

TOWN OF ADDISON, TEXAS

ORDINANCE NO. 001-026

AN ORDINANCE OF THE TOWN OF ADDISON, TEXAS FINDING, AFTER REASONABLE NOTICE AND HEARING, THAT TXU GAS DISTRIBUTION'S RATES AND CHARGES WITHIN THE CITY SHOULD BE CHANGED; DETERMINING JUST AND REASONABLE RATES; ADOPTING GENERAL SERVICE RATES INCLUDING RATE ADJUSTMENT PROVISIONS AND MISCELLANEOUS SERVICE CHARGES TO BE CHARGED FOR SALES AND TRANSPORTATION OF NATURAL GAS TO RESIDENTIAL, COMMERCIAL AND INDUSTRIAL CUSTOMERS; PROVIDING FOR RECOVERY OF RATE CASE EXPENSES; PRESERVING REGULATORY RIGHTS OF THE CITY; PROVIDING FOR REPEAL OF CONFLICTING ORDINANCES; PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, the Town of Addison ("City"), acting as a regulatory authority, has previously suspended the effective date of TXU Gas Distribution's ("Company") application to increase rates in the City in order to study the reasonableness of that application; and

WHEREAS, the Town of Addison, in a reasonably noticed public hearing considered the Company's application, a report from the City's consultants who were retained to evaluate the merits of the Company's application and a settlement agreement negotiated with TXU Gas Distribution by a Steering Committee of Cities on the Northwest Metro/Mid-Cities Distribution System; and

WHEREAS, the City has determined that the Company's rates within the City should be changed and that the Company's application should be granted, in part, and denied, in part.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS:

Section 1. On February 16, 2001, TXU Gas Distribution, a division of TXU Gas Company ("Company") filed with the Governing Body of this municipality a Statement of Intent to Change Residential, Commercial and Industrial Rates charged to consumers within this municipality. Also filed was the Tariff for Gas Service in the Northwest Metro/Mid-Cities Distribution System ("Tariff for Gas Service") and the supporting Cost of Service Schedules ("Schedules").

Section 2. The existing rates and charges of TXU Gas Distribution are hereby found, after reasonable notice and hearing, to be unreasonable and shall be changed as hereinafter ordered. The changed rates resulting from this Ordinance are hereby determined to be just and reasonable rates to be observed and in force within the City.

Section 3. The Company has agreed to modify the rates proposed in its Statement of Intent and the modified rates are reflected in the revised Tariff for Gas Service attached hereto as Exhibit A. The revised Tariff for Gas Service includes Rate Schedules 4100 - Index of Rates and List of NW Metro/Mid-Cities System Cities, 4101 - Residential Service, 4102 - Commercial Service, 4121 through 4123 - Industrial Sales, 4104 - Industrial Transportation, 4131 - Industrial Sales and Transportation, 4108-4, 4108-5 and 4108-6 - Rate Adjustment Provisions, 9001 through 9007 - Miscellaneous Service Charges and Rider 4116 - Surcharges.

Section 4. The maximum general service rates for sales and transportation of natural gas rendered to residential, commercial and industrial consumers within the town limits of Addison, Texas by TXU Gas Distribution, a division of TXU Gas Company, a Texas corporation, its successors and assigns, are hereby fixed and approved as set forth in the attached revised Tariff for Gas Service and Rate Schedules 4101 - Residential, 4102 - Commercial Service, 4121 through 4123 - Industrial Sales, 4104 - Industrial Transportation and 4131 - Industrial Sales and Transportation. The rates reflected in the attached tariffs are found to be reasonable. Nothing contained herein shall limit the right of industrial and transportation customers with competitive options to negotiate rates with the Company that differ from approved tariffs.

Section 5. The Rate Adjustment Provisions set forth in the attached revised Tariff for Gas Service as Rate Schedules 4108-4 Gas Cost Adjustment, 4108-5 Tax and Franchise Fee Adjustment, and 4108-6 Weather Normalization Adjustment are approved.

Section 6. The Company shall have the right to collect such reasonable charges as are necessary to conduct its business and to carry out its reasonable rules and regulations. Such miscellaneous service charges are identified in Rate Schedules 9001 through 9007 of the attached revised Tariff for Gas Service.

Section 7. Cities' rate case expenses are found to be reasonable and shall be reimbursed by the Company. The Company is authorized to recover the rate case expenses reimbursed to Cities and the Company's rate case expenses (at an amount not to exceed \$85,000) through a per Mcf surcharge based upon total system sales as set forth in Rider 4116 in the attached revised Tariff for Gas Service.

Section 8. The aforesaid rate schedules and riders herein approved shall be effective for bills rendered on or after August 24, 2001.

Section 9. The rates set forth in this Ordinance may be changed and amended by either the City or Company in any other manner provided by law. Service hereunder is subject to the orders of regulatory bodies having jurisdiction, and to the Company's Rules and Regulations currently on file with the City.

Section 10. Unless otherwise noted herein, other than TXU Gas Distribution (a named party), no person or entity has been admitted as a party to this rate proceeding.

Section 11. It is hereby found and determined that said meeting at which this Ordinance was passed was open to the public, as required by Texas law, and that advance public notice of the time, place and purpose of said meeting was given.

Section 12. This Ordinance shall be served on the Company by U.S. Mail to the Company's authorized representative, Autrey Warren, Regulatory Financial Manager, TXU Business Services, 1601 Bryan Street, Dallas, Texas 75201-3411.

Section 13. Nothing contained in this Ordinance shall be construed now or hereafter as limiting or modifying, in any manner, the right and power of the City under law to regulate the rates and charges of the Company.


Section 14. All ordinances, resolutions, or parts thereof, in conflict with this Ordinance are repealed to the extent of such conflict. To the extent Commercial Contract School Rates are in effect in the City those rates are specifically repealed as Commercial Contract School Rates are now a part of the Commercial rates and are calculated in accordance with the revenue requirement for Commercial customers.

PASSED AND APPROVED by the City Council of the Town of Addison, Texas this the 14th day of August, 2001.

By: 

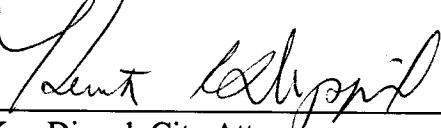
R. Scott Wheeler, Mayor

ATTEST:

By: 

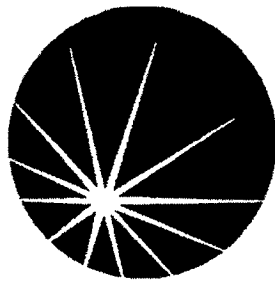
Carmen Moran, City Secretary

APPROVED AS TO FORM:

By: 

Ken Dippel, City Attorney

Published
N.W. Morning News
9-7-01



TXU

**TARIFF FOR GAS SERVICE
IN THE
NORTHWEST METRO/MID CITIES
DISTRIBUTION SYSTEM**

TXU GAS DISTRIBUTION

RATE SCHEDULE:	Index of Rates & List of Cities	No. 4100
APPLICABLE TO:	NW Metro/Mid Cities Distribution System	REVISION: 0 DATE: 07/20/01
EFFECTIVE DATE:	07/20/01	PAGE: 1 of 2

RATES:

- 4100 Index of Rates and List of NW Metro/Mid Cities Distribution System Cities
- 4101 Residential Service
- 4102 Commercial Service
- 4104 Industrial Transportation
- 4109 Commercial Service - Carrollton
- 4110 Commercial Service - Farmers Branch
- 4121-4123 Industrial Sales
- 4131 Industrial Sales and Transportation

RATE ADJUSTMENT PROVISIONS:

- 4108-4 Gas Cost Adjustment
- 4108-5 Tax & Franchise Fee Adjustment
- 4108-6 Weather Normalization Adjustment

MISCELLANEOUS SERVICE CHARGES:

- 9001 Connection Charge
- 9002 Read for Change Charge
- 9003 Returned Check Charges
- 9004 Delinquent Notification Charge
- 9005 Main Line Extension Rate
- 9006 Excess Flow Valve Charge
- 9007 Certain Stand-by Gas Generators

SURCHARGES:

- 4116 Surcharge Rider

RATE SCHEDULE:	Index of Rates & List of Cities	No. 4100
APPLICABLE TO:	NW Metro/Mid Cities Distribution System	REVISION: 0 DATE: 07/20/01
EFFECTIVE DATE:	07/20/01	PAGE: 2 OF 2

LIST OF NW METRO/MID CITIES DISTRIBUTION SYSTEM CITIES:

- Addison, Texas
- Argyle, Texas
- Arlington, Texas
- Aubrey, Texas
- Bedford, Texas
- Carrollton, Texas
- Colleyville, Texas
- Coppell, Texas
- Copper Canyon, Texas
- Cross Roads, Texas
- Dalworthington Gardens, Texas
- Denton, Texas
- Double Oak, Texas
- Eules, Texas
- Farmers Branch, Texas
- Flower Mound, Texas
- Grapevine, Texas
- Hickory Creek, Texas
- Highland Village, Texas
- Hurst, Texas
- Irving, Texas
- Justin, Texas
- Keller, Texas
- Krum, Texas
- Lake Dallas, Texas
- Lewisville, Texas
- Mansfield, Texas
- Marshall Creek, Texas
- Northlake, Texas
- Pantego, Texas
- Pilot Point, Texas
- Ponder, Texas
- Roanoke, Texas
- Sanger, Texas
- Shady Shores, Texas
- Southlake, Texas
- Trophy Club, Texas
- Westlake, Texas

RATE SCHEDULE:	Residential Service	No. 4101
APPLICABLE TO:	NW Metro/Mid Cities Distribution System	REVISION: 0 DATE: 07/20/01
EFFECTIVE DATE:	07/20/01	PAGE: 1 OF 1

RESIDENTIAL SERVICE

Monthly Rate:

Subject to applicable adjustments, the following rates are the maximum applicable to residential consumers per meter per month or for any part of a month for which gas service is available at the same location.

Customer Charge \$ 7.0000
 All Consumption @ 0.8335 Per Mcf

If the service period is less than 28 days in a month the customer charge is \$0.25 times the number of days service. If the consumption contains a portion of an Mcf, a prorata portion of the per Mcf charge will be made.

Bills are due and payable when rendered and must be paid within fifteen days from monthly billing date.

APPLICABLE RATE SCHEDULES/RIDERS

Rate Adjustment Provisions:

- 4108-4 Gas Cost Adjustment
- 4108-5 Tax & Franchise Fee Adjustment
- 4108-6 Weather Normalization Adjustment

Miscellaneous/Service Charges:

- 9001 Connection Charge
- 9002 Read for Change Charge
- 9003 Returned Check Charges
- 9004 Delinquent Notification Charge
- 9005 Main Line Extension Rate
- 9006 Excess Flow Valve Charge

Surcharges:

- 4116 Surcharge Rider

RATE SCHEDULE:	Commercial Service	No. 4102
APPLICABLE TO:	NW Metro/Mid Cities Distribution System*	REVISION: 0 DATE: 07/20/01
EFFECTIVE DATE:	07/20/01	PAGE: 1 OF 1

COMMERCIAL SERVICE

Monthly Rate:

Customer Charge	\$	12.0000
First 20 Mcf	@	1.1371 Per Mcf
Next 30 Mcf	@	0.8371 Per Mcf
Over 50 Mcf	@	0.6871 Per Mcf

If the service period is less than 28 days in a month the customer charge is \$.4286 times the number of days service. If the consumption contains a portion of an Mcf, a prorata portion of the per Mcf charge will be made.

Bills are due and payable when rendered and must be paid within fifteen days from monthly billing date.

APPLICABLE RATE SCHEDULES/RIDERS

Rate Adjustment Provisions:

4108-4	Gas Cost Adjustment
4108-5	Tax & Franchise Fee Adjustment
4108-6	Weather Normalization Adjustment

Miscellaneous/Service Charges:

9001	Connection Charge
9002	Read for Change Charge
9003	Returned Check Charges
9004	Delinquent Notification Charge
9005	Main Line Extension Rate
9006	Excess Flow Valve Charge
9007	Certain Stand-By Gas Generators

Surcharges:

4116	Surcharge Rider
------	-----------------

* Not Applicable in Carrollton and Farmers Branch. See Rate Schedule Nos. 4109 & 4110.

RATE SCHEDULE:	Industrial Transportation	No. 4104
APPLICABLE TO:	NW Metro/Mid Cities Distribution System	REVISION: 0 DATE: 07/20/01
EFFECTIVE DATE:	07/20/01	PAGE: 1 OF 1

INDUSTRIAL TRANSPORTATION

Monthly Rates:

The maximum fee for industrial transportation service on the NW Metro/Mid Cities Distribution System is \$1.2551 per MMBTU delivered plus applicable taxes exclusive of the backup fee.

The above transportation fees include both the fees incurred to move the gas from the receipt point on the transmission system to the city gate and the fee incurred to move the gas from the city gate to the customer's facility.

If the fees for transportation service on the transmission system change, the revised fees will be included in the overall transportation rate charged to customers.

100% of the increase in transportation fees incurred to move the gas from the city gate to the customer's facility is to accrue to the benefit of TXU Gas Distribution.

Rate Schedule No. 4104 is closed to new customers as of the effective date of this tariff. Current customers taking service pursuant to this tariff will no longer be eligible for this service upon contract termination. Current customers may convert their existing contract to new Rate Schedule No. 4131. When the final contract subject to Rate Schedule No. 4104 expires or is terminated, Rate Schedule No. 4104 will be cancelled.

APPLICABLE RATE SCHEDULES/RIDERS

Rate Adjustment Provisions:

4108-5 Tax & Franchise Fee Adjustment

Surcharges:

4116 Surcharge Rider

RATE SCHEDULE:	Commercial Service - Carrollton	No. 4109
APPLICABLE TO:	Carrollton	REVISION: 0 DATE: 07/20/01
EFFECTIVE DATE:	07/20/01	PAGE: 1 OF 1

COMMERCIAL SERVICE - CARROLLTON

Monthly Rate:

Customer Charge	\$	12.0000
First 20 Mcf	@	1.1552 Per Mcf
Next 30 Mcf	@	0.8552 Per Mcf
Over 50 Mcf	@	0.7052 Per Mcf

If the service period is less than 28 days in a month the customer charge is \$.4286 times the number of days service. If the consumption contains a portion of an Mcf, a prorata portion of the per Mcf charge will be made.

Bills are due and payable when rendered and must be paid within fifteen days from monthly billing date.

APPLICABLE RATE SCHEDULES/RIDERS

Rate Adjustment Provisions:

4108-4	Gas Cost Adjustment
4108-5	Tax & Franchise Fee Adjustment
4108-6	Weather Normalization Adjustment

Miscellaneous/Service Charges:

9001	Connection Charge
9002	Read for Change Charge
9003	Returned Check Charges
9004	Delinquent Notification Charge
9005	Main Line Extension Rate
9006	Excess Flow Valve Charge
9007	Certain Stand-By Gas Generators

Surcharges:

4116	Surcharge Rider
------	-----------------

RATE SCHEDULE:	Commercial Service - Farmers Branch	No. 4110
APPLICABLE TO:	Farmers Branch	REVISION: 0 DATE: 07/20/01
EFFECTIVE DATE:	07/20/01	PAGE: 1 OF 1

COMMERCIAL SERVICE - FARMERS BRANCH

Monthly Rate:

Customer Charge	\$	12.0000
First 20 Mcf	@	1.1393 Per Mcf
Next 30 Mcf	@	0.8393 Per Mcf
Over 50 Mcf	@	0.6893 Per Mcf

If the service period is less than 28 days in a month the customer charge is \$.4286 times the number of days service. If the consumption contains a portion of an Mcf, a prorata portion of the per Mcf charge will be made.

Bills are due and payable when rendered and must be paid within fifteen days from monthly billing date.

APPLICABLE RATE SCHEDULES/RIDERS

Rate Adjustment Provisions:

4108-4	Gas Cost Adjustment
4108-5	Tax & Franchise Fee Adjustment
4108-6	Weather Normalization Adjustment

Miscellaneous/Service Charges:

9001	Connection Charge
9002	Read for Change Charge
9003	Returned Check Charges
9004	Delinquent Notification Charge
9005	Main Line Extension Rate
9006	Excess Flow Valve Charge
9007	Certain Stand-By Gas Generators

Surcharges:

4116	Surcharge Rider
------	-----------------

RATE SCHEDULE:	Industrial Sales	No. 4121-4123
APPLICABLE TO:	NW Metro/Mid Cities Distribution System	REVISION: 0 DATE: 07/20/01
EFFECTIVE DATE:	07/20/01	PAGE: 1 OF 1

INDUSTRIAL SALES

Monthly Rates:

Industrial Rates-N is hereby amended and revised as follows:

Subject to Company's limitations on the availability of each rate, Customer shall receive service under its choice of one of the following rates in accordance with the rate selected by Customer as provided in the contract:

RATE 4121		
First	125 Mcf or less	\$ 238.82
All over	125 Mcf @	\$ 1.864 per Mcf
RATE 4122		
First	600 Mcf or less	\$ 1,068.21
All over	600 Mcf @	\$ 1.718 per Mcf
RATE 4123		
First	1,250 Mcf or less	\$ 2,062.78
All over	1,250 Mcf @	\$ 1.658 per Mcf

In all other respects, Industrial Rates-N shall remain in effect as filed with the Cities in the NW Metro/ Mid Cities Distribution System. 100% of the increase in industrial margin is to accrue to the benefit of TXU Gas Distribution.

Industrial Rate N is closed to new customers as of the effective date of this tariff. Current customers taking service pursuant to this tariff will no longer be eligible for this service upon contract termination. Current customers may convert their existing contract to new Rate Schedule No. 4131. When the final contract subject to Industrial Rate N expires or is terminated, Industrial Rate N schedule will be cancelled.

APPLICABLE RATE SCHEDULES/RIDERS:

Rate Adjustment Provisions

4108-5 Tax & Franchise Fee Adjustment

Surcharges:

4116 Surcharge Rider

RATE SCHEDULE:	Industrial Sales & Transportation	No. 4131
APPLICABLE TO:	NW Metro/Mid Cities Distribution System	REVISION: 0 DATE: 07/20/01
EFFECTIVE DATE:	07/20/01	PAGE: 1 OF 1

INDUSTRIAL SALES AND TRANSPORTATION

Monthly Rates:

Customer Charge (Minimum Bill) \$200.00 per meter

Btu transported per month	Rate/MMBtu
First 600 MMBtu	\$0.5476
Next 650 MMBtu	\$0.4051
Next 48,750 MMBtu	\$0.3466
Over 50,000 MMBtu	\$0.2647

Availability:

These rates are available to gas customers who elect to take service under the terms and conditions of this Optional Industrial Gas Sales or Gas Transportation Contract and all schedules applicable to the service selected, attached as Optional Industrial Gas Sales or Gas Transportation Contract and Schedules A, B, C, and D.

Adjustment for Gas Cost:

Each industrial sales customer's monthly bill shall be adjusted for gas cost as follows:

The city gate rate referenced in Rate Schedule 4108-4 less all approved charges in excess of the commodity cost of gas, as adjusted from time to time.

APPLICABLE RATE SCHEDULES:

Rate Adjustment Provisions

- 4108-4 Gas Cost Adjustment
- 4108-5 Tax & Franchise Fee Adjustment

Surcharges

- 4116 Surcharge Rider

OPTIONAL INDUSTRIAL GAS SALES OR GAS TRANSPORTATION CONTRACT

LS-MC# _____ (For Certain Industrial Customers Served Inside a City Through Distribution System Only)

This Contract is entered into effective the _____ day of _____, 20____.

<p align="center">“Customer:”</p> <p>SEND NOTICES TO: Address: _____ _____ Attention: _____ Fax: _____ eMail: _____</p> <p>SEND INVOICES TO: Address: _____ _____ Attention: _____ eMail: _____</p>	<p>TXU Gas Distribution, a division of TXU Gas Company, “TXUGD:”</p> <p>SEND NOTICES TO: 301 S. Harwood Street, Suite 460 South Dallas, Texas 75201 Attn: Contract Administration Fax: (214) 875-3584 eMail: _____</p> <p>SEND PAYMENTS TO: P.O. Box 910255 Dallas, Texas 75391-0255</p>
<p>SERVICE OPTION: For the first Contract Year Customer may choose, subject to TXUGD’s agreement, sales service with or without plant protection supply service or transportation service with or without plant protection supply service; and the quantities of gas to be purchased or transported each relevant period, as set out in the Selection of Service Form attached hereto as Schedule “A,” subject to the terms set out herein. Each annual Selection of Service Form agreed upon by Customer and TXUGD will become part of this Contract.</p>	
<p>TERM: This Contract will be effective for a Primary Term of one (1) Contract Year, and will continue from Contract Year to Contract Year thereafter, subject to termination under terms set out in Schedule “B.” The first Contract Year will commence at 9:00 A.M. central clock time on the first day of the month after initial deliveries of gas to Customer are measured through TXUGD’s measurement facilities and will end at 9:00 A.M. central clock time on the same month and day one year thereafter, or at 9:00 A.M. central clock time on the _____ day of _____, 20____, whichever is later. Each Contract Year after the first Contract Year will consist of twelve (12) billing months.</p>	
<p>SALES SERVICE RATE: Customer will pay TXUGD for the volumes of gas purchased and received by Customer and sold and delivered by TXUGD at the Delivery Point at the latest effective Schedule of Optional Industrial Rates for gas sales service established for the city in which the Delivery Point is located as they may be changed from time to time. In addition Customer will pay TXUGD the Monthly Meter Charge and tax reimbursement as described in Schedule “B.”</p>	
<p>TRANSPORTATION SERVICE RATE: Customer will pay TXUGD for gas delivered at the Delivery Point each billing month at the latest effective Schedule of Optional Industrial Rates for gas transportation service established for the city in which the Delivery Point is located as they may be changed from time to time. In addition Customer will pay TXUGD the Monthly Meter Charge; retention of a percentage of the gas received for transportation, as described below; and tax reimbursement as described in Schedule “B.”</p>	
<p>PLANT PROTECTION SUPPLY RATE: Customer will pay TXUGD for the Plant Protection Supply Volume of gas at the latest effective Schedule of Optional Industrial Rates for gas sales service established for the city in which the Delivery Point is located as they may be changed from time to time, whether Customer takes such volume of gas or not.</p>	
<p>MONTHLY PLANT PROTECTION SUPPLY CHARGE: Customer will pay TXUGD for Plant Protection Supply Service a monthly charge calculated by multiplying the Plant Protection Supply Volume times the number of days in the billing month times the difference between the margin in the first block of the Commercial Rate and the margin in the first block of the Optional Industrial Rate for gas sales service established for the city in which the Delivery Point is located as such difference may change from time to time.</p>	
<p>RETENTION: TXUGD may retain a percentage of the gas received for transport (the “Retention Volume”) and will take title to such volume of gas as a part of the Transportation Service Rate. Such percentage will be TXUGD’s most recently established companywide distribution lost and unaccounted for gas percentage calculated as provided in 16 TAC Section 7.52(3)(B) treating all TXUGD distribution systems as one system.</p>	
<p>MONTHLY METER CHARGE: Customer will pay TXUGD \$200.00 per meter per month as a part of the Sales Service Rate and the Transportation Service Rate.</p>	
<p>RECEIPT POINT(S): The Receipt Point for gas transportation service will be at the Receipt Point as defined in paragraph 8 of Schedule D for the City of _____, Texas, located at _____ and at any active city gate on such distribution system hereafter mutually agreed to in writing by TXUGD and Customer.</p>	
<p>DELIVERY POINT: The Delivery Point for gas sold or transported will be inside the City of _____ on TXUGD’s distribution system downstream from the above city gate at the point of interconnection between TXUGD’s measurement facilities and Customer’s facilities at Customer’s _____ Facility located at _____.</p>	
<p>COST OF NEW FACILITIES: Customer will pay TXUGD \$ _____ for any required new or additional facilities prior to commencement of any service under this Contract.</p>	

[Customer’s Company Name]
By _____
Signature

Printed Name
as _____
Title

TXU Gas Distribution, a division of TXU Gas Company
By _____
Signature

Printed Name
as Attorney-in-Fact for TXU Gas Distribution

Signature Page

REVISION: 5/25/01

ATTACHMENT TO RATE SCHEDULE 4131

**SCHEDULE "A" TO
OPTIONAL INDUSTRIAL GAS SALES OR GAS TRANSPORTATION CONTRACT**

Selection of Service Form

1. Customer gives notice to TXU Gas Distribution ("TXUGD") that Customer, during the Contract Year beginning at 9:00 A.M. central clock time on the ___ day of _____, 20___, and ending at 9:00 A.M. central clock time on the ___ day of _____, 20___, under the terms of that certain Optional Industrial Gas Sales or Gas Transportation Contract, dated the ___ day of _____, 20___, between Customer and TXUGD (the "Contract"), elects to receive [CHECK ONLY ONE]:

[] **Sales Service without Plant Protection Supply Service.** Customer agrees to purchase, receive and pay for gas during the Contract Year in accordance with TXUGD's latest effective Schedule of Optional Industrial Rates for gas sales service in the city in which the Delivery Point is located (which schedule is incorporated by reference and made a part hereof), together with all additional fees, charges and costs provided for in this Contract. Having selected sales service without plant protection supply service, Customer agrees that the gas sold and the related gas sales service provided under the terms of this Contract will be subject to the priority of service for curtailment provided in the Schedule of Optional Industrial Rates and that TXUGD will have no duty or obligation to provide plant protection supply gas or standby gas supply for Customer.

[] **Sales Service with Plant Protection Supply Service.** Customer agrees to purchase, receive and pay for gas during the Contract Year in accordance with TXUGD's latest effective Schedule of Optional Industrial Rates for gas sales service in the city in which the Delivery Point is located (which schedule is incorporated by reference and made a part hereof), to pay the Monthly Plant Protection Supply Charge, to pay the Plant Protection Supply Rate for the Plant Protection Supply Volume and to pay all the additional related fees, charges and costs provided for in this Contract. Customer agrees that the gas sold and the related gas sales service provided under the terms of this Contract will be subject to the priority of service for curtailment provided in the Schedule of Optional Industrial Rates, except that Plant Protection Supply Volumes will be subject to curtailment only for reasons of force majeure.

[] **Transportation Service without Plant Protection Supply Service.** Customer agrees to receive and pay for gas transportation service during the Contract Year in accordance with TXUGD's latest effective Schedule of Optional Industrial Rates for gas transportation service in the city in which the Delivery Point is located (which schedule is incorporated by reference and made a part hereof), and to pay all additional fees, charges, tax reimbursement and costs provided for in this Contract, but Customer does not elect to receive plant protection supply service. Customer, having made this choice, recognizes, understands and agrees that TXUGD will have no duty or obligation to provide Customer or its third-party gas suppliers with plant protection supply gas, "standby gas supply," a "back-up" gas supply or any other gas supply beyond the transportation of Customer's gas under the transportation terms of this Contract.

[] **Transportation Service with Plant Protection Supply Service.** Customer agrees to receive and pay for gas transportation service during the Contract Year in accordance with TXUGD's latest effective Schedule of Optional Industrial Rates for gas transportation service in the city in which the Delivery Point is located (which schedule is incorporated by reference and made a part hereof), to pay all additional fees, charges, tax reimbursement and costs provided for in this Contract, to pay the Monthly Plant Protection Supply Charge, to pay the Plant Protection Supply Rate for the Plant Protection Supply Volume and to pay all additional fees, charges, tax reimbursement and costs provided for in this Contract. Customer agrees that the Plant Protection Supply Volumes will be subject to curtailment for reasons of force majeure.

2. The undersigned Customer does hereby propose, subject to the agreement of TXUGD expressed by its execution of this Selection of Service Form, the following contract quantities:

Minimum Monthly Quantity (MinMQ) = 125 decatherms;

Maximum Annual Quantity [Per Contract Year] (MAQ) = _____decatherms;

Maximum Daily Quantity (MDQ) = _____decatherms;

Maximum Hourly Quantity (MHQ) = _____decatherms; and

Plant Protection Supply Volume = _____decatherms per day.

3. Customer understands, acknowledges and agrees that TXUGD cannot and does not guarantee a constant delivery of sales gas under this Contract.

4. The present Optional Industrial Rate for gas sales service is \$0.____ (____ ¢) per decatherm for the first 600 decatherms; \$0.____ (____ ¢) per decatherm for the next 650 decatherms; \$0.____ (____ ¢) per decatherm for the next 48,750 decatherms; \$0.____ (____ ¢) per decatherm for gas transported in excess of 50,000 decatherms; plus adjusted gas costs as described therein; plus the charge to TXUGD to have the gas transported to the applicable city gate.

5. The present Optional Industrial Rate for transportation service is \$0.____ (____ ¢) per decatherm for the first 600 decatherms; \$0.____ (____ ¢) per decatherm for the next 650 decatherms; \$0.____ (____ ¢) per decatherm for the next 48,750 decatherms; \$0.____ (____ ¢) per decatherm for gas transported in excess of 50,000 decatherms.

6. The present difference between the margin in the first block of the Commercial Rate and the margin in the first block of the Industrial Rate used in the calculation of the Monthly Plant Protection Supply Charge as such difference may change from time to time. The present difference in such margins is _____.

7. RETENTION: TXUGD may retain a percentage of the gas received for transport (the "Retention Volume") and will take title to such volume of gas as a part of the Transportation Service Rate. Such percentage will be TXUGD's most recently established companywide distribution lost and unaccounted for gas percentage calculated as provided in 16 TAC Section 7.52(3)(B) treating all TXUGD distribution systems as one system. The presently established percentage is _____%.

8. If Customer elects transportation service hereunder, Customer agrees: (a) that TXUGD's receipt and delivery of transport gas under the terms and provisions of this Contract is subject to limitation, interruption or discontinuation and TXUGD will never be liable in damages or otherwise on account of having so interrupted or discontinued such receipts or deliveries of gas; (b) to assume any and all risks, including, but not limited to, lost profits, damaged or destroyed facilities, lost or damaged production, damaged or destroyed machinery and/or equipment, and the failure of Customer's facility and/or business due to an interruption or discontinuance of Customer's transport gas supply or of the transportation of such gas under this Contract; and (c) to indemnify and hold TXUGD harmless from and against any and all damages, costs, losses and expenses (including reasonable attorneys' fees) that may be sustained by TXUGD due to any claim, demand, suit or action brought against TXUGD (whether or not the claim, demand, suit or action is found to be valid) by any person or entity arising out of, resulting from or connected, in whole or in part, with an interruption or discontinuation of the supply of transport gas or the transportation of such gas.

9. TXUGD's latest effective Schedule of Optional Industrial Rates in the city in which the Delivery Point is located, including the terms of the signature page, Schedule "A," Schedule "B" and Schedule "C" for gas sales service; and the signature page, Schedule "A," Schedule "B" and Schedule "D" for gas transportation service, are hereby incorporated by reference and made a part of this Contract.

[Customer's Company Name]

By _____
Signature

Printed Name
as _____
Title

TXU Gas Distribution, a division of
TXU Gas Company

By _____
Signature

Printed Name
as Attorney-in-Fact for TXU Gas Distribution

*** END OF SCHEDULE "A" ***

**SCHEDULE "B" TO
OPTIONAL INDUSTRIAL GAS SALES OR GAS TRANSPORTATION CONTRACT**

**GENERAL TERMS AND CONDITIONS APPLICABLE TO BOTH SALES SERVICE
AND TRANSPORTATION SERVICE**

1. Qualification

(a) In order to qualify as a Customer and receive service under this Contract a customer must: (i) be served from a connection to a TXUGD distribution system downstream from a city gate and inside the boundaries of a city; (ii) be served without exceeding the capacity of TXUGD's existing facilities; and (iii) qualify to receive service as an industrial customer under TXUGD's Rate Schedule No. 200 issued in April of 1999; however, such customer may not be an electric generation customer, and must consume at least 1500 decatherms as an annual average instead of not less than 125 mcf per month of its Contract Year.

(b) A customer, other than a residential customer, that is otherwise qualified, but does not have a minimum gas usage of 1500 decatherms as an annual average, may choose commercial class gas sales service.

(c) Service under this Contract will not be available to a customer that has another existing gas sales or transportation contract or agreement related to those facilities described on the signature page of this Contract for gas service from TXUGD's distribution facilities. Natural gas transportation or sales service under this Contract will only be available to such customers upon the termination of such other contracts.

(d) Customer must have entered a written agreement with TXUGD in the form of the Contract that is a part of the approved tariff applicable hereto.

(e) Customer must have selected one of the service options and other variable terms and provisions that are agreeable to TXUGD, as provided on the signature page of this Contract and on the Selection of Service Form, which is included as Schedule "A." Such a signature page and such Selection of Service Form will, when agreed to by TXUGD, become a part of this Contract and incorporated herein.

(f) This Contract, including all applicable Schedules and tariffs, constitutes the entire contract between Customer and TXUGD with respect to Customer's facilities described on the signature page for the purposes herein designated.

(g) Service under this Contract will only be available where Optional Industrial Rates are in effect.

2. Definitions

(a) "Agreement" or "mutual agreement" as used in this Contract in regard to an agreement of the parties on a variable term or provision of this Contract, at inception or in the future, mean an agreement that will not be unreasonably withheld by either party; however, the agreement of TXUGD will necessarily be dependent upon the relevant distribution system operating conditions, which TXUGD will not be required to change, and TXUGD will not be required to change the capacity of its system or add new facilities.

(b) "Billing month" means that period of time beginning at 9:00 A.M. central clock time on the first calendar day of a calendar month and ending at 9:00 A.M. central clock time, on the first calendar day of the following calendar month for which TXUGD submits a statement to Customer for the services, fees, tax reimbursement, costs, charges and compensation due to TXUGD under the provisions of this Contract.

(c) "Contract Year" means the period of time beginning at 9:00 A.M. central clock time on the first day of the month after initial deliveries of gas to Customer are measured through TXUGD's measurement facilities and ending at 9:00 A.M. central clock time on the same day and month one (1) year thereafter, or as otherwise set forth on the signature page of this Contract.

(d) "Day" means the period of time beginning at 9:00 A.M. central clock time on one calendar day and ending at 9:00 A.M. central clock time on the following calendar day.

(e) "Decatherm" has the meaning set forth in paragraph 8(a) of this Schedule "B."

(f) "Delivery Point" has the meaning set forth on the signature page of this Contract.

- (g) "Gas" means natural gas produced from gas wells, vaporized natural gas liquids, gas produced in association with oil (casinghead gas) and/or the residue gas resulting from processing casinghead gas and/or gas well gas.
- (h) "Hour" means a sixty-minute period of time. "Hourly" will mean within an hour or over the period of an hour, as may be appropriate in the context.
- (i) "Incorporated herein by reference," "made a part of this Contract" and other words to the same effect mean incorporated within and made a part of this Contract.
- (j) "Margin" means the per unit charge in the first step or block of TXUGD's effective Commercial Rate for gas sales or in the first step or block of TXUGD's Optional Industrial Rate for gas sales, exclusive of any gas costs.
- (k) "Maximum Daily Quantity" has the meaning set forth in the effective Selection of Service Form.
- (l) "Mcf" has the meaning set forth in paragraph 8(f) of this Schedule "B."
- (m) "Month" means the period of time beginning at 9:00 A.M. central clock time on the first day of a calendar month and ending at 9:00 A.M. central clock time on the first day of the succeeding calendar month.
- (n) "Monthly Plant Protection Supply Charge" has the meaning set forth on the signature page of this Contract.
- (o) "Plant Protection Supply Volumes" means the quantity of gas agreed upon in the applicable Selection of Service Form.
- (p) "Plant Protection Supply Rate" has the meaning set forth on the signature page of this Contract.
- (q) "Retention Volume" has the meaning set forth on the signature page of this Contract.
- (r) "Taxes" has the meaning set forth in paragraph 11(b) of this Schedule "B."
- (s) "Variable terms and provisions" means those terms and provisions of this Contract agreed upon by TXUGD and an individual Customer, that may be unique to that Customer, in order to complete the blanks in the form of the signature page or a Selection of Service Form, attached as Schedule "A," that becomes a part of this Contract.
- (t) "Year" means the period of time beginning at 9:00 A.M. central clock time on any day of a calendar month and ending at 9:00 A.M. central clock time on the same day of the succeeding calendar year.

3. Option

Customer will have the option for the first Contract Year and each Contract Year thereafter, subject to the agreement of TXUGD, to choose between sales service with or without plant protection supply service and transportation service with or without plant protection supply service subject to the terms of this Contract, as provided in the Selection of Service Form in the form set out in Schedule "A," at least ninety (90) days prior to the beginning of such subsequent Contract Year. If Customer fails to make such a selection, or fails to make a timely selection for such a subsequent Contract Year, the type of service provided by TXUGD during the subsequent Contract Year will, subject to the agreement of TXUGD, remain the same as the service provided during the prior Contract Year.

4. Plant Protection Supply Service

- (a) A Customer selecting plant protection supply service, as may be mutually agreed to by TXUGD in Schedule "A," may take up to the Plant Protection Supply Volume as purchased plant protection supply gas each day during the term of this Contract, except to the extent that TXUGD is unable to deliver such gas for reasons of force majeure; however, Customer will pay TXUGD for a volume of plant protection supply gas equal to the Plant Protection Supply Volume agreed to in Schedule "A" for each day during the term of this Contract whether such volume of gas is actually taken by Customer or not. The volume of plant protection supply gas actually taken by Customer may be less than, but may not exceed the Plant Protection Supply Volume mutually agreed upon by TXUGD and Customer in Schedule "A."
- (b) Customer will pay for plant protection supply gas at a rate equal to the per unit charge in the latest effective Schedule of Optional Industrial Rates for gas supply service established for the city in which the Delivery Point is located as they may change from time to time.

(c) The term "plant protection" means the protection of Customer's Facility described on the signature page of this Contract and the production and processes in Customer's Facility, during the period of any curtailment of sales service or interruption of transportation service, to the extent necessary to avoid damage to: (1) Customer's Facility, (2) the product during the manufacturing process, (3) or the material used to manufacture the product during the manufacturing process. "Manufacture," "manufacturing," and "production" may include processes involving Customer's uses of the gas sold or transported that make a product suitable for sale or use and may not be limited to the making of a product from raw materials.

(d) For measurement, accounting and billing purposes the last volumes of gas delivered each day are deemed to be plant protection supply gas. The remainder of the gas delivered, if any, is deemed to be gas transported under the transportation service provisions of this Contract, giving due consideration to the Retention Volume, for a transportation service Customer and deemed to be gas sold and delivered under the sales service provisions of this Contract for a sales service Customer.

(e) The delivery and sale of plant protection supply gas will only be curtailed to less than the Plant Protection Supply Volume by TXUGD for reasons of force majeure as provided in Schedule "B," paragraph 13.

(f) During periods in which a curtailment of gas sales service or interruption of gas transportation service is in effect, a Customer receiving plant protection supply service that has standby fuel must use the standby fuel unless by reasons of force majeure such Customer is unable to do so. During such a period, in which such a Customer is unable to use its standby fuel for reasons of force majeure, TXUGD will provide Customer with plant protection supply service gas, except to the extent TXUGD is unable to do so for reasons of force majeure.

(g) Notwithstanding any other provision of this Contract, to the extent a Customer receiving plant protection supply service takes less than the Plant Protection Supply Volume during a period of curtailment of gas sales service, a period of interruption of gas transportation service or a period in which TXUGD is unable to deliver plant protection supply gas for reasons of force majeure, Customer will not be required to pay for the portion of the Plant Protection Supply Volume that TXUGD did not deliver and the Customer did not take.

(h) Customer will not have a right to take or purchase plant protection supply gas in excess of the Plant Protection Supply Volume during any day.

(i) If Customer should take gas in excess of the Plant Protection Supply Volume during a day in a period when TXUGD has no force majeure in effect, but has placed a curtailment down to or below plant protection levels in effect for other reasons, Customer will pay TXUGD for such volumes in excess of the Plant Protection Supply Volume at a rate equal to the greater of the highest price paid for gas by TXUGD during that monthly period or 200% of the highest daily Houston Ship Channel price during that monthly period, as reported in *Gas Daily*.

(j) If the reasons of force majeure that prevent the sale or delivery of plant protection supply gas to a transportation service Customer by TXUGD are such that TXUGD remains capable of transporting a transportation Customer's gas from the Receipt Point(s) to the Delivery Point, TXUGD will transport such gas to the extent it is capable, giving due regard to the Retention Volume.

(k) Plant protection supply gas actually taken and the Plant Protection Supply Volume will not be considered in any calculation of an imbalance in transportation volumes except in order to exclude such purchased volumes from having an effect upon such transportation imbalances.

(l) Billing for the sales and purchases of plant protection supply gas will be in the manner described in Schedule "B," paragraph 12.

5. Laws, Regulations and Warranty

(a) This Contract will be subject to all applicable state and federal laws, orders, directives, rules and regulations of any governmental body, official or agency having jurisdiction over the subject matter hereof; therefore, TXUGD's obligations and liabilities hereunder will be limited accordingly.

(b) TXUGD's Schedule of Optional Industrial Rates may be revised or replaced from time to time in the future by a regulatory authority with jurisdiction. Any such revised or new Schedule of Optional Industrial Rates, when lawfully established, will immediately become effective and be applicable to gas sales service, gas transportation service and plant protection supply service under this Contract commencing with gas delivered after the effective date of such change. Should new or different rates, or terms and conditions of service, be established for any service under this

Contract by a regulatory authority with jurisdiction, such rate(s) or terms and conditions of service will supersede conflicting provisions of this Contract. Company will give Customer notice of any such change, together with a copy of the revised Schedule of Optional Industrial Rates. The notice herein provided for will be deemed to have been given when forwarded by the party giving the same addressed to Customer at the address shown in this Contract by first class mail, postage prepaid, separately or in Customer's billing statement.

(c) Customer warrants to TXUGD that its or its agent's facilities utilized for the acceptance, receipt, transportation or delivery of gas hereunder are not subject to the Natural Gas Act of 1938, as amended, (the "NGA"). As a material representation, without which TXUGD would not have been willing to execute this Contract, Customer warrants to TXUGD that Customer and its agents will take no action nor commit any act of omission that will subject this transaction, the facilities of TXUGD, or gas that TXUGD has title to or possession of to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") or its successor governmental agency under the terms of the NGA, the Natural Gas Policy Act of 1978, as amended (the "NGPA"), or any other law. The gas accepted, received, transported or delivered hereunder shall not have been nor shall be purchased, sold, transported or otherwise utilized in a manner that will subject TXUGD, its gas, its facilities or gas it has possession of, to the terms of the NGA or the NGPA or any other act causing TXUGD, its gas, its facilities or gas it has possession of to become subject to the jurisdiction of the FERC or a similar federal agency. In addition to, and without excluding any remedy that TXUGD may have at law or in equity, if Customer breaches the above warranties and representations Customer will be liable to TXUGD for all damages, injury and reasonable expense that TXUGD may sustain by reason of any breach hereof. Further, should Customer or its agents through any act or omission cause any gas or facilities involved in the performance of this Contract to become regulated by or subject to jurisdictional authority of the FERC, a successor governmental authority or the jurisdiction of any other federal regulatory agency, under the terms of the NGA or NGPA or any other law affecting the benefits or value of this Contract, this Contract will automatically terminate on the day before the date of such occurrence; provided, however such termination will never be construed so as to impair any rights of TXUGD with regard to such breach of contract. Customer hereby waives any defense for breach of this paragraph that TXUGD could avoid NGA jurisdiction under the provisions of Section 1(c) of such Act.

6. Term

(a) This Contract will remain in full force and effect, subject to the terms and provisions hereof, for a primary term as specified on the signature page of this Contract, and from Contract Year to Contract Year thereafter until canceled by either party giving the other party written notice at least thirty (30) days prior to the end of the primary term or prior to the end of any Contract Year after the end of the primary term. However, any termination, cancellation or expiration of this Contract will never operate to extinguish the obligation to make payment for monies due hereunder.

(b) Service will not commence under this Contract until after 9:00 A.M. on the day of installation of the electronic measurement facilities, related telemetry equipment and an operational telephone line for and compatible with TXUGD's electronic gas measurement facilities and related telemetry equipment at the Delivery Point.

7. Pressures at Points of Receipt and Delivery

(a) Customer (or its designee) will deliver gas to TXUGD at the Receipt Point(s) at pressures sufficient to enter TXUGD's pipeline system at such point(s); provided, however, that Customer's delivery pressure into TXUGD's system at the Receipt Point(s) will not exceed TXUGD's maximum allowable operating pressure, as such may vary from time to time, at any such point(s), or cause the pressure at such point(s) to exceed TXUGD's maximum allowable operating pressure.

(b) TXUGD will deliver gas to Customer at TXUGD's operating pressure, as such may vary from time to time, at the Delivery Point.

8. Measurements

(a) The unit of measurement of gas for all purposes will be the "decatherm." The term "decatherm" as used in this Contract means a volume of gas that contains a sufficient number of British thermal units ("Btus") per cubic foot of gas such that the product of the volume multiplied by the number of Btu per cubic foot of gas equals one million (1,000,000) Btu, or one (1) MMBtu, determined at a temperature of sixty (60) degrees Fahrenheit, saturated with water vapor and under a pressure equivalent to that of thirty (30) inches of mercury at thirty-two (32) degrees Fahrenheit converted to base conditions of sixty (60) degrees Fahrenheit and an absolute pressure of fourteen and sixty-five one hundredths (14.65) pounds per square inch and adjusted to reflect actual water vapor content. Gas measurements will be computed by the measuring party into such units in accordance with the Ideal Gas Laws for volume variations

due to metered pressure and corrected for deviation using average values of recorded relative density and flowing temperature, or by using the calculated relative density determined by the method mentioned in paragraph (c) below. In no circumstance will the average value of flowing temperature or relative density be determined for a period of less than one day.

(b) The facilities installed for measurement of gas hereunder will be installed and operated, and gas measurement computations will be made, in accordance with current industry standards. Orifice metering will be done in accordance with the latest version of A.G.A. Report No. 3 - ANSI/API 2530. Positive displacement and turbine metering will be done in accordance with the latest version of A.G.A. Report No. 7. Electronic Gas Measurement (EGM) will be done in accordance with the latest version of API Manual of Petroleum Measurement Standards Chapter 21 - Flow Measurement Using Electronic Metering Systems.

(c) TXUGD may at its expense properly install and operate a device of standard make to continuously determine or record flowing temperature. The temperature values shall be used in gas measurement computations. With respect to relative density (specific gravity) of the gas, such shall be determined by (i) [on-site] sampling and laboratory analysis; or (ii) any other method which is of standard industry practice; (iii) provided, however, that either party may at its own expense properly install and operate a recording relative density instrument of standard make and in this event the relative density as recorded shall be used in the gas measurement computations.

(d) The average heating value (in Btu) and relative density of the gas delivered hereunder by either party may be determined by the use of recording instruments of standard type, which may be installed and operated by TXUGD at the measuring point, or at such other point or points as are mutually agreeable to both parties; provided, however, if there is no Btu/relative density instrument at a particular Receipt or Delivery Point specified herein or agreed upon hereunder, then the heating value and relative density of the gas at such point may be determined by [on-site] sampling and laboratory analysis.

(e) The terms "decatherm" and "MMBtu" may be used interchangeably in this Contract as a measure of volume or heat content under the conditions stated in paragraph 8(a), and may be converted from one to the other in accordance with the Ideal Gas Laws under those conditions when necessary.

(f) The term "Mcf" means one thousand (1,000) cubic feet of gas under the conditions stated in paragraph 8(a).

(g) In gas measurement computations the determinations for the average values for meter pressure, relative density and flowing temperature values will be determined only during periods of time when gas is actually flowing through the measuring facilities.

9. Measuring Equipment and Testing

(a) The gas delivered to TXUGD (or its designee) at the Receipt Point(s) for transportation by TXUGD will be measured by means of gas measuring devices of standard type that will be installed, operated and maintained by TXUGD (or its designee) and gas delivered to Customer at the Delivery Point, whether sold or transported, will be measured by electronic gas measurement facilities of standard type that will be installed, operated and maintained by TXUGD (or its designee). Gas measurement devices and equipment will be tested and adjusted for accuracy on a regular schedule by TXUGD (or its designee).

(b) If adequate measuring facilities are already in existence at the Receipt Point(s) and adequate electronic measuring facilities are already in existence at the Delivery Point hereunder, such existing measuring facilities will be used for so long as, in TXUGD's sole opinion, they remain adequate and the party having title to such facilities will retain title to such facilities.

(c) It is agreed that it will be necessary for TXUGD to install electronic gas measurement facilities at the Delivery Point in order to comply with the various measurement and monitoring provisions of this Contract, if, in TXUGD's sole judgement, adequate electronic gas measurement facilities are not already located at the Delivery Point.

(d) If new or additional facilities are required to effectuate the receipt or delivery of gas hereunder, Customer agrees to reimburse TXUGD, within thirty (30) days from the date of receipt of TXUGD's invoice, for the cost of any tap valves, measuring facilities and associated equipment and all labor and overhead expenses (including applicable federal income tax imposed as a result of installation of such facilities), attributable to the installation of such equipment. If the invoiced amount is not paid when due, interest on all unpaid amounts will accrue at the rate of one and one-half percent (1-1/2%) per month, or the highest rate allowed by law, whichever is less, from the date such amount is due TXUGD. If TXUGD does not receive total reimbursement through the payment of such invoice

within sixty (60) days from Customer's receipt of TXUGD's invoice, TXUGD may suspend and/or terminate this Contract.

(e) It is agreed that it will be necessary for TXUGD to install electronic gas measurement facilities at the Delivery Point in order to comply with the various measurement and monitoring provisions of this Contract, if, in TXUGD's sole judgement, adequate electronic gas measurement facilities are not already located at the Delivery Point.

(f) If TXUGD installs any new electronic gas measurement facilities, related communications equipment or telemetry equipment, Customer agrees to pay TXUGD the amount specified in the Cost of New Facilities section of the signature page of this Contract within ninety (90) days of the date of initial deliveries under this Contract, to cover the initial cost of all such facilities (including applicable federal income tax imposed as a result of installation of such facilities) and related set-up expenses related to all such new facilities. All such facilities will be the sole property of TXUGD and will be operated and maintained by TXUGD at TXUGD's expense. If any amounts due under this paragraph are not paid when due, interest on all unpaid amounts will accrue at the rate of one and one-half percent (1-1/2%) per month, or the highest rate allowed by law, whichever is less, from the date such amount is due TXUGD. If TXUGD installs new electronic gas measurement facilities, TXUGD agrees to provide and maintain a telephone connection to, and a compatible and operational telephone line for, TXUGD's electronic gas measurement facilities.

(g) If at any time after the date of initial deliveries hereunder TXUGD determines that additional facilities are required to effectuate the receipt or delivery of gas hereunder, Customer will reimburse TXUGD, within 30 days from the date of receipt of TXUGD's invoice, for the cost of any tap valves, measuring facilities and associated equipment and all labor and overhead expenses (including applicable federal income tax imposed as a result of installation of such facilities), attributable to the installation of such equipment. If the invoiced amount is not paid when due, interest on all unpaid amounts will accrue at the rate of 1-1/2% per month, or the highest rate allowed by law, whichever is less, from the date such amount is due TXUGD. If TXUGD does not receive total reimbursement through the payment of such invoice within 60 days from Customer's receipt of TXUGD's invoice, TXUGD may suspend and/or terminate this Contract.

(h) It is understood and agreed that although Customer will reimburse TXUGD for any tap valves, measuring facilities and all associated costs (including income taxes) incurred by TXUGD in establishing any Receipt Point(s) and/or the Delivery Point hereunder, Customer may, in such event, receive only the ownership of such measuring facilities, but TXUGD will receive ownership of all tap and tap valve installations and all associated equipment. TXUGD will be solely responsible for all activities in connection with said measuring facilities and all tap and tap valve installations and all associated equipment, including, but not limited to, operation, testing, calibration, adjusting, repair and replacement (at Customer's expense), and maintenance, necessary for performance of this Contract until TXUGD disconnects and removes the measuring facilities after termination of this Contract. After such disconnection and removal, Customer will have the right to claim and take possession of such measuring facilities (previously paid for by Customer) from TXUGD. Customer's failure to so claim and take possession of such measuring facilities within ninety (90) days of TXUGD's notice of disconnection and removal thereof, will constitute a waiver by Customer of any right, title or interest in and to such measuring facilities and the transfer of all right, title and interest therein to TXUGD. TXUGD will retain ownership of all equipment associated with tap and tap valve installations.

(i) The Customer will have access to observe TXUGD's Delivery Point measuring facilities at all times, but all maintenance, calibration and adjustment of the Delivery Point measuring facilities will be done only by the employees or agents of TXUGD. Records from all such measuring facilities will remain the property of TXUGD and will be kept on file by TXUGD for a period of not less than two (2) years. However, upon request of Customer within such two (2) year period, TXUGD will make the measurement records from the measuring facilities, together with any calculations therefrom, available to Customer for inspection and verification, subject to return by Customer to TXUGD within thirty (30) days after receipt thereof.

(j) Customer may, at its option and expense, install and operate measuring facilities, check meters and related instruments and equipment, in a manner which will not interfere with TXUGD's equipment, to check TXUGD's Delivery Point measuring facilities, instruments and equipment, but the measurement of gas for the purpose of this Contract, both at the Delivery and Receipt Points, will be by the facilities of TXUGD (or its designee) only, except as hereinafter specifically provided. The gas measurement facilities, check meters, instruments, and equipment installed by each party at the Delivery Point will be subject at all reasonable times to inspection or examination by the other party, but the calibration and adjustment thereof, as well as those at the Receipt Point(s), will be done only by the installing party.

(k) TXUGD will, at Customer's written request, give to Customer notice of the time of all tests of the Receipt Point or Delivery Point electronic gas measuring facilities, as may be applicable, sufficiently in advance of such tests so that Customer may conveniently have its representatives present; provided, however, that if TXUGD has given such notice to Customer and Customer is not present at the time specified, then TXUGD may proceed with the tests as though Customer were present. TXUGD will give notice to Customer's Receipt Point or Delivery Point Designee (who is responsible for the physical receipt or delivery of gas at the point), as may be applicable, of the time of all tests of such electronic gas measuring facilities sufficiently in advance of such tests so that Customer's designee may conveniently be present; provided, however, that if TXUGD has given such notice to Customer's designee and Customer's designee is not present at the time specified, then TXUGD may proceed with the test as though Customer's designee were present.

(l) Gas measurements computed by TXUGD (or its designee) will be deemed to be correct except where the gas measurement facilities are found to be inaccurate by more than one percent (1%), fast or slow, or to have failed to register, in either of which cases TXUGD will repair or replace the measurement facilities. The quantity of gas delivered while the measurement facilities were inaccurate or failed to register will, at TXUGD's discretion be determined by: (i) the readings of Customer's check meter, if installed and in good operating condition; (ii) by correcting the error if the percentage of error is ascertainable by calibration or mathematical calculation; or (iii) by estimating the quantity on a basis of deliveries under similar conditions when the measurement facilities were registering accurately.

(m) It is understood and agreed that Customer's transportation gas will be part of and will be measured as a part of a commingled stream of gas by the measuring party at the Receipt Point(s) such that the quantity of gas delivered by Customer to TXUGD (or its designee) at the Receipt Point(s) for transportation under this Contract may be determined by an allocation methodology provided for in balancing provisions in this Contract or in another agreement between:

- (A) Customer and Customer's transporter that delivers such gas to the Receipt Point(s);
- (B) TXUGD and Customer's transporter that delivers such gas to the Receipt Point(s); or
- (C) TXUGD and Customer.

10. Easement, Access, Removal

Customer will provide, in accordance with TXUGD's specifications, the necessary service lines on Customer's premises to connect with TXUGD's lines and suitable space and an easement for TXUGD's lines and other equipment, including, but not limited to, a telephone line and associated equipment related to electronic gas measurement facilities and telemetry equipment. Customer will use due care to protect TXUGD's property that is located on Customer's premises from damage and will permit no person other than an agent of TXUGD, or a person otherwise lawfully authorized, to tamper with, inspect or remove same. All property belonging to TXUGD and located on Customer's premises will be removable by TXUGD at any time during the term of this Contract and within a reasonable time after its termination or after reasonable notice of Customer's desire to have such property removed, title thereto remaining in TXUGD at all times. TXUGD will have full and free ingress to and egress from Customer's premises for the construction, inspection, maintenance, repair and removal of TXUGD's property thereon or for any purpose connected with the service provided under this Contract.

11. Taxes

(a) Customer agrees to pay TXUGD, by way of reimbursement, all Taxes paid by TXUGD with respect to the sales service, the transportation service, the plant protection supply service and any other commodity or service provided hereunder, and that may be related to any associated facilities involved in the performance of this Contract. If any such Taxes paid by TXUGD to any governmental authority are calculated based upon the value of or price paid for the gas transported hereunder, Customer will disclose to TXUGD the purchase price of such gas to enable TXUGD to calculate and pay all such fees and taxes to appropriate governmental authorities in a timely manner. If Customer fails or refuses to disclose the purchase price of such gas within sixty (60) days from the date the related transportation service is provided, TXUGD will have the right to pay such fees and taxes based upon the highest prices reported for the period in *Gas Daily* for gas purchased or gas sold in the State of Texas and to be reimbursed by customer. In any event, Customer agrees to indemnify TXUGD for, and hold TXUGD harmless from, any and all claims, demands, losses or expenses, including attorneys' fees, which TXUGD may incur as a result of Customer's failure or refusal to disclose the purchase price of gas transported hereunder.

(b) The term "Taxes" as used herein means all taxes and fees levied upon and/or paid by TXUGD [other than ad valorem, capital stock, income or excess profit taxes (except as provided herein), general franchise taxes imposed on corporations on account of their corporate existence or on their right to do business within the state as a foreign corporation and similar taxes], including, but not limited to, gas utility tax, street and alley rental fees set out in franchise ordinances, licenses, fees and other charges levied, assessed or made by any governmental authority on the act, right or privilege of selling, transporting, handling or delivering gas, which taxes or fees are based upon the volume, heat content, value or sales/purchase price of the gas, or transportation fee payable hereunder, any other fee, charge or payment hereunder and applicable federal income tax imposed as a result of installation of equipment at the Delivery Point or Receipt Point(s) under the terms of this Contract. Any income tax costs of TXUGD that have been reimbursed to TXUGD by Customer under paragraphs 9(d) and 9(f) will not be reimbursed to TXUGD by Customer under this paragraph 11.

12. Billing, Accounting and Reports

(a) On approximately the fifteenth (15th) day of each month, TXUGD will render to Customer a statement for compensation for all fees, charges, costs, tax reimbursement and services payable under this Contract for the preceding month, showing either the number of Btu or the number of decatherms delivered at the Receipt Point(s) and Delivery Point, the amount of compensation due to TXUGD under this Contract, including tax reimbursement, other reasonable and pertinent information that is necessary to explain and support the same and any adjustments made by TXUGD in determining the amount billed. TXUGD may deliver to Customer such statements of amounts owed to TXUGD by United States mail (first class, registered or certified), postage prepaid, fax, electronic medium, email or delivery service at the mailing address or electronic medium address provided on the signature page of this Contract. The fax, email, mailing address and electronic medium address provided on the signature page of this Contract may be changed at any time by either party upon thirty (30) days prior written notice to the other party.

(b) Customer will pay TXUGD within a period of ten (10) days from the date TXUGD's statement setting out the compensation due under this Contract for all fees, charges, costs is deposited prepaid in the United States mail, or as to payment which is otherwise due, according to the measurements, computations and rates herein provided. TXUGD hereby agrees, however, that Customer may pay any such statement by bank wire transfer by directing the bank wire transfer to TXUGD at Chase Texas Bank, Dallas, Texas, ABA No. 113000609, for deposit to TXUGD Account No. 08805016795. To assure proper credit, Customer should designate the company name, invoice number and amount being paid in the Fedwire Text Section. If the invoiced amount of any payment due is not paid when due, interest on all unpaid amounts will accrue at the rate of one and one half percent (1-1/2%) per month, or the highest rate allowed by law, whichever is less, from the date such amount is due TXUGD; provided, however no interest will accrue on unpaid amounts when failure to make payment is the result of a bona fide dispute between the parties hereto regarding such amounts (and Customer timely pays all amounts not in dispute), unless and until it is ultimately determined that Customer owes such disputed amount, whereupon Customer will pay TXUGD that amount, plus interest computed back to the original payment due date, immediately upon such determination. The designated banks, addresses and accounts for wire transfer may be changed at any time by TXUGD upon thirty (30) days prior written notice to Customer.

(c) Notwithstanding any other provision of this Contract, Customer will make payments for all gas service under this Contract beginning with initial deliveries.

(d) If Customer fails to pay bills for service within twenty (20) days from the date they are rendered hereunder or otherwise defaults under this Contract, Company may suspend service and deliveries of gas and such suspension will not prevent enforcement by Company of any of its legal rights. Waiver by Company of a particular default hereunder will not be deemed a waiver of subsequent defaults whether similar or dissimilar.

(e) Each party hereto will have the right at all reasonable times to examine the measurement records and charts of the other party, or its agent/designee if any, to the extent necessary to verify the accuracy of any statement, charge, computation or demand made under or pursuant to any of the provisions in this Contract. If any such examination reveals any inaccuracy in such previous billing, the necessary adjustments in such billing and payment will be made; provided, that no adjustments for any billing or payment will be made for any inaccuracy claimed *after the lapse of twenty five (25) months from the rendition of the invoice relating thereto.*

(f) If the credit worthiness or financial responsibility of Customer should, in the sole opinion of TXUGD, ever become unsatisfactory, then upon request by TXUGD at any time and from time to time during the term of this Contract, Customer will deposit with TXUGD (i) such amount of money requested by TXUGD, or (ii) a letter of credit in a form acceptable to TXUGD from a financial institution acceptable to TXUGD in an amount requested by TXUGD, to guarantee the payment of statements and invoices hereunder, as well as any possible imbalances

hereunder. Upon the termination of this Contract, any money so deposited, less any amount due TXUGD by Customer, will be refunded to Customer.

13. Force Majeure

(a) In the event either party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this Contract, except the obligation to pay monies due hereunder, it is agreed that, on such party's giving notice and reasonably full particulars of such force majeure, in writing or by fax, email, electronic transfer or telecopy, to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of the party giving such notice, to the extent they are affected by such force majeure, will be suspended during the continuance of any inability so caused, but for no longer period, and such cause will, so far as possible, be remedied with all reasonable dispatch. Inability or failure of TXUGD to deliver or TXUGD to receive gas or perform under this Contract may not be the basis of claims for damages sustained by either party or for breach of contract when due to force majeure.

(b) The term "force majeure," as employed herein, means acts of God; the elements; strikes, lockouts or other labor troubles or industrial disturbances; acts of the public enemy, wars, blockades, insurrections, civil disturbances and riots, and epidemics; landslides, lightning, earthquakes, fires, storms, floods and washouts; acts, arrests, orders, directives, restraints and requirements of the government and governmental agencies, whether federal, state, civil or military; accidents; explosions; breakage, accident or obstructions involving a pipeline, machinery or lines of pipe; repairs or outages (shutdowns) of power plant equipment or lines of pipe for inspection, maintenance, change or repair; freezing of lines of pipe; depletion or failure of TXUGD's gas supply; fluctuations in gas pressure; demands in excess of the capacity of TXUGD's equipment, pipelines or TXUGD's sources of gas supply; and any other causes, whether of the kind enumerated or otherwise, not reasonably within the control of the party claiming suspension. It is understood and agreed that the handling of litigation with third parties of any fact or issue and the settlement of strikes or lockouts will be entirely within the discretion and control of the party involved, and that the above reasonable dispatch will not require any particular action or the settlement of strikes or lockouts by acceding to the demand of the opposing party when such course is deemed to be inadvisable or inappropriate in the discretion of the party involved.

14. Waiver of Breaches, Defaults or Rights, Performance during Default

No waiver by either party hereto of any one or more breaches, defaults or rights under any provision of this Contract will operate or be construed as a waiver of any other breaches, defaults or rights, whether of a like or of a different character. By providing written notice to the other party, either party may assert any right not previously asserted hereunder or may assert its right to object to a default not previously protested. Except as specifically provided herein, in the event of any dispute under this Contract, the parties will, notwithstanding the pendency of such dispute, diligently proceed with the performance of this Contract without prejudice to the rights of either party.

15. Remedy for Breach

Except as otherwise specifically provided herein, if either party fails to perform any of the covenants or obligations imposed upon it in this Contract (except where such failure is excused under the Force Majeure provisions hereof), then the other party may, at its option (without waiving any other remedy for breach hereof), by notice in writing specifying the facts giving rise to the default has occurred, indicate such party's election to terminate this Contract due to such failure. However, Customer's failure to pay TXUGD within a period of ten (10) days following Customer's receipt of written notice from TXUGD advising of such failure to make payment in full within the time specified previously herein, will be a default that will give TXUGD the right to immediately terminate this Contract, unless such failure to pay such amounts is the result of a bona fide dispute between the parties hereto regarding such amounts hereunder and Customer timely pays all amounts not in dispute. With respect to any other matters, the party in default will have thirty (30) days from receipt of such notice to remedy such default, and upon failure to do so, the party sending the notice of default may terminate this Contract from and after the expiration of such thirty (30) day period by sending the other party a notice of termination within thirty (30) days from the end of the prior thirty (30) day period. Such termination will be an additional remedy and will not prejudice the right of the party not in default to collect any amounts due hereunder for any damage or loss suffered by it and will not waive any other remedy to which the party not in default may be entitled for breach of this Contract.

16. Dispute Resolution

Pursuant to the Federal Arbitration Act, the parties hereby agree that any controversy, claim or alleged breach, including but not limited to torts and statutory claims, arising out of or related to this Contract shall be settled by binding arbitration administered by the American Arbitration Association ("AAA")

in accordance with its Commercial Arbitration Rules. Demand for arbitration may be made no later than the time that such action would be permitted under the applicable Texas statute of limitation. Any disputes regarding the timeliness of the demand for arbitration shall be decided by the arbitrator(s). Judgment upon the award rendered by the arbitrator(s) may be entered in any Court having jurisdiction thereof in order to obtain compliance therewith. Any case in which any claim, or combination of claims, exceeds \$500,000 will be subject to the AAA's Large, Complex Case Procedures and decided by the majority of a panel of three (3) neutral arbitrators. In rendering the award, the arbitrator(s) will determine the rights and obligations of the parties according to the laws of the State of Texas (excluding any conflict of law principles), but punitive and exemplary damages may not be awarded. The arbitration proceedings and hearings will be conducted at the Dallas Regional Office of the AAA or at such other place as may be selected by mutual agreement. No party nor the arbitrator(s) may disclose the existence, content or results of any arbitration hereunder without the prior written consent of all parties.

17. Pipeline and Facility Safety

Customer's piping and facilities downstream from or connected to the Delivery Point may be subject to potential hazards such as corrosion and leakage. Consequently, such piping and facilities should be inspected periodically for leaks and damage. If metallic materials are used, they should be regularly inspected for corrosion damage. If any deterioration or unsafe conditions are discovered, they should be repaired or the affected facility replaced. Additionally, when any excavation work is planned, all buried facilities and piping in the area should be located before beginning such work. Operators of underground facilities and piping on Customer's property, including TXUGD, should be notified of the planned excavation activities by contacting the Texas "One Call" service at (800) 344-8377. If the excavation is in the vicinity of any gas piping or facilities, they should be located prior to beginning work and excavation near the piping or facilities should be accomplished by hand digging. Plumbers and heating contractors can assist in locating, inspecting and repairing Customer's buried piping and facilities.

18. Confidentiality

TXUGD and Customer agree to keep the terms and provisions of this Contract confidential and to not disclose the terms of this Contract to any third parties. If disclosure is sought through process of a court, a government or a city, state or federal regulatory agency, the party from whom disclosure is sought will resist disclosure through all reasonable means and will immediately notify the other party to allow it the opportunity to participate in such proceedings. However, each party will have the right to make such disclosures, if any, to governmental agencies and to its own attorneys, auditors, accountants and shareholders that will in turn maintain its confidentiality. TXUGD and Customer agree to cooperate to maintain confidentiality of this Contract and to obtain a reasonable protective order or agreement to maintain that confidentiality under circumstances in which disclosure becomes necessary.

19. Miscellaneous

(a) All notices, requests, demands and statements provided for in this Contract must be given in writing, directed to the party to whom given, and mailed to, or delivered at, such party's address as specified on the signature page of this Contract or at such address as each party may by like notice later give to the other. Such mailed notices will be deemed to have been given when deposited in the United States mail (first class, registered or certified), postage prepaid, or sent by fax, electronic medium, email or independent delivery service at the mailing address provided herein. In the case of hand delivery, notices will be deemed to have been given when delivered to a representative of either party by a representative of the other party.

(b) This Contract constitutes the entire agreement between the parties covering the subject matter hereof, and there are no agreements, modifications, conditions or understandings, written or oral, express or implied, pertaining to the subject matter hereof that are not contained herein. No representation or statement of any representative of TXUGD will be a part of this Contract nor an inducement to the execution hereof unless incorporated fully herein and this Contract may not be amended except in writing duly executed by the parties.

(c) Modifications of this Contract will be or become effective only upon the mutual execution of appropriate supplemental agreements or amendments hereto in writing by duly authorized representatives of the respective parties.

(d) The captions or headings preceding the various parts of this Contract are inserted and included solely for convenience and will never be considered or given any effect in construing this Contract or any part of this Contract, or in connection with the intent, duties, obligations or liabilities of the parties hereto.

(e) This Contract will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that this Contract may not be transferred or assigned by Customer without the prior written consent of TXUGD, and such consent may not be unreasonably withheld. Any purported transfer or assignment without such consent will be null and void and will not operate to release any obligation of Customer under this Contract.

(f) TXUGD and Customer intend to be legally bound by the terms and provisions set out in this Contract. Both TXUGD and Customer intend, acknowledge and agree that this Contract is entered into solely for the respective benefit of TXUGD and Customer. No provision of this Contract, either express or implied, will be interpreted or construed as conferring any rights, remedies or claims upon any person or entity not a party to this Contract, except for a successor or assignee consented to as provided herein.

(g) This Contract is made in the State of Texas and will be governed by the laws of the State of Texas, without regard to conflict of laws provisions.

(h) If any dispute under this Contract is not resolved by arbitration and results in litigation in the courts, Dallas County, Texas, will be the proper venue for such litigation.

(i) TXUGD will not be liable for any loss, damage or injury resulting from the gas or its use after it flows out of facilities or equipment owned by TXUGD, or its agent or designee, and into facilities or equipment owned by Customer, or its agent or designee, at the Delivery Point, all risks thereof and therefrom being hereby assumed by Customer.

***** END OF SCHEDULE "B" *****

**SCHEDULE "C" TO
OPTIONAL INDUSTRIAL GAS SALES OR GAS TRANSPORTATION CONTRACT**

GENERAL TERMS AND CONDITIONS APPLICABLE TO SALES SERVICE

1. TXUGD agrees to sell and deliver natural gas to Customer and Customer agrees to purchase and receive such gas from TXUGD to meet Customer's natural gas requirements at Customer's premises described on the signature page of this Contract. Customer agrees to pay for such volumes of gas at TXUGD's latest effective Schedule of Optional Industrial Rates for gas sales service established for the city in which the Delivery Point is located, subject to and in accordance with all the terms and conditions contained in this Contract.
2. This Contract covers Customer's entire natural gas requirements at the aforesaid premises, and Customer will not use gas under this Contract for service other than that classified so that Customer is qualified for service under this Contract.
3. TXUGD's Schedule of Optional Industrial Rates for gas sales service may be revised from time to time in the future and the rates contained in any such revised or new Schedule of Optional Industrial Rates for gas sales service, when lawfully established, will be applicable to gas purchased and sold under this Contract commencing with gas delivered after the effective date of such change. Company will give Customer written notice of any such change, together with a copy of the revised Schedule of Optional Industrial Rates for gas sales service. The notice herein provided for will be deemed to have been given when sent by Company to Customer at the address shown on the signature page of this Contract by first class mail, postage prepaid, or included with a monthly statement.
4. Customer agrees to keep its gas-using or burning equipment and appurtenances located on the aforesaid premises in good condition and in conformity with the requirements of any applicable city ordinance, state or federal law or rule and any applicable order or regulation of any governmental authority having jurisdiction. Customer agrees to comply with all of Company's reasonable rules and regulations.
5. Title to and ownership of the gas sold and delivered by TXUGD to Customer at the Delivery Point will vest in Customer at that point.
6. TXUGD will have the right at any and all times to immediately discontinue, in whole or in part, the supply of gas hereunder, with or without notice, if in the opinion of TXUGD a continuation of the supply under this Contract would adversely affect, jeopardize or threaten adequate service to TXUGD's domestic or commercial customers or hazard, adversely affect, jeopardize or threaten adequate service to other customers having priority of service under TXUGD's latest effective Schedule of Optional Industrial Rates, and Customer hereby authorizes TXUGD to do so. Further, Customer agrees that TXUGD will never be liable in damages or otherwise on account of having exercised such rights.
7. When notified by TXUGD to do so, Customer agrees to curtail or discontinue the use of gas hereunder in conformity with the service priority provided for in this Contract and in the latest effective Schedule of Optional Industrial Rates. If Customer classifies its business and operations as being essential to the public health and safety and considers continuity of its fuel service essential to the public welfare, then Customer will provide stand-by fuel and equipment adequate to meet its fuel requirements during periods of interruption of gas service under this Contract. TXUGD cannot and does not guarantee a constant supply of gas hereunder.
8. In the event during any day Customer purchases or takes volumes in excess of the Maximum Daily Quantity, in addition to all other fees and charges provided for in this Contract, Customer will pay TXUGD \$1.00 for each decatherm received by Customer in excess of the Maximum Daily Quantity.

***** END OF SCHEDULE "C" *****

**SCHEDULE "D" TO
OPTIONAL INDUSTRIAL GAS SALES OR GAS TRANSPORTATION CONTRACT**

**GENERAL TERMS AND CONDITIONS APPLICABLE TO TRANSPORTATION
SERVICE**

1. Transportation Service

TXUGD agrees to transport gas for Customer and Customer agrees to purchase and receive gas transportation service from TXUGD to meet Customer's natural gas requirements at Customer's premises described on the signature page of this Contract, subject to and in accordance with all the terms and conditions contained in this Contract.

2. Definitions

- (a) "Contract" means the signature page of this Contract, the effective Selection of Service form executed by Customer and TXUGD, Schedule "B" of this Contract and this Schedule "D."
- (b) "Day" means the period of time beginning at 9:00 A.M. central clock time on one calendar day and ending at 9:00 A.M. central clock time on the following calendar day.
- (c) "Decatherm" has the meaning set forth in paragraph 8(a) of Schedule "B" of this Contract.
- (d) "Delivery Point" has the meaning set forth on the signature page of this Contract.
- (e) "Gas" means natural gas produced from gas wells, vaporized natural gas liquids, gas produced in association with oil (casinghead gas) and/or the residue gas resulting from processing casinghead gas and/or gas well gas.
- (f) "Maximum Daily Quantity" has the meaning set forth in the applicable Selection of Service Form.
- (g) "Month" means the period of time beginning at 9:00 A.M. central clock time on the first day of a calendar month and ending at 9:00 A.M. central clock time on the first day of the succeeding calendar month.
- (h) "Receipt Point" has the meaning set forth on the signature page of this Contract.
- (i) "Retention Volume" has the meaning set forth on the signature page of this Contract.
- (j) "Taxes" has the meaning set forth in paragraph 11(b) of Schedule "B" of this Contract.
- (k) "Transportation" as used in this Contract includes the movement of gas by displacement and backhaul, and as such, the term "transportation" or "transport" as used herein includes the delivery of gas by TXUGD that is not the same gas received by TXUGD.
- (l) "Transport gas" means that volume of gas received by TXUGD for transportation to Customer less the Retention Volume.

3. Quantity

Customer represents that it owns or controls certain quantities of natural gas, and Customer desires that TXUGD receive such gas from Customer (or its designee) at the Receipt Point(s); and deliver gas to the Delivery Point in quantities as agreed to by the parties herein. It is agreed that the quantity of gas to be transported under this Contract will not exceed the maximum annual, daily or hourly quantities specified on the effective Selection of Service Form.

4. Title--Warranty & Indemnity

Customer warrants that at the time of delivery of gas hereunder to TXUGD for transportation, Customer will have good title or the right to deliver such gas, and that such gas will be free and clear of all liens and adverse claims. Customer agrees to indemnify TXUGD for, and hold TXUGD harmless from, all suits, actions, debts, accounts, damages, costs (including attorneys' fees), losses and expenses arising from or out of any adverse claims of any and

**SCHEDULE "D" TO
OPTIONAL INDUSTRIAL GAS SALES OR GAS TRANSPORTATION CONTRACT**

**GENERAL TERMS AND CONDITIONS APPLICABLE TO TRANSPORTATION
SERVICE**

1. Transportation Service

TXUGD agrees to transport gas for Customer and Customer agrees to purchase and receive gas transportation service from TXUGD to meet Customer's natural gas requirements at Customer's premises described on the signature page of this Contract, subject to and in accordance with all the terms and conditions contained in this Contract.

2. Definitions

- (a) "Contract" means the signature page of this Contract, the effective Selection of Service form executed by Customer and TXUGD, Schedule "B" of this Contract and this Schedule "D."
- (b) "Day" means the period of time beginning at 9:00 A.M. central clock time on one calendar day and ending at 9:00 A.M. central clock time on the following calendar day.
- (c) "Decatherm" has the meaning set forth in paragraph 8(a) of Schedule "B" of this Contract.
- (d) "Delivery Point" has the meaning set forth on the signature page of this Contract.
- (e) "Gas" means natural gas produced from gas wells, vaporized natural gas liquids, gas produced in association with oil (casinghead gas) and/or the residue gas resulting from processing casinghead gas and/or gas well gas.
- (f) "Maximum Daily Quantity" has the meaning set forth in the applicable Selection of Service Form.
- (g) "Month" means the period of time beginning at 9:00 A.M. central clock time on the first day of a calendar month and ending at 9:00 A.M. central clock time on the first day of the succeeding calendar month.
- (h) "Receipt Point" has the meaning set forth on the signature page of this Contract.
- (i) "Retention Volume" has the meaning set forth on the signature page of this Contract.
- (j) "Taxes" has the meaning set forth in paragraph 11(b) of Schedule "B" of this Contract.
- (k) "Transportation" as used in this Contract includes the movement of gas by displacement and backhaul, and as such, the term "transportation" or "transport" as used herein includes the delivery of gas by TXUGD that is not the same gas received by TXUGD.
- (l) "Transport gas" means that volume of gas received by TXUGD for transportation to Customer less the Retention Volume.

3. Quantity

Customer represents that it owns or controls certain quantities of natural gas, and Customer desires that TXUGD receive such gas from Customer (or its designee) at the Receipt Point(s); and deliver gas to the Delivery Point in quantities as agreed to by the parties herein. It is agreed that the quantity of gas to be transported under this Contract will not exceed the maximum annual, daily or hourly quantities specified on the effective Selection of Service Form.

4. Title--Warranty & Indemnity

Customer warrants that at the time of delivery of gas hereunder to TXUGD for transportation, Customer will have good title or the right to deliver such gas, and that such gas will be free and clear of all liens and adverse claims. Customer agrees to indemnify TXUGD for, and hold TXUGD harmless from, all suits, actions, debts, accounts, damages, costs (including attorneys' fees), losses and expenses arising from or out of any adverse claims of any and

all persons to or against said gas. Further, neither TXUGD nor Customer will take any action that changes or jeopardizes Customer's title to the gas transported hereunder.

5. Quality

(a) The natural gas delivered by Customer to TXUGD for transportation under this Contract will be of *merchantable quality and commercially-free from water, hazardous substances, hydrocarbon liquids, bacteria and other objectionable liquids, solids or gas components*. In addition, any such gas will specifically contain not more than:

- (i) *five one hundredths of one percent (.05%) oxygen;*
- (ii) *five(5) grains of total sulphur, consisting of not more than one quarter (1/4) grain of hydrogen sulfide and one(1) grain of mercaptan sulphur per one hundred (100) cubic feet of gas;*
- (iii) *two percent (2%) by volume of carbon dioxide;*
- (iv) *four percent (4%) by volume of total non-hydrocarbon and inert gases (including carbon dioxide, nitrogen, oxygen, helium, etc.); and*
- (v) *seven pounds (7#) of water vapor per one million (1,000,000) cubic feet of gas.*

The gas will be at *temperatures not in excess of one hundred twenty (120) degrees Fahrenheit nor less than forty (40) degrees Fahrenheit*, provided that the gas will have a *hydrocarbon dew point not to exceed forty (40) degrees Fahrenheit* at the delivery pressure, and will have a *heat content of not less than nine hundred fifty (950) or more than eleven hundred (1,100) Btu per cubic foot* under the conditions of measurement contained herein. TXUGD will not be obligated to accept any gas delivered by Customer (or its designee) hereunder that is not interchangeable with other gas in TXUGD's distribution system at the applicable Receipt Point hereunder. TXUGD's determination of such interchangeability will be based upon a factor that is equivalent to the quotient obtained by dividing the total heating value of such gas, expressed in Btu, by the square root of the specific gravity of such gas. Such factor must be *within 7% of the interchange factor* established by TXUGD for its system at the applicable Receipt Point hereunder.

(b) If at any time the gas fails to meet the quality specifications enumerated herein, TXUGD will notify Customer, and Customer will immediately correct such failure. If Customer is unable or unwilling to deliver gas according to such specifications, TXUGD may refuse to accept delivery of gas hereunder for so long as such condition exists.

(c) Notwithstanding anything contained herein, TXUGD reserves the right, at any time and from time to time, to unilaterally amend, on a nondiscriminatory basis, the quality specifications set forth above to conform with standard industry practices upon giving Customer at least thirty (30) days prior written notice of any such change(s).

6. Responsibility

Customer or Customer's designee will be in control and possession of the gas to be transported and will be responsible for and will indemnify TXUGD for, and hold TXUGD harmless from, any damage or injury caused thereby prior to such gas being delivered into a facility owned by TXUGD at the Receipt Point(s) and after such gas is delivered by TXUGD into a facility owned by Customer or Customer's designee at the Delivery Point, except for injuries and damages caused by the negligence of TXUGD. TXUGD will be in control and possession of the gas it transports hereunder, and will be responsible for and will indemnify Customer for, and hold Customer harmless from, any damage or injury caused thereby after receipt of the gas by TXUGD into a facility owned by TXUGD at the Receipt Point(s) and until such gas is delivered into a facility of the Customer or Customer's designee at the Delivery Point, except for injuries and damages caused by the negligence of Customer or Customer's designee. However, gas will be received by TXUGD after it has passed out of the meter at a Receipt Point and until it is delivered by TXUGD to Customer or Customer's designee after it has passed out of the meter at a Delivery Point. The meter will be considered to be the meter tube for purposes of this provision.

7. Transportation Rates

(a) Commencing with initial deliveries of gas hereunder, Customer will pay to TXUGD each month the Transportation Service Rate set forth on the signature page of this Contract for transportation services provided hereunder during such month, at the rate(s) set forth on the signatory page of this Contract, which will include TXUGD's right to retain and become the owner of the Retention Volume and the fees, charges, tax reimbursements and costs provided for in this Contract.

(b) Customer agrees to reimburse TXUGD for any Taxes as herein defined.

8. Receipt Points

(a) Gas delivered by Customer (or its designee) to TXUGD hereunder will be delivered at the outlet of a city gate meter, referred to herein as the "Receipt Point," described on the signature page of this Contract. The Receipt Point will be at an active city gate on the TXUGD's distribution system, described on the signature page of this Contract, provided, that if TXUGD owns the applicable city gate, the Receipt Point will be the inlet of the city gate. It is agreed that Customer and TXUGD may mutually agree to additional receipt points under this Contract that will also be at active city gates on such distribution system.

(b) Notwithstanding anything contained in this Contract that might be construed to the contrary, in the event of unfavorable operating conditions (as determined by TXUGD in its sole opinion), or a change of ownership of a specific Receipt Point or appurtenant facilities, or if, in TXUGD's sole opinion, the receipt of gas from a specific Receipt Point ever becomes uneconomical for any reason whatsoever, then TXUGD will have the right (i) to immediately discontinue the receipt of gas from any such Receipt Point and/or (ii) upon thirty (30) days' prior written notice to Customer, to delete any such Receipt Point from this Contract. However, Customer and TXUGD may agree to perform this Contract with reduced volumes, or Customer and TXUGD may agree that Customer will pay for the necessary increase in capacity of the facilities involved.

9. Interruptible Service

Customer hereby acknowledges that TXUGD's receipt and delivery of gas volumes hereunder will be on a wholly interruptible basis and subject to: (i) the most efficient and economic utilization of TXUGD's pipeline capacity as determined by TXUGD in its sole discretion; (ii) pipeline capacity necessary to serve existing or future sales customers under tariffs filed with applicable regulatory authorities or under negotiated contracts as determined by TXUGD in its sole discretion; and (iii) the other terms and conditions contained in this Contract. Customer agrees that such transportation service may be interrupted, in whole or in part, from time to time, without notice; however, TXUGD's dispatcher will endeavor to advise (by telephone or electronic medium) Customer's dispatcher or authorized representative of an interruption as soon as practicable, either before or after such interruption, but TXUGD will have no liability for any failure to give such notice. In no event will an interruption of transportation service pursuant to the terms, conditions and contingencies of this Contract constitute a breach of this Contract, and TXUGD will not be liable to Customer or third parties in damages or otherwise because of any interruption of such service. Customer agrees to indemnify TXUGD for, and hold TXUGD harmless from, any damages, causes of actions or claims asserted by any third parties as a result of any termination, suspension, or interruption of services hereunder by TXUGD for any reason.

10. Nominations

(a) Customer will provide TXUGD with its first of the month nomination of volumes for receipt and delivery by TXUGD during a month no later than 11:30 a.m. central clock time on the second business day prior to the first calendar day of each month, giving due consideration to the Retention Volume.

(b) Each such nomination by Customer will contain the nominated quantities for each Receipt Point and the Delivery Point, designation of the appropriate contract(s) covering such gas, and the identity by name and telephone number of individual(s) who have authority to confirm the gas volumes nominated at each Receipt Point and the Delivery Point.

(c) Customer may change nominated volumes for the remainder of a month on any business day, provided such nomination change must be received by TXUGD prior to 10:00 a.m. central clock time of any business day to be effective the next business day.

(d) If Customer fails to nominate volumes for receipt and delivery by TXUGD under this Contract for any month, TXUGD may suspend transportation service under this Contract for such month. Such interruption of service by TXUGD will not prevent enforcement by TXUGD of any of its other legal rights or remedies nor will the same be construed as a breach of the obligations of TXUGD under this Contract.

(e) If Customer fails to nominate volumes for receipt and delivery by TXUGD under this Contract for three(3) consecutive months during the term of this Contract, TXUGD may upon thirty (30) days prior written notice to Customer terminate this Contract; provided, the obligations to make payment for monies due under this Contract, including payments for any kind of imbalances, will not be extinguished.

(f) Customer understands and agrees that TXUGD may for operational reasons prorate and/or totally refuse to accept new nominations or honor then existing nominations at any existing Receipt Points and/or proposed Receipt

Points, at any time and from time to time and for any specified or unspecified time period(s). TXUGD will endeavor to notify Customer or Customer's designee of such refusal to accept or honor any nomination or nominations as soon as practicable, but TXUGD will not be liable for any failure to do so.

(g) Notwithstanding the foregoing, Customer will not attempt to utilize the nomination process under this Contract to reserve or gain additional pipeline capacity by over nomination. In the event TXUGD, in its sole discretion, determines that Customer has attempted to reserve or gain additional pipeline capacity by over nomination, Customer agrees that TXUGD will have the right, with or without prior notice, to: (i) revise the nomination, (ii) suspend service under this Contract, and/or (iii) terminate this Contract.

11. Imbalances of Nominations and Volumes

(a) It is recognized and understood that:

(i) an exact day-to-day balance of the volume of gas nominated for receipt and delivery by TXUGD and the volume of gas delivered to (taken or used by) Customer at the Delivery Point may not be possible due to the inability of Customer to precisely predict or control such receipts or deliveries; and

(ii) an exact day-to-day balance of the volume of gas delivered to TXUGD at the Receipt Points for transportation, less the Retention Volume, and the quantity of gas delivered to (taken or used by) Customer at the Delivery Point by TXUGD may not be possible due to the inability of Customer to control precisely such receipts or deliveries.

However, Customer will endeavor to nominate and deliver to TXUGD at the Receipt Point the volume of gas that is delivered to (taken or used by) Customer at the Delivery Point, plus the Retention Volume, during any applicable period.

(b) Customer will be obligated to monitor on both an hourly and a daily basis and, if necessary, adjust, or cause to be adjusted:

(i) the volume of gas delivered to TXUGD at the Receipt Points for transportation; and

(ii) the volume of transportation gas taken or received by Customer, or its designee, from TXUGD at the Delivery Point, in order to maintain both an hourly and a daily balance of receipts and deliveries at consistent flow rates throughout each day, giving due consideration to the related Retention Volume.

Customer will advise TXUGD of any situation wherein any kind of imbalance has occurred or may occur. Customer will endeavor to adjust its receipts and/or deliveries of transportation gas to the extent necessary to avoid any kind of imbalance, and promptly notify TXUGD of such adjustments. Any adjustments to receipts and/or deliveries by Customer, whether or not pursuant to notification from either party, will be coordinated with TXUGD's gas control personnel.

(c) TXUGD will not be obligated to receive or deliver quantities of gas on any day in excess of the lesser of: (i) those quantities nominated by Customer for transportation hereunder on such day, giving due consideration to the Retention Volume; or (ii) those quantities received by TXUGD at the Receipt Points for transportation hereunder on such day, giving due consideration to the Retention Volume. However, TXUGD, to the extent practicable, will endeavor to deliver to Customer each day a quantity of gas equivalent to the quantity of gas received by TXUGD from Customer (or its designee) at the Receipt Points on such day, less the Retention Volume.

(d) TXUGD will retain and become the owner of such Retention Volume to replace the normal gas lost, gas used as fuel and gas used in its day-to-day pipeline operations related to the volumes delivered by Customer to TXUGD.

(e) Notwithstanding anything contained herein that might be construed to the contrary, TXUGD will always have the total and unrestricted right, but with no obligation whatsoever, at any time and from time to time, to restrict, interrupt or reduce its receipt and/or delivery of transport gas hereunder in order to maintain both an hourly and a daily balance of receipts and deliveries at consistent flow rates throughout each day or to correct any imbalance between receipts and deliveries hereunder.

(f) Other provisions of this Contract notwithstanding, in the event the transportation of volumes of gas delivered to the Receipt Point are interrupted by TXUGD during any day for any reason, the volume interrupted, up to the Maximum Daily Quantity, will not be considered as a part of any imbalance for that day under the terms of this Contract.

12. Nomination Imbalance Payments

(a) A nomination imbalance will exist under this Contract when, during any applicable period of the term hereof, there is a numerical difference between:

- (i) the quantity of gas delivered by TXUGD to Customer; and
- (ii) the quantity of gas nominated for that period by Customer.

(b) To the extent Customer fails to avoid a monthly nomination imbalance [as described in paragraph 12(a) above], and Customer's nominations for deliveries to TXUGD at the Receipt Point(s) during such monthly period are in excess of the transportation quantities actually, or deemed by allocation, delivered to TXUGD for transportation to Customer at the Delivery Point during said monthly period ("over nomination by Customer"):

- i) if the imbalance is greater than 0%, but 5% or less during such month, Customer will pay to TXUGD a sum of money determined by the product of (A) \$0.15 (15 cents) per decatherm multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such imbalance;
- (ii) if the imbalance is greater than 5%, but 10% or less during such month, Customer will pay to TXUGD a sum of money determined by the product of (A) \$0.30 (30 cents) per decatherm multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such imbalance;
- (iii) if the imbalance is greater than 10%, but 15% or less during such month, Customer will pay to TXUGD a sum of money determined by the product of (A) \$0.45 (45 cents) per decatherm multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such imbalance;
- (iv) if the imbalance is greater than 15%, but 20% or less during such month, Customer will pay to TXUGD a sum of money determined by the product of (A) \$0.60 (60 cents) per decatherm multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such imbalance; or
- (v) if the imbalance is greater than 20% during such month, Customer will pay to TXUGD a sum of money determined by the product of (A) \$0.75 (75 cents) per decatherm multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such imbalance.

(c) To the extent Customer fails to avoid a monthly nomination imbalance [as described in paragraph 12(a) above], and Customer's nomination for deliveries to TXUGD at the Receipt Point(s) during such monthly period are less than the transportation quantities actually, or deemed by allocation, delivered to TXUGD for transportation to Customer at the Delivery Point during said monthly period ("under nomination by Customer"), Customer will pay TXUGD a sum of money determined by the product of (A) \$0.05 (5 cents) per decatherm multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such imbalance.

(d) TXUGD will bill Customer for any such amounts owed to TXUGD by Customer under this paragraph 12 by including such amounts in the monthly statement(s) rendered to Customer under paragraph 12 of Schedule "B" of this Contract, or by a separate statement whether or not this Contract has terminated.

13. Volume Imbalance Payments

(a) A volume imbalance will exist under this Contract when, during any month of the term hereof, there is a numerical difference between:

- (i) the volume of gas delivered by TXUGD to Customer at the Delivery Point; and
- (ii) the volume of gas received by TXUGD from Customer (or its designee) at the Receipt Point(s), less the Retention Volume. Volumes received or delivered will for purposes of this Contract include volumes that are not separately metered, but are deemed received or delivered by allocation in situations in which Customer's gas is commingled with gas owned by others.

(b) To the extent Customer fails to avoid a monthly volume imbalance [as described in paragraph 13(a) above], and Customer's deliveries to TXUGD at the Receipt Point(s) during such monthly period, less the Retention Volumes, are in excess of the transportation quantities delivered by TXUGD to Customer at the Delivery Point during said monthly period ("over deliveries by Customer creating an imbalance 'due' Customer"):

i) if the imbalance is greater than 0%, but 5% or less, of the total gas volumes delivered to Customer at the Delivery Point during such month, Customer will sell to TXUGD and TXUGD will purchase from Customer the decatherms of such monthly imbalance for a sum of money determined by the product of (A) the lesser of the lowest price paid for gas by TXUGD during that monthly period or the lowest daily Houston Ship Channel price during that monthly period, as reported in the publication *Gas Daily*, multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such monthly imbalance;

ii) if the imbalance is greater than 5%, but 10% or less, of the total gas volumes delivered to Customer at the Delivery Point during such month, Customer will sell to TXUGD and TXUGD will purchase from Customer the decatherms of such monthly imbalance for a sum of money determined by the product of (A) the lesser of the lowest price paid for gas by TXUGD during that monthly period or 80% of the lowest daily Houston Ship Channel price during that monthly period, as reported in the publication *Gas Daily*, multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such monthly imbalance;

iii) if the imbalance is greater than 10%, but 15% or less, of the total gas volumes delivered to Customer at the Delivery Point during such month, Customer will sell to TXUGD and TXUGD will purchase from Customer the decatherms of such monthly imbalance for a sum of money determined by the product of (A) the lesser of the lowest price paid for gas by TXUGD during that monthly period or 70% of the lowest daily Houston Ship Channel price during that monthly period, as reported in the publication *Gas Daily*, multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such monthly imbalance;

iv) if the imbalance is greater than 15%, but 20% or less, of the total gas volumes delivered to Customer at the Delivery Point during such month, Customer will sell to TXUGD and TXUGD will purchase from Customer the decatherms of such monthly imbalance for a sum of money determined by the product of (A) the lesser of the lowest price paid for gas by TXUGD during that monthly period or 60% of the lowest daily Houston Ship Channel price during that monthly period, as reported in the publication *Gas Daily*, multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such monthly imbalance; and

v) if the imbalance is greater than 20% of the total gas volumes delivered to Customer at the Delivery Point during such month, Customer will sell to TXUGD and TXUGD will purchase from Customer the decatherms of such monthly imbalance for a sum of money determined by the product of (A) the lesser of the lowest price paid for gas by TXUGD during that monthly period or 50% of the lowest daily Houston Ship Channel price during that monthly period, as reported in the publication *Gas Daily*, multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such monthly imbalance.

(c) To the extent Customer does not avoid a monthly volume imbalance [as described in paragraph 13(a) above], and Customer's deliveries to TXUGD at the Receipt Point(s) during such monthly period are less than the transportation quantities delivered by TXUGD to Customer at the Delivery Point during said monthly period ("under deliveries by Customer creating an imbalance 'due' TXUGD"):

i) if the imbalance is greater than 0%, but 5% or less, of the total gas volumes delivered Customer at the Delivery Point during such month, Customer will purchase such imbalance gas volumes from TXUGD, and TXUGD will have the right to collect from Customer, a sum of money determined by the product of (A) the greater of the highest price paid for gas by TXUGD during that monthly period or 100% of the highest daily Houston Ship Channel price during that monthly period, as reported in the publication *Gas Daily*, multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such monthly imbalance;

ii) if the imbalance is greater than 5%, but 10% or less, of the total gas volumes delivered to Customer at the Delivery Point during such month, Customer will purchase such imbalance gas volumes from TXUGD, and TXUGD will have the right to collect from Customer, a sum of money determined by the product of (A) the greater of the highest price paid for gas by TXUGD during that monthly period or 125% of the highest daily Houston Ship Channel price during that monthly period, as reported in the publication *Gas Daily*, multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such monthly imbalance;

iii) if the imbalance is greater than 10%, but 15% or less, of the total gas volumes delivered to Customer at the Delivery Point during such month, Customer will purchase such imbalance gas volumes from TXUGD, and TXUGD will have the right to collect from Customer, a sum of money determined by the product of (A) the greater of the highest price paid for gas by TXUGD during that monthly period or 150% of the highest daily Houston Ship Channel price during that monthly period, as reported in the publication *Gas Daily*, multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such monthly imbalance;

iv) if the imbalance is greater than 15%, but 20% or less, of the total gas volumes delivered to Customer at the Delivery Point during such month, Customer will purchase such imbalance gas volumes from TXUGD, and TXUGD will have the right to collect from Customer, a sum of money determined by the product of (A) the greater of the highest price paid for gas by TXUGD during that monthly period or 175% of the highest daily Houston Ship Channel price during that monthly period, as reported in the publication *Gas Daily*, multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such monthly imbalance; and

v) if the imbalance is greater than 20% of the total gas volumes delivered to Customer at the Delivery Point during such month, Customer will purchase such imbalance gas volumes from TXUGD, and TXUGD will have the right to collect from Customer, a sum of money determined by the product of (A) the greater of the highest price paid for gas by TXUGD during that monthly period or 200% of the highest daily Houston Ship Channel price during that monthly period, as reported in the publication *Gas Daily*, multiplied by (B) the number of decatherms in such monthly imbalance, thereby eliminating such monthly imbalance.

(d) TXUGD will bill Customer for any such amounts owed to TXUGD by Customer under this paragraph 13 by including such amounts in the monthly statement(s) rendered to Customer under paragraph 12 of Schedule "B" of this Contract, or by a separate statement whether or not this Contract has terminated. TXUGD will credit Customer for any such amounts owed to Customer by TXUGD under this paragraph 13 by crediting such amounts against amounts owed to TXUGD by Customer in any such statement(s) rendered to Customer. Otherwise, such amounts will be paid to Customer within thirty (30) days from the date Contract has terminated if the net account balance is an amount owed to Customer by TXUGD.

14. Misuse of Imbalance Provisions

Customer will not attempt to utilize the imbalance provisions hereunder to provide standby or backup service or plant protection supply gas for its Facility in the event its third party supplier(s) fail to deliver sufficient volumes of gas to TXUGD for redelivery hereunder to Customer's Facility for such purposes, with due consideration to the Retention Volume, or for any other purpose not expressly contemplated in the terms of this Contract. In the event TXUGD ever determines that Customer has attempted to do so, Customer agrees that TXUGD will have the right to suspend and/or terminate this Contract.

15. Failure of Pricing Resource

(a) In the event no *Gas Daily* is published or no "highest daily price" is published in the *Gas Daily*, the price used therefore will be the highest price published in *Inside F.E.R.C.'s Gas Market Report* for gas sold during the month in Texas. In the event no *Gas Daily* is published or no "lowest daily price" is published in the *Gas Daily*, the price used therefor will be the lowest price published in the *Inside F.E.R.C.'s Gas Market Report* for gas sold during the month in Texas.

(b) In the event no *Gas Daily* and no *Inside F.E.R.C.'s Gas Market Report* is published or no "highest daily price" is published in the *Gas Daily* or in the "Inside FERC," the price used therefore will be the highest price published by the New York Mercantile Exchange (NYMEX) for gas sold during the month in Texas. In the event no *Gas Daily* and no *Inside F.E.R.C.'s Gas Market Report* is published or no "lowest daily price" is published in the *Gas Daily* or in the "Inside FERC," the price used therefor will be the lowest price published by the New York Mercantile Exchange (NYMEX) for gas sold during the month in Texas.

(c) In the event *Gas Daily*, *Inside F.E.R.C.'s Gas Market Report* and the New York Mercantile Exchange (NYMEX) all three fail to report a highest or lowest price for the month for use under the respective provisions of this Contract the parties may mutually agree upon the price or prices to be used. However, if the parties cannot agree on such a price or prices within thirty (30) days of such an event the appropriate price or prices will be established by arbitration as provided in this Contract.

16. Interruption, Reduction or Termination of Service

Customer agrees that: (a) in the event of any interruption, reduction or termination of service under this Contract TXUGD's personnel may enter Customer's facility's premises and physically turn off the gas serving such facility; and (b) no one other than TXUGD's personnel will be permitted to turn the gas back on.

***** END OF SCHEDULE "D" *****

RATE SCHEDULE:	Gas Cost Adjustment	No. 4108-4
APPLICABLE TO:	NW Metro / Mid Cities Distribution System	REVISION: 0 DATE: 07/20/01
EFFECTIVE DATE:	07/20/01	PAGE: 1 OF 1

GAS COST ADJUSTMENT

4108-4 GAS COST ADJUSTMENT

Each residential and commercial monthly bill shall be adjusted for gas cost as follows:

- (1) The city gate rate increase or decrease applicable to current billing month residential and commercial sales shall be calculated to the nearest \$0.0001 per Mcf based upon:
 - (a) A volume factor of 1.0117 determined in establishing the above rate for the distribution system as the ratio of adjusted purchased volumes divided by adjusted sales volumes. Said factor shall be adjusted annually following determination of the actual lost and unaccounted for gas percentage based upon year ended June 30.
 - (b) The city gate rate applicable to volumes purchased during the current calendar month, expressed to the nearest \$0.0001 per Mcf (shown below as "Re").
 - (c) A base city gate rate of \$0.0000 per Mcf.

In summary, the gas cost adjustment (GCA) shall be determined to the nearest \$0.0001 per Mcf as follows:

$$GCA = [(1.0117) (Re - \$0.0000)]$$

RATE SCHEDULE:	Tax & Franchise Fee Adjustment	No. 4108-5
APPLICABLE TO:	NW Metro / Mid Cities Distribution System	REVISION: 0 DATE: 07/20/01
EFFECTIVE DATE:	07/20/01	PAGE: 1 OF 1

TAX & FRANCHISE FEE ADJUSTMENT

4108-5 TAX & FRANCHISE FEE ADJUSTMENT

Each monthly bill, as adjusted above, shall be adjusted for municipal franchise fees (street and alley rental assessments) and the state gross receipts taxes imposed by Sections 182.021 - 182.025 of the Texas Tax Code. Municipal franchise fees are determined by each city's franchise ordinance.

Each monthly bill, as adjusted above shall also be adjusted by an amount equivalent to the proportionate part of any new tax, or any tax increase or decrease, or any increase or decrease of any other governmental imposition, rental fee, or charge (except state, county, city and special district ad valorem taxes and taxes on net income) levied, assessed or imposed subsequent to September 30, 2000, upon or allocated to the Company's distribution operations, by any new or amended law, ordinance or contract.

Municipal franchise fees (street and alley rental assessments) and the state gross receipts taxes imposed by Sections 182.021 - 182.025 of the Texas Tax Code shall continue to be collected pursuant to individual industrial contracts.

RATE SCHEDULE:	Weather Normalization Adjustment	No. 4108-6
APPLICABLE TO:	NW Metro / Mid Cities Distribution System	REVISION: 0 DATE: 07/20/01
EFFECTIVE DATE:	07/20/01	PAGE: 1 OF 1

WEATHER NORMALIZATION ADJUSTMENT

4108-6 WEATHER NORMALIZATION ADJUSTMENT

Effective with bills rendered during the October 2000 through May 2001 billing months, and annually thereafter for the October through May billing months, the residential and commercial consumption rates for gas service, as adjusted, shall be subject to a weather normalization adjustment each billing cycle to reflect the impact of variations in the actual heating degree days during the period included in the billing cycle from the normal level of heating degree days during the period included in the billing cycle. The weather normalization adjustment will be implemented on a per Mcf basis and will be applicable to the heating load of each customer during the period included in the billing cycle. It will be determined separately for residential and commercial customers based on heating degree data recorded by either the DFW Airport weather station. The adjustment to be made for each billing cycle will be calculated according to the following formula:

$$WNA = \frac{NDD - ADD}{ADD} \times M \times AHL$$

- Where: WNA = Weather normalization adjustment
- NDD = Normal heating degree days during the period covered by the billing cycle
- ADD = Actual heating degree days during the period covered by the billing cycle
- M = Weighted average margin per Mcf included in the commodity portion of the rates effective during the October through May billing months
- AHL = Actual heating load per customer

The heating load to which the weather normalization adjustment is to be applied for residential and commercial customers is determined by subtracting the base load for the customer from the total volume being billed to the customer. The base load of a customer is the average level of nonheating consumption.

The weather normalization adjustment is subject to a 50% limitation factor based on temperatures being fifty percent warmer or colder than normal. The weather normalization adjustment will be calculated to the nearest \$.0001 per Mcf.

RATE SCHEDULE:	Miscellaneous Service Charges	Nos. 9001 thru 9007
APPLICABLE TO:	As Referenced	REVISION: 0
EFFECTIVE DATE:	As Referenced	PAGE: 1 OF 2

MISCELLANEOUS SERVICE CHARGES:

9001 Connection Charge (Residential & Commercial)

The following connection charges apply:

<u>Schedule</u>	<u>Charge</u>
Business Hours	\$ 35.00
After Hours	52.50

For each reconnection of gas service where service has been discontinued at the same premises for any reason, for the initial inauguration of service, and for each inauguration of service when the billable party has changed, with the following exceptions:

- (a) For a builder who uses gas temporarily during construction or for display purposes.
- (b) Whenever gas service has been temporarily interrupted because of system outage or service work done by Company; or
- (c) For any reason deemed necessary for company operations.

9002 Read For Change Charge (Residential & Commercial)

A read for change charge of \$12.00 is made when it is necessary for a company employee to read the meter at a currently served location because of a change in the billable party.

9003 Returned Check Charges (Residential & Commercial)

A returned check handling charge of \$16.25 is made for each check returned to the Company for any reason.

9004 Delinquent Notification Charge (Residential & Commercial)

A charge of \$4.75 shall be made for each trip by a Company employee to a customer's residence or place of business when there is an amount owed to the Company that is past due. This charge shall not be made when the trip is required for safety investigations or when gas service has been temporarily interrupted because of system outage or service work done by Company.

9005 Main Line Extension Rate (Residential & Commercial)

The charge for extending mains beyond the free limit established by Franchise for residential and commercial customers shall be based on the actual cost per foot of the extension.

RATE SCHEDULE:	Miscellaneous Service Charges	Nos. 9001 thru 9007
APPLICABLE TO:	As Referenced	REVISION: 0
EFFECTIVE DATE:	As Referenced	PAGE: 2 OF 2

9006 Charge for Installing and Maintaining and Excess Flow Valve

(Residential)

A customer may request the installation of an excess flow valve on a new service line or on a service line being replaced provided that the service line will serve a single residence and operate continuously throughout the year at a pressure of not less than 10 psig. The customer will pay the actual cost incurred to install the excess flow valve. That cost will include the cost of the excess flow valve, the labor cost required to install the excess flow valve, and other associated costs. The estimated total cost to install an excess flow valve is \$50.00. This cost is based on installing the excess flow valve at the same time a service line is installed or replaced. The excess flow valve will be installed on the service line upstream of the customer's meter and as near as practical to the main.

A customer requiring maintenance, repair, or replacement of an excess flow valve will be required to pay the actual cost of locating and repairing or replacing the excess flow valve. The cost to perform this service will normally range from \$200.00 to \$2,000.00, depending on the amount of work required. This cost will be determined on an individual project basis.

This tariff is being filed in accordance with the U.S. Department of Transportation rule requiring the installation of an excess flow valve, if requested by a customer, on new or replaced service lines that operate continuously throughout the year at a pressure of not less than 10 psig and that serve a single residence. The rule further states that the customer will bear all costs of installing and maintaining the excess flow valve.

9007 Recovery of Connection Costs Associated with Certain Stand-By Gas Generators

(Commercial)

Commercial customers installing stand-by gas generators to provide service in the event of an interruption in electric service in facilities where gas service is not otherwise provided will reimburse TXU Gas Distribution for the actual cost of acquiring and installing the regulator, service line, and meter required to provide gas service for the stand-by generators. Gas service provided for the stand-by generators will be billed at the applicable commercial rate.

RIDER:	Surcharges	No. 4116
APPLICABLE TO:	NW Metro/Mid Cities Distribution System	REVISION: 0 DATE: 07/20/01
EFFECTIVE DATE:	07/20/01	PAGE: 1 OF 1

SURCHARGES

Rate Case Expense Surcharge Rider:

TXU Gas Distribution is authorized to recover the current rate case expense through a surcharge designed for a six-month nominal recovery period. The surcharge per Mcf will be calculated by dividing the rate case expense to be recovered by one-half of the adjusted annual sales volume to residential, commercial, Industrial Sales, and Industrial Transportation customers. TXU Gas Distribution will provide monthly status reports to the City to account for the collection of rate case expense. The surcharge for the company's rate case expenses shall be pro-rated over the system as a whole. The cities rate case expenses shall be pro-rated among the cities who hired outside consultants and/or attorneys to represent them in this case.

Other Surcharges:

TXU Gas Distribution will recover other surcharges as authorized by the relevant municipality, the Railroad Commission of Texas or the Texas Utilities Code.