participated in various filings before the Iowa Utilities Board.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. I will provide testimony in support of Aquila's small volume aggregation program. The tariff sheets proposed by Aquila were originally identified by the Commission as Tariff No. 200300096 (Aquila Networks - L&P) and Tariff No. 200300095 (Aquila Networks - MPS).

Q. HAS AQUILA PREVIOUSLY SERVED CUSTOMERS UNDER A SMALL VOLUME AGGREGATION PROGRAM?

A. Yes, in 1999 certain Missouri legislators asked Aquila (then UtiliCorp United Inc. d/b/a Missouri Public Service) to propose an experimental small volume aggregation service so that schools and small businesses could jointly purchase gas supplies from another source. The Missouri Public Service Commission approved that tariff effective September 1, 2000. That tariff expired on August 31, 2002.

Q. DID THE COMPANY'S TARIFF HAVE PARTICIPANTS?

A. A few small volume customers elected to transport under the tariff. That program was designed so the highest cost pipeline capacity contracts were assigned or released to the transport customer, which meant there wasn't enough financial incentive to attract large-scale participation. To address this issue, in the proposed tariffs that are currently before the Commission, Aquila seeks to charge these customers the weighted average cost of the pipeline contracts, which should help make the program more financially attractive to transporters.

Q. WHY WERE THESE TARIFF SHEETS PROPOSED BY AQUILA?

A. Aquila was required by Section 393.310 RSMo Supp. 2002 to file tariff sheets in order to propose a natural gas aggregation program for schools. Additionally, Aquila sought to continue its small volume aggregation program which was approved by the Commission on August 29, 2000, in Case No. GT-2001-61, for service from September 1, 2000, until August 31, 2002.

Q. ARE THE CURRENT TARIFFS SIMILAR TO THE COMPANY'S PREVIOUS PROGRAM?

A. Yes, the proposed tariff is similar to the prior Missouri experimental program, and to the Company's Small Volume Transportation tariffs in Minnesota, Iowa and Kansas.

Q. DID SCHOOLS PARTICIPATE IN THE AQUILA'S PREVIOUS SMALL VOLUME AGGREGATION PROGRAM?

A. That was the primary purpose of the program, although participation was not limited to schools.

Q. WHAT IS THE ORIGIN OF SECTION 393.310 RSMO SUPP. 2002?

A. House Bill 1402, which was signed into law by the Governor on July 11, 2002, contained the substance of Section 393.310 RSMo Supp. 2002.

Q. WHAT ARE THE REQUIREMENT OF THIS SECTION?

A. Section 393.310 RSMo Supp. 2002 directed Aquila, and other Missouri gas corporations, to file with the Commission a set of experimental tariff sheets applicable to public school districts which: 1) provide for the aggregate purchasing of natural gas supplies and pipeline transportation services on behalf of eligible school entities in accordance with aggregate purchasing contracts negotiated by and through a not-for-profit school association; 2) provide for the resale of such natural gas supplies, including related transportation service costs, to the eligible school entities at the gas corporation's cost of purchasing of such gas supplies and transportation, plus all applicable distribution costs, plus an aggregation and balancing fee to be determined by the Commission, not to exceed four-tenths of one cent per therm delivered during the first year; and, 3) not require telemetry or special metering, except for individual school meters over one hundred thousand therms annually. The new law also sets the requirement that the Commission may suspend the tariff as required for a period ending no later than November 1, 2002, and shall approve such tariffs upon finding that implementation of the aggregation program set forth in such tariffs will not have any negative financial impact on the gas corporation, its other customers or local taxing authorities, and that the aggregation charge is sufficient to generate revenue at least equal to all incremental costs caused by the experimental aggregation program. In addition, the law states that the Commission may adopt by order such other procedures, not inconsistent with this section, that the Commission determines are reasonable or necessary to administer the experimental program.

Q. DOES AQUILA STILL PROPOSE THE SAME TARIFF PROVISIONS IN THEIR ENTIRETY THAT WERE ORIGINALLY FILED FOR AQUILA NETWORKS - MPS AND AQUILA NETWORKS - L&P?

A. No. As the results of several discussions with other parties to this matter, Aquila has agreed to certain changes in the tariff sheets it originally filed.

Q. WHAT TARIFF SHEETS DOES AQUILA NOW PROPOSE?

A. The tariff sheets attached hereto as Schedule RJA-1 contain the changes to which Aquila has agreed for Aquila Networks - MPS. The tariff sheets attached hereto as Schedule RJA-2 contain the changes to which Aquila has agreed for Aquila Networks - L&P.

Q. HOW DO THESE TARIFF SHEETS RELATE TO THE SMALL VOLUME AGGREGATION PROGRAM THAT AQUILA PROVIDED FROM SEPTEMBER 1, 2000, THROUGH AUGUST 31, 2002?

A. The tariff sheets found at Schedule RJA-1 and Schedule RJA-2 are substantially similar in structure to those which governed Aquila's prior small volume aggregation program.

Q. ARE THESE PROPOSED TARIFFS IN SUBSTANTIALLY FINAL FORM?

A. Yes. However, as the result of the recent Federal Energy Regulatory Commission ("FERC") rejection of daily balancing on the Williams Gas Pipeline Central, a monthly balancing service must be added to the tariffs.

Q. DID AQUILA HAVE CUSTOMERS THAT TOOK SERVICE UNDER AQUILA'S PRIOR SMALL VOLUME AGGREGATION PROGRAM?

A. Yes.

Q. ARE YOU AWARE OF ANY PROBLEMS WITH THE IMPLEMENTATION OF THAT PROGRAM?

A. I am not aware of any fundamental operational problems that resulted from Aquila's earlier program. As a result, Aquila desires to continue the operation of that program through the proposed tariff sheets.

Q. THE NEW LAW ALLOWS AQUILA TO COLLECT AN AGGREGATION AND BALANCING FEE NOT TO EXCEED $0.004 PER CCF THE FIRST YEAR. DO THE TARIFF SHEETS PROPOSED BY AQUILA INCLUDE SUCH A FEE?

A. Yes. Aquila has included a balancing fee of $0.0075 per Ccf and an aggregation fee of $0.004 per Ccf to cover the incremental costs of initiating and implementing this program. Both fees will be subject to adjustment on an annual basis based on whether Aquila is over or under recovering the costs to implement this new law.

Q. THE NEW LAW ALSO PROVIDES THAT THERE WILL NOT BE ANY NEGATIVE FINANCIAL IMPACT ON LOCAL TAXING AUTHORITIES. HOW

HAS AQUILA ADDRESSED THAT ISSUE IN THE PROPOSED TARIFF SHEETS?

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

Q. THE NEW LAW REQUIRES THAT THE PROGRAM BE DESIGNED TO BE REVENUE NEUTRAL TO AQUILA AND ITS OTHER CUSTOMERS. DOES THE PROGRAM PROPOSED BY AQUILA ADDRESS THIS ISSUE?

A. Yes. With the inclusion of the aggregation and balancing fees, the program should not cause any shift of costs to the detriment of either Aquila or other existing sales or transportation customers. It has proposed, after discussions among the parties, that no later than June 1 of each year of the experimental program, Aquila will provide an accounting of the revenues and expenses incurred as a result of the experimental purpose for the purpose of assessing these issues.

Q. DOES AQUILA PROPOSE TO RELEASE ANY PIPELINE CAPACITY TO THE SCHOOLS AS A RESULT OF THIS PROGRAM?

A. Yes. Aquila will make pipeline capacity available on the ANR, Panhandle Eastern, Williams Gas Pipeline Central and Gateway pipeline systems.

Q. DOES AQUILA BELIEVE THAT THE TARIFF SHEETS IT PROPOSES COMPLY WITH THE PROVISIONS OF SECTION 393.310, RSMO SUPP. 2000?

A. Yes.

Q. WILL THIS PROGRAM NEED TO BE CHANGED AT ANY POINT IN TIME?

A. It is possible. I believe all parties recognize that it is possible that experience may drive the program in ways that are not anticipated at this point in time. Aquila hopes that should such changes be necessary, the Commission and other interested parties will be receptive to considering such proposals.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

GAS TRANSPORTATION SERVICE

TABLE OF CONTENTS

GAS TRANSPORTATION SERVICE

GAS TRANSPORTATION SERVICE

A. PURPOSE

The purpose of this program is to provide the Company's end-users additional flexibility in how they purchase and receive natural gas for their use. This program allows non-residential end-users the opportunity to purchase natural gas from a source other than the Company and make arrangements for the transportation of such natural gas on a firm and/or interruptible basis on the Company's distribution system.

1. Program Provisions. This program has the following major provisions:

(a) *Pipeline Capacity Assignment:* The program contains provisions for the Company to assign its firm pipeline capacity to the aggregator or end user in order for the aggregator to provide firm gas service to its aggregated pool. The daily scheduling, monthly balancing and monthly cash out provisions set forth above essentially mirror the same requirements the Company is required to follow (or will be expected to follow) in taking service from the interstate pipelines, Panhandle Eastern Pipe Line Company (PEPL) and Williams Gas Pipelines-Central (Williams), serving the Company's Missouri systems.

(b) *Small and Large Volume Rate Schedules:* End users with annual usage less than 150,000 Ccf qualify for small volume transportation service, and end users with greater usage qualify for the large volume transportation schedule. Different terms, charges and optional services apply to each service.

(c) *Aggregation Permitted.* Under the terms of these tariff sheets, a non-residential end-user who desires to transport gas is permitted to combine its natural gas requirements with those other non-residential end-users in an aggregated pool for purposes of scheduling, nominations and gas purchasing.

(d) *Daily Scheduling:* As a condition of forming aggregated pools, aggregators need to comply with the requirement to match, within a certain tolerance and on a daily basis, nominations and consumption. This requirement relates to the necessity for the utility to manage the gas delivered to it for consumption by end-users. The capability to closely monitor daily transportation activity is critical to ensure that the utility is able to facilitate transportation service for the benefit of aggregators and end-users while reliably maintaining service to its sales customers.

(e) *Monthly Balancing:* In addition to matching nominations and consumption on a daily basis, aggregators are required, within a specific tolerance, to be "in balance" on a monthly basis.

(f) *Monthly Cashouts:* The program provides a method each month for resolving on a cash basis the differences between nominations and consumption.

2. Program Evaluation. During the term of the program, Company shall file annual reports, beginning with an initial report to be filed in January, 2004 showing the following information:

(a) The number of aggregators actively forming aggregated pools on the Company's systems,
(b) The number of end-users electing to be served as part of aggregated pools,
(c) End-users requesting to leave aggregated pools and return to the Company's sales service, and
(d) The amount of interstate pipeline capacity assigned from Company to specific aggregators forming aggregated pools.
(e) Copies of all transportation contracts executed in the prior year.

B. DEFINITIONS

AGGREGATION - The practice of combining the nominations and balancing of gas delivered to more than one end-user from receipt point(s) served by a common pipeline. Aggregation of end-users is allowed only on a common pipeline. To qualify for aggregation service, end-users must be served by a common pipeline in the same pipeline operating zone.

AGGREGATION POOL – A group of one or more end-users, with each end-use meter qualifying under the applicable rate schedule for transportation service. Any energy seller, supplier, marketer or broker that serves more than one end-user that is eligible to be pooled for the purpose of forming an aggregation pool will be deemed to be an aggregator, and will be required to execute a Marketer Agreement.

AGGREGATOR – An entity (such as an energy seller, marketer, supplier, or other entity) responsible for the aggregation of gas delivered to more than one end-user.

BALANCING - The effort to match the quantity of transport gas received by the Company for the account of an aggregator with the quantity of the gas delivered to end-user(s) for the account of that end-user.

CRITICAL DAY (EXTREME CONDITIONS) - Any day during which the Company and/or interstate pipeline service is limited due to capacity constraints, operational problems, or any other cause. Aggregator notification shall be as determined by the pipeline; no additional communication by Company shall be required.

CUSTOMER – An energy seller, marketer, aggregator, supplier, or end-user of transportation service.

DAILY NOMINATION REQUIREMENT - The quantity of gas required to be delivered to Company at receipt point(s) for the account of aggregator in order to meet: 1) aggregator's daily requirement for flowing gas (gas physically delivered to end-user(s)), 2) losses, and 3) correction of aggregator's out-of-balance condition existing at the end of the preceding gas day.

DAILY SCHEDULING TOLERANCE - The maximum quantity of gas at the end of any gas day, which Company will allow aggregator to be out-of-balance without additional charge. Aggregator's daily scheduling tolerance shall be determined as five percent (5%) of daily nominations.

DAY - See GAS DAY.

DELIVERIES - The quantity of gas delivered by Company to end-user(s) for the account of aggregator.

DELIVERY POINT - The location where the Company's gas distribution facilities are interconnected with the end-user's facilities. This location is where the aggregator and the Company have agreed that all or part of the receipts for the account of aggregator will be transported and delivered by the Company to the end-user for the account of aggregator.

GAS TRANSPORTATION SERVICE

END-USER - Any person, association, firm, public or private corporation, or any agency of the federal, state, or local government or other legal entity who physically accepts delivery from Company of gas transported hereunder.

ENERGY SELLER – Any person who uses, leases or controls the distribution system of a distributor or a political subdivision or any part thereof to sell energy services at retail within a political subdivision, other than a distributor or a political subdivision.

GAS DAY - The 24 hour period which begins at 9:00 a.m. Central Time and ends at 9:00 a.m. Central Time the following day.

JOINT SERVICE – A form of gas delivery or transportation service in which the customer is permitted to select and designate a portion of daily requirement as firm and/or interruptible. This capability is available only to customers with telemetry.

LINE LOSS - The quantity of gas used and/or lost as part of the Company's normal distribution system operation. Line loss charges will be the Company's system-wide Lost and Unaccounted (L&U) Account as computed in the Company's annual PGA and applied on a volumetric basis to the quantity of gas delivered to the end-user.

MARKETER AGREEMENT – An agreement entered into between Company and aggregator specifying the service(s) requested by aggregator, method of billing and term of agreement.

MAXIMUM DAILY QUANTITY (MDQ) - The amount of gas a customer is expected to consume on a peak day, calculated by dividing the volumes consumed by a particular customer during the highest historical peak month of usage for that customer in the last three years by twenty (20). Company will estimate a peak month for new customers. A Maximum Daily Quantity may also be established through direct measurement or other means (i.e., estimating the peak day requirements after installation of new processing equipment or more energy efficient heating systems) if approved by Company.

NOMINATION - The quantity of gas that aggregator causes to be delivered to Company at each Receipt Point for the account of aggregator during a gas day. The quantity nominated must be equalized as far as practicable over the twenty-four hour period and for the services provided hereunder is assumed to have been delivered to Company uniformly during each hour of the gas day.

OPERATIONAL BALANCING AGREEMENT - An agreement between the Company and aggregator which describes the manner in which differences between actual receipts into the Company's system and nominated quantities into Company's system will be resolved between the parties.

OPERATIONAL FLOW ORDER - A notice issued by the Company to aggregator(s) requiring the delivery of specified quantities of gas to Company for the account of aggregator at times deemed necessary by the Company to maintain system integrity and to assure continued service. An Operational Flow Order may be issued to the smallest affected area. For example, a single receipt point, receipt points on a pipeline, or the entire system. Notification shall be via Company's electronic bulletin board (http://www.gastrackonline.com). Any Operational Flow Order (OFO) declared by the interstate pipeline is also an OFO Day on Company's affected area, but aggregator notification shall come from the pipeline.

GAS TRANSPORTATION SERVICE

OUT-OF-BALANCE - A condition where cumulative receipts fail to equal cumulative deliveries. A positive (excess) out-of-balance condition exists when receipts exceed deliveries. A negative (deficiency) out-of-balance condition exists when deliveries exceed receipts. When an aggregator is out-of-balance, the Company has either provided gas to the aggregator to meet an underage (deficiency), or stored gas for aggregator to meet an overage (excess).

OVERAGE - An out-of-balance condition where receipts exceed deliveries. This condition reflects the cumulative extent receipts exceed deliveries since receipts and deliveries were last in balance. A positive (excess) out-of-balance condition is considered an overage.

RECEIPTS - The quantity of gas actually delivered to Company for the account of aggregator at receipt point(s).

RECEIPT POINT - The location where Company physically receives gas delivered to Company for the account of aggregator. This location is the interconnection between the Company and the entity responsible for the delivery of aggregator-owned gas to the Company. The receipt point is usually physically located at the town border station, upstream of the delivery point. The receipt point must be a location physically connected by Company facilities to the delivery point. If the Company can, operationally, contractually, and without adversely affecting the service to its other end-users, permit aggregator to use a receipt point not physically connected through Company facilities to the delivery point(s), Company may waive the receipt point restriction.

RECORDING EQUIPMENT - Equipment which is capable of obtaining, accumulating, and storing data regarding gas flow for intervals equal to or less than twenty-four (24) hours in duration.

SHUTOFF - Service interruption initiated by Company, terminating service hereunder, to an aggregator and/or end-user as a result of failure of aggregator and/or end-user to pay Company for service or as a result of unsafe conditions.

TELEMETRY - Equipment capable of obtaining, accumulating, and transmitting real time data regarding the gas flow to a central location.

TRANSPORTATION SERVICE - The physical and/or contractual movement of aggregator-owned gas through the Company's distribution system from receipt point(s) to delivery point(s).

UNDERAGE - An out-of-balance condition where deliveries exceed receipts. This condition reflects the cumulative extent that deliveries exceed receipts since deliveries and receipts were last in balance. A negative (deficiency) out-of-balance condition is considered an underage.

C. PIPELINE CAPACITY RELEASE

The Company offers its end-users additional flexibility in how they purchase and receive gas for their use. End-users may purchase their gas directly from an energy seller, marketer, aggregator, supplier, or other entity and then, under the SVTS or LVTS rate schedules, decide which services will be used to bring the gas to their end-use location.

Consistent with the above and as a condition of customer being able to subscribe to Company's transportation rate schedules, customer agrees to accept pro-rata release of Company's pipeline capacity based on the firm peak day requirements for end-user's end use or for aggregator's end-users. The amount of pipeline capacity the end-user will be released will be calculated by determining the peak gas usage month that occurred within the past three (3) years for each of aggregator's end-users, then adding the quantity of gas consumed by each of aggregator's end-users in such peak month, and dividing that sum by 20.

The capacity will be released to the aggregator on a temporary recallable basis for up to twelve months for each end user at the Company's weighted average cost. Pipeline transportation cost shall be derived from the pipeline transportation contracts that serve a customer; only those contracts that provide service to a customer's service territory shall be considered when calculating cost. After the capacity is released , aggregators will deal directly with the interstate pipeline during the period of release on all matters concerning this capacity. In the event an end user changes marketers before the expiration of a pipeline capacity agreement, the end-user's capacity will revert to the Company for reassignment to the new aggregator or marketer.

If an end-user wishes to return to firm sales service, Company shall accept the end-user as a firm sales customer, provided the capacity needed to serve the customer also returns with the end-user.

D. RATE SCHEDULE SVTS

1. Availability: Service under this rate schedule is available to Customers who cause gas to be delivered on a firm and/or interruptible basis to individually metered, non-residential end-users whose individual annual usage is anticipated not to exceed 150,000 Ccf. This service will be available in all of the Company's Missouri service territories.

2. Service Considerations: This service shall apply to small volume transportation service, which includes a level of firm and/or interruptible gas service. The interruptible gas is subject to interruption at any time upon order of the Company. Customers electing interruptible service must sign an affidavit confirming the customer has an alternate fuel capability or is willing to discontinue gas service during periods of curtailment. Customers must execute a written contract for transportation service pursuant to this rate schedule. Gas transportation agreements and applicable documents are available at the Company's electronic website, www.networks.aquila.com. . All small volume transportation customers must install telemetry equipment or purchase the Balancing Service provided herein. Customers must reimburse the Company for the cost incurred by Company to install telemetry equipment and for the cost of any other improvements made by Company in order to provide this service. Service is provided for a minimum of six (6) months.

3. Monthly Charges: End-user's monthly bill shall be determined as a sum of the following:

Service Territory:	**MPS-North**	**MPS-South**	**MPS-East**
End-user Charge:	$15.00	$15.00	$15.00
	Per facility per month for all service territories		
Delivery Charge			
Usage (per Ccf)			
1st 600	$0.23908	$0.23908	$0.23908
Next 800	$0.22108	$0.22108	$0.22108
Next 1,000	$0.20305	$0.20305	$0.20305
Excess	$0.07546	$0.07546	$0.07546

L&U Charge: the Company's system-wide Lost and Unaccounted (L&U) Account as computed in the Company's annual PGA will be applied on a volumetric basis to the quantity of gas delivered to the end-user.

Interim Purchased Gas Adjustment Charges: End-users shall be charged the appropriate system's ACA, Refund, TOP and TC factors as listed on Company's sheet numbers 43, 44 or 44.1. New customers or customers electing transportation service shall be charged the appropriate ACA charges for a period of one year after changing service to this schedule. These charges shall terminate after a customer has been served under this schedule for one year.

Mandatory Charges: Monthly bills to aggregators shall reflect the charges as described in Section E of this service schedule, including:

Aggregation Charge
Daily Balancing Charge
Daily Out-of-Balance Charge
Monthly Cash-out Charge
Line Loss Charge
Unauthorized Delivery Charge

Optional Services: Additional services may be selected, as described in Section I, including:

Daily Balancing Service
Aggregation Pooling Service
Billing Service

4. Security: Aggregator shall provide Company with security for aggregator's performance hereunder in the form of a letter of credit or a performance bond in the amount of $250,000.00 no later than ten (10) days prior to the date gas first flows to one or more of aggregator's end-users. Company reserves the right to periodically review the sufficiency of said security and, if deemed necessary as a prudent business practice, may require an increase in such amount.

5. General Rules, Regulations, Terms and Conditions: Service hereunder is subject to Company's General Rules and Regulations and applicable transportation provisions on file with the Missouri Public Service Commission.

6. Taxes: Service received under this tariff shall be conducted through energy sellers who have received certification from the Missouri Public Service Commission pursuant to 4 CSR 240-45.010 in compliance with Sections 393.297 through 393.301, RSMo.

7. Experimental School Aggregation Program: Pursuant to Sec. 393.310.1 RSMo, the fee for aggregation and balancing services for schools aggregating gas requirements under this schedule shall be $0.004 per Therm during the twelve (12) month period following the approval date of this schedule. After the initial twelve (12) months of this program, the charges described in paragraphs H and I will apply to all small volume customers, including schools. No telemetry shall be required unless a facility is expected to consume over 100,000 Therms annually. This experimental program shall be in effect from November 1, 2002 to June 30, 2005.

   a. Reporting. The Company shall, no later than June 1 in 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 parties to determine what under- or over-recovery of expenses may exist at that time, and to determine what changes in rates, if any, may be appropriate to prevent any harm to the groups identified in RSMo Sec. 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. 393.310.

b. Annual Cost True-Up. Company shall file annually on or about November 1 of each year to receive Commission approval to recover costs incurred to implement this experimental program. This cost recovery application may include first year costs that exceed the $0.04 per Therm limit contained in RSMo. 393.310, PGA-related costs and administrative costs incurred by the Company.

c. Collection of Gross Receipts Taxes. The marketer or aggregator will collect gross receipts taxes applicable to the cost of gas purchased for end users. The marketer or aggregator may alternatively subscribe to Company's billing service, described in Section I.

GAS TRANSPORTATION SERVICE

RESERVED FOR FUTURE USE

GAS TRANSPORTATION SERVICE

RESERVED FOR FUTURE USE

F. NOMINATIONS

1. Requirements. Customers are required to nominate daily. Customers requesting volumes to flow on the first day of any month must contact Company's Gas Control Department via Company's Internet-enabled electronic bulletin board, known as Gas Track Online (http://www.gastrackonline.com), and inform them of the volumes to be transported by receipt point(s) and delivery point(s). First of the month nominations and daily nominations via the Internet are due by 11:30 a.m. Central Time one day before the gas flows. Intra-day nomination for the 2nd through the 31st days of a month will be accepted until 5:00 p.m. Central Time. A confirmed pipeline nomination will also be accepted on a best effort basis on the day of gas flow.

2. Special Requirements. All Small Volume sales customers switching to transportation service will be assigned a Maximum Daily Quantity (MDQ) Level, as defined herein. Under certain circumstances the Company may, at its option, require customers to deliver and confirm its MDQ to the LDC receipt point up to a cumulative 10 days (in addition to interstate pipeline OFO and critical days) during the months of November through March. If MDQ delivery does not occur, then customer must curtail to the level of their confirmed nomination. Confirmation occurs when Company receives confirmed nomination from the interstate pipeline. MDQ may be required if:
    1. The interstate pipeline calls a Critical Day Order.
    2. The interstate pipeline calls an Operational Flow Order,
    3. The Company calls a Critical Day Order.
    4. The Company calls an Operational Flow Order.

    In (1) and (2) above, the Customer must, without notice from the Company, deliver its MDQ to the LDC receipt point. In (3) and (4) above, the Company will give the Customer 25 hours notice prior to the start of the gas day. If the Customer fails to deliver its MDQ as required in (1), (2), or (3), the Company shall assess a penalty to Customer for each Mcf that Customer fails to deliver in an amount equal to the highest daily penalty applicable to the Operational Flow Order or Critical Day, as defined by the interstate pipeline in its tariff. If Company has not called a Critical Day but has issued an Operational Flow Order (4), and customer fails to deliver its MDQ, then Company will assess a penalty to customer in an amount equal to that identified in Paragraph I for each Mcf that customer failed to deliver.

GAS TRANSPORTATION SERVICE

G. BALANCING

To assure system integrity, the customer is responsible for: 1) providing daily scheduling of deliveries which accurately reflect customer's expected consumption, and 2) balancing deliveries to Company' system with volumes consumed at the delivery points and adjusted for Lost and Unaccounted gas. Failure to fulfill these responsibilities will result in Customer incurring balancing and/or scheduling charges as described below.

1. Daily Balancing Charges. A daily charge shall apply to any aggregator or end user served through Panhandle Eastern Pipeline Company, I or any other pipeline that subsequently adopts daily scheduling charges, and whose out-of-balance condition exceeds the daily scheduling tolerance. This daily charge is applied to the daily quantities by which customer's out-of-balance condition exceeds customer's daily scheduling tolerance. Actual daily delivery quantities shall be used to determine the out-of-balance condition for customers with recording equipment or telemetry. Estimated daily delivery quantities shall be used to determine the out-of-balance condition for customers without recording equipment or telemetry, or whether such equipment malfunctions. Estimated daily delivery quantities shall be determined based on available data including nominated quantities, meter readings, customer load characteristic, actual weather conditions, and other information. This daily charge is accumulated and assessed monthly. This charge is in addition to the charges set forth in each of the company's transportation rate schedules. For each pipeline, the FERC approved charges apply. See Section K.
2. Monthly Imbalances. The difference between monthly confirmed nominated volumes and actual consumption will be charged to and/or credited to the Customer (cashed out) using the indices shown in Section K, plus pipeline fuel, pipeline capacity and commodity charges. In addition, the cash out price is tiered to encourage good performance and discourage supply price arbitrage using the LDC as a supply bank.

GAS TRANSPORTATION SERVICE

H. MANDATORY CHARGES

The following charges shall apply to Customers taking service under the Company's transportation rate schedules:

1. Aggregation Charge: A monthly aggregation charge shall be charged per pool of end-users for the purpose of nominating and balancing transportation deliveries on a common pipeline in the same pipeline operating zone. This charge shall be $0.004 for each Ccf delivered for the pool.

2. Daily Balancing Charge: A charge shall apply to any small volume Customer served through ANR, PEPL, or WNG pipelines. Under this service, a small volume Customer is provided operating flexibility through balancing tolerances in excess of normal daily scheduling tolerances. The charge for this service shall be $0.0075 per Ccf per month. Customers electing to purchase this service in lieu of telemetry shall be exempted from daily out-of-balance charges, except during a critical day or when an operational flow order is imposed. The revenues collected as a result of this balancing service shall be credited to the respective system's ACA accounts.

3. Daily Out-of-Balance Charge: A daily charge shall apply to any Customer served through ANR, PEPL or any other pipeline that subsequently adopts daily scheduling charges, and whose out-of-balance condition exceeds the daily scheduling tolerance during a critical day or when an operational flow order is imposed. This daily charge is applied to the daily quantities by which Customer's out-of-balance condition exceeds Customer's daily scheduling tolerance. Actual daily delivery quantities shall be used to determine the out-of-balance condition for end-users with recording equipment or telemetry. Estimated daily delivery quantities shall be used to determine the out-of-balance condition for end-users without recording equipment or telemetry, or where such equipment malfunctions. Estimated daily delivery quantities shall be determined based on available data, including nominated quantities, meter readings, end-user load characteristics, actual weather conditions and other information.

   On critical days or when operational flow orders have been declared, daily out-of-balance charges otherwise applicable shall be waived if Customer is in an overage condition.

   On critical days or when operational flow orders have been declared, the daily scheduling charges will be applied according to the tables shown in Section K.

4. Monthly Cash-Out Charge: At the end of each calendar month, Customer is required to balance its receipts and deliveries. Any variance between Customer's receipts and deliveries will result in the "cash-out" of imbalance volumes. See Section K.

5. Line Loss Charge: Line loss charges will be the Company's system-wide Lost and Unaccounted (L&U) Account as computed in the Company's annual PGA, and applied on a volumetric basis to the quantity of gas delivered to the end-user.

6. Penalties for Unauthorized Takes : If customer fails to curtail its use of gas hereunder when requested to do so by Company, customer shall be billed at the transportation charge plus the cost of gas Company secures for the customer, plus the greater of either the pipeline daily delivery variance charges or $20 per Mcf, for gas used in excess of the volumes of gas to which customer is limited. Revenues related to unauthorized takes will be credited to the Company's PGA. Company may in addition disconnect customer's supply of gas if customer fails to curtail its use thereof when requested by Company to do so. Curtailment of transportation volumes will take place according to the priority class, which the end-user would have been assigned if it were purchasing gas from Company. During curtailment, the end-user is entitled to a credit equal to

the difference between the volumes delivered to Company and those received by the end-user, adjusted for lost, unaccounted-for and company used gas.

GAS TRANSPORTATION SERVICE

I. OPTIONAL SERVICES

The following optional services are available to transportation Customers, who may choose the services that best serve their needs. Aggregators shall designate on their Marketer Agreement which, if any of the following services they desire. All charges for Optional Services are in addition to the monthly charges in the Company's transportation rate schedule.

1. Daily Balancing Service: Under this optional service, Customers are provided additional flexibility in being able to balance their receipts with deliveries on a monthly basis. Small Volume Customers may negotiate a tolerance window and various cash-out rates for overage and underage conditions. Customers who elect transportation service may purchase the Company's Small Volume Balancing Service in lieu of meeting Company's Transportation Tariff requirements for the installation of telemetry and daily scheduling requirements. Customers choosing this daily balancing service must submit a daily nomination to Company for those days the service is used. The special requirements for nominations, found in Paragraph F, apply to this service. The cost of the service is 7.5¢ per Mcf transported on Company's system. Revenues collected from the provision of this service will be credited to the overall general system gas cost through Company' PGA mechanism, This monthly charge is in addition to the monthly charges set forth in Company's service rate schedules.
2. Aggregation Pooling Service: A Customer may combine a group of end-users situated behind multiple town border stations (TBS) and served by a common pipeline with the same balancing provisions and the same interstate pipeline operational zone. Large volume and small volume end users with telemetry may be aggregated into common pools; small volume customers that purchase the Balancing Service cannot be aggregated with customers on telemetry. If a Marketer purchases this aggregation service, the aggregated group will be considered as one Customer for purposes of calculating the daily scheduling penalties and monthly imbalances, i.e., individual Customer nominations and consumption will be summed and treated as if they were one Customer. This does not include aggregation of fixed costs or customer charges. The cost of this aggregation service is $0.04 per Mcf of gas delivered to the aggregated group. Revenues received from this service shall be credited to the Company's PGA mechanism. If the Customer purchases this service, the aggregated pools will be considered as one aggregated pool for the purposes of calculating daily out-of-balance charges; however, during Critical and OFO Days nominating and balancing will be required by the affected receipt and delivery points.
3. Billing Service: Company will provide an integrated billing service for aggregator for a monthly fee equal to $1.15 multiplied by each end-user service point.

GAS TRANSPORTATION SERVICE

RESERVED FOR FUTURE USE

J. TERMS AND CONDITIONS

The following terms and conditions shall apply to aggregators, and end-users where applicable, taking service under Company's applicable rate schedule:

1. Balancing: Customer shall have the obligation to balance on both a daily *and* monthly basis, gas receipts (transportation gas delivered to Company at the receipt point), with thermally equivalent gas deliveries (transportation gas delivered by Company to end user(s) at the delivery point(s)). The difference between cumulative receipts and cumulative deliveries is considered an out-of-balance condition. Upon termination of service hereunder, either the Customer shall purchase sufficient quantities of gas to satisfy any negative out-of-balance condition or the Company shall purchase Customer's positive out-of-balance quantities. These purchases shall be completed in accordance with the provisions of Company's monthly cash-out provisions. In addition, Customer shall be responsible for any other applicable charge(s) set forth in Company's rate schedules. Delivery from systems with a single source of gas supply will use the transporting entity's statement as to volumes and heating value shall be taken as conclusive. Delivery from systems with multiple sources of gas supply shall be determined based on the heating value of the gas delivered to the end-user to determine the requirement for thermal balancing.

2. Billing: The order of gas delivery for purposes of billing calculations will initially be to utilize Customer-owned gas, including correction of any imbalance conditions and then utilize sales gas based on Company's applicable tariffs.

3. Curtailment/Interruption of Service: Transportation service provided by Company is based on Company's best efforts to deliver for the account of Customer, gas received for the account of the Customer. In the event of force majeure or system capacity limitations, it may be necessary to interrupt deliveries from time to time. If transportation service interruption or curtailment is required, Company shall endeavor to curtail deliveries on the affected parts of its system in the following order: Large Volume, General Service and Residential

   If Company is required to curtail transportation service, then such interruptions or curtailments shall be governed by Company's curtailment provisions associated with sales gas service, which are contained in Section 3.07 of Company's Rules and Regulations -- Gas.

   Notwithstanding any provision to the contrary herein, Company may fully or partially curtail service to transportation service end-users when, in Company's opinion, curtailment or interruption is necessary to protect the delivery of gas to general system customers with higher priority uses, or to protect the integrity of its system. Company shall allocate, as equitably as practicable, the capacity that is available, taking into consideration priority of use or other factors it deems necessary to ensure public health and safety.

4. Delinquent Payment Penalty: A late payment charge in an amount equal to one and one-half percent (1.5%) of the delinquent amount owed for current service will be added to the bill if payment is not received on or before the net due date stated on the bill. The net due date shall be the twenty-first (21st) day after the date of billing.

5. Facility: Shall include all meters serving buildings under common ownership behind the same town border station.

6. Delivery Volume Requirement: The Company is not required to deliver volumes of gas in excess of receipts.

7. Failure to Comply: If aggregator or end-user fail to comply with or perform any of the obligations of its part, the Company shall have the right to give end-user written notice of the Company's intention to terminate the transportation service on account of such failure. The Company shall then have the right to terminate such transportation service after the expiration of five days after giving said notice, unless the aggregator or end-user shall make good such failure. Termination of such transportation service for any such cause shall be a cumulative remedy as to the Company, and shall not release the aggregator or end-user from its obligation to make payment of any amount or amounts due or to become due from the aggregator or end-user to the Company under the applicable schedule. In order to resume transportation service after termination of service hereunder, it shall be necessary for end-user to reapply for service.

8. Force Majeure: The term "force majeure" as employed herein shall mean acts and events not within the control of the party claiming suspension and shall include acts of God, strikes, lockouts, material or equipment or labor shortages, wars, riots, insurrections, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, interruptions by government or court orders, present or future orders of any regulatory body having proper jurisdiction, civil disturbances, explosions, breakage or accident to machinery or lines of pipes, freezing of wells or pipelines, and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which, by the exercise of due diligence, such party is unable to overcome. If either the Company, aggregator or end-user is rendered unable by force majeure to wholly or in part carry out its obligations under the provisions of any rate schedule, the obligations of the party affected by such force majeure, other than the obligation to make payments there under, shall be suspended during the continuance of any inability so caused but for no longer period; and such cause shall, in so far as possible, be remedied with all reasonable dispatch. Notwithstanding the foregoing, the service provided by Company hereunder is limited to the transportation of aggregator or end-user owned gas received by the Company for the account of aggregator or end-user. In the event of a force majeure condition that restricts or limits aggregator's or end-user's ability to cause to be delivered to Company gas for the account of the aggregator or end-user, Company is under no obligation to deliver gas to aggregator or end-user. Company is under no obligation to deliver gas to the aggregator or end-user for the account of aggregator or end-user that has not been received by the Company for the account of aggregator or end-user.

9. Gas Quality: All end-user-owned gas transported hereunder shall be of commercial quality. If the gas tendered for transportation is not of commercial quality or is gas which will adversely impact the gas stream of Company, said gas shall not be transported.

10. Gas Supply: Customer shall arrange for the purchase of gas other than Company's supply and for the delivery of such gas to a Company receipt point(s). End-user shall execute a written End-User Verification Form for transportation services pursuant to the applicable rate schedule containing such terms and conditions as may be reasonably required.

11. Joint Rate Transportation Service: Refers to the purchase of gas transportation service, which includes a level of firm and interruptible interstate pipeline capacity. Transportation service will not commence until the Customer files with the Company a completed Service Request Form and all other applicable documentation. Company shall be deemed to have title to transportation gas, as necessary, to arrange interstate pipeline transportation to Company' system.

GAS TRANSPORTATION SERVICE

12. Laws, Regulations, and Orders: All agreements and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules, and regulations of any legislative body, or duly constituted authority now or hereafter having jurisdiction and shall be varied and amended to comply with or conform to any valid rule, regulation, order, or direction of any board, tribunal, or administrative agency with jurisdiction that affects any of the provisions of the agreement.

13. Liability: Gas shall be and shall remain the property of the aggregator or end-user while being transported and delivered by the Company. The Company shall not be liable to the aggregator or end-user for any loss arising from or out of gas transportation service while in the Company's system or for any other cause, except for gross or willful negligence of the Company's own employees. The Company reserves the right to commingle gas of the aggregator or end-user with other gas supplies. The aggregator or end-user shall be responsible for determining the extent of and maintaining all insurance it deems necessary to protect its property interest in such gas before, during, and after receipt by the Company.

14. Marketer Agreement: Each prospective aggregator is required to execute a Marketer Agreement, which shall specify the service(s) requested by aggregator, the method under which aggregator elects to be billed, and the term of the agreement. Regardless of billing arrangements elected, the aggregator shall be responsible for payment for all service(s) provided.

15. Measurement: All transport gas shall be measured on a volumetric basis. Measurement shall be based on available information regarding volumes received and delivered, pressure and temperature conditions, and energy content of the gas stream. Company shall determine the measurement equipment required to determine the receipts and deliveries of end-user owned gas transported hereunder.

16. Minimum Term: The minimum term of service shall be 6 months for small volume end users and one year for large volume service. The Company, at its sole discretion, may allow a term less than the one (1) year or six (6) month minimums.

17. Nomination: Customers are required to nominate daily. Customers requesting volumes to flow on the first day of any month must contact Company's Gas Control Department via Company's Internet-enabled electronic bulletin board, known as Gas Track Online (http://www.gastrackonline.com), and inform them of the volumes to be transported by receipt point(s) and delivery point(s). First of the month nominations and daily nominations via the Internet are due by 11:30 a.m. Central Time one day before the gas flows. Intra-day nomination for the 2nd through the 31st days of a month will be accepted until 5:00 p.m. Central Time. A confirmed pipeline nomination will also be accepted on a best effort basis on the day of gas flow. Any nomination that may take unfair advantage of any tariff provision may be rejected or changed by the Company.

18. Notices Required to Transport or Return to Sales Service: Customers shall notify Company a minimum of fourteen (14) days prior to the beginning of the end-user's meter-reading cycle of their intent to begin or change service under the applicable transportation rate schedule through the filing of an End-User Verification Form or addendum thereto with Company. Any addition, deletion or change in end-user transportation service shall occur at the start of the end-user's billing cycle. Notification shall include aggregator and end-user names and addresses; receipt and delivery point(s) to be nominated; service(s) to be subscribed for; billing information; and other information

as Company or aggregator may deem appropriate. Transportation service will not commence until end-user has executed a written End-User Verification Form with the Company. Aggregators who notify Company on behalf of end-users of their intent to provide transportation service to end-user without end-user's approval shall pay a penalty of $100 per end-user occurrence. Repeated occurrences by aggregator will result in aggregator not being permitted to continue transportation service. Any energy seller, supplier, marketer or broker that serves more than one end-user that is eligible to be pooled for the purpose of forming an aggregation pool will be deemed to be an aggregator, and will be required to execute a Marketer Agreement

19. Operational Flow Order Penalty: Aggregators who fail to deliver to Company for the account of end-user(s) specified operational flow ordered quantities of gas shall be billed appropriate "Unauthorized Delivery" charges. Aggregators who repeatedly fail to deliver to Company specified operational flow order quantities of gas will not be permitted to continue transportation service.

20. Pipeline Charges. Any specific charges that Company incurs from the pipeline on behalf of customer will be passed through to that customer. Such charges include but are not limited to those that may be imposed by an applicable pipeline as set forth in paragraphs H and I.

21. Recording and Telemetry Equipment: Company shall notify end-users if existing equipment is not sufficient to measure service under the applicable rate schedule. If so, Company may install such equipment as it deems necessary. Company shall be allowed access for maintaining and operating such equipment. End-user shall be responsible for the costs associated with the Company acquiring and installing recording and/or telemetry equipment at the delivery point. When telemetry equipment is installed, the end-user will be required to provide telephone or other interfaces agreed to by the Company along with electrical connections available at the meter location. If recording and/or telemetry equipment is deemed necessary, but the end-user is unwilling or unable to pay for the cost of such equipment, then the end-user may return to sales service, provided all other requirements of Section 18 have been met. All Small Volume transportation customers must have Company install telemetry equipment or purchase the Balancing Service provided in Section J.1 herein. Customers must reimburse the Company for the cost incurred by Company to install telemetry equipment and for the cost of any other improvements made by Company in order to provide this transportation service. Customer shall also provide telephonic access and service to this telemetry equipment. The Company will offer financing for periods up to 90 days interest free. The Company will offer financing with interest to a customer to pay for the installation of telemetry equipment for a period of more than 90 days but not more than 12 consecutive months on a non-regulated basis. The telemetry equipment and any other improvements made by the Company shall remain the property of the Company, and will be maintained by the Company.

22. Service Agreement Required: Customer shall execute a written contract for transportation service containing such terms and conditions as Company reasonably requires. Gas transportation agreements and applicable documents are available at the Company's electronic website, www.networks.aquila.com. The Company will provide a written copy of the agreements if requested by the customer.

23. Successors and Assigns: Any party which shall succeed by purchase, merger, or consolidation, in whole or in part, to the interests of any aggregator or end-user, shall be subject to the obligations of its predecessor in title under an agreement. No other assignment of an agreement or any of the rights or obligations hereunder shall be made unless there first shall have been obtained the consent thereto of the non-assigning party, which consent shall not be unreasonably withheld. Any party may assign its respective right, title, and interest in and to under an agreement to a trustee or

trustees, individual or corporate, as security for bonds or other obligations or securities without the necessity of any such assignee becoming in any respect obligated to perform the obligation of the assignor under an agreement and, if any such trustee be a corporation, without its being required to qualify to do business in any state in which performance of an agreement may occur.

24. Termination of Participation: End-Users shall notify Company whenever an end-user ceases to be a part of the aggregator's pool. Termination of participation in an aggregator's pool by an end-user, whether by choice of aggregator or end-user, may necessitate a determination by Company of the amount of capacity needed to serve the end-user. Capacity initially assigned and necessary to service end-user shall remain with the end-user. End-users that choose service from another aggregator must notify Company with a signed End-User Verification Form. Forms are available from aggregators or the Company via GasTrack Online. Notification is required at least fourteen (14) days prior to the nomination deadline for the first day of the end-user's billing cycle. If such notification is not provided within said time frame, then service from the original aggregator shall not terminate until the first day of the Company billing cycle for such end-user which begins at least thirty (30) days after receipt of the End-User Verification Form by the Company.

K. INTERSTATE PIPELINE SCHEDULING AND BALANCING CHARGES

1. Panhandle Eastern Pipeline Company
   a. PEPL Daily Balancing Penalties
      i. Daily Imbalance Tolerance – 4%
      ii. Monthly Imbalance Tolerance – 2%
      iii. Penalties - $0.2860 per Mcf plus 3.38% fuel for each Mcf outside tolerance
   b. PEPL OFO Penalties – The greater of 2 times the highest gas price published in Gas Daily for Citygate, Pooling Point Prices – "Chicago LDCs" or for Citygate, Pooling Point Prices – "Mich.-Mich Con," whichever is greater for the day Overrun Penalties are incurred, or the following:

Overrun	Rates per Dth
0%-5%	$15.00
>5%-10%	$25.00
>10%-15%	$50.00
>15%-50%	$100.00
>50%	$200.00

   c. PEPL Monthly Imbalance Cash Out Tolerance Bands and Example

Imbalance Level	Receipts > Deliveries Due Company	Deliveries > Receipts Due Customer
0% - 5%	Spot x 90%	Spot x 110%
>5% - 10%	Spot x 80%	Spot x 120%
>10% - 15%	Spot x 70%	Spot x 130%
>15% - 20%	Spot x 60%	Spot x 140%
>20%	Spot x 50%	Spot x 150%

The "spot" market price shall equal the average of the Kansas/Oklahoma Field Zone Spot Price for gas delivered to PEPL contained in the first issue of Natural Gas Week.

Example:
If the nominated volume was 100 Mcf and the actual consumption was 130 Mcf, there is an imbalance of 30 Mcf due Company. The transportation customer would owe Company the following amount using the above hypothetical Spot market price of $2.22: (*)

10 Mcf at $2.22 x 110%	24.42
10 Mcf at $2.22 x 120%	26.64
10 Mcf at $2.22 x 130%	28.86
	$79.92

(*) These hypothetical prices are used for illustration purposes only.

GAS TRANSPORTATION SERVICE

2. Williams Gas Pipelines – Central, Inc.
   a. WGPC Balancing Penalties
      i. Daily Imbalance Tolerance – Not applicable
      ii. Monthly Imbalance Tolerance – 10%
      iii. Penalties
         1. The greater of $10 or 5 times the average Gas Daily Index for Williams for each day for which daily balancing is in effect for each Dth of over-deliveries in excess of 3% through 10% of authorized delivery levels or under-receipts in excess of 5% through 10% of confirmed nominations
         2. The greater of $20 or 10 times the average Gas Daily Index for Williams for each day for which daily balancing is in effect for each Dth of over-deliveries or under-receipts in excess of 10% of authorized delivery levels (for over-deliveries) or confirmed nominations (for under-receipts).
      iv. Operational Flow Order Days – The greater of $10 or 5 times t he average Gas Daily Index for Williams for the days of noncompliance.

Imbalance Level	Receipts > Deliveries Due Company	Deliveries > Receipts Due Customer
Up to 10% or 1,000 Dth	N/A	N/A
10% but less than 15%	Spot x 70%	Spot x 130%
15% but less than 20%	Spot x 60%	Spot x 140%
20% or higher	Spot x 50%	Spot x 150%

The "spot" market price shall equal the Inside FERC Report for Williams.

Example:
If the nominated volume was 100 Mcf and the actual consumption was 130 Mcf, there is an imbalance of 30 Mcf due Company. The transportation customer would owe Company the following amount using the above hypothetical Spot market price of $2.22: (*)

10 Mcf at $2.22 x 0%	0.00
5 Mcf at $2.22 x 130%	14.43
5 Mcf at $2.22 x 140%	15.54
10 Mcf at $2.22 x 150%	33.30
	$63.27

(*) These hypothetical prices are used for illustration purposes only.

GAS TRANSPORTATION SERVICE

TABLE OF CONTENTS

GAS TRANSPORTATION SERVICE

GAS TRANSPORTATION SERVICE

A. PURPOSE

The purpose of this program is to provide the Company's end-users additional flexibility in how they purchase and receive natural gas for their use. This program allows non-residential end-users the opportunity to purchase natural gas from a source other than the Company and make arrangements for the transportation of such natural gas on a firm and/or interruptible basis on the Company's distribution system.

1. Program Provisions. This program has the following major provisions:

(a) *Pipeline Capacity Assignment:* The program contains provisions for the Company to assign its firm pipeline capacity to the aggregator or end user in order for the aggregator to provide firm gas service to its aggregated pool. The daily scheduling, monthly balancing and monthly cash out provisions set forth above essentially mirror the same requirements the Company is required to follow (or will be expected to follow) in taking service from the interstate pipeline ANR Pipeline Company (ANR) serving the Company's Missouri system.

(b) *Small and Large Volume Rate Schedules:* End users with annual usage less than 150,000 Ccf qualify for small volume transportation service, and end users with greater usage qualify for the large volume transportation schedule. Different terms, charges and optional services apply to each service.

(c) *Aggregation Permitted.* Under the terms of these tariff sheets, a non-residential end-user who desires to transport gas is permitted to combine its natural gas requirements with those other non-residential end-users in an aggregated pool for purposes of scheduling, nominations and gas purchasing.

(d) *Daily Scheduling:* As a condition of forming aggregated pools, aggregators need to comply with the requirement to match, within a certain tolerance and on a daily basis, nominations and consumption. This requirement relates to the necessity for the utility to manage the gas delivered to it for consumption by end-users. The capability to closely monitor daily transportation activity is critical to ensure that the utility is able to facilitate transportation service for the benefit of aggregators and end-users while reliably maintaining service to its sales customers.

(e) *Monthly Balancing:* In addition to matching nominations and consumption on a daily basis, aggregators are required, within a specific tolerance, to be "in balance" on a monthly basis.

(f) *Monthly Cashouts:* The program provides a method each month for resolving on a cash basis the differences between nominations and consumption.

2. Program Evaluation. During the term of the program, Company shall file annual reports, beginning with an initial report to be filed in January, 2004 showing the following information:

(a) The number of aggregators actively forming aggregated pools on the Company's systems,
(b) The number of end-users electing to be served as part of aggregated pools,
(c) End-users requesting to leave aggregated pools and return to the Company's sales service, and
(d) The amount of interstate pipeline capacity assigned from Company to specific aggregators forming aggregated pools.
(e) Copies of all transportation contracts executed in the prior year.

GAS TRANSPORTATION SERVICE

B. DEFINITIONS

AGGREGATION - The practice of combining the nominations and balancing of gas delivered to more than one end-user from receipt point(s) served by a common pipeline. Aggregation of end-users is allowed only on a common pipeline. To qualify for aggregation service, end-users must be served by a common pipeline in the same pipeline operating zone.

AGGREGATION POOL – A group of one or more end-users, with each end-use meter qualifying under the applicable rate schedule for transportation service. Any energy seller, supplier, marketer or broker that serves more than one end-user that is eligible to be pooled for the purpose of forming an aggregation pool will be deemed to be an aggregator, and will be required to execute a Marketer Agreement.

AGGREGATOR – An entity (such as an energy seller, marketer, supplier, or other entity) responsible for the aggregation of gas delivered to more than one end-user.

BALANCING - The effort to match the quantity of transport gas received by the Company for the account of an aggregator with the quantity of the gas delivered to end-user(s) for the account of that end-user.

CRITICAL DAY (EXTREME CONDITIONS) - Any day during which the Company and/or interstate pipeline service is limited due to capacity constraints, operational problems, or any other cause. Aggregator notification shall be as determined by the pipeline; no additional communication by Company shall be required.

CUSTOMER – An energy seller, marketer, aggregator, supplier, or end-user of transportation service.

DAILY NOMINATION REQUIREMENT - The quantity of gas required to be delivered to Company at receipt point(s) for the account of aggregator in order to meet: 1) aggregator's daily requirement for flowing gas (gas physically delivered to end-user(s)), 2) losses, and 3) correction of aggregator's out-of-balance condition existing at the end of the preceding gas day.

DAILY SCHEDULING TOLERANCE - The maximum quantity of gas at the end of any gas day, which Company will allow aggregator to be out-of-balance without additional charge. Aggregator's daily scheduling tolerance shall be determined as five percent (5%) of daily nominations.

DAY - See GAS DAY.

DELIVERIES - The quantity of gas delivered by Company to end-user(s) for the account of aggregator.

DELIVERY POINT - The location where the Company's gas distribution facilities are interconnected with the end-user's facilities. This location is where the aggregator and the Company have agreed that all or part of the receipts for the account of aggregator will be transported and delivered by the Company to the end-user for the account of aggregator.

END-USER - Any person, association, firm, public or private corporation, or any agency of the federal, state, or local government or other legal entity who physically accepts delivery from Company of gas transported hereunder.

ENERGY SELLER – Any person who uses, leases or controls the distribution system of a distributor or a political subdivision or any part thereof to sell energy services at retail within a political subdivision, other than a distributor or a political subdivision.

GAS DAY - The 24 hour period which begins at 9:00 a.m. Central Time and ends at 9:00 a.m. Central Time the following day.

JOINT SERVICE – A form of gas delivery or transportation service in which the customer is permitted to select and designate a portion of daily requirement as firm and/or interruptible. This capability is available only to customers with telemetry.

LINE LOSS - The quantity of gas used and/or lost as part of the Company's normal distribution system operation. Line loss charges will be the Company's system-wide Lost and Unaccounted (L&U) Account as computed in the Company's annual PGA and applied on a volumetric basis to the quantity of gas delivered to the end-user.

MARKETER AGREEMENT – An agreement entered into between Company and aggregator specifying the service(s) requested by aggregator, method of billing and term of agreement.

MAXIMUM DAILY QUANTITY (MDQ) - The amount of gas a customer is expected to consume on a peak day, calculated by dividing the volumes consumed by a particular customer during the highest historical peak month of usage for that customer in the last three years by twenty (20). Company will estimate a peak month for new customers. A Maximum Daily Quantity may also be established through direct measurement or other means (i.e., estimating the peak day requirements after installation of new processing equipment or more energy efficient heating systems) if approved by Company.

NOMINATION - The quantity of gas that aggregator causes to be delivered to Company at each Receipt Point for the account of aggregator during a gas day. The quantity nominated must be equalized as far as practicable over the twenty-four hour period and, for the services provided hereunder, is assumed to have been delivered to Company uniformly during each hour of the gas day.

OPERATIONAL BALANCING AGREEMENT - An agreement between the Company and aggregator which describes the manner in which differences between actual receipts into the Company's system and nominated quantities into Company's system will be resolved between the parties.

OPERATIONAL FLOW ORDER - A notice issued by the Company to aggregator(s) requiring the delivery of specified quantities of gas to Company for the account of aggregator at times deemed necessary by the Company to maintain system integrity and to assure continued service. An Operational Flow Order may be issued to the smallest affected area. For example, a single receipt point, receipt points on a pipeline, or the entire system. Notification shall be via Company's electronic bulletin board (http://www.gastrackonline.com). Any Operational Flow Order (OFO) declared by the interstate pipeline is also an OFO Day on Company's affected area, but aggregator notification shall come from the pipeline.

GAS TRANSPORTATION SERVICE

OUT-OF-BALANCE - A condition where cumulative receipts fail to equal cumulative deliveries. A positive (excess) out-of-balance condition exists when receipts exceed deliveries. A negative (deficiency) out-of-balance condition exists when deliveries exceed receipts. When an aggregator is out-of-balance, the Company has either provided gas to the aggregator to meet an underage (deficiency), or stored gas for aggregator to meet an overage (excess).

OVERAGE - An out-of-balance condition where receipts exceed deliveries. This condition reflects the cumulative extent receipts exceed deliveries since receipts and deliveries were last in balance. A positive (excess) out-of-balance condition is considered an overage.

RECEIPTS - The quantity of gas actually delivered to Company for the account of aggregator at receipt point(s).

RECEIPT POINT - The location where Company physically receives gas delivered to Company for the account of aggregator. This location is the interconnection between the Company and the entity responsible for the delivery of aggregator-owned gas to the Company. The receipt point is usually physically located at the town border station, upstream of the delivery point. The receipt point must be a location physically connected by Company facilities to the delivery point. If the Company can, operationally, contractually, and without adversely affecting the service to its other end-users, permit aggregator to use a receipt point not physically connected through Company facilities to the delivery point(s), Company may waive the receipt point restriction.

RECORDING EQUIPMENT - Equipment which is capable of obtaining, accumulating, and storing data regarding gas flow for intervals equal to or less than twenty-four (24) hours in duration.

SHUTOFF - Service interruption initiated by Company, terminating service hereunder, to an aggregator and/or end-user as a result of failure of aggregator and/or end-user to pay Company for service or as a result of unsafe conditions.

TELEMETRY - Equipment capable of obtaining, accumulating, and transmitting real time data regarding the gas flow to a central location.

TRANSPORTATION SERVICE - The physical and/or contractual movement of aggregator-owned gas through the Company's distribution system from receipt point(s) to delivery point(s).

UNDERAGE - An out-of-balance condition where deliveries exceed receipts. This condition reflects the cumulative extent that deliveries exceed receipts since deliveries and receipts were last in balance. A negative (deficiency) out-of-balance condition is considered an underage.

GAS TRANSPORTATION SERVICE

C. PIPELINE CAPACITY RELEASE

The Company offers its end-users additional flexibility in how they purchase and receive gas for their use. End-users may purchase their gas directly from an energy seller, marketer, aggregator, supplier, or other entity and then, under the SVTS or LVTS rate schedules, decide which services will be used to bring the gas to their end-use location.

Consistent with the above and as a condition of customer being able to subscribe to Company's transportation rate schedules, customer agrees to accept release of Company's pipeline capacity based on the firm peak day requirements for end-user's end use or for aggregator's end-users. The amount of pipeline capacity the end-user will be released will be calculated by determining the peak gas usage month that occurred within the past three (3) years for each of aggregator's end-users, then adding the quantity of gas consumed by each of aggregator's end-users in such peak month, and dividing that sum by 20.

The capacity will be released to the aggregator on a temporary recallable basis for up to twelve months for each end user, for the remaining contract term, at the Company's weighted average cost. Pipeline transportation cost shall be derived from the pipeline transportation contracts that serve a customer; only those contracts that provide service to a customer's service territory shall be considered when calculating cost. After the capacity is released, aggregators will deal directly with the interstate pipeline during the period of release on all matters concerning this capacity. In the event an end user changes marketers before the expiration of a pipeline capacity agreement, the end-user's capacity will revert to the Company for reassignment to the new aggregator or marketer.

If an end-user wishes to return to firm sales service, Company shall accept the end-user as a firm sales customer, provided the capacity needed to serve the customer also returns with the end-user.

D. RATE SCHEDULE SVTS

1. Availability: Service under this rate schedule is available to Customers who cause gas to be delivered on a firm and/or interruptible basis to individually metered, non-residential end-users whose individual annual usage is anticipated not to exceed 150,000 Ccf. This service will be available in all of the Company's Missouri service territories.

2. Service Considerations: This service shall apply to small volume transportation service, which includes a level of firm and/or interruptible gas service. The interruptible gas is subject to interruption at any time upon order of the Company. Customers electing interruptible service must sign an affidavit confirming the customer has an alternate fuel capability or is willing to discontinue gas service during periods of curtailment. Customers must execute a written contract for transportation service pursuant to this rate schedule. Gas transportation agreements and applicable documents are available at the Company's electronic website, www.networks.aquila.com. . All small volume transportation customers must install telemetry equipment or purchase the Balancing Service provided herein. Customers must reimburse the Company for the cost incurred by Company to install telemetry equipment and for the cost of any other improvements made by Company in order to provide this service. Service is provided for a minimum of six (6) months.

3. Monthly Charges: End-user's monthly bill shall be determined as a sum of the following:

Service Territory:	**SJLP-920**	**SJLP-921**
End-user Charge:	$12.31	$9.39
Delivery Charge		
Usage (per Ccf)		
1st 600	$0.1404	$0.1401
Next 800	For all usage	For all usage
Next 1,000		
Excess		

Charges for the St. Joseph territory refer to Rate 920 (applicable to all areas except Fairfax, Rock Port and Tarkio) and Rate 921 (applicable to Fairfax, Rock Port and Tarkio).

L&U Charge: the Company's system-wide Lost and Unaccounted (L&U) Account as computed in the Company's annual PGA will be applied on a volumetric basis to the quantity of gas delivered to the end-user.

Interim Purchased Gas Adjustment Charges: End-users shall be charged the appropriate system's ACA, Refund, TOP and TC factors as listed on Company's sheet numbers 9.4. New customers or customers electing transportation service shall be charged the appropriate ACA charges for a period of one year after changing service to this schedule. These charges shall terminate after a customer has been served under this schedule for one year.

Mandatory Charges: Monthly bills to aggregators shall reflect the charges as described in Section E of this service schedule, including:

Aggregation Charge
Daily Balancing Charge
Daily Out-of-Balance Charge
Monthly Cash-out Charge
Line Loss Charge
Unauthorized Delivery Charge

Optional Services: Additional services may be selected, as described in Section I, including:

Daily Balancing Service
Aggregation Pooling Service
Billing Service

4. Security: Aggregator shall provide Company with security for aggregator's performance hereunder in the form of a letter of credit or a performance bond in the amount of $250,000.00 no later than ten (10) days prior to the date gas first flows to one or more of aggregator's end-users. Company reserves the right to periodically review the sufficiency of said security and, if deemed necessary as a prudent business practice, may require an increase in such amount.

5. General Rules, Regulations, Terms and Conditions: Service hereunder is subject to Company's General Rules and Regulations and applicable transportation provisions on file with the Missouri Public Service Commission.

6. Taxes: Service received under this tariff shall be conducted through energy sellers who have received certification from the Missouri Public Service Commission pursuant to 4 CSR 240-45.010 in compliance with Sections 393.297 through 393.301, RSMo.

7. Experimental School Aggregation Program: Pursuant to Sec. 393.310.1 RSMo, the fee for aggregation and balancing services for schools aggregating gas requirements under this schedule shall be $0.004 per Therm during the twelve (12) month period following the approval date of this schedule. After the initial twelve (12) months of this program, the charges described in paragraphs H and I will apply to all small volume customers, including schools. No telemetry shall be required unless a facility is expected to consume over 100,000 Therms annually. This experimental program shall be in effect from November 1, 2002 to June 30, 2005.

   a. Reporting. The Company shall, no later than August 1' in 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 parties to determine what under- or over-recovery of expenses may exist at that time, and to determine what changes in rates, if any, may be appropriate to prevent any harm to the groups identified in RSMo Sec. 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. 393.310.

b. Annual Cost True-Up. Company shall file annually on or about November 1 to receive Commission approval to recover costs incurred to implement this experimental program. This cost recovery application may include first year costs that exceed the $0.04 per Therm limit contained in RSMo. 393.310, PGA-related costs and administrative costs incurred by the Company.

c. Collection of Gross Receipts Taxes. The marketer or aggregator will collect gross receipts taxes applicable to the cost of gas purchased by marketers for end users. The marketer or aggregator may alternatively subscribe to Company's billing service, described in Sec. I.

GAS TRANSPORTATION SERVICE

F. NOMINATIONS

1. Requirements. Customers are required to nominate daily. Customers requesting volumes to flow on the first day of any month must contact Company's Gas Control Department via Company's Internet-enabled electronic bulletin board, known as Gas Track Online (http://www.gastrackonline.com), and inform them of the volumes to be transported by receipt point(s) and delivery point(s). First of the month nominations and daily nominations via the Internet are due by 11:30 a.m. Central Time one day before the gas flows. Intra-day nomination for the 2nd through the 31st days of a month will be accepted until 5:00 p.m. Central Time. A confirmed pipeline nomination will also be accepted on a best effort basis on the day of gas flow.

2. Special Requirements. All Small Volume sales customers switching to transportation service will be assigned a Maximum Daily Quantity (MDQ) Level, as defined herein. Under certain circumstances the Company may, at its option, require customers to deliver and confirm its MDQ to the LDC receipt point up to a cumulative 10 days (in addition to interstate pipeline OFO and critical days) during the months of November through March. If MDQ delivery does not occur, then customer must curtail to the level of their confirmed nomination. Confirmation occurs when Company receives confirmed nomination from the interstate pipeline. MDQ may be required if:
    1. The interstate pipeline calls a Critical Day Order.
    2. The interstate pipeline calls an Operational Flow Order,
    3. The Company calls a Critical Day Order.
    4. The Company calls an Operational Flow Order.

   In (1) and (2) above, the Customer must, without notice from the Company, deliver its MDQ to the LDC receipt point. In (3) and (4) above, the Company will give the Customer 25 hours notice prior to the start of the gas day. If the Customer fails to deliver its MDQ as required in (1), (2), or (3), the Company shall assess a penalty to Customer for each Mcf that Customer fails to deliver in an amount equal to the highest daily penalty applicable to the Operational Flow Order or Critical Day, as defined by the interstate pipeline in its tariff. If Company has not called a Critical Day but has issued an Operational Flow Order (4), and customer fails to deliver its MDQ, then Company will assess a penalty to customer in an amount equal to that identified in Paragraph I for each Mcf that customer failed to deliver.

GAS TRANSPORTATION SERVICE

G. BALANCING

To assure system integrity, the customer is responsible for: 1) providing daily scheduling of deliveries which accurately reflect customer's expected consumption, and 2) balancing deliveries to Company' system with volumes consumed at the delivery points and adjusted for Lost and Unaccounted gas. Failure to fulfill these responsibilities will result in Customer incurring balancing and/or scheduling charges as described below.

1. Daily Balancing Charges. A daily charge shall apply to any aggregator or end user served through ANR Pipeline Company, or any other pipeline that subsequently adopts daily scheduling charges, and whose out-of-balance condition exceeds the daily scheduling tolerance. This daily charge is applied to the daily quantities by which customer's out-of-balance condition exceeds customer's daily scheduling tolerance. Actual daily delivery quantities shall be used to determine the out-of-balance condition for customers with recording equipment or telemetry. Estimated daily delivery quantities shall be used to determine the out-of-balance condition for customers without recording equipment or telemetry, or whether such equipment malfunctions. Estimated daily delivery quantities shall be determined based on available data including nominated quantities, meter readings, customer load characteristic, actual weather conditions, and other information. This daily charge is accumulated and assessed monthly. This charge is in addition to the charges set forth in each of the company's transportation rate schedules. For each pipeline, the FERC approved charges apply. See Section K.
2. Monthly Imbalances. The difference between monthly confirmed nominated volumes and actual consumption will be charged to and/or credited to the Customer (cashed out) using the indices shown in Section K, plus pipeline fuel, pipeline capacity and commodity charges. In addition, the cash out price is tiered to encourage good performance and discourage supply price arbitrage using the LDC as a supply bank.

GAS TRANSPORTATION SERVICE

H. MANDATORY CHARGES

The following charges shall apply to Customers taking service under the Company's transportation rate schedules:

1. Aggregation Charge: A monthly aggregation charge shall be charged per pool of end-users for the purpose of nominating and balancing transportation deliveries on a common pipeline in the same pipeline operating zone. This charge shall be $0.004 for each Ccf delivered for the pool.

2. Daily Balancing Charge: A charge shall apply to any small volume Customer served through ANR, PEPL, or WNG pipelines. Under this service, a small volume Customer is provided operating flexibility through balancing tolerances in excess of normal daily scheduling tolerances. The charge for this service shall be $0.0075 per Ccf per month. Customers electing to purchase this service in lieu of telemetry shall be exempted from daily out-of-balance charges, except during a critical day or when an operational flow order is imposed. The revenues collected as a result of this balancing service shall be credited to the respective system's ACA accounts.

3. Daily Out-of-Balance Charge: A daily charge shall apply to any Customer served through PEPL or any other pipeline that subsequently adopts daily scheduling charges, and whose out-of-balance condition exceeds the daily scheduling tolerance during a critical day or when an operational flow order is imposed. This daily charge is applied to the daily quantities by which Customer's out-of-balance condition exceeds Customer's daily scheduling tolerance. Actual daily delivery quantities shall be used to determine the out-of-balance condition for end-users with recording equipment or telemetry. Estimated daily delivery quantities shall be used to determine the out-of-balance condition for end-users without recording equipment or telemetry, or where such equipment malfunctions. Estimated daily delivery quantities shall be determined based on available data, including nominated quantities, meter readings, end-user load characteristics, actual weather conditions and other information.

   On critical days or when operational flow orders have been declared, daily out-of-balance charges otherwise applicable shall be waived if Customer is in an overage condition.

   On critical days or when operational flow orders have been declared, the daily scheduling charges will be applied according to the tables shown in Section K.

4. Monthly Cash-Out Charge: At the end of each calendar month, Customer is required to balance its receipts and deliveries. Any variance between Customer's receipts and deliveries will result in the "cash-out" of imbalance volumes. See Section K.

5. Line Loss Charge: Line loss charges will be the Company's system-wide Lost and Unaccounted (L&U) Account as computed in the Company's annual PGA, and applied on a volumetric basis to the quantity of gas delivered to the end-user.

6. Penalties for Unauthorized Takes : If customer fails to curtail its use of gas hereunder when requested to do so by Company, customer shall be billed at the transportation charge plus the cost of gas Company secures for the customer, plus the greater of either the pipeline daily delivery variance charges or $20 per Mcf, for gas used in excess of the volumes of gas to which customer is limited. Revenues related to unauthorized takes will be credited to the Company's PGA. Company may in addition disconnect customer's supply of gas if customer fails to curtail its use thereof when requested by Company to do so. Curtailment of transportation volumes will take place according to the priority class, which the end-user would have been assigned if it were purchasing gas from Company. During curtailment, the end-user is entitled to a credit equal to

the difference between the volumes delivered to Company and those received by the end-user, adjusted for lost, unaccounted-for and company used gas.

GAS TRANSPORTATION SERVICE

I. OPTIONAL SERVICES

The following optional services are available to transportation Customers, who may choose the services that best serve their needs. Aggregators shall designate on their Marketer Agreement which, if any of the following services they desire. All charges for Optional Services are in addition to the monthly charges in the Company's transportation rate schedule.

1. Daily Balancing Service: Under this optional service, Customers are provided additional flexibility in being able to balance their receipts with deliveries on a monthly basis. Small Volume Customers may negotiate a tolerance window and various cash-out rates for overage and underage conditions. Customers who elect transportation service may purchase the Company's Small Volume Balancing Service in lieu of meeting Company's Transportation Tariff requirements for the installation of telemetry and daily scheduling requirements. Customers choosing this daily balancing service must submit a daily nomination to Company for those days the service is used. The special requirements for nominations, found in Paragraph F, apply to this service. The cost of the service is 7.5¢ per Mcf transported on Company's system. Revenues collected from the provision of this service will be credited to the overall general system gas cost through Company' PGA mechanism, This monthly charge is in addition to the monthly charges set forth in Company's service rate schedules.
2. Aggregation Pooling Service: A Customer may combine a group of end-users situated behind multiple town border stations (TBS) and served by a common pipeline with the same balancing provisions and the same interstate pipeline operational zone. Large volume and small volume end users with telemetry may be aggregated into common pools; small volume customers that purchase the Balancing Service cannot be aggregated with customers on telemetry. If a Marketer purchases this aggregation service, the aggregated group will be considered as one Customer for purposes of calculating the daily scheduling penalties and monthly imbalances, i.e., individual Customer nominations and consumption will be summed and treated as if they were one Customer. This does not include aggregation of fixed costs or customer charges. The cost of this aggregation service is $0.04 per Mcf of gas delivered to the aggregated group. Revenues received from this service shall be credited to the Company's PGA mechanism. If the Customer purchases this service, the aggregated pools will be considered as one aggregated pool for the purposes of calculating daily out-of-balance charges; however, during Critical and OFO Days nominating and balancing will be required by the affected receipt and delivery points.
3. Billing Service: Company will provide an integrated billing service for aggregator for a monthly fee equal to $1.15 multiplied by each end-user service point.

GAS TRANSPORTATION SERVICE

J. TERMS AND CONDITIONS

The following terms and conditions shall apply to aggregators, and end-users where applicable, taking service under Company's applicable rate schedule:

1. Balancing: Customer shall have the obligation to balance on both a daily *and* monthly basis, gas receipts (transportation gas delivered to Company at the receipt point), with thermally equivalent gas deliveries (transportation gas delivered by Company to end user(s) at the delivery point(s)). The difference between cumulative receipts and cumulative deliveries is considered an out-of-balance condition. Upon termination of service hereunder, either the Customer shall purchase sufficient quantities of gas to satisfy any negative out-of-balance condition or the Company shall purchase Customer's positive out-of-balance quantities. These purchases shall be completed in accordance with the provisions of Company's monthly cash-out provisions. In addition, Customer shall be responsible for any other applicable charge(s) set forth in Company's rate schedules. Delivery from systems with a single source of gas supply will use the transporting entity's statement as to volumes and heating value shall be taken as conclusive. Delivery from systems with multiple sources of gas supply shall be determined based on the heating value of the gas delivered to the end-user to determine the requirement for thermal balancing.

2. Billing: The order of gas delivery for purposes of billing calculations will initially be to utilize Customer-owned gas, including correction of any imbalance conditions and then utilize sales gas based on Company's applicable tariffs.

3. Curtailment/Interruption of Service: Transportation service provided by Company is based on Company's best efforts to deliver for the account of Customer, gas received for the account of the Customer. In the event of force majeure or system capacity limitations, it may be necessary to interrupt deliveries from time to time. If transportation service interruption or curtailment is required, Company shall endeavor to curtail deliveries on the affected parts of its system in the following order: Large Volume, General Service and Residential.
If Company is required to curtail transportation service, then such interruptions or curtailments shall be governed by Company's curtailment provisions associated with sales gas service, which are contained in Section 3.07 of Company's Rules and Regulations -- Gas.

   Notwithstanding any provision to the contrary herein, Company may fully or partially curtail service to transportation service end-users when, in Company's opinion, curtailment or interruption is necessary to protect the delivery of gas to general system customers with higher priority uses, or to protect the integrity of its system. Company shall allocate, as equitably as practicable, the capacity that is available, taking into consideration priority of use or other factors it deems necessary to ensure public health and safety.

4. Delinquent Payment Penalty: A late payment charge in an amount equal to one and one-half percent (1.5%) of the delinquent amount owed for current service will be added to the bill if payment is not received on or before the net due date stated on the bill. The net due date shall be the twenty-first (21st) day after the date of billing.

5. Facility: Shall include all meters serving buildings under common ownership behind the same town border station.

6. Delivery Volume Requirement: The Company is not required to deliver volumes of gas in excess of receipts.

7. Failure to Comply: If aggregator or end-user fail to comply with or perform any of the obligations of its part, the Company shall have the right to give end-user written notice of the Company's intention to terminate the transportation service on account of such failure. The Company shall then have the right to terminate such transportation service after the expiration of five days after giving said notice, unless the aggregator or end-user shall make good such failure. Termination of such transportation service for any such cause shall be a cumulative remedy as to the Company, and shall not release the aggregator or end-user from its obligation to make payment of any amount or amounts due or to become due from the aggregator or end-user to the Company under the applicable schedule. In order to resume transportation service after termination of service hereunder, it shall be necessary for end-user to reapply for service.

8. Force Majeure: The term "force majeure" as employed herein shall mean acts and events not within the control of the party claiming suspension and shall include acts of God, strikes, lockouts, material or equipment or labor shortages, wars, riots, insurrections, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, interruptions by government or court orders, present or future orders of any regulatory body having proper jurisdiction, civil disturbances, explosions, breakage or accident to machinery or lines of pipes, freezing of wells or pipelines, and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which, by the exercise of due diligence, such party is unable to overcome. If either the Company, aggregator or end-user is rendered unable by force majeure to wholly or in part carry out its obligations under the provisions of any rate schedule, the obligations of the party affected by such force majeure, other than the obligation to make payments there under, shall be suspended during the continuance of any inability so caused but for no longer period; and such cause shall, in so far as possible, be remedied with all reasonable dispatch. Notwithstanding the foregoing, the service provided by Company hereunder is limited to the transportation of aggregator or end-user owned gas received by the Company for the account of aggregator or end-user. In the event of a force majeure condition that restricts or limits aggregator's or end-user's ability to cause to be delivered to Company gas for the account of the aggregator or end-user, Company is under no obligation to deliver gas to aggregator or end-user. Company is under no obligation to deliver gas to the aggregator or end-user for the account of aggregator or end-user that has not been received by the Company for the account of aggregator or end-user.

9. Gas Quality: All end-user-owned gas transported hereunder shall be of commercial quality. If the gas tendered for transportation is not of commercial quality or is gas which will adversely impact the gas stream of Company, said gas shall not be transported.

10. Gas Supply: Customer shall arrange for the purchase of gas other than Company's supply and for the delivery of such gas to a Company receipt point(s). End-user shall execute a written End-User Verification Form for transportation services pursuant to the applicable rate schedule containing such terms and conditions as may be reasonably required.

11. Joint Rate Transportation Service: Refers to the purchase of gas transportation service, which includes a level of firm and interruptible interstate pipeline capacity. Transportation service will not commence until the Customer files with the Company a completed Service Request Form and all other applicable documentation. Company shall be deemed to have title to transportation gas, as necessary, to arrange interstate pipeline transportation to Company' system.

12. Laws, Regulations, and Orders: All agreements and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules, and regulations of any legislative body, or duly constituted authority now or hereafter having jurisdiction and shall be varied and amended to comply with or conform to any valid rule, regulation, order, or direction of any board, tribunal, or administrative agency with jurisdiction that affects any of the provisions of the agreement.

13. Liability: Gas shall be and shall remain the property of the aggregator or end-user while being transported and delivered by the Company. The Company shall not be liable to the aggregator or end-user for any loss arising from or out of gas transportation service while in the Company's system or for any other cause, except for gross or willful negligence of the Company's own employees. The Company reserves the right to commingle gas of the aggregator or end-user with other gas supplies. The aggregator or end-user shall be responsible for determining the extent of and maintaining all insurance it deems necessary to protect its property interest in such gas before, during, and after receipt by the Company.

14. Marketer Agreement: Each prospective aggregator is required to execute a Marketer Agreement, which shall specify the service(s) requested by aggregator, the method under which aggregator elects to be billed, and the term of the agreement. Regardless of billing arrangements elected, the aggregator shall be responsible for payment for all service(s) provided.

15. Measurement: All transport gas shall be measured on a volumetric basis. Measurement shall be based on available information regarding volumes received and delivered, pressure and temperature conditions, and energy content of the gas stream. Company shall determine the measurement equipment required to determine the receipts and deliveries of end-user owned gas transported hereunder.

16. Minimum Term: The minimum term of service shall be 6 months for small volume end users and one year for large volume service. The Company, at its sole discretion, may allow a term less than the one (1) year or six (6) month minimums.

17. Nomination: Customers are required to nominate daily. Customers requesting volumes to flow on the first day of any month must contact Company's Gas Control Department via Company's Internet-enabled electronic bulletin board, known as Gas Track Online (http://www.gastrackonline.com), and inform them of the volumes to be transported by receipt point(s) and delivery point(s). First of the month nominations and daily nominations via the Internet are due by 11:30 a.m. Central Time one day before the gas flows. Intra-day nomination for the 2nd through the 31st days of a month will be accepted until 5:00 p.m. Central Time. A confirmed pipeline nomination will also be accepted on a best effort basis on the day of gas flow. Any nomination that may take unfair advantage of any tariff provision may be rejected or changed by the Company.

18. Notices Required to Transport or Return to Sales Service: Customers shall notify Company a minimum of fourteen (14) days prior to the beginning of the end-user's meter-reading cycle of their intent to begin or change service under the applicable transportation rate schedule through the filing of an End-User Verification Form or addendum thereto with Company. Any addition, deletion or change in end-user transportation service shall occur at the start of the end-user's billing cycle. Notification shall include aggregator and end-user names and addresses; receipt and delivery point(s) to be nominated; service(s) to be subscribed for; billing information; and other information

as Company or aggregator may deem appropriate. Transportation service will not commence until end-user has executed a written End-User Verification Form with the Company. Aggregators who notify Company on behalf of end-users of their intent to provide transportation service to end-user without end-user's approval shall pay a penalty of $100 per end-user occurrence. Repeated occurrences by aggregator will result in aggregator not being permitted to continue transportation service. Any energy seller, supplier, marketer or broker that serves more than one end-user that is eligible to be pooled for the purpose of forming an aggregation pool will be deemed to be an aggregator, and will be required to execute a Marketer Agreement

19. Operational Flow Order Penalty: Aggregators who fail to deliver to Company for the account of end-user(s) specified operational flow ordered quantities of gas shall be billed appropriate "Unauthorized Delivery" charges. Aggregators who repeatedly fail to deliver to Company specified operational flow order quantities of gas will not be permitted to continue transportation service.

20. Pipeline Charges. Any specific charges that Company incurs from the pipeline on behalf of customer will be passed through to that customer. Such charges include but are not limited to those that may be imposed by an applicable pipeline as set forth in paragraphs H and I.

21. Recording and Telemetry Equipment: Company shall notify end-users if existing equipment is not sufficient to measure service under the applicable rate schedule. If so, Company may install such equipment as it deems necessary. Company shall be allowed access for maintaining and operating such equipment. End-user shall be responsible for the costs associated with the Company acquiring and installing recording and/or telemetry equipment at the delivery point. When telemetry equipment is installed, the end-user will be required to provide telephone or other interfaces agreed to by the Company along with electrical connections available at the meter location. If recording and/or telemetry equipment is deemed necessary, but the end-user is unwilling or unable to pay for the cost of such equipment, then the end-user may return to sales service, provided all other requirements of Section 18 have been met. All Small Volume transportation customers must have Company install telemetry equipment or purchase the Balancing Service provided in Section J.1 herein. Customers must reimburse the Company for the cost incurred by Company to install telemetry equipment and for the cost of any other improvements made by Company in order to provide this transportation service. Customer shall also provide telephonic access and service to this telemetry equipment. The Company will offer financing for periods up to 90 days interest free. The Company will offer financing with interest to a customer to pay for the installation of telemetry equipment for a period of more than 90 days but not more than 12 consecutive months on a non-regulated basis. The telemetry equipment and any other improvements made by the Company shall remain the property of the Company, and will be maintained by the Company.

22. Service Agreement Required: Customer shall execute a written contract for transportation service containing such terms and conditions as Company reasonably requires. Gas transportation agreements and applicable documents are available at the Company's electronic website, www.networks.aquila.com. The Company will provide a written copy of the agreements if requested by the customer.

23. Successors and Assigns: Any party which shall succeed by purchase, merger, or consolidation, in whole or in part, to the interests of any aggregator or end-user, shall be subject to the obligations of its predecessor in title under an agreement. No other assignment of an agreement or any of the rights or obligations hereunder shall be made unless there first shall have been obtained the consent thereto of the non-assigning party, which consent shall not be unreasonably withheld. Any party may assign its respective right, title, and interest in and to under an agreement to a trustee or

trustees, individual or corporate, as security for bonds or other obligations or securities without the necessity of any such assignee becoming in any respect obligated to perform the obligation of the assignor under an agreement and, if any such trustee be a corporation, without its being required to qualify to do business in any state in which performance of an agreement may occur.

24. Termination of Participation: End-Users shall notify Company whenever an end-user ceases to be a part of the aggregator's pool. Termination of participation in an aggregator's pool by an end-user, whether by choice of aggregator or end-user, may necessitate a determination by Company of the amount of capacity needed to serve the end-user. Capacity initially assigned and necessary to service end-user shall remain with the end-user. End-users that choose service from another aggregator must notify Company with a signed End-User Verification Form. Forms are available from aggregators or the Company via GasTrack Online. Notification is required at least fourteen (14) days prior to the nomination deadline for the first day of the end-user's billing cycle. If such notification is not provided within said time frame, then service from the original aggregator shall not terminate until the first day of the Company billing cycle for such end-user which begins at least thirty (30) days after receipt of the End-User Verification Form by the Company.

GAS TRANSPORTATION SERVICE

K. INTERSTATE PIPELINE SCHEDULING AND BALANCING CHARGES

1. ANR Pipeline Company
   a. ANR Daily Balancing Penalties
      i. Daily Imbalance Tolerance – not to exceed MDQ
         1. If exceed MDQ, Customer may be subject to:
            a. Authorized Overrun rate - $0.3232 per Dth
            b. Unauthorized" Overrun rate – greater of $10.00 or two times the Spot Price Index for the service month
      ii. Monthly Imbalance Tolerance – not to exceed MDQ
   b. ANR Daily OFO Penalties – $25.00 per Dth
   c. ANR Monthly Imbalance Cash Out Tiers

Imbalance Level	Receipts > Deliveries Due Company	Deliveries > Receipts Due Customer
0% - 5%	Spot x 100%	Spot x 100%
>5% - 10%	Spot x 85%	Spot x 115%
>10% - 15%	Spot x 70%	Spot x 130%
>15% - 20%	Spot x 60%	Spot x 140%
>20%	Spot x 50%	Spot x 150%

The "spot" market price shall be the ANR Oklahoma Spot Price Index.

Example:
If the nominated volume was 100 Mcf and the actual consumption was 130 Mcf, there is an imbalance of 30 Mcf due Company. The transportation customer would owe Company the following amount using the above hypothetical Spot market price of $2.22: (*)

5 Mcf at $2.22 x 100%	11.10
5 Mcf at $2.22 x 115%	12.77
5 Mcf at $2.22 x 130%	14.43
5 Mcf at $2.22 x 140%	15.54
10 Mcf at $2.22 x 150%	33.30
	$87.14

(*) These hypothetical prices are used for illustration purposes only.