

FACILITIES IMPROVEMENT AGREEMENT

This Facilities Improvement Agreement (the "Agreement") is made and entered into this 17TH day of MARCH, 1997, by and between the Commonwealth of Kentucky, Department of Military Affairs, with its principal place of business at Frankfort, Kentucky, (the "Customer"), and WESTERN KENTUCKY GAS COMPANY, a division of Atmos Energy Corporation, with its principal place of business at 2401 New Hartford Road, Owensboro, Daviess County, Kentucky 42302, (the "Company").

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

APR 20 1997

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

W I T N E S S E T H :

BY: Phyllis Lammie
DIRECTOR, RATES & RESEARCH DIV

WHEREAS, the Customer desires to have natural gas service provided to the Customer's premises located at the Western Kentucky Training Site, Muhlenberg County, Kentucky; and,

WHEREAS, the Company is a natural gas utility subject to the jurisdiction of the Public Service Commission of Kentucky; and

WHEREAS, the Company does not presently have adequate facilities installed to provide the requested natural gas service; and,

WHEREAS, the Company and the Customer are willing to install said facilities so that natural gas service will be available to the Customer under the terms and conditions below;

NOW, THEREFORE, in consideration of the mutual promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

- (1) The Company shall install the required facilities to provide natural gas service to the Customer's property (see Exhibit "A").

APR 20 1997

- (2) The total estimated cost of the Company's installation of the required facilities set forth in Exhibit "A" is including all necessary rights-of-way and permits. This amount is the Customer's "Estimated Deposit". The Company shall defer the initial cash deposit for the total estimated pipeline extension cost, allowing the payment of regular installments over a 60 month period. Additionally, recognizing potential economic benefits associated with this project, the Company will apply an allowance of \$33,000 (the "Allowance") which will reduce the total cash deposit required from the Customer to a total of \$340,995. The Customer shall deposit with the Company, within thirty (30) days after the Company notifies the Customer that gas service

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Phillip Lannin
\$370,995
"OFFICE & RESEARCH DIV"

is available, the sum of \$2850.00. The Customer shall deposit with the Company the sum of \$2850.00 each month thereafter until 60 such payments have been deposited with the Company. In addition, the Customer shall pay a surcharge of \$0.6688 per MCF (1 MCF = 1000 Cubic Feet) of natural gas delivered to the Customer for the same 60 month period.

When the 60 month payment schedule has been completed, actual project costs shall be calculated in each of the following categories: facilities cost, the number of customers added and the cumulative deliveries to the Customer. The Total Actual Cost will consist of the sum of the actual costs in each of the 3 categories. The Total Actual Cost will then be compared to the Customer's Estimated Deposit. If the Total Actual Cost exceeds the Estimated Deposit, additional monthly cash deposit and surcharge payments will be made by the Customer until the total of all payments made equals the Total Actual Cost. If the Total Actual Cost is less than the Estimated Deposit, the Company shall refund to the Customer any amount received in excess of the Total Actual Cost. Should the Total Actual Cost of the required facilities exceed the Estimated Deposit, the Customer shall have the right, upon reasonable notice and during business hours, to examine the books and records of the Company that pertain to said required facilities.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

APR 20 1997

PURSUANT TO 807 KAR 5:011.
SECTION 9(1)

BY: Phyllis Lanning
DIRECTOR, RATES & RESEARCH DIV.

The specific Allowances forecast are:

1. \$27,000 for 45 residential customers (at \$600 each) served directly off the pipeline installed to access the Customer,
 2. \$6,000 for commercial customers (based on an amount determined by the application of the Company's standard Main Extension allowance) served directly off the pipeline installed to access the Customer.
- (3) The amount(s) deposited by the Customer pursuant to Paragraph 2 above shall be returned under the following conditions:

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

APR 20 1997

- (a) For each additional industrial customer which connects directly to the Main Extension (see Exhibit Phillip Lammie PURSUANT TO 807 KAR 5.011, SECTION 10.1, BY: DIRECTOR, RATES & RESEARCH DIV. FOR description of Main Extension), the Company shall return to the Customer an amount equal to ten (10) cents for each one thousand (1,000) cubic feet of natural gas sold and/or transported to the additional customer under an executed full requirements service agreement. The Company shall return any amount(s) due under this subparagraph 3(a) on or before March 1st of the year following the calendar year during which the natural gas subject to this Agreement was consumed. In the event an

upstream system improvement is required in order to provide capacity for service to the additional industrial customer(s), refund under this provision shall not apply.

(b) For each residential customer which connects directly to the Main Extension after the initial 60 months of service to the Customer, the Company shall return to the Customer \$600.

(c) For each commercial customer which connects directly to the Main Extension after the initial 60 months of service to the Customer, the Company shall return to the Customer an amount determined by the application of the Company's standard Main Extension Allowance.

(4) This Agreement shall be governed by and subject to any and all rules and regulations of any and all governing bodies and agencies having jurisdiction over the Company or the Customer. In addition, this Agreement shall be governed by the law of the Commonwealth of Kentucky.

(5) This Agreement shall become effective on the first day of the month following approval by the Kentucky Public Service Commission.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

APR 20 1997

PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)
BY: Phillip Lammie
DIRECTOR OF RATES & RESEARCH DIV.

- (6) The Company shall not be liable for any carrying charges to the Customer or any other entity representing the use of amount(s) deposited with it pursuant to this Agreement.
- (7) The Customer agrees that full and complete title and ownership to the facilities constructed under this Agreement shall be vested entirely in and with the Company, and the Customer shall have no claim upon said facilities, it being agreed that the Company will utilize said facilities as part of its gas distribution system and shall be responsible for the operation and maintenance of same at all times.
- (8) Any notices or financial transactions required under this Agreement or any notice which either party hereto may desire to give the other party shall be in writing and shall be considered duly delivered when deposited in the United States mail, postage prepaid, registered or certified, or sent by facsimile and addressed as follows:

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

APR 20 1997

PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY: Phyllis Francis
DIRECTOR, RATES & RESEARCH DIV.

If to Company: WESTERN KENTUCKY GAS COMPANY
P.O. Box 866
Owensboro, Kentucky 42303
Attention: Marketing Department
Telephone: (502)-685-8069
Facsimile: (502)-685-8052

If to Customer: Commonwealth of Kentucky
Department of Military Affairs
Boone National Guard Center
100 Minuteman Parkway
Frankfort, KY 40601-6168
Attention: Leland A. Fincham
LTC, EN, KYARNG
Construction & Facility
Manager (Architect)

- (9) This Agreement shall terminate upon the earlier of (a) the expiration of ten (10) years, or (b) the return by the Company of all those amount(s) deposited with it pursuant to Paragraph 2 above.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

APR 20 1997

PURSUANT TO 807 KAR 5011,
SECTION 9 (1)

BY: Phillip Lannis
DIRECTOR, RATES & RESEARCH DEPT.

WITNESS the hands of the parties hereto this the day and date first hereinabove written.

WESTERN KENTUCKY GAS COMPANY,
a division of Atmos Energy Corporation

By: Paul Fischer
Title: President

Department of Military Affairs

By: [Signature]
Title: ADJUTANT GENERAL

COMMONWEALTH OF KENTUCKY

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

John P. McCarty
John P. McCarty, Secretary

APR 20 1997

Finance and Administration Cabinet

PURSUANT TO 807 KAR 5.011,
SECTION 9(1)

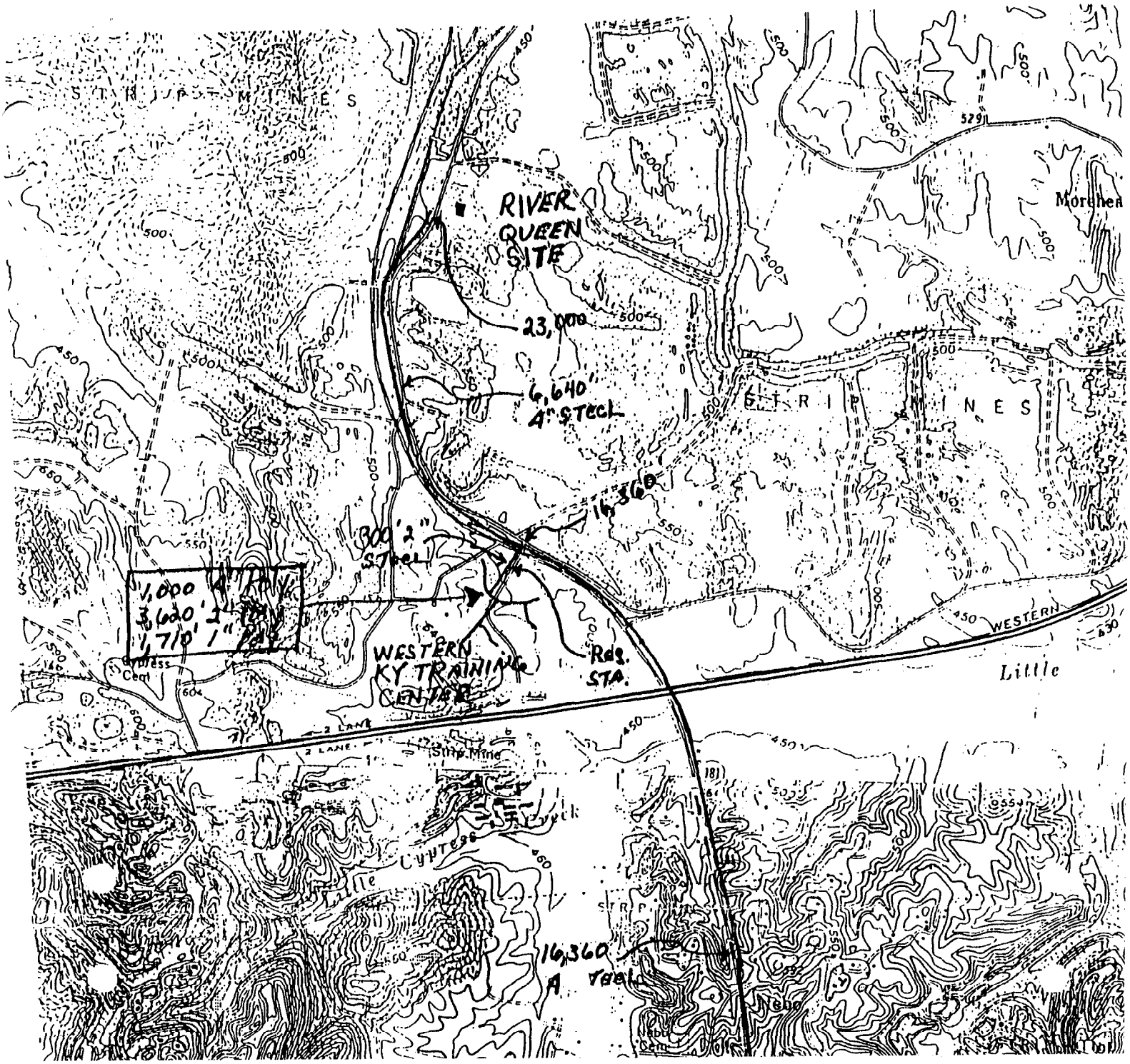
BY: Phillip Lammie
DIRECTOR, RATES & RESEARCH DIV.

Approved as to Form and Legality:

Angela C. Robinson

Attorney

Finance and Administration Cabinet



PUBLIC SERVICE COMMISSION
 OF KENTUCKY
 EFFECTIVE

APR 20 1997

PURSUANT TO 807 KAR 5011,
 SECTION 9 (1)

BY: Phillip Lavin
 DIRECTOR (RATES & RESEARCH DIV)