

FILED

AMENDMENT NO. 1
TO NATURAL GAS TRANSPORTATION AGREEMENT

NOV 18 1988

PUBLIC SERVICE
COMMISSION

This Amendment No. 1 to that certain Natural Gas Transportation Agreement dated October 22, 1985, by and between Pennwalt Corporation, a Pennsylvania corporation, hereinafter "Pennwalt" and Western Kentucky Gas Company, an unincorporated division of Atmos Energy Corporation, a Texas corporation, as successor in interest to Texas American Energy Corporation, hereinafter "Western", is hereby made and entered into as of the 1st day of November, 1988.

WITNESSETH: That whereas Pennwalt and Western heretofore entered into that certain Natural Gas Transportation Agreement dated October 22, 1985, a true and correct copy of which is attached hereto and incorporated herein by reference as Exhibit "A" (hereinafter referred to as the "Agreement"); and;

WHEREAS, the Agreement was originally effective the 22nd day of October, 1985, and remains effective and in full force and effect as of the date hereof; and,

WHEREAS, Pennwalt's end product mix is largely made up of "Freon" (Dupont's tradename) which is artificially become extremely competitive since 24 first world nations have agreed to decrease chlorofluorocarbon manufacturing by 20% by 1993 and 50% by 1996. This agreement is known as the "Montreal Protocol".

WHEREAS, energy costs account for approximately 13.2% of Pennwalt's total average annual operating expense and as a result of the aforesaid certain increase in competition in

PUBLIC SERVICE COMMISSION
OF KENTUCKY

DEC 13 1988

PURSUANT TO ORDER NO. 5011,
SERIALIZED 11/18/88
BY: *[Signature]*
PUBLIC SERVICE COMMISSION MANAGER

Pennwalt's major end product line, it is critical that Pennwalt substantially reduce its energy costs; and,

WHEREAS, if Pennwalt does not substantially reduce its energy costs, extreme adverse consequences are likely to result, including further decline in employment and a potential plant shutdown; and,

WHEREAS, Pennwalt's energy requirements are over 95% susceptible to replacement by alternate fuels already in place, namely # 6 fuel oil, # 2 fuel oil, or propane.

WHEREAS, in addition, approximately 95% of the natural gas consumed by Pennwalt is used in the processing of steam and installation by Pennwalt of a coal fired boiler would virtually eliminate its dependency on natural gas; and

WHEREAS, Pennwalt is considering installation of such a coal fired boiler; and,

WHEREAS, Pennwalt is located less than three (3) miles from the interstate pipeline facilities of Texas Gas Transmission Corporation and Pennwalt has considered, and is currently considering, proceeding with seeking regulatory approval for installation of a direct transmission line between ~~the facility~~ and the interstate pipeline of Texas Gas Transmission Corporation; and,

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

DEC 13 1988

WHEREAS, it has been determined by Pennwalt that ~~the~~ ^{PURSUANT TO KRS 5:011, SECTION 9(1)} construction and ownership of such a line would be economically feasible; and,

BY *[Signature]*
PUBLIC SERVICE COMMISSION MANAGER

WHEREAS, Pennwalt believes that the transportation rate being charged by Western is excessive and has advised Western

that unless Western reduces its transportation rate for interruptible service by at least the amount set forth hereinbelow, Pennwalt will procure either an alternate source or an alternate supplier for its energy needs; and,

WHEREAS, Pennwalt is Western's fourth largest single customer, consuming in excess of 850,000 Mcf of natural gas per year or over 2% of Western's total annual throughput; and,

WHEREAS, Western believes it to be in the best interest of all of its customers for Pennwalt to remain on service even at the reduced transportation rate set forth below in light of the adverse consequences which would inure to Western and its customers should Pennwalt discontinue transporting gas on Western's distribution system; and,

WHEREAS, as a consequence of all of the foregoing and other unique and special circumstances, Western and Pennwalt have agreed to enter into this Amendment to the Natural Gas Transportation Agreement;

NOW THEREFORE, for and in consideration of the foregoing preambles, Western and Pennwalt hereby covenant and agree as follows:

A. Western and Pennwalt hereby agree to amend paragraph (1) of Article IV of the Agreement dated October 22, 1985.

Amended paragraph (1) of the aforesaid Article IV shall provide as follows:

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

DEC 13 1988

PURSUANT TO 207 KAR 5:011,
SECTION 9 (1)

BY: James A. Lee
PUBLIC SERVICE COMMISSION MANAGER

ARTICLE IV

DEC 13 1988

RATES

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

(1a) Firm Transportation. As consideration for the transportation service rendered hereunder of the natural gas owned by Pennwalt, Pennwalt agrees to pay Western at Western's Legally Effective Rate for firm transportation service in effect at the time(s) of delivery.

(1b) Interruptible Transportation. As further consideration for the transportation service rendered hereunder of the natural gas owned by Pennwalt, Pennwalt agrees to pay Western at Western's applicable Legally Effective Rate in effect at the time(s) of delivery for interruptible transportation service less, however, thirty-one and 03/100 cents (\$.3103) per Mcf transported. Provided, however, it is expressly understood and agreed that at such time as the provisions of this subparagraph 1(b) become inapplicable or ineffective, whether by expiration of time as provided below, termination under any other term or provision of the Agreement, as herein amended, or otherwise, then, and upon the happening of any said event, Pennwalt agrees to pay Western at Western's Legally Effective Rate for interruptible transportation service without the discount specified above. The provisions of this paragraph 1(b) shall become effective for a period of time commencing on the first day of the month next succeeding the month in which final approval of this Amendment No. 1 upon terms and conditions acceptable to Western is obtained from the Kentucky Public Service Commission and shall continue thereafter for a period of twelve (12) consecutive months and from month to month thereafter unless terminated by either party upon the giving of thirty (30) days advanced written notice. Provided, however, the provisions of this paragraph 1(b) shall automatically terminate (whether within the initial twelve (12) month period or not) at the effective date of Western's next General Rate Adjustment as ordered by the Kentucky Public Service Commission.

(1c) Miscellaneous. Pennwalt covenants and agrees that during the period of time the discount provisions of subparagraph 1(b) above are in effect, it will not: (a) utilize fuel oil, propane or any other alternate fuel as a whole or partial substitute for gas utility service from Western at a time when service from Western is available; or, (b) file, or cause to be filed on its behalf, with the Federal Energy Regulatory Commission, an application for authority to receive direct interstate transportation service or otherwise attempt to bypass Western's facilities.

B. Western and Pennwalt do further acknowledge and agree that the Amendment set forth above shall not be deemed effective

or binding upon either party hereto unless and until such time as said Amendment has been finally approved by the Kentucky Public Service Commission as a special contract within the meaning of 807 KAR 5:011 and all other applicable law. In connection therewith, Western agrees to promptly file this Amendment No. 1, and the underlying Agreement, with the Kentucky Public Service Commission, together with an appropriate application seeking approval of same as a special contract.

C. Pennwalt and Western further acknowledge that notwithstanding any other provision herein contained or in the underlying Agreement, the provisions of the Agreement, as herein amended, shall continue in full force and effect if and only if all regulatory approvals and consents are obtained and continue in effect during the term hereof from any and all governmental agencies deemed necessary by Pennwalt and Western to consummate all transactions contemplated by the Agreement, as herein amended, all such consents and approvals being in a form and substance satisfactory to both Pennwalt and Western.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto on this the day and date first hereinabove written.

WESTERN KENTUCKY GAS COMPANY

WITNESS:

Goddy M. Meche

By: T. G. C. [Signature] *etc*

PENNWALT CORPORATION

Andra L. Heid

By: [Signature]

DEC 13 1988

PURSUANT TO 807 KAR 5:011, SECTION 10.01
BY: [Signature]
PUBLIC SERVICE COMMISSION MANAGER