

## DocuSign Transmittal Coversheet

FILE	6795
File Name	LUMINANT NATURAL GAS-CNG
Purchasing Contact	Crystal westbrook
Contract Expiration	NA



## City of Denton

City Hall  
215 E. McKinney Street  
Denton, Texas  
www.cityofdenton.com

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### INFORMATION SHEET

**DEPARTMENT:** Procurement & Compliance

**DATE:** August 20, 2020

**SUBJECT**

Consider adoption of an ordinance of the City of Denton, a Texas Home-Rule Municipal Corporation, approving the amendment to increase the expenditure of ordinance 19-1652 contract 6795 to Luminant Energy Company, LLC for the purchase of natural gas for use in the Solid Waste Department's CNG Fuel Pumps; in accordance with Texas Local Government Code 252.022, which provides an exemption from competitive bidding for this purchase; and providing an effective date (File 6795 - awarded to Luminant Energy Company, LLC, by \$49,500 for a total not-to-exceed amount of \$174,500).

**BACKGROUND**

The City of Denton operates a significant fleet of CNG fuel collection vehicles to provide solid waste and recycling services to its residents and businesses. In April 2018, the City of Denton commissioned its CNG fueling facility at the City of Denton Landfill resulting in the necessity to contract with a third party to supply natural gas to the station. Natural gas is supplied to the open market under one of two scenarios; using a fixed price scenario based on the spot market the date the purchase agreement is signed and a dynamic model basing the commodity price on the spot market at the time the CNG is pumped/delivered. Because of the City's relatively low volume CNG demands and the need to ensure fixed pricing, we elected to accept fixed-price proposal to avoid the staff time required to monitor the commodity market and to apply budgeting predictability. Luminant Energy Company, LLC, is the only supplier that will contract with the City of Denton using the fixed cost model.

A request for City Manager Approval of Purchase was approved on April 13, 2018 in a not to exceed amount of \$50,000. The City's Current ordinance provides the City Manager the authority to contract with Luminant Energy Company, LLC, by \$75,000 for a total not to exceed amount of \$125,000 worth of Compressed Natural Gas (CNG) for fueling City of Denton Fleet Vehicles. On July 23, 2019, Council approved the contract for the purchase of Natural Gas for use in the Solid Waste Department's CNG Fuel Pumps (Ordinance 19-1652).

In accordance with Texas Local Government Code 252.022, the procurement of items necessary to preserve or protect the public health or safety of the municipality's residents need not be submitted to competitive bids and this Section has been construed to cover solid waste collection, hauling and disposal. *See Browning-Ferris, Inc. v. City of Leon Valley, 590 S.W.2d 729 (Tex. App.-SAT 1979), reh. denied*; Texas Atty. Gen. Op. No. JC-0281 (2000).

**RECOMMENDATION**

Add additional funding to the contract with Luminant Energy Company, LLC. for natural gas at the Solid Waste Department's CNG Fuel Pumps, by \$49,500 for total not to exceed amount of \$174,500.

**ESTIMATED SCHEDULE OF PROJECT**

Providing this authority will ensure the ability to acquire CNG for the City of Denton Solid Waste and Recycling Fleet for approximately 12 months.

**FISCAL INFORMATION**

These services will be funded from Solid Waste account-660800.7842 on an as-needed basis.

**EXHIBITS**

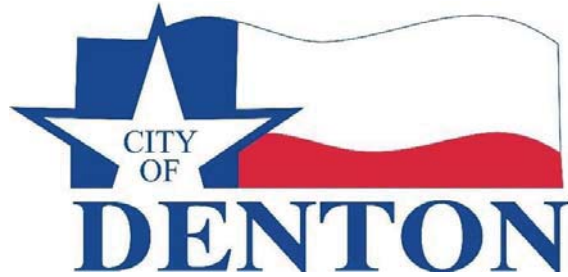
Exhibit 1: CMA Approval

Exhibit 2: Ordinance 19-1652

Respectfully:  
Crystal Westbrook  
Procurement and Compliance

DocuSigned by:  
*Crystal Westbrook*  
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8/20/2020



## DocuSign City Manager Approval Transmittal Coversheet

File	6795
File Name	Luminant Gas Supply Agreement
Purchasing Contact	Rebecca Hunter
Contract Value	\$50,000
Piggy Back Option	no
Contract Expiration	n/a

## Request for City Manager Approval of Purchase

**DATE:** April 13, 2018 Questions concerning this acquisition may be directed to Ethan Cox 940 349-7421.

**DEPARTMENT:** Materials Management

**ACM:** Bryan Langley

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### **SUBJECT**

Approve an agreement with Luminant Energy for the purchase of natural gas for use in the Solid Waste department's CNG fuel pumps in a not to exceed amount of \$50,000. (File 6795)

### **FILE INFORMATION**

In 2016 the Public Utilities Board (PUB) and City Council approved a design build contract with Zeit Energy LLC for the construction of a Compressed Natural Gas (CNG) fueling station at 1251 South Mayhill Road. Beginning in July 2017, the PUB and Council received a series of reports regarding the status of Solid Waste's CNG fleet and the costs associated with the department's adoption of this fuel platform. At the conclusion of these discussions, both PUB and Council directed staff to proceed with the construction of the CNG fueling station.

Construction of the CNG fueling station is complete, and a gas transportation agreement with Atmos Pipeline was approved by Council on February 20, 2018. To supply natural gas to the station, staff is recommending approval of the attached natural gas purchase agreement with Luminant Energy. Staff requested and received proposals from 5 firms for the purchase of natural gas. Because of the department's relatively low volume demands, we elected to accept Luminant's fixed price proposal in order to avoid the staff time required to monitor the commodity market.

The purchase prices for gas under this agreement is \$2.60 per MMBtu, or \$0.33 per diesel gallon equivalent (DGE).

When combined with the costs associated with gas transportation, staff estimates total per gallon costs to range from \$0.45 to \$0.65 based on historical market prices. Using these assumptions, staff projects annual fuel savings to be over \$400,000 when compared to the department's current CNG fueling agreement.

### **RECOMMENDATION**

Staff recommends an agreement between the City of Denton and Luminant Energy.

### **BASIS FOR SELECTION**

Solid Waste requested proposals from Luminant Energy, General Land Office, Fowler Energy, Constellation, and Center Point Energy. Of those firms, Luminant Energy's proposal provides staff with a short term fixed price solution. Staff will evaluate the financial impact of this approach over the next six (6) months before recommending an annual agreement for FY 2018-19.

**PRINCIPAL PLACE OF BUSINESS**

Luminant Energy  
1601 Bryan Street  
Dallas, TX 75201

**ESTIMATED SCHEDULE OF PROJECT**

Project Start – April 12, 2018

**CONTRACT ADMINISTRATOR**

Ethan Cox, Director of Solid Waste

**FISCAL INFORMATION**

JDE account – 660800.7842

- Exhibit 1: Agreement & Proposal
- Exhibit 2: Evaluation Sheet
- Exhibit 3: Limited Agency Authorization

**Requested by:**

Ethan Cox, 349-7421

Requisition# 138209

Respectfully submitted:

DocuSigned by:  
*Karen E. Smith*  
E9685D3C280A4B8... \_\_\_\_\_  
Purchasing

Expenditure Approved:

DocuSigned by:  
*Todd Hileman*  
E778C711BA0D454... \_\_\_\_\_  
City Manager or Designate

4/13/2018

\_\_\_\_\_  
Date

Exhibit 1

Master Natural Gas Sales Agreement

Agreement #M2313

This Master Natural Gas Sales Agreement ("Master Agreement" or "Agreement") is made and entered into as of April 13, 2018 ("Effective Date"), between Luminant Energy Company LLC ("Seller"), a Texas limited liability company, and the City of Denton, Texas, a Texas home-rule municipal corporation ("Buyer"), a political subdivision of the State of Texas. This Master Agreement, together with the Terms & Conditions set forth below and contained in any applicable Confirmation, will constitute a legally binding agreement between the Parties with respect to a Transaction. Seller and Buyer are hereafter sometimes referred to individually as a "Party" and collectively as the "Parties."

IN WITNESS HEREOF, the Parties hereto have executed this Master Agreement effective as of the Effective Date.

Luminant Energy Company LLC

City of Denton, Texas

By: \_\_\_\_\_  
Name: Claudia Morrow  
Title: Vice President

DocuSigned by:  
By: Todd Hileman  
Name: Todd Hileman  
Title: City Manager

DocuSigned by:  
Attest: Jennifer Walters  
City Secretary  
Jennifer Walters

Approved as to Legal Form  
City Attorney  
Aaron Leal [Signature]  
4/2/18

For Notices and Confirmation

For Notices and Confirmation

Luminant Energy Company LLC  
6555 Sierra Drive  
Irving, TX 75039  
Attn: Bill Rankin  
Telephone: (214) 875-9215  
Facsimile: (214) 875-9066

City of Denton, Texas  
Solid Waste Department  
1527 South Mayhill Rd.  
Denton, TX 76208

Telephone: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

For Billing and Payment

For Billing and Payment

See Applicable Confirmation

Same as above

For Operations

For Operations

Luminant Energy Company LLC  
6555 Sierra Drive  
Irving, TX 75039  
Attn: Rick Bradley  
Telephone: 214-875-9730  
Facsimile: 214-875-9050

Attn: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

TERMS AND CONDITIONS

1. Definitions

The following definitions will apply hereunder:

1.1 "Business Day" means any day on which Federal Reserve member banks in New York City are open for business.

1.2 "Confirmation" means a written notice setting forth the specific terms of a Transaction substantially in the form set forth as Exhibit "A." In the absence of a Confirmation that is executed by both Parties or a Confirmation deemed conclusive pursuant to the provisions of Section

2.1 a Voice Recording setting forth the specific terms of the Transaction will be considered the Confirmation for the purposes of this Agreement.

1.3 "Day" means a period coextensive with a day as defined by a Transporter utilized by Seller hereunder.

1.4 "Daily Quantity" means the applicable Monthly Quantity divided by the number of Days in such Month.

1.5 "Gas" means any mixture of hydrocarbons and non-combustible gases in a gaseous state consisting primarily of methane; provided that such Gas meets

the quality specifications of the applicable Transporter.

1.6 "Interest Rate" means the lower of (i) the then effective interest rate under the heading "Prime Rate" in the table entitled "Money Rates" as published by *The Wall Street Journal*, plus three percent (3%) per annum, or (ii) the maximum applicable lawful interest rate.

1.7 "Market Value" means the price that Seller would reasonably be able to obtain from a bona fide third party if entering into a contract at such time to sell the applicable quantities.

1.8 "MMBtu" means one million British Thermal Units.

1.9 "Month" means the period beginning on the first day of a calendar month and ending immediately prior to the commencement of the first day of the next calendar month.

1.10 "Monthly Quantity(ies)" means those quantities for a particular Month or Months listed in a Confirmation for any Transaction.

1.11 "Nomination Point" means that point at or downstream from a Receipt Point, as identified in a Confirmation for a Transaction.

1.12 "Operational Flow Order," or any like term, has the meaning given to it in the applicable Transporter's tariff or transportation agreement.

1.13 "Performance Assurance" means security for Buyer's performance of one of the following types, all in form, amount, and substance reasonably acceptable to Seller: (a) a prepayment; (b) a guaranty from a creditworthy third party, as determined in Seller's sole discretion, guarantying all of Buyer's obligations described in this Agreement; (c) a standby irrevocable letter of credit; or (d) other acceptable collateral as mutually agreed to by the Parties.

1.14 "Period of Daily Balance," "Daily Imbalance," or any like term has the meaning given to it in the applicable Transporter's tariff or transportation agreement.

1.15 "Period of Delivery" means the period of time measured from the date deliveries are to commence under a Transaction through the date deliveries are to terminate, as specified in a Confirmation.

1.16 "Price" means the price for Gas listed in a Confirmation for any Transaction.

1.17 "Quantity" means the total of all Monthly Quantities listed in a Confirmation for any Transaction.

1.18 "Receipt Point" is that point identified in a Confirmation as the Receipt Point for a Transaction and is at or upstream of the Nomination Point.

1.19 "Seller's Exposure" means, for any date for which Seller's Exposure is calculated, the Termination Payment that would be payable to Seller, if any, pursuant to this Agreement if Seller was terminating this Agreement pursuant to Section 8.2 hereof.

1.20 "Threshold" means ten percent (10%) of the total remaining revenue Seller is to obtain under all Transactions under this Agreement as of the date for which Seller's Exposure is calculated, utilizing the remaining quantities set forth in the Confirmation(s) through the end of the Period(s) of Delivery.

1.21 "Transaction" means a purchase and sale of Gas pursuant to the terms and provisions of a Confirmation and the terms and provisions of this Master Agreement.

1.22 "Transporter(s)" means the natural gas pipeline company or companies, or local distribution company, delivering and receiving Gas pursuant to a particular Transaction.

1.23 "Voice Recording" means a recording made by Seller of a telephone conversation between Seller and Buyer.

## 2. Agreement and Confirmation

2.1 The Parties may from time to time come to an agreement regarding a Transaction. Seller will communicate the terms of the Transaction to Buyer by sending a Confirmation to Buyer. Buyer will reconfirm and signify its acceptance of the Transaction by signing and returning the Confirmation by facsimile transmission by the close of the second Business Day following Buyer's receipt of Seller's Confirmation. If Buyer does not agree with the Confirmation, Buyer shall promptly notify Seller of the specific terms or provisions that it considers to be in error. The Parties will cooperate to correct any error in a timely manner. Seller will issue a corrected Confirmation if the Parties agree that one is necessary, and in such event Buyer will signify its acceptance as provided in this Section 2.1. **ABSENT AN OBVIOUS ERROR, SELLER'S CONFIRMATION WILL BE DEEMED CONCLUSIVE, AND WILL BIND BUYER AND SELLER, IF NOT OBJECTED TO BY THE END OF THE SECOND BUSINESS DAY FOLLOWING BUYER'S RECEIPT OF THE CONFIRMATION.** Executed facsimile copies of a Confirmation will constitute an original signed document for all purposes. If Buyer returns a Confirmation to Seller with additional

provisions that were not contained in the Confirmation transmitted to Buyer, such provisions will have no force and effect unless Seller specifically agrees in writing to such additional provisions. In the event of conflict among the terms of (i) an executed Confirmation, (ii) a Confirmation deemed conclusive pursuant to the terms and provisions of this Section 2.1, (iii) the Master Agreement, and (iv) a Voice Recording, the terms of the document (or Voice Recording) shall govern in priority listed in this sentence.

2.2 By execution of this Master Agreement, the Parties consent to the recording of telephone conversations. In the absence of a Confirmation that is binding due to its execution by both Parties, or a Confirmation deemed conclusive pursuant to the provisions of Section 2.1, Voice Recording is adopted by the Parties as a means by which a Transaction is reduced to tangible form. The Parties agree and do hereby waive any objections to the validity or enforceability of telephonic Transactions, through use of a Voice Recording entered into in accordance with this Master Agreement based upon: (a) whether certain agreements are to be in writing or signed by the party bound thereby; or (b) the admissibility of the terms of a Transaction into evidence in any dispute between the Parties under the applicable rules of evidence. The Parties agree that (i) each waives any further notice of such recording, and agrees to notify its officers and employees of such recording, and (ii) each will obtain any necessary consent of such officers and employees.

## 3. Quantity and Delivery

3.1 For each Transaction, Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the applicable Monthly Quantity during each Month, and during the term thereof the Quantity, at the Point(s) and at the Price, each as listed in the Confirmation and in accordance with the terms of the Agreement. Buyer will use commercially reasonable efforts to purchase and receive Gas, on a ratable daily basis, in quantities that are as close to the Daily Quantity as reasonably practicable, but in no event at rates in excess of the maximum daily and hourly quantities allowed by Transporter. In the event Buyer receives and takes delivery of quantities of Gas in any Month that exceed the applicable Monthly Quantity listed in the Confirmation, Buyer will pay Seller for each MMBtu of such additional quantities supplied by Seller (in addition to any transportation, demand, or any other charges of any kind and all other applicable charges and costs under this Agreement, including, but not limited to the applicable charges set forth in Section 3.2) (the "Tolerance Costs"), the retail market value of the additional quantities of Gas supplied by Seller. In the event Buyer receives and takes delivery of quantities of Gas in any Month that are less than the applicable Monthly Quantity listed in the Confirmation, and provided that such reduced receipts are not the result of a Force Majeure Event, Seller will endeavor in good faith to resell such quantities and (i) should the resale price of such quantities exceed the Price, Seller will credit Buyer for such gains, minus all reasonable costs incurred by Seller as a result of such reduced receipts, including, without limitation, all Tolerance Costs, including, but not limited to the applicable charges set forth in Section 3.2; and (ii) should the Price exceed the resale price of such quantities, Buyer agrees to reimburse Seller for such losses, plus all reasonable costs incurred by Seller as a result of such reduced receipts, including, without limitation, all Tolerance Costs, including, but not limited to the applicable charges set forth in Section 3.2. Seller will use reasonable commercial efforts to minimize any costs resulting from Buyer's consumption exceeding or falling below the applicable Monthly Quantity. Notwithstanding anything hereinabove to the contrary, during the term of any Period of Daily Balance, Operational Flow Order, or other like circumstance declared by any Transporter utilized for any Transaction, Seller will use commercially reasonable efforts to secure any additional quantities of Gas requested by such Transporter, and all such additional quantities purchased by Buyer in excess of the Daily Quantity, will be billed to Buyer as the first quantities through the meter that Day, at a cost equal to the retail market value of the additional quantities of Gas, plus all transportation, demand, or any other charges of any kind and all other applicable charges and costs under this Agreement, including, but not limited to the applicable charges set forth in Section 3.2. Likewise, during any such period of Daily Balance, Operational Flow Order or other like circumstance declared by any Transporter utilized for any Transaction, Seller will use commercially reasonable efforts to liquidate any excess quantities of Gas as requested by such Transporter and all such excess Quantities, as compared to the Daily Quantity, will be resold that day and credited to Buyer at the resale price less Tolerance Costs and any applicable charges as set forth in Section 3.2. If Seller provides additional quantities or liquidates excess quantities during any OFO or like event on behalf of Buyer, Seller's invoice shall reflect both the quantity and price for each such individual event and will debit or credit Buyer accordingly. Nothing contained in this Section 3.1 will preclude the Parties from including in a Confirmation a different methodology for calculating any of the above payments, and in such event, the

methodology set forth in the applicable Confirmation will be used in place of the foregoing.

3.2 Buyer shall communicate to Seller changes in the quantities of Gas it will receive and take delivery of that differ from the Daily Quantity and the Monthly Quantity in the applicable Confirmation (and authorize Seller to utilize an electronic measurement service supported by Transporter), in a commercially reasonable manner, as soon as possible, in order for Seller to attempt to acquire or reduce, on Buyer's behalf, the necessary transportation capacity and Gas supply, and to make the appropriate nomination changes with any applicable Transporter in a timely manner. Subject to the provisions of Section 3.1 and the other provisions of this Agreement, Seller will use reasonable efforts to accommodate Buyer's changes in the quantities of Gas it will receive and take delivery of that differ from the Daily Quantity and the Monthly Quantity in the applicable Confirmation, but Seller will have no liability for its failure or inability to accommodate Buyer's changes in such quantities. All such communications by Buyer must be made in writing in accordance with Section 7.1. Buyer shall reimburse Seller pursuant to the terms of Section 6 for: (i) all pooling penalties, cash-out costs, transportation penalties, balancing fees, gas acquisition costs, or any other charges of any kind imposed on Seller as a result of such changes in the quantities of Gas Buyer elects to receive and take delivery of, or (ii) any amounts due Seller as a result of Buyer's failure to take the applicable Monthly Quantity or Quantity, as set forth in the applicable Confirmation.

3.3 If a Transporter restates a delivery quantity for a previous Day or Month (a "prior period adjustment" or "PPA"), an equivalent increase or decrease in quantities shall be transacted between Buyer and Seller in the time period (e.g., the current Month and/or future Months) as allowed by the Transporter. With regard to an under-delivery PPA imbalance, Seller shall sell and Buyer shall purchase the necessary additional PPA quantities at a price equal to the retail market value for the period during which such quantities are nominated to satisfy Transporter's PPA balancing requirements. With regard to an over-delivery PPA imbalance, Seller shall credit Buyer for any excess Gas quantities at the resale price for the period during which those quantities are liquidated in order to satisfy Transporter's PPA balancing requirements.

3.4 Seller shall obtain, or as between the Parties be responsible for, transportation to the Receipt Point. Seller shall be responsible for all transportation fees, expenses, and other charges before the Receipt Point. Shipper, as designated by the parties on the Confirmation, shall obtain transportation from the Receipt Point. Buyer shall be responsible, either directly or by reimbursement to Seller, for all transportation fees, expenses, and other charges at and after the Receipt Point. In the event the Buyer is designated as Shipper to provide transportation downstream of the Receipt Point, Buyer hereby appoints Seller to act on behalf of Buyer as Buyer's agent to nominate and schedule such transportation deliveries for Buyer.

3.5 Notwithstanding anything contained herein to the contrary, if either Party causes an imbalance on a Transporter and, as a result, charges, cash-out costs, balancing fees, pooling penalties, transportation penalties, or any other penalties or costs of any kind are assessed by a Transporter, or a Party incurs losses in purchasing or reselling any imbalance quantities, the Party that caused such imbalance shall be responsible for and shall, to the extent allowed by applicable law, indemnify the other Party against any and all such charges, fees, costs, penalties, or losses. Such charges, fees, costs, penalties, or losses shall be paid in accordance with the terms of Section 6. The Parties shall notify each other as soon as practicable of (i) any failure by a Party to deliver or receive Gas in accordance with this Agreement, and (ii) any notification by a Transporter of any imbalances that are occurring or that have occurred.

3.6 In the event Buyer closes or sells, leases, assigns, or otherwise conveys (by merger or other means) any facility in which the Gas sold hereunder is utilized, Buyer shall have the right to reduce the quantities of Gas attributable to that facility and included in the Monthly Quantity and Quantity (and correspondingly in the Daily Quantity), as set forth in any Confirmation, through the end of the Period of Delivery for any Transaction, without terminating this Agreement (such right referred to as a "Buyout Option"). The reduction in quantities in the amounts and over the time period identified in the prior sentence is referred to herein

as the "Liquidated Quantities." If Buyer elects to exercise a Buyout Option, Buyer shall notify Seller in writing at least thirty (30) calendar days prior to the effective date of such Buyout Option or as soon as Buyer is able to make public such information, whichever occurs first. Upon the exercise of a Buyout Option by Buyer:

(a) In the event a lessee or a new owner of the applicable facility (i) is deemed creditworthy by Seller; (ii) can legally enter into such a contract with Seller in accordance with all the statutes, rules, and regulations of all governmental and regulatory bodies with jurisdiction over the matter; and (iii) signs a new contract with Seller for the Liquidated Quantities upon the same terms and conditions as Buyer's contract, then Exhibit "A" will be modified to reflect the reduction of the Liquidated Quantities from the Monthly Quantity(ies) and the Quantity (and correspondingly from the Daily Quantity), but all other terms and conditions of the Agreement will remain in full force in effect, and neither Party will owe any compensation to the other.

(b) In the event of (i) a closing of a facility, or (ii) a lessee or a new owner of the applicable facility (a) is reasonably not deemed creditworthy by Seller, (b) cannot legally enter into such a contract with Seller in accordance with all the statutes, rules, and regulations of all governmental and regulatory bodies with jurisdiction over the matter, or (c) does not sign a new contract with Seller for the Liquidated Quantities upon the same terms and conditions as Buyer's contract, then Buyer shall pay Seller an amount equal to the positive difference, if any, calculated as follows: the Liquidated Quantities multiplied by (the Price minus 95% of the Market Value of such Liquidated Quantities). Seller shall calculate the total payment due under this Section 3.5, if any, including Seller's costs to unwind or liquidate any related forward positions, financial hedges, including, but not limited to, NYMEX Gas futures contracts, energy swap contracts, or other like contractual arrangements, if any, and all of Seller's reasonable costs and attorney's fees, related to the Liquidated Quantities. Buyer shall pay such amount, if any, within ten (10) Days of receipt of an invoice for such amount. In such event, Exhibit "A" will be modified to reflect the reduction of the Liquidated Quantities from the Monthly Quantity(ies) and the Quantity (and correspondingly from the Daily Quantity), but all other terms and conditions of the Agreement will remain in full force and effect.

3.7 All Gas received and delivered hereunder must meet the pressure, quality, and heat content requirements of the applicable Transporter. The unit of quantity measurement for purposes of this Agreement is one MMBtu. Measurement of Gas quantities hereunder will be in accordance with the established procedures of the applicable Transporter.

#### 4. Title and Liability

4.1 Title to, possession of, and risk of loss of Gas will pass from Seller to Buyer at the point set forth in the Confirmation.

4.2 As between the Parties, Seller will be deemed to be in exclusive control and possession of the Gas and responsible and liable for any damage or injury associated with its possession before the Gas has been delivered to the Nomination Point. As between the Parties, Buyer will be deemed to be in exclusive control and possession of the Gas and responsible for any injury or damage associated with its possession at and after the Nomination Point.

#### 5. Warranties

5.1 Seller warrants that Seller has good title to all Gas delivered under this Agreement, or that Seller has the right to sell the Gas to Buyer, and that the Gas will be free from all royalties, liens, encumbrances, and all applicable taxes that are imposed upon the severance, production, or transportation of Gas prior to passage of title.

5.2 EXCEPT AS EXPRESSLY SET FORTH HEREIN, SELLER EXPRESSLY DISCLAIMS AND BUYER HEREBY WAIVES ALL REPRESENTATIONS AND WARRANTIES RELATING TO OR ARISING FROM THIS AGREEMENT INCLUDING DELIVERY OF THE GAS, WHETHER WRITTEN OR ORAL, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY WITH RESPECT TO CONFORMITY TO MODELS OR SAMPLES, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE.

#### 6. Billing and Payment

6.1 For each billing cycle during which Gas is delivered, Seller shall send a written billing statement to Buyer showing the quantity of Gas delivered, the Price, and the total amount due from Buyer hereunder including any amounts resulting from an Operational Flow Order or Period of Daily Balance as set forth in

Section 3.1, and including, but not limited to, payments for any and all applicable taxes, costs, and any other payments or reimbursements arising hereunder, including any payments set forth in Section 3. If Gas delivery information is not available at the time the billing statement is rendered, the Parties agree that Seller may bill, and Buyer will pay, based on commercially reasonable estimates of the quantity of Gas purchased by Buyer (including any amounts resulting from an Operational Flow Order or Period of Daily Balance as set forth in Section 3.1), and any differences between the estimate and actual quantities purchased will be reconciled and adjusted on a subsequent billing statement. Buyer shall deliver to Seller the amount due by check, wire transfer, or electronic funds transfer pursuant to Seller's instructions by the tenth (10<sup>th</sup>) calendar day after the billing statement is received. If the due date for any payment to be made is not a Business Day, payment is due on the first Business Day following that date.

6.2 If any portion of a billing statement is in dispute, the entire amount of the billing statement must be paid when due. Buyer shall provide Seller formal written notice of the amount in dispute and a detailed description of the specific basis of the dispute by the payment due date. Upon determination of the correct amount, any refund due Buyer shall be promptly credited to Buyer after such determination. If Buyer fails to remit full payment when due: (1) Seller may suspend performance under this Agreement until such sum has been paid in full; (2) interest on the unpaid portion will accrue from the date due until the date of payment at the Interest Rate; (3) Seller may declare a Triggering Event if such failure is not cured within five (5) Business Days of notice of such failure; and/or (4) Seller may exercise any remedy available under this Agreement, at law, or in equity to enforce Buyer's payment obligations.

## 7. Notices

7.1 All notices required or permitted under this Agreement shall be in writing and shall be deemed to be delivered when delivered personally, by courier, by telefax or telecopier if received during normal business hours, or by mail if properly addressed and deposited in the United States mail, first class postage prepaid, to the applicable address shown on the first page of this Agreement or to such address as either party may from time to time designate as the address for such purpose by like notice addressed to the other party by giving written notice to the other Party.

## 8. Events of Default

8.1 "Triggering Event" means: (i) Buyer's failure to make, when due, any payment required under this Agreement or to perform any other covenant set forth herein, if such failure is not remedied within five (5) Business Days after written notice of such failure is given to Buyer; (ii) any representation or warranty of Buyer in this Agreement that proves to have been false or misleading in any material respect when made or deemed to be repeated; (iii) either Party (a) makes an assignment or any general arrangement for the benefit of creditors, (b) files a petition or otherwise commences, authorizes, or acquiesces in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors, or has such petition filed against it and such proceeding remains undismissed for thirty (30) Days, (c) otherwise becomes bankrupt or insolvent (however evidenced), (d) becomes unable to pay its debts as they fall due; or (e) has a liquidator, administrator, receiver, trustee, conservator, or similar official appointed with respect to it or any substantial portion of its property or assets; (iv) Buyer fails to provide Performance Assurance within two (2) Business Days of a request therefor by Seller; (v) either Party transfers this Agreement in violation of Section 14.3; (vi) if Buyer enters into an agreement to purchase Gas from another supplier for the facilities that are listed in a Confirmation for any then current Transaction; or (vii) the cancellation, termination, or loss of a transportation contract utilized in a Transaction (that is not timely replaced) that is the result of the Defaulting Party's agreement or intentional or negligent action or omission. "Defaulting Party" means the Party that causes a Triggering Event to occur.

8.2 If a Triggering Event occurs, then the Non-Defaulting Party may, upon five (5) Days written notice to the Defaulting Party: (i) suspend performance hereunder until the Triggering Event is remedied; (ii) withhold any payments then due; and/or (iii) establish a date on which all Transactions will terminate ("Early Termination Date"). If an Early

Termination Date is established pursuant to this Section 8.2, then Seller shall in good faith calculate the amount owed hereunder, if any, for each Transaction (the "Termination Amount"), by comparing the difference between (a) the remaining amount of the Quantity that has not been purchased by Buyer (the "Terminated Quantities") multiplied by the Price, and (b) the Market Value of such Terminated Quantities. If Buyer is the Defaulting Party, and the amount calculated in (a) above is greater than the amount calculated in (b) above, then Buyer shall pay the Termination Amount (the difference between (a) above and (b) above) to Seller. If Seller is the Defaulting Party, and the amount calculated in (a) above is less than the amount calculated in (b) above, then Seller shall pay the Termination Amount (the difference between (b) above and (a) above) to Buyer. Seller shall calculate the total payment due under this Section 8.2 (the "Termination Payment"), if any, by netting all Termination Amounts and adding the Non-Defaulting Party's costs to unwind or liquidate any related forward positions, financial hedges, including, but not limited to, NYMEX Gas futures contracts, energy swap contracts, or other like contractual arrangements, if any, and all of the Non-Defaulting Party's reasonable costs and attorney's fees, related to the terminated Transactions. The Defaulting Party shall pay any Termination Payment within ten (10) Days of receiving notice of the amount of the Termination Payment. At the time for payment of any Termination Payment, the Defaulting Party shall pay to the Non-Defaulting Party all additional amounts payable by it pursuant to this Agreement, but all such amounts shall be netted and aggregated with any Termination Payment payable hereunder. Seller may also, at its option, set off any cash or other form of security posted by Buyer then available to Seller.

8.3 Seller's rights under this Section 8 are in addition to, and not in limitation or exclusion of any other rights it may have (whether by contract, operation of law, or otherwise). The Parties agree that a Transaction will constitute a "forward contract" and the Parties are "forward contract merchants" within the meaning of the United States Bankruptcy Code.

8.4 If a Termination Payment is calculated under this Section 8, Seller may set off any or all amounts that Buyer owes to Seller (whether under this Agreement or otherwise and whether or not then due and payable) against any or all amounts Seller owes to Buyer (whether under this Agreement or under any other agreements between the Parties and whether or not then due and payable) provided that any amount not then due and payable that is included in such set off will be discounted to present value at the time of set off (taking into account the period between the date of set off and the date on which such amount would have otherwise been due and payable).

## 9. Credit Assurance

9.1 Seller may require Buyer to provide an initial Performance Assurance as specified in any Confirmation(s), and Seller shall have no obligation to deliver Gas under any Transaction until Buyer delivers the required initial Performance Assurance. If an initial Performance Assurance is not required, it will be so stated in the Confirmation, but that will not in any way prevent Seller from demanding Performance Assurance at a later date in accordance with Section 9.2 below.

9.2 If: (i) Seller in its sole good faith opinion determines that there has been a material adverse change in Buyer's, Buyer's parent's, or Buyer's credit support provider's credit status or financial condition; (ii) Buyer becomes more than forty-five (45) days in arrears in paying its bills hereunder; (iii) during any sixty (60) day period Buyer becomes more than ten (10) days in arrears more than one (1) time; or (iv) for any reason Buyer owes Seller payment for Gas delivered prior to the execution of this Agreement; then Seller may demand Performance Assurance from Buyer or an increase in Performance Assurance previously provided to Seller. Furthermore, if Seller, in its sole good faith opinion, determines that Seller's Exposure exceeds the Threshold, then Seller may demand that Buyer provide Performance Assurance to Seller in an amount equal to the amount by which Seller's Exposure exceeds the Threshold.

9.3 Buyer shall provide to Seller any Performance Assurance demanded pursuant to this Section 9 within two (2) Business Days of a request therefor. If Buyer fails to comply with Seller's demand within such time period, such failure will constitute a Triggering Event. Seller shall return the Performance Assurance to the benefit of Buyer upon the termination of this Agreement, less any amounts owed by Buyer under this Agreement. Furthermore, in the event that Seller demands Performance Assurance from Buyer due to Seller's Exposure exceeding the Threshold, Seller shall return the Performance Assurance to Buyer in the event that Seller's Exposure falls below the Threshold for any consecutive ninety (90) calendar day period after receipt of the Performance Assurance.

## 10. Force Majeure

10.1 Except with regard to a Party's obligation to make payments under this Agreement, in the event either Party fails, wholly or in part, as a result of a Force Majeure Event to carry out its obligations under this Agreement, and such Party (the "Claiming Party") gives, by telephonic notice to the other Party's representatives, if any, designated under the headings "For Notices" and "For Operations" to the address found on the first page of the document, full particulars of such Force Majeure Event to the other Party as soon as reasonably possible after the occurrence of the cause relied on, then the obligations of the Claiming Party, from the inception of the Force Majeure Event, will be suspended to the extent and during the continuance of any failure so caused but for no longer period. Such telephonic notice must be confirmed in writing to the other Party's representatives, if any, designated under the headings "For Notices" and "For Operations" as found on the first page of the document, as soon as reasonably practicable. Any such Force Majeure Event will, so far as possible, be remedied with all reasonable dispatch; provided, however, that the settlement of strikes or lockouts will be entirely within the discretion of the Party having the difficulty and that nothing in this Section 10 will require the settlement of strikes or lockouts by acceding to the terms of the opposing party when such course is inadvisable in the discretion of the Party having the difficulty. The Claiming Party will not be excused from its responsibility for any transportation penalties, transportation fees, transportation imbalance charges, or other similar charges, charged as a result of the declaration of a Force Majeure Event.

10.2 As used herein, the term "Force Majeure Event" means causes or contingencies reasonably beyond the control of, and that could not have been prevented by the exercise of reasonable diligence by the Claiming Party, including but not be limited to the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, tornadoes, hurricanes, storms, floods, washouts, explosions or breakage, accident, or necessity of repairs to lines of pipe necessary to transport or deliver Gas pursuant to any Transaction; (ii) storm or hurricane warnings that result in the evacuation of the affected area; (iii) weather related events affecting an entire geographic region, such as low temperatures, which cause freezing or failure of wells or lines of pipe; (iv) interruption of transportation and/or storage by a Transporter through no fault of the Claiming Party; (v) acts of others such as strikes, lockouts, or other industrial disturbances, civil disturbances, riots, sabotage, terrorism, acts of public enemy, insurrections, arrests, blockades, or wars; (vi) governmental (civil or military) actions, orders, directives, restraints, and requirements such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction, which prevents performance hereunder (excluding those circumstances defined as a Regulatory Event herein); (vii) failure of Seller's supplier to deliver Gas due to such supplier's event of force majeure; and (viii) the inability of a Transporter to accept deliveries of Gas from Seller or redeliver to Buyer, through no fault of the Claiming Party. Neither Party may claim a Force Majeure Event to the extent performance is affected by any or all of the following circumstances: (i) except for sales and purchases of Gas pursuant to a Confirmation for Buyer's facilities located in the State of Texas, the curtailment or interruption of interruptible or secondary firm transportation unless primary, in-path firm transportation is also curtailed; (ii) planned maintenance of such Party's facilities; (iii) the party claiming excuse failing to remedy the condition and resume performance of such covenants or obligations with reasonable dispatch; (iv) economic hardship, to include, without limitation, Seller's ability to sell or Buyer's ability to purchase Gas at a more advantageous price; or (v) the loss of Buyer's markets or Buyer's inability to use or resell Gas purchased hereunder. Notwithstanding the foregoing, a Force Majeure Event will not terminate Buyer's obligation to pay Transporter imposed imbalance penalties which may accrue as the result of Buyer's failure to take deliveries.

## 11. Term

11.1. Subject to the other provisions of this Agreement, the Term of this Agreement will commence on the Effective Date and will continue Month to Month thereafter unless and until terminated by either Party upon thirty (30) Days advance written notice; provided, however, that such termination notice will not be effective until both Parties have

fulfilled all the obligations of the Agreement with respect to all Transactions.

## 12. Taxes

12.1. The Price paid hereunder includes full reimbursement for, and Seller is liable for and shall pay or cause to be paid, or reimburse Buyer if Buyer has paid, all taxes applicable to the Gas sold hereunder before the Receipt Point ("Seller's Taxes"). Seller shall indemnify, defend, and hold harmless Buyer from any liability for Seller's Taxes. The Price does not include reimbursement for, and Buyer is liable for and shall pay or cause to be paid, or reimburse Seller if Seller has paid, all taxes applicable to the Gas sold hereunder at and after the Receipt Point and any new tax or tax increase imposed on either Party after the date the Transaction is entered into, including, but not limited to, any gross receipts taxes ("Buyer's Taxes"). Buyer shall indemnify, defend, and hold Seller harmless from any liability for Buyer's Taxes. Both Parties shall use reasonable efforts to administer, and implement the provisions of, this Agreement in accordance with their intent to minimize taxes.

## 13. Regulatory Events

13.1 "Regulatory Event" means a legislative, regulatory, or judicial decision or rate change that: (i) causes a detrimental economic impact upon either Party with respect to its performance under this Agreement; or (ii) would result in a material change in the pricing under this Agreement in the event of Seller's compliance with such legislative, regulatory, or judicial decision or rate change. A Party that is negatively affected by such Regulatory Event (the "Affected Party"), upon the occurrence of a Regulatory Event, will have the right to notify the other Party at the address specified in the "For Notices" section found on the first page of the document, within thirty (30) Days after becoming aware of such detrimental economic impact or material change, in order to negotiate a modification to the terms of this Agreement so as to mitigate the impact of the Regulatory Event. If, after thirty (30) Days beyond the date of notice, the Parties have been unable to negotiate a mutually satisfactory modification to the terms under this Agreement, the Affected Party may establish, through written notice to the other Party, a date on which all Transactions will terminate ("Early Termination Date"); provided, however, that if such right to Establish an Early Termination Date is not exercised within forty-five (45) calendar days after the date of such notice, then the right to establish an Early Termination Date and terminate this Agreement will be waived with respect to the particular Regulatory Event.

13.2 If an Early Termination Date is established pursuant to Section 13.1, then Seller shall in good faith calculate the amount owed under this Section 13.2 for each Transaction (the "Termination Amount"), by comparing the difference between (a) the remaining amount of the Quantity that has not been purchased by Buyer (the "Terminated Quantities"), multiplied by the Price, and (b) the Market Value of such Terminated Quantities. If the amount calculated in (a) above is greater than the amount calculated in (b) above, then Buyer shall pay Seller the Termination Amount (the difference between (a) above and (b) above), discounted to present value using a commercially reasonable discount rate. If the amount calculated in (a) above is less than the amount calculated in (b) above, then Seller shall pay Buyer the Termination Amount (the difference between (b) above and (a) above), discounted to present value using a commercially reasonable discount rate. Seller shall calculate the total payment due under this Section 13.2 (the "Termination Payment"), if any, by netting all Termination Amounts, including the costs to unwind any related forward positions or financial hedges, including, but not limited to, NYMEX Gas futures contracts, energy swap contracts, or other like contractual arrangements of either Party, if any. The Party owing the Termination Payment shall pay the Termination Payment within ten (10) Days of receiving notice of the amount of the Termination Payment. At the time for payment of any Termination Payment, each Party shall pay to the other Party all additional amounts payable by it pursuant to this Agreement, but all such amounts shall be netted and aggregated with any Termination Payment payable hereunder. Early Termination Date, Termination Amount, Terminated Quantities, and Termination Payment have the meanings as set forth in Section 13.1 and in this Section 13.2.

13.3 If a Termination Payment is calculated under this Section 13, Seller may set off any or all amounts that Buyer owes to Seller (whether under this Agreement or otherwise and whether or not then due and payable) against any or all amounts Seller owes to Buyer (whether under this Agreement or under any other agreements between the Parties and whether or not then due and payable) provided that any amount not then due and payable that is included in such set off will be discounted to present value at the time of set off (taking into account the period between the date of set off and the date on which such amount would have otherwise been due and payable).

**14. Miscellaneous**

14.1 This Agreement is 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.

14.2 No modification or change of this Agreement will be enforceable, except as specifically provided for in this Agreement, unless reduced to writing and executed by both Parties.

14.3 This Agreement, including, without limitation, each indemnification (to the extent each is allowed by applicable law), will inure to and bind the permitted successors and assigns of the Parties. Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent will not be unreasonably withheld or delayed. Notwithstanding the foregoing, Seller may, without Buyer's consent, transfer or assign this Agreement to an affiliate, or to any Gas marketer legally allowed to market and deliver Gas to the Nomination and Receipt Points hereunder.

14.4 No waiver by either Party of any one or more defaults by the other in the performance of any of the provisions of this Agreement will operate or be construed as a waiver of any other default or defaults whether of a like kind or different nature.

14.5 Governing Law and Dispute Resolution. THIS AGREEMENT IS GOVERNED BY AND WILL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF TEXAS OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF TEXAS.

SHOULD A DISPUTE ARISE BETWEEN THE PARTIES UNDER OR RELATING TO ANY CONFIRMATION OR THE TERMS OF THIS AGREEMENT, EACH PARTY AGREES THAT PRIOR TO INITIATING ANY FORMAL PROCEEDING AGAINST THE OTHER (EXCEPT FOR THE SEEKING OF INJUNCTIVE RELIEF AND/OR NON-MONETARY RELIEF), THE PARTIES SHALL RESOLVE ALL DISPUTES AS SET FORTH IN THIS PROVISION.

IF A DISPUTE ARISES BETWEEN THE PARTIES, EITHER PARTY SHALL FIRST SEND WRITTEN NOTICE TO THE NOTICES ADDRESS OF THE OTHER PARTY REQUESTING THAT EACH PARTY DESIGNATE A REPRESENTATIVE WITH AUTHORITY TO RESOLVE THE DISPUTE, BY MEETING IN PERSON IN DALLAS COUNTY, TEXAS OR BY TELEPHONE. THE AUTHORIZED REPRESENTATIVES OF EACH PARTY SHALL MEET WITHIN TEN DAYS OF THE WRITTEN NOTICE TO NEGOTIATE IN GOOD FAITH TO RESOLVE THE DISPUTE.

IF THE AUTHORIZED REPRESENTATIVES ARE UNABLE TO REACH AN AGREEMENT, EACH PARTY AGREES TO SUBMIT THE DISPUTE TO EITHER MEDIATION OR BINDING ARBITRATION AS SET FORTH BELOW.

IF THE AMOUNT IN DISPUTE IS LESS THAN \$1,000,000, THE PARTIES SHALL MEDIATE THE DISPUTE. THE PARTY INITIATING MEDIATION SHALL SEND A WRITTEN NOTICE TO THE ADDRESS DESIGNATED FOR CONTRACTUAL NOTICE WITHIN FIFTEEN DAYS AFTER THE AUTHORIZED REPRESENTATIVE MEETING HAS OCCURRED ("MEDIATION NOTICE"). THE PARTIES SHALL AGREE TO A MEDIATOR WITHIN TEN DAYS OF THE MEDIATION NOTICE. THE MEDIATION SHALL TAKE PLACE WITHIN SIXTY DAYS OF THE MEDIATION NOTICE, IN DALLAS COUNTY, TEXAS. MEDIATION UNDER THIS PROVISION IS A CONDITION PRECEDENT TO FILING A LAWSUIT REGARDING THE DISPUTE.

IF THE AMOUNT IN DISPUTE IS \$1,000,000 OR GREATER, THE PARTIES SHALL SUBMIT THE DISPUTE TO BINDING

ARBITRATION AS FOLLOWS. 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 AGREEMENT OR THE NEGOTIATION OF THIS AGREEMENT, NOT RESOLVED PURSUANT TO THE ABOVE DISPUTE RESOLUTION PROCEDURES, SHALL THEN BE RESOLVED BY BINDING ARBITRATION CONDUCTED UNDER THE AMERICAN ARBITRATION ASSOCIATION ("AAA") COMMERCIAL ARBITRATION RULES. DEMAND FOR ARBITRATION MUST 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. A CASE WILL BE 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). ANY DISCOVERY IN ADVANCE OF THE ARBITRATION HEARINGS SHALL BE CONDUCTED CONSISTENT WITH THE DISCOVERY PERMITTED UNDER THE FEDERAL RULES OF CIVIL PROCEDURE; PROVIDED, HOWEVER, EACH PARTY SHALL BE ENTITLED TO: NO MORE THAN 5 DEPOSITIONS OF NO MORE THAN FIVE (5) HOURS PER SIDE, NO MORE THAN ONE (1) WRITTEN SET OF INTERROGATORIES, AND NO MORE THAN FIFTY (50) REQUESTS FOR PRODUCTION, UNLESS THE MAJORITY OF THE ARBITRATORS GRANT THE PARTIES THE RIGHT TO ADDITIONAL DISCOVERY. THE ARBITRATION PROCEEDINGS AND HEARINGS WILL BE CONDUCTED IN DALLAS, TEXAS OR AT SUCH OTHER PLACE AS MAY BE SELECTED BY MUTUAL AGREEMENT. EACH PARTY SHALL BEAR ITS OWN COSTS AND EXPENSES (INCLUDING ATTORNEY FEES), AS WELL AS AN EQUAL SHARE OF THE ARBITRATORS' AND ADMINISTRATIVE FEES OF ARBITRATION. NO PARTY OR ARBITRATOR(S) MAY DISCLOSE THE EXISTENCE, CONTENT OR RESULTS OF ANY ARBITRATION HEREUNDER WITHOUT THE PRIOR WRITTEN CONSENT OF ALL PARTIES.

14.6 IN NO EVENT WILL EITHER PARTY BE LIABLE FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, CONSEQUENTIAL, INDIRECT, SPECIAL, OR OTHER DAMAGES NOT EXPRESSLY ESTABLISHED IN THIS AGREEMENT IN THE EVENT OF ITS BREACH OR ANY OTHER CLAIM RELATED TO THIS AGREEMENT.

14.7 The headings used for the Sections herein are for convenience and reference purposes only and will in no way affect the meaning or interpretation of the provisions of this Agreement.

14.8 Buyer and Seller agree that this Agreement will be subject to all applicable laws, regulations, rules, and orders. Subject to the other terms and conditions of this Agreement, if any provision in this Agreement is determined to be invalid, void, or unenforceable by any governmental authority having jurisdiction, then such determination will not invalidate, void, or make unenforceable any other provision or covenant in this Agreement.

14.9 The provisions of this Agreement will not impart rights enforceable by any person, firm, or organization not a Party or not bound as a Party, or not a permitted successor or assignee of a Party bound to this Agreement.

14.10 Each Party agrees that no partnership, joint venture, or fiduciary relationship is created by this Agreement.

14.11 Each Party warrants and represents to the other that on the date of this Master Agreement and on each date on which a Transaction is entered into: (i) it is duly organized and validly existing in good standing under the laws of the jurisdiction of its organization, has the power to enter into and perform its obligations under this Master Agreement and each Transaction, and no Triggering Event with respect to it has occurred or is continuing or would occur by its entry into or its performance of its obligations under this Master Agreement and each Transaction; (ii) this Master Agreement and each Transaction constitute a legal, valid, and binding obligation enforceable in accordance with the terms hereof and thereof (except as enforcement may be limited by any law affecting the enforcement of creditors' rights generally and subject, as to enforceability, to equitable principles of general application); (iii)

this Agreement does not conflict with any other contract to which it is bound; (iv) it has obtained all governmental or other consents, authorizations, and clearances that are required to be obtained by it in respect of its entry into and its performance of this Master Agreement and each Transaction, all of those consents are in full force and effect and any conditions have been complied with, and as relates to Buyer, it will provide Seller copies of all such consents, authorizations, and clearances within two (2) Business Days of Seller's request for the same; and (v) the person acting as \_\_\_\_\_ (currently \_\_\_\_\_), is duly authorized to act as Buyer's representative to execute any Confirmation on behalf of Buyer.

14.12 Any provisions of this Agreement that are expressly or by implication to come into or remain in force following the termination or expiration of this Agreement will survive that termination or expiration, including but not limited to any indemnification.

14.13 Seller and Buyer agree to keep all terms and provisions of this Agreement confidential and not to disclose the terms of the same to any third parties; provided, however, each Party will have the right to make such disclosures, if any, to governmental agencies, any Transporter, and to its own employees, agents, affiliates, consultants, attorneys, auditors, accountants, and shareholders as may be reasonably necessary. If disclosure is ordered by a court or regulatory

agency, the Party from whom the disclosure is sought shall immediately notify the other Party to allow it the opportunity to participate in such proceedings.

14.14 This Master Agreement may be signed in counterparts, each of which will constitute an original and together will constitute one and the same agreement.

14.15 In any litigated dispute under this Agreement, the prevailing Party will be entitled to recover from the other Party all reasonable legal costs for outside counsel and all direct out-of-pocket costs associated with the litigation.

14.16 Each Party agrees that the Agreement, as well as any amendments thereto, may be executed by facsimile transfer of an originally signed document, each of which will be as binding on the Party or Parties as an original document. Each Party understands and agrees that such facsimiles shall be deemed to constitute the original of such documents, and that any objections that such facsimiles do not constitute the "best evidence" of the documents, or that such facsimiles do not comply with the "Statute of Frauds," as well as any other similar objections to the validity or admissibility of the document, are hereby expressly waived by the Parties.

14.17 Notwithstanding anything above to the contrary, a "Local Government Addendum" referencing applicable laws, rules, regulations and policies, is attached as Exhibit "A" and incorporated hereto.

"B"

DS  
TH

City of Dayton

Luminant

**SAMPLE FORM -**  
**NOT FOR EXECUTION**

**EXHIBIT "A"**  
**CONFIRMATION TO**

Master Natural Gas Sales Agreement # M----

Confirmation Number: \_\_\_\_\_

Confirmation Date: \_\_\_\_\_

[Buyer]

**Luminant Energy Company LLC**

1601 Bryan Street, Suite 23-063

Dallas, TX 75201

Phone: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Fax: \_\_\_\_\_

Account Representative: \_\_\_\_\_

Marketer: \_\_\_\_\_

Phone: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Fax: \_\_\_\_\_

Monthly Quantities:

Monthly Quantities					
	MMBTU/Month				MMBTU/Month
_____ 201 _____		_____ 201 _____		_____ 201 _____	
_____ 201 _____		_____ 201 _____		_____ 201 _____	
_____ 201 _____		_____ 201 _____		_____ 201 _____	
_____ 201 _____		_____ 201 _____		_____ 201 _____	

Quantity: \_\_\_\_\_ MMBtu

Nomination Point: \_\_\_\_\_

Period of Delivery: \_\_\_\_\_

Receipt Point: \_\_\_\_\_

Initial Performance Assurance required: \$ \_\_\_\_\_

Transporter: \_\_\_\_\_

Price: \$ \_\_\_\_\_ /MMBTu

**Special Provisions:**

Buyer is designated as Shipper as provided in Section 3.3 of the Agreement. In accordance with Section 4.1 of the Agreement, and notwithstanding anything which could be construed to the contrary in Section 3.1, title to, possession of, liability and risk of loss of Gas will pass from Seller to Buyer at the Nomination Point.

If a Transporter restates a delivery quantity for a previous Day or Month (a "prior period adjustment" or "PPA"), an equivalent increase or decrease in quantities shall be transacted between Buyer and Seller in the time period (e.g., the current Month and/or future Months) as allowed by the Transporter. With regard to an under-delivery PPA imbalance, Seller shall sell and Buyer shall purchase the necessary additional PPA quantities at a price equal to the retail market value for the period during which such quantities are nominated to satisfy Transporter's PPA balancing requirements. With regard to an over-delivery PPA imbalance, Seller shall credit Buyer for any excess Gas quantities at the resale price for the period during which those quantities are liquidated in order to satisfy Transporter's PPA balancing requirements.

**Billing and Payment Address:**

Luminant Energy Company LLC  
 Dept 1036  
 P.O. Box 121036  
 Dallas, TX 75312-1036  
 Phone: 214-875-9730  
 Fax: 972-507-0905

**Billing Address:**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Phone: \_\_\_\_\_  
 Fax: \_\_\_\_\_

This Confirmation is being provided in accordance with the Master Natural Gas Sales Agreement ("Master Agreement") between Seller and Buyer, and constitutes part of and is subject to all of the terms and provisions of the Master Agreement. All capitalized terms herein used, but not defined, will have the meanings set forth in the Master Agreement. Please sign and return one copy of the Confirmation to Seller within two (2) Business Days of receipt to the fax number set forth above. **ABSENT AN OBVIOUS ERROR, THIS CONFIRMATION WILL BE DEEMED CONCLUSIVE, AND WILL BIND BUYER AND SELLER, IF NOT OBJECTED TO BY THE END OF THE SECOND BUSINESS DAY FOLLOWING BUYER'S RECEIPT OF THE CONFIRMATION.**

**Luminant Energy Company LLC**

**Customer Name**

**SAMPLE ONLY/NOT FOR SIGNATURE**

\_\_\_\_\_  
 Signature of authorized representative

\_\_\_\_\_  
 Signature of authorized representative

\_\_\_\_\_  
 Name of authorized representative

\_\_\_\_\_  
 Name of authorized representative

\_\_\_\_\_  
 Title of authorized representative

\_\_\_\_\_  
 Title of authorized representative

Exhibit A   
LOCAL GOVERNMENT ADDENDUM TO THE  
MASTER NATURAL GAS SALES AGREEMENT

- I. The following new definitions are hereby added to the Agreement, to be inserted in alphabetical order:

"Code" means Texas Local Government Code, Title 8, Chapter 271, Subchapter I, Sections 271.151 through 271.160.

"Covered Contract" means the "Master Natural Gas Sales Agreement" (the "Agreement") between Buyer and Seller, which is subject to this subchapter, as such phrase is defined in Section 271.151(2) of the Code.

- II. The first sentence of Section 3.4 of the Agreement shall be deleted and replaced as follows:

"Notwithstanding anything contained herein to the contrary, if either Party causes an imbalance on a Transporter and, as a result, charges, cash-out costs, balancing fees, pooling penalties, transportation penalties, or any other penalties or costs of any kind are assessed by a Transporter, or a Party incurs losses in purchasing or liquidating any imbalance quantities, the Party that caused such imbalance shall be fully responsible for and shall hold harmless, to the full extent allowed by law, the other Party against any and all such charges, fees, costs, penalties, or losses."

- III. Section 6.2 of the Agreement shall be deleted in its entirety and replaced with the following:

6.2 Buyer shall notify Seller in writing on or before the due date if Buyer is withholding payment of any disputed portion of an invoice under Article 6, and shall include a list of specific reasons for the dispute; provided, however, that the undisputed portions of the invoice shall remain due and payable on the due date. If Buyer gives such notice of dispute, the Parties shall pursue diligent, good faith efforts to resolve the dispute during the thirty (30) calendar days following Seller's receipt of the notice. Any amount found payable (including interest) shall be paid within fifteen calendar days of the dispute being resolved. If the Parties are unable to resolve the dispute during the thirty (30) day period and it is subsequently determined that Buyer should pay Seller all or part of the disputed amount, Seller may require that Buyer pay interest on such past due amount from the date such payment was originally due until the same is paid. All past due amounts shall accrue interest from the date payment was originally due until the date of payment (including such accrued interest) at a rate equal to the lesser of (i) one percent (1%) above the "Prime Rate" as published on the first business day of July of Buyer's preceding fiscal year that does not fall on a Saturday or Sunday, in the Wall Street Journal under "Money Rates", or an appropriate substitute should such rate cease to be published, or (ii) the highest rate allowed by law.

- IV. Section 6.3 of the Agreement shall be amended by adding the following to the end of the section:

"If Buyer notifies Seller in writing of a justifiable concern regarding the accuracy of an invoice, Seller will make the records in its possession that are reasonably necessary to verify the accuracy of such invoice available to Buyer during normal business hours. It is understood and agreed that such information and records provided under this Section 6.3 constitute Seller's proprietary and confidential information, the release of which could hinder or harm Seller's competitive position; therefore, such information and records are not intended to be public information under the Texas Public Information Act and shall not be released by Buyer, unless otherwise determined by the Texas Attorney General or a court of competent jurisdiction. Nothing in this section will require Buyer to pursue a legal challenge in any court to seek to overturn a ruling by the Texas Attorney General's Office or a court requiring disclosure pursuant to the provisions of the Public Information Statutes, but Buyer shall (i) cooperate and assist Seller if Seller pursues such a challenge and (ii) make no disclosure until, if, and when Seller's challenge is finally denied. All information and records provided hereunder constitute Seller's property and such information, records, and copies thereof, as well as all notes taken therefrom, shall be returned to Seller promptly after the resolution of the concerns regarding the accuracy of the invoice."

- V. The following new Sections 8.5 and 8.6 shall be added to the Agreement as follows:

8.5 The Parties agree that if (i) Buyer is unable to allot or appropriate sufficient funds for Buyer's fiscal year(s) that follow the initial fiscal year of the Period of Delivery of a Transaction in order to continue the purchase of the Contract Quantity of Gas under such Transaction, and (ii) Buyer otherwise has no legally available funds for the purchase of Gas, Buyer may terminate the Transaction at the end of Buyer's then current fiscal year by (a) giving Seller ninety (90) calendar days written notice and (b) enclosing therewith a sworn statement that the foregoing conditions exist. In this sole event, Buyer shall not be obligated to make payments under the Agreement beyond the end of the then current fiscal year. Notwithstanding the foregoing, Buyer covenants and represents to Seller that upon the execution of a Transaction (a) Buyer has budgeted and has available sufficient funds to comply with its obligations under the Transaction for the current fiscal year, (b) there are no circumstances presently affecting Buyer that could reasonably be expected to adversely affect its ability to budget funds for the payment of all sums due under the Transaction, (c) Buyer believes that funds can be obtained in amounts sufficient to make all payments during the Period of Delivery of a Transaction and intends to make all required payments for the full Period of Delivery of a Transaction, (d) Buyer covenants that it will do all things within its power to obtain, maintain and properly request and pursue funds from which payments may be made, specifically, including in its annual budget requests amounts sufficient to make payments for the full Period of Delivery of a Transaction, (e) Buyer will not give priority in the appropriation of funds for the acquisition or use of additional Gas commodity services, (f) if any funds are appropriated for Gas costs, such funds shall be applied first to the cost of Gas to be provided pursuant to the Transaction and that any such funds shall not be used to pay for Gas from any other Gas provider for the Contract Quantity covered in the Transaction, and (g) Buyer agrees to notify Seller in writing of such non-appropriation at the earliest practicable time subsequent to the failure to appropriate. As of the termination date of a Transaction under this Section 8.5, Seller shall have no further duty to supply Gas to Buyer under such Transaction.

8.6 If Buyer uses its inherent powers as a governmental entity under the provisions of Sections 10, 13 or in any other manner to circumvent the intent or terms and provisions of the Agreement, Buyer shall be responsible for contract damages caused by such action.

VI. Section 12 shall be deleted in its entirety and replaced with the following:

12.1 "The Contract Price paid hereunder includes full reimbursement for, and Seller is liable for and shall pay or cause to be paid, or reimburse Buyer if Buyer has paid, all taxes applicable to the Gas sold hereunder before the Receipt Point ("Seller's Taxes"). Seller shall hold Buyer harmless from any liability for Seller's Taxes. The Contract Price does not include reimbursement for, and Buyer is liable for and shall pay or cause to be paid, or reimburse Seller if Seller has paid, all taxes applicable to the Gas sold hereunder at and after the Receipt Point and any new tax or tax increase imposed on either Party after the date the Transaction is entered into, including, but not limited to, any gross receipts taxes ("Buyer's Taxes"). Buyer shall, to the full extent allowed by law, hold Seller harmless from any liability for Buyer's Taxes. Both Parties shall use reasonable efforts to administer, and implement the provisions of, this Agreement in accordance with their intent to minimize taxes.

12.2 Notwithstanding the obligations defined under 12.1 above, Buyer represents and warrants that as a political subdivision or agency of the State of Texas, it is exempt from state sales taxes pursuant to Section 151.309 of the Texas Tax Code. Seller may request a certificate of exemption from Buyer, and Buyer shall provide such certificate within a reasonable period of time. Thereafter, Seller, to the extent that it is not required to collect or pay such taxes, will not flow through the costs of such taxes hereunder to Buyer.

VII. The first sentence of Section 14.3 of the Agreement shall be deleted in its entirety and replaced with the following:

"This Agreement, including, without limitation, each obligation hereunder, will inure to and bind the permitted successors and assigns of the Parties."

VIII. Section 14.12 of the Agreement shall be deleted in its entirety and replaced with the following:

14.12 No termination or cancellation of the Agreement will relieve either Party of any obligations under the Agreement that by their nature survive such termination or cancellation, including, but not limited to: all warranties; obligations, to the extent allowed by applicable law, to hold harmless; obligations to pay for Gas delivered; and obligations for any breaches of contract.

IX. Section 14.13 of the Agreement shall be deleted in its entirety and replaced with the following:

14.13 Seller acknowledges that Buyer is a governmental body that is subject to public information laws, including Chapter 552 of the Texas Government Code, which requires Buyer to release any information that is defined as or deemed to be public (the "Public Information Statutes"). Subject to any Public Information Statute or related order, rule or regulation requiring disclosure, Buyer agrees to keep all terms and provisions of each Agreement, and any information and records in Seller's possession that are provided under each Agreement, confidential and not to disclose the terms of the same to any third parties without the prior written consent of Seller. It is understood and agreed that the foregoing constitutes proprietary and confidential information of Seller, the release of which could hinder or harm Seller's competitive position, and therefore is not intended to constitute public information under the Texas Public Information Act and shall not be released by Buyer, unless determined otherwise by the Texas Attorney General or a court of competent jurisdiction. Nothing in this section will require Buyer to pursue a legal challenge in any court to seek to overturn a ruling by the Texas Attorney General's Office or a court requiring disclosure pursuant to the provisions of the Public Information Statutes, but Buyer shall (i) cooperate and assist Seller if Seller pursues such a challenge and (ii) make no disclosure until, if, and when Seller's challenge has been finally denied.

X. Section 14.15 of the Agreement shall be deleted in its entirety and replaced with the following:

14.15 Pursuant to Section 271.150 of the Code, in any litigation to enforce the terms of the Agreement, the prevailing Party is entitled to recover its reasonable and necessary attorneys' fees from the non-prevailing Party.

XI. New Sections 14.18 through 14.20 shall be added to the Agreement as follows:

14.18 Except to the extent necessary to enforce Seller's rights under an Agreement, nothing in the Agreement shall constitute or be interpreted to constitute a waiver of Buyer's statutory and common-law immunity defenses, including sovereign and/or governmental immunity and qualified and/or official immunity; it being intended that such immunities shall in all respects be preserved except as otherwise provided herein.

14.19 The Parties hereby acknowledge and agree that this Agreement and all Transactions hereunder are Covered Contracts and shall be subject to all provisions of the Code.

14.20 Buyer hereby represents and warrants to Seller that it is authorized by statute or the constitution to enter into this Agreement.

*[End of Addendum]*

**EXHIBIT "A" TO CITY OF DENTON  
MASTER AGREEMENT**



**CONFIRMATION TO  
Master Agreement #M2313  
Confirmation Number: \_\_\_\_\_-03/23/18**

Date: Monday, March 26, 2018

**Buyer:** City of Denton, Texas  
1527 S. Mayhill Rd  
DENTON, TX 76208

**Seller:** Luminant Energy Company LLC  
6555 Sierra Drive  
Irving, TX 75039

**Name:** Ethan Cox  
**Phone:** 940-349-7421  
**Fax:**

**Marketer:** Bill Rankin  
**Phone:** 2148758132  
**Fax:** 2148759050

**Monthly Quantities (1251 South Mayhill Rd DENTON, TX - Meter #8000231371):**

	MMBtu/Month		MMBtu/Month
Apr-2018	1,200	May-2018	1,209
Jun-2018	1,200	Jul-2018	1,209
Aug-2018	1,209	Sep-2018	1,200
Oct-2018	1,209		

**Quantity/Contract Quantity:** 8,436 MMBTU  
**Period of Delivery:** 4/1/2018-10/31/2018  
**Initial Performance Assurance:** \$0  
**Price/Contract Price:** \$ 2.60 per MMBtu. **Not to Exceed \$50,000**

**Nomination Point:** Atmos Texas Pool  
**Receipt Point:** Atmos Texas Pool  
**Delivery Point:** N/A  
**Transporter:** Atmos Pipeline - Texas

**Special Provisions:**

Buyer is designated as Shipper as provided in Section 3 of the Agreement.

In accordance with Section 4.1 of the Agreement, title to, possession of, liability and risk of loss of Gas will pass from Seller to Buyer at the Nomination Point.

If a Transporter restates a delivery quantity for a previous Day or Month (a "prior period adjustment" or "PPA"), an equivalent increase or decrease in quantities shall be transacted between Buyer and Seller in the time period (e.g., the current Month and/or future Months) as allowed by the Transporter. With regard to an under-delivery PPA imbalance, Seller shall sell and Buyer shall purchase the necessary additional PPA quantities at a price equal to the retail market value for the period during which such quantities are nominated to satisfy Transporter's PPA balancing requirements. With regard to an over-delivery PPA imbalance, Seller shall credit Buyer for any excess Gas quantities at the resale price for the period during which those quantities are liquidated in order to satisfy Transporter's PPA balancing requirements.

Notwithstanding anything to the contrary in the Agreement, in the event that Buyer does not pay its invoices when due, in addition to any other remedies under the Agreement, Buyer may be charged an Administrative Fee.

**Billing Address:**  
City of Denton Municipal Utilities  
1527 S. Mayhill Rd.  
DENTON, TX 76208

940-349-7421

**Billing and Payment Address:**  
Luminant Energy Company LLC  
Dept 1036  
PO Box 121036  
Dallas, TX 75312-1036  
Email: RetailGas@Luminant.com  
Fax: (214)875-9050



**CONFIRMATION TO  
Master Agreement #M2313  
Confirmation Number: \_\_\_\_\_-03/23/18**

Notwithstanding anything in the Agreement which could be construed to the contrary, this Confirmation is provided prior to the consummation of a Transaction in order for Buyer to review its terms. This paragraph and the procedures set forth herein supersede and replace all language and procedures regarding confirmation of a Transaction that are set forth in the Agreement. If the price and other terms herein are acceptable to Buyer, Buyer shall execute this Confirmation and then send it to Seller either by facsimile to the fax number for Luminant Energy on page one of this Confirmation or by other mutually agreeable electronic means. Buyer's executed Confirmation shall not become a binding Transaction until accepted by Seller, which shall be confirmed by subsequent execution of this Confirmation by Seller, a copy of which will be provided to Buyer. This Confirmation shall constitute a part of and be subject to all of the other terms and provisions of the Agreement. All capitalized terms used herein, but not defined, shall have the meanings as set forth in the Agreement.

**City of Denton, Texas**

**Luminant Energy Company LLC**

DocuSigned by:  
*Todd Hileman*  
3776C711B4CC454  
Signature of authorized representative  
**Todd Hileman**

Claudia Morrow  
Vice President – Commercial Sales

\_\_\_\_\_  
Name of authorized representative  
**City Manager**  
\_\_\_\_\_  
Title of authorized representative  
**4/13/2018**  
\_\_\_\_\_  
Date

APPROVED AS TO FORM:  
CITY ATTORNEY  
CITY OF DENTON, TEXAS.

BY: *[Signature]*  
**4/2/18**

## Exhibit#2 Natural Gas Supply Evaluation Sheet

7.8

## Constellation

WAHA Pricing		Adder	Price Per MMBTU	Price Per Gallon	Transportation Cost	Total Cost Per Gallon
December 2018'	\$ 2.47	\$ 0.56	\$ 3.03	\$ 0.39	\$ 0.16	\$ 0.55
January 2018'	\$ 2.33	\$ 0.56	\$ 2.89	\$ 0.37	\$ 0.16	\$ 0.62

## General Land Office

WAHA Pricing		Adder	Price Per MMBTU	Price Per Gallon	Transportation Cost	Total Cost Per Gallon
December 2018'	\$ 2.47	\$ 0.50	\$ 2.97	\$ 0.38	\$ 0.16	\$ 0.63
January 2018'	\$ 2.33	\$ 0.50	\$ 2.83	\$ 0.36	\$ 0.16	\$ 0.61

## CenterPoint Energy Services

NYMEX		Discount	Price Per MMBTU	Price Per Gallon	Transportation Cost	Total Cost Per Gallon
Dec 2017'	\$ 3.07	-0.42	\$ 2.65	\$ 0.34	\$ 0.16	\$ 0.59
Nov 2017'	\$ 2.75	-0.42	\$ 2.33	\$ 0.30	\$ 0.16	\$ 0.55
Oct 2017'	\$ 2.97	-0.42	\$ 2.55	\$ 0.33	\$ 0.16	\$ 0.58
Sept 2017'	\$ 2.97	-0.42	\$ 2.55	\$ 0.33	\$ 0.16	\$ 0.58
Aug 2017'	\$ 2.97	-0.42	\$ 2.55	\$ 0.33	\$ 0.16	\$ 0.58
July 2017'	\$ 3.07	-0.42	\$ 2.65	\$ 0.34	\$ 0.16	\$ 0.59
June 2017'	\$ 3.24	-0.42	\$ 2.82	\$ 0.36	\$ 0.16	\$ 0.61
May 2017'	\$ 3.14	-0.42	\$ 2.72	\$ 0.35	\$ 0.16	\$ 0.60
Apr 2017'	\$ 3.18	-0.42	\$ 2.76	\$ 0.35	\$ 0.16	\$ 0.60
Mar 2017'	\$ 2.63	-0.42	\$ 2.21	\$ 0.28	\$ 0.16	\$ 0.53
Feb 2017'	\$ 3.39	-0.42	\$ 2.97	\$ 0.38	\$ 0.16	\$ 0.63
Jan 2017'	\$ 3.93	-0.42	\$ 3.51	\$ 0.45	\$ 0.16	\$ 0.70

## Luminant

Option #1	Fixed Price	Discount	Price Per MMBTU	Price Per Gallon	Transportation Cost	Total Cost Per Gallon
Jan 18'			\$ 2.64	\$ 0.34	\$ 0.16	\$ 0.59
Feb 18'			\$ 2.64	\$ 0.34	\$ 0.16	\$ 0.59
Mar 18'			\$ 2.64	\$ 0.34	\$ 0.16	\$ 0.59
Apr 18'			\$ 2.64	\$ 0.34	\$ 0.16	\$ 0.59
May 18'			\$ 2.64	\$ 0.34	\$ 0.16	\$ 0.59
June 18'			\$ 2.64	\$ 0.34	\$ 0.16	\$ 0.59
July 18'			\$ 2.64	\$ 0.34	\$ 0.16	\$ 0.59
Aug 18'			\$ 2.64	\$ 0.34	\$ 0.16	\$ 0.59
Sept 18'			\$ 2.64	\$ 0.34	\$ 0.16	\$ 0.59
Oct 18'			\$ 2.64	\$ 0.34	\$ 0.16	\$ 0.59
Nov 18'			\$ 2.64	\$ 0.34	\$ 0.16	\$ 0.59
Dec 18'			\$ 2.64	\$ 0.34	\$ 0.16	\$ 0.59

Option #2	NYMEX	Discount	Price Per MMBTU	Price Per Gallon	Transportation Cost	Total Cost Per Gallon
Dec 2017'	\$ 3.07	-0.38	\$ 2.69	\$ 0.34	\$ 0.16	\$ 0.59
Nov 2017'	\$ 2.75	-0.38	\$ 2.37	\$ 0.30	\$ 0.16	\$ 0.55
Oct 2017'	\$ 2.97	-0.38	\$ 2.59	\$ 0.33	\$ 0.16	\$ 0.58
Sept 2017'	\$ 2.97	-0.38	\$ 2.59	\$ 0.33	\$ 0.16	\$ 0.58
Aug 2017'	\$ 2.97	-0.38	\$ 2.59	\$ 0.33	\$ 0.16	\$ 0.58
July 2017'	\$ 3.07	-0.38	\$ 2.69	\$ 0.34	\$ 0.16	\$ 0.59
June 2017'	\$ 3.24	-0.38	\$ 2.86	\$ 0.37	\$ 0.16	\$ 0.62
May 2017'	\$ 3.14	-0.38	\$ 2.76	\$ 0.35	\$ 0.16	\$ 0.60
Apr 2017'	\$ 3.18	-0.38	\$ 2.80	\$ 0.36	\$ 0.16	\$ 0.61
Mar 2017'	\$ 2.63	-0.38	\$ 2.25	\$ 0.29	\$ 0.16	\$ 0.54
Feb 2017'	\$ 3.39	-0.38	\$ 3.01	\$ 0.39	\$ 0.16	\$ 0.64
Jan 2017'	\$ 3.93	-0.38	\$ 3.55	\$ 0.46	\$ 0.16	\$ 0.71



**City Manager's Office**

215 E. McKinney St., Denton, TX 76201 • (940) 349-8307

4/13/2018

Atmos Energy Corporation  
P.O. Box 223705  
Dallas, TX 75222-3705  
Attn: Industrial Contract Administration

Re: Limited Agency Authorization

Ladies and Gentlemen:

Please be advised that the City of Denton, Texas, a Texas home-rule municipal corporation (Customer), hereby appoints Luminant Energy Company LLC\_(Agent) as its limited agent with authority to act on its behalf in regards to the following functions effective the first day of April, 2018.

1. Agent is hereby authorized to obtain any information which Atmos Energy Corporation (Atmos Energy) would otherwise release to Customer, which includes, but is not necessarily limited to, all transportation rates of Customer, all information concerning historic gas transportation of Customer, all available tax rate information with respect to the transportation of natural gas to or for Customer, and any other information or documents in the possession of Atmos Energy which pertain to Customer's transportation of natural gas via Atmos Energy. Said authorization expressly excludes pricing-related information of any other third party supplier of Customer.
2. Agent is authorized to make nominations of natural gas volumes on Customer's behalf in accordance with Customer's transportation agreement(s) with Atmos Energy. Such nominations will be based upon Customer's historical usage and/or written or verbal instructions received by Agent directly from Customer.
3. Agent may have access to the most timely information possible with respect to Customer's daily and monthly usage and/or transportation volumes, provided, however, Customer and Agent recognize that it is Customer's responsibility to maintain a balance between receipts and deliveries, which includes the responsibility to know the amount of gas that is consumed at Customer's facility and the amount of gas that is delivered to Atmos Energy's system on Customer's behalf. Atmos Energy provides certain volume information as a customer service; however, unavailability or changes to such information will not constitute a waiver of imbalance penalties or fees.

**OUR CORE VALUES**

Integrity • Fiscal Responsibility • Transparency • Outstanding Customer Service

- Customer and Agent recognize that this agency agreement does not relieve Customer of its responsibilities pursuant to its transportation agreement(s). Any imbalances created by Agent on Customer's transportation agreement(s) shall be Customer's responsibility to correct. Moreover, if any transportation imbalances are resolved through Agent's pooling agreement with Atmos Energy and Agent fails or refuses to satisfy its imbalance obligations under such pooling agreement, then Customer will be responsible for its pro rata share of the quantity of Agent's imbalance, based on the quantity of gas transported to Customer during the applicable period in which the imbalance was incurred and the total quantity of gas transported under Agent's pooling agreement with Atmos Energy during such period. In such event, it will be deemed that Customer has incurred an imbalance equivalent to such pro rata quantity, and Customer will be responsible to resolve such imbalance in accordance with Customer's transportation agreement(s).

This Limited Agency Authorization shall become effective from the date written above and shall remain in full force and effect until terminated by Customer or Agent upon ten (10) days' prior written notice; provided that Atmos Energy will have the right to reject this Limited Agency Authorization at any time in the event that Atmos Energy, in its reasonable discretion, determine that Agent will not be capable of fulfilling all of its agency obligations hereunder. Notice information for said parties is set forth below:

Agent  
Luminant Energy Company LLC  
6555 Sierra Drive  
Irving, TX 75039

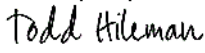
Customer  
City of Denton, Texas  
215 E. McKinney St.  
Denton, TX 76201

Attn: Rick Bradley  
Phone: 214-875-9730  
Fax: 214-875-9050

Attn: City Manager  
Phone: 940-349-8307  
Fax: 940-349-8596

Sincerely,

City of Denton, Texas

DocuSigned by:  
  
E776C711BA0D454...  
Todd Hileman, City Manager

## Certificate Of Completion

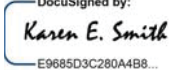
Envelope Id: AF95CC68C1314053B7D75771BEE37184	Status: Sent
Subject: ****City Manager Approval *****DocuSign Item 6795 Luminant Agreement for Natural Gas Supply	
Source Envelope:	
Document Pages: 18	Signatures: 6
Certificate Pages: 5	Initials: 1
AutoNav: Enabled	Envelope Originator:
Envelopeld Stamping: Enabled	Rebecca Hunter
Time Zone: (UTC-08:00) Pacific Time (US & Canada)	901B Texas Street
	Denton, TX 76209
	rebecca.hunter@cityofdenton.com
	IP Address: 129.120.6.150


## Record Tracking

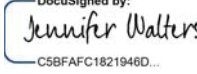
Status: Original	Holder: Rebecca Hunter	Location: DocuSign
4/13/2018 6:54:32 AM	rebecca.hunter@cityofdenton.com	

## Signer Events

Signer Events	Signature	Timestamp
Rebecca Hunter rebecca.hunter@cityofdenton.com Assistant Purchasing Manager City of Denton Security Level: Email, Account Authentication (None) <b>Electronic Record and Signature Disclosure:</b> Not Offered via DocuSign	<b>Completed</b>  Using IP Address: 129.120.6.150	Sent: 4/13/2018 9:04:20 AM Viewed: 4/13/2018 9:04:34 AM Signed: 4/13/2018 9:05:44 AM

Karen E. Smith karen.smith@cityofdenton.com Purchasing Manager City of Denton Security Level: Email, Account Authentication (None) <b>Electronic Record and Signature Disclosure:</b> Not Offered via DocuSign	 Using IP Address: 129.120.6.150	Sent: 4/13/2018 9:05:47 AM Viewed: 4/13/2018 9:09:03 AM Signed: 4/13/2018 9:09:44 AM
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Todd Hileman todd.hileman@cityofdenton.com City Manager City of Denton Security Level: Email, Account Authentication (None) <b>Electronic Record and Signature Disclosure:</b> Accepted: 7/25/2017 9:02:14 AM ID: 57619fbf-2aec-4b1f-805d-6bd7d9966f21	 Using IP Address: 75.171.0.92	Sent: 4/13/2018 9:09:48 AM Viewed: 4/13/2018 10:03:40 AM Signed: 4/13/2018 10:04:01 AM
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Jennifer Walters jennifer.walters@cityofdenton.com City Secretary City of Denton Security Level: Email, Account Authentication (None) <b>Electronic Record and Signature Disclosure:</b> Not Offered via DocuSign	 Using IP Address: 129.120.6.150	Sent: 4/13/2018 10:04:03 AM Resent: 4/17/2018 6:34:34 AM Viewed: 4/16/2018 9:54:11 AM Signed: 4/17/2018 9:09:17 AM
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**Signer Events****Signature****Timestamp**

Rebecca Hunter  
 rebecca.hunter@cityofdenton.com  
 Assistant Purchasing Manager  
 City of Denton  
 Security Level: Email, Account Authentication  
 (None)

**Completed**  
  
 Using IP Address: 129.120.6.150

Sent: 4/16/2018 11:13:23 AM  
 Viewed: 4/16/2018 11:13:40 AM  
 Signed: 4/16/2018 11:13:50 AM

**Electronic Record and Signature Disclosure:**  
 Not Offered via DocuSign

Claudia Morrow  
 claudia.morrow@luminant.com  
 Security Level: Email, Account Authentication  
 (None)

Sent: 4/17/2018 9:09:21 AM

**Electronic Record and Signature Disclosure:**  
 Not Offered via DocuSign

**In Person Signer Events****Signature****Timestamp****Editor Delivery Events****Status****Timestamp****Agent Delivery Events****Status****Timestamp****Intermediary Delivery Events****Status****Timestamp****Certified Delivery Events****Status****Timestamp****Carbon Copy Events****Status****Timestamp**

Jane Richardson  
 jane.richardson@cityofdenton.com  
 Security Level: Email, Account Authentication  
 (None)

**Electronic Record and Signature Disclosure:**  
 Not Offered via DocuSign

Jennifer Bridges  
 jennifer.bridges@cityofdenton.com  
 Security Level: Email, Account Authentication  
 (None)

**Electronic Record and Signature Disclosure:**  
 Not Offered via DocuSign

Nick Vincent  
 nicolas.vincent@cityofdenton.com  
 Security Level: Email, Account Authentication  
 (None)

**Electronic Record and Signature Disclosure:**  
 Not Offered via DocuSign

**Notary Events****Signature****Timestamp****Envelope Summary Events****Status****Timestamps**

Envelope Sent Hashed/Encrypted

4/17/2018 9:09:21 AM

**Payment Events****Status****Timestamps****Electronic Record and Signature Disclosure**

## **ELECTRONIC RECORD AND SIGNATURE DISCLOSURE**

From time to time, City of Denton (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through your DocuSign, Inc. (DocuSign) Express user account. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, please confirm your agreement by clicking the 'I agree' button at the bottom of this document.

### **Getting paper copies**

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. For such copies, as long as you are an authorized user of the DocuSign system you will have the ability to download and print any documents we send to you through your DocuSign user account for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

### **Withdrawing your consent**

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

### **Consequences of changing your mind**

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign 'Withdraw Consent' form on the signing page of your DocuSign account. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use your DocuSign Express user account to receive required notices and consents electronically from us or to sign electronically documents from us.

### **All notices and disclosures will be sent to you electronically**

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through your DocuSign user account all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

**How to contact City of Denton:**

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: [purchasing@cityofdenton.com](mailto:purchasing@cityofdenton.com)

**To advise City of Denton of your new e-mail address**

To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at [melissa.kraft@cityofdenton.com](mailto:melissa.kraft@cityofdenton.com) and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

In addition, you must notify DocuSign, Inc to arrange for your new email address to be reflected in your DocuSign account by following the process for changing e-mail in DocuSign.

**To request paper copies from City of Denton**

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an e-mail to [purchasing@cityofdenton.com](mailto:purchasing@cityofdenton.com) and in the body of such request you must state your e-mail address, full name, US Postal address, and telephone number. We will bill you for any fees at that time, if any.

**To withdraw your consent with City of Denton**

To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your DocuSign account, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an e-mail to [purchasing@cityofdenton.com](mailto:purchasing@cityofdenton.com) and in the body of such request you must state your e-mail, full name, IS Postal Address, telephone number, and account number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

**Required hardware and software**

Operating Systems:	Windows2000? or WindowsXP?
Browsers (for SENDERS):	Internet Explorer 6.0? or above
Browsers (for SIGNERS):	Internet Explorer 6.0?, Mozilla FireFox 1.0, NetScape 7.2 (or above)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	<ul style="list-style-type: none"> <li>•Allow per session cookies</li> <li>•Users accessing the internet behind a Proxy Server must enable HTTP 1.1 settings via proxy connection</li> </ul>

\*\* These minimum requirements are subject to change. If these requirements change, we will provide you with an email message at the email address we have on file for you at that time providing you with the revised hardware and software requirements, at which time you will have the right to withdraw your consent.

**Acknowledging your access and consent to receive materials electronically**

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the 'I agree' button below.

By checking the 'I Agree' box, I confirm that:

- I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORD AND SIGNATURE DISCLOSURES document; and
- I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and
- Until or unless I notify City of Denton as described above, I consent to receive from exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by City of Denton during the course of my relationship with you.

EXHIBIT 2

## ORDINANCE NO. 19-1652

AN ORDINANCE OF THE CITY OF DENTON, A TEXAS HOME-RULE MUNICIPAL CORPORATION, AUTHORIZING THE CITY MANAGER TO EXECUTE A CONTRACT FOR THE PURCHASE OF NATURAL GAS FOR USE IN THE SOLID WASTE DEPARTMENT'S CNG FUEL PUMPS; IN ACCORDANCE WITH TEXAS LOCAL GOVERNMENT CODE 252.022, WHICH PROVIDES AN EXEMPTION FROM COMPETITIVE BIDDING FOR THIS PURCHASE; AND PROVIDING AN EFFECTIVE DATE (FILE 6795 - AWARDED TO LUMINANT ENERGY COMPANY, LLC, IN THE NOT-TO-EXCEED AMOUNT OF \$75,000).

WHEREAS, Section 252.022 of the Local Government Code provides that procurement of items necessary to preserve or protect the public health or safety of the municipality's residents need not be submitted to competitive bids and this Section has been construed to cover solid waste collection, hauling and disposal; and

WHEREAS, the City Council wishes to procure natural gas for use in the Solid Waste Department's CNG fuel pumps; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The following purchase of materials, equipment or supplies, as described in the "File" listed hereon, and on file in the office of the Purchasing Agent, are hereby approved:

<u>FILE</u> <u>NUMBER</u>	<u>VENDOR</u>	<u>AMOUNT</u>
6795	Luminant Energy Company, LLC	\$75,000

SECTION 2. The City Council hereby finds that this purchase, and the award thereof, constitutes a procurement of items that are necessary to preserve or protect the public health or safety of the municipality's residents; and need not be submitted to competitive bids.

SECTION 3. The acceptance and approval of the above items shall not constitute a contract between the City and the person submitting the quotation for such items until such person shall comply with all requirements specified by the Purchasing Department.

SECTION 4. The City Manager is hereby authorized to execute any contracts relating to the items specified in Section 1 and the expenditure of funds pursuant to said contracts is hereby authorized.

SECTION 5. The City Council of the City of Denton, hereby expressly delegates the authority to take any actions that may be required or permitted to be performed by the City of Denton under this ordinance to the City Manager of the City of Denton, or his designee.

SECTION 6. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by John Ryan and seconded by Keely Briggs, the ordinance was passed and approved by the following vote [6 - 0]:

	Aye	Nay	Abstain	Absent
Mayor Chris Watts:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gerard Hudspeth, District 1:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Keely G. Briggs, District 2:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jesse Davis, District 3:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
John Ryan, District 4:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Deb Armintor, At Large Place 5:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paul Meltzer, At Large Place 6:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PASSED AND APPROVED this the 23rd day of July, 2019.

Chris Watts  
CHRIS WATTS, MAYOR

ATTEST:  
ROSA RIOS, CITY SECRETARY

BY: Rosa Rios



APPROVED AS TO LEGAL FORM:  
AARON LEAL, CITY ATTORNEY

BY: Aaron Leal

### Certificate Of Completion

Envelope Id: 2F6C74E1A8F84B2CB47FFD6F34E3A38D	Status: Completed
Subject: Please DocuSign: **Purchasing Approval **6795-1st Amendment	
Source Envelope:	
Document Pages: 28	Signatures: 1
Certificate Pages: 2	Initials: 0
AutoNav: Enabled	Envelope Originator:
Envelopeld Stamping: Enabled	Crystal Westbrook
Time Zone: (UTC-06:00) Central Time (US & Canada)	901B Texas Street
	Denton, TX 76209
	crystal.westbrook@cityofdenton.com
	IP Address: 198.49.140.104

### Record Tracking

Status: Original	Holder: Crystal Westbrook	Location: DocuSign
8/20/2020 12:33:36 PM	crystal.westbrook@cityofdenton.com	

### Signer Events

Crystal Westbrook  
 crystal.westbrook@cityofdenton.com  
 Senior Buyer  
 City of Denton  
 Security Level: Email, Account Authentication (None)

### Signature

DocuSigned by:  
  
 160CB6AB623F4F0...  
 Signature Adoption: Pre-selected Style  
 Using IP Address: 198.49.140.104

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 Signed: 8/20/2020 12:36:01 PM

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### In Person Signer Events

### Signature

### Timestamp

### Editor Delivery Events

### Status

### Timestamp

### Agent Delivery Events

### Status

### Timestamp

### Intermediary Delivery Events

### Status

### Timestamp

### Certified Delivery Events

### Status

### Timestamp

### Carbon Copy Events

### Status

### Timestamp

Cheyenne Defee  
 cheyenne.defee@cityofdenton.com  
 Contract Administrator  
 City of Denton  
 Security Level: Email, Account Authentication (None)

**COPIED**

Sent: 8/20/2020 12:36:02 PM  
 Viewed: 8/20/2020 12:45:12 PM

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James Tips  
 james.tips@cityofdenton.com  
 Security Level: Email, Account Authentication (None)

**COPIED**

Sent: 8/20/2020 12:36:02 PM  
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### Witness Events

### Signature

### Timestamp

### Notary Events

### Signature

### Timestamp

<b>Envelope Summary Events</b>	<b>Status</b>	<b>Timestamps</b>
Envelope Sent	Hashed/Encrypted	8/20/2020 12:36:02 PM
Certified Delivered	Security Checked	8/20/2020 12:36:02 PM
Signing Complete	Security Checked	8/20/2020 12:36:02 PM
Completed	Security Checked	8/20/2020 12:36:02 PM

<b>Payment Events</b>	<b>Status</b>	<b>Timestamps</b>
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