

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON BY THREE SEPARATE VOTES, EACH BEING CONDUCTED ON SEPTEMBER 16, 2025, OCTOBER 21, 2025, AND DECEMBER 2, 2025, GRANTING A NONEXCLUSIVE GAS FRANCHISE TO UNIVERSAL NATURAL GAS, LLC, FOR USE OF PUBLIC RIGHTS-OF-WAY IN A DESIGNATED AREA IN THE CITY OF DENTON FOR THE PURPOSE OF CONSTRUCTING, MAINTAINING AND OPERATING A SYSTEM OF PIPELINES AND OTHER FACILITIES FOR THE PROVISION, TRANSPORTATION, DISTRIBUTION AND CONVEYANCE OF GAS TO CUSTOMERS IN SUCH DESIGNATED AREA; AUTHORIZING EXECUTION OF A FRANCHISE AGREEMENT BETWEEN THE CITY OF DENTON AND UNIVERSAL NATURAL GAS, LLC, PROVIDING FOR COMPENSATION TO THE CITY FOR THE USE OF THE PUBLIC RIGHTS-OF-WAYS, PROVIDING TERMS, CONDITIONS AND REQUIREMENTS RELATED TO THE USE OF PUBLIC RIGHTS-OF-WAY IN THE CITY OF DENTON AND TO THE CONSTRUCTION, MAINTENANCE AND OPERATION OF PIPELINES AND OTHER FACILITIES FOR THE PROVISION, DISTRIBUTION AND TRANSPORTATION OF GAS TO CUSTOMERS IN THE DESIGNATED AREA OF THE CITY OF DENTON; PROVIDING FOR PUBLICATION; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Chapter 121 of the Texas Utilities Code authorizes municipalities to adopt ordinances that establish conditions for mapping, inventorying, locating, or relocating pipelines over, under, along, or across a public street or alley or private residential area within the boundaries of the municipality and establish conditions for mapping or taking an inventory in an area in a municipality's extraterritorial jurisdiction; and

WHEREAS, Chapter 121 of the Texas Utilities Code states that except as expressly provided in Chapter 121, subchapter E. of that Chapter does not reduce, limit, or impair a power vested by law in a municipality; and

WHEREAS, the Texas Railroad Commission (Commission) is the state agency with primary regulatory jurisdiction over the oil and natural gas industry, pipeline transporters, natural gas and hazardous liquid pipeline industry, natural gas utilities, the LP-gas industry as well as several other areas; and

WHEREAS, the Commission does not have jurisdiction over, and exercises no regulatory authority with respect to, private or public roads or road use. Permits issued by the Commission for oil and gas exploration, production and waste disposal do not limit any independent authority of a municipality, county, or other state agencies with respect to road use; and

WHEREAS, subject to Gas Utility Regulatory Act (Chapter 33 of the Texas Utilities Code) limitations, a municipality has exclusive original jurisdiction over the rates, operations, and services of a gas utility within the municipality in order to provide fair, just, and reasonable rates and adequate and efficient services; and

WHEREAS, the Texas Transportation Code provides that a home rule city has exclusive control over and under the public highways, streets, and alleys of the City, including the ability to

control, regulate, or remove an encroachment or obstruction on a street, open or change a public street, and make improvements to a public highway, street, or alley of the municipality; and

WHEREAS, Article XIII of the Denton City Charter entitled Franchises, provides the City Council may by ordinance grant, renew and extend all franchises of all public utilities operating within the City for a maximum term of 20 years; and

WHEREAS, the Denton City Charter requires an ordinance granting, amending, renewing, or extending a public utility franchise be passed by a majority vote of the entire City Council at three (3) regular meetings of the City Council; and

WHEREAS, a public utility franchise ordinance must be published once each week for three (3) consecutive weeks in the official newspaper at the expense of the franchisee in order to take effect thirty (30) days after its final passage, however, such ordinance shall be subject to referendum as provided in Article IV of the Denton City Charter; and

WHEREAS, the Denton City Charter provides the City Council has the power and duty to determine and regulate the charges, fares or rates of all public utilities operating within the City, require franchise holders to reimburse the City for reasonable expenses related to advising the council on requested rate increases, prescribe reasonable standards of service and quality furnished by each utility, prevent unjust discrimination, require certain actions as may be necessary to provide adequate and efficient service, collect from every public utility operating in the City its fair and just proportion of certain expenses related to the occupation and use of the public rights-of-ways or compel such public utility to perform, at its own expense, its just share of those activities requiring the expenses, and such other prescriptions and regulations provided by the Denton City Charter and that the City of Denton deems desirable or conducive to the safety, welfare and accommodation of the public, or to enforce franchise agreement provisions; and

WHEREAS, the Denton City Charter provides the City of Denton shall have power to prohibit certain uses of the public rights-of-way and that any public utility franchise hereafter granted shall be held subject to all of the terms and conditions contained in the various sections of Article XIII of the Denton City Charter whether or not such terms are specifically mentioned in the franchise agreement; and

WHEREAS, the provisions of the Denton City Charter shall not limit in any way the discretion of the council in imposing such terms and conditions as may be reasonable in connection with any franchise grant; and

WHEREAS, Universal Natural Gas, LLC, a Texas limited liability company, ("Company") wishes to construct a system of pipelines and other facilities for the distribution and provision of gas and to distribute and provide gas to customers in a designated area within the City of Denton, and Company has applied for a franchise from the City in order to carry out those purposes; and

WHEREAS, the Company has agreed to extend services to a City of Denton owned parcel identified by the Denton County Appraisal District as Property ID 64578 and commonly referred to as Southwest Park; and

WHEREAS, The City of Denton ("City") has reviewed Company's request to enter into a franchise agreement and determined that the granting of a franchise on the terms and conditions set forth in the Franchise Agreement attached hereto, will assist in meeting the needs of gas by customers in the City.

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

Section 1. The recitals set forth above are found to be true and correct legislative and factual determinations of the City of Denton and are hereby approved and incorporated into the body of this Ordinance and made a part hereof for all purposes as if fully set forth herein.

Section 2. The City hereby grants Company a franchise to construct, install, maintain and repair a system of pipelines and other facilities for the provision, distribution and transportation of gas in, over, under, along and across designated public rights-of-way of the City and to transact business related to the provision of gas through that system of pipelines and facilities, subject to the Franchise Agreement substantially in the form attached hereto as Exhibit I, which is hereby incorporated and made a part of this Ordinance for all purposes.

Section 3. In accordance with and as required by Section 13.06 of the Denton City Charter, the City Secretary shall compile and maintain a public record of all franchises heretofore or hereafter granted by the City of Denton.

Section 4. The meeting at which this ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 5. This ordinance shall be in full force and effect following (i) thirty days after final passage; and (ii) its publication for franchises in accordance with the Denton City Charter.

Section 6. The Franchise Agreement shall be in full force and effect after Company files with the City Secretary its written statement of acceptance of the Franchise Agreement within sixty (60) calendar days after the passage and approval by City in accordance with the terms of the Franchise Agreement, and the Parties execute the Franchise Agreement.

FIRST READING AND VOTE

The motion to approve this ordinance was made by [_____] and seconded by [_____].

The ordinance was passed and approved by the following vote [__ – __ – __]:

	<u>Aye</u>	<u>Nay</u>	<u>Abstain</u>	<u>Absent</u>
Mayor Gerard Hudspeth:	_____	_____	_____	_____
Vicki Byrd, District 1:	_____	_____	_____	_____
Brian Beck, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
Brandon Chase McGee, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2025.

GERARD HUDSPETH, MAYOR

ATTEST:
INGRID REX, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: Susan Keller

SECOND READING AND VOTE

The motion to approve this ordinance was made by [_____] and seconded by [_____].

The ordinance was passed and approved by the following vote [__ – __ – __]:

	<u>Aye</u>	<u>Nay</u>	<u>Abstain</u>	<u>Absent</u>
Mayor Gerard Hudspeth:	_____	_____	_____	_____
Vicki Byrd, District 1:	_____	_____	_____	_____
Brian Beck, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
Brandon Chase McGee, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2025.

GERARD HUDSPETH, MAYOR

ATTEST:
INGRID REX, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: Susan Keller

THIRD READING AND VOTE

The motion to approve this ordinance was made by [_____] and seconded by [_____].

The ordinance was passed and approved by the following vote [__ – __ – __]:

	<u>Aye</u>	<u>Nay</u>	<u>Abstain</u>	<u>Absent</u>
Mayor Gerard Hudspeth:	_____	_____	_____	_____
Vicki Byrd, District 1:	_____	_____	_____	_____
Brian Beck, District 2:	_____	_____	_____	_____
Suzi Rumohr, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
Brandon Chase McGee, At Large Place 5:	_____	_____	_____	_____
Jill Jester, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2025.

GERARD HUDSPETH, MAYOR

ATTEST:
INGRID REX, INTERIM CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

BY: Susan Keller

Exhibit I

FRANCHISE AGREEMENT

A. The City Council of the City of Denton has adopted an ordinance that grants Universal Natural Gas, LLC (Company) a franchise to construct, install, maintain and repair a system of Facilities as that term is defined herein, for the provision, distribution and transportation of natural Gas, as defined herein, in, over, under, along and across the public rights-of-way in the City of Denton and to transact business related to the provision, distribution and transportation of Gas through such Facilities ("Franchise Ordinance") subject to the execution by Company.

B. In accordance with the Franchise Ordinance, Company desires to enter into this Franchise, hereinafter referred to as Franchise or Franchise Agreement and guarantees unconditional performance of its duties and obligations under this Franchise.

C. Ordinance Number 25-1546, adopted on December 2, 2025, is incorporated into this Franchise Agreement and made a part hereof for all purposes as if fully set forth herein.

D. The effective date of this Franchise is the date of execution by the Parties ("Effective Date").

Agreement

The recitals above are true and correct and are hereby incorporated into this Franchise Agreement as if fully set forth herein.

1. DEFINITIONS.

Capitalized terms used in this Franchise and not otherwise defined within this Franchise shall have the following meanings:

Affiliate shall have the meaning stated in the Texas Utilities Code §§ 101.003 and 101.004.

Company shall mean Universal Natural Gas, LLC.

City shall mean the area within the corporate limits of the City of Denton, Texas and the governing body of the City of Denton, Texas.

Commission shall mean the Railroad Commission of the State of Texas or other authority succeeding to the regulatory powers of the Commission.

Customer shall mean any Person located, in whole or in part, within the City and that is or may be served by Company under the terms of this Franchise.

Director shall mean the Director of the City's Finance Department. or their designee.

Facilities shall mean all of Company's property, whether real or personal, which is reasonably necessary to provide, distribute or transport Gas into, within and through the City, including, but not limited to, transmission and distribution pipes, mains, Gas compressors and meters.

Franchise shall mean the authorization issued to Company by the City for (i) the construction, installation, maintenance, and repair of Company's Facilities in, over, under, along and across the Public Rights-of-Way in the area designated in Exhibit A (Franchise Area); (ii) the operation of such Facilities for the provision, distribution and transportation of Gas; and (iii) any other related uses of the Public Rights-of-Way, pursuant to and in accordance with the Franchise Ordinance and this Franchise Agreement.

Gas shall mean gaseous fuels such as natural gas.

Gross Receipts shall mean all revenue derived or received, directly or indirectly, by Company from or in connection with the operation of the Facilities within the corporate limits of the City and including, without limitation:

- (1) all revenues received by Company from the sale of Gas to all classes of Customers within the City; and
- (2) all revenues received by Company from the transportation of Gas through the Facilities of Company within the City to Customers located within the City regardless of the origination of the gas within the Company's Facilities; and
- (3) the value of Gas transported by Company for Transport Customers through the Facilities of Company within the City, with the value of such Gas to be reported by each Transport Customer to Company, provided, however, that should a Transport Customer refuse to furnish Company its Gas purchase price, Company shall estimate same by utilizing Company's monthly industrial weighted average cost of Gas, as reasonably near the time that the transportation service is performed.
- (4) Gross Receipts shall specifically include the following:
 - (A) Other revenues derived from the following charges:
 - (i) charges to connect, disconnect, or reconnect Gas within the City; and
 - (ii) charges to handle return checks from consumers within the City; and
 - (iii) such other service charges and charges as may, from time to time, be authorized in the rates and charges required to be on file with the City; and
 - (iv) contributions in aid of construction ("CIAC"), which shall be calculated and paid in accordance with Section 4.1.2 of this Franchise Agreement; and

- (B) Revenues billed but not ultimately collected or received by Company; and
 - (C) Gross receipts fees.
- (5) Gross Receipts shall not include:
- (A) Revenue of any Person including, without limitation, an affiliate, to the extent that such revenue is also included in Gross Revenues of Company; and
 - (B) Sales taxes; and
 - (C) Any interest income earned by Company; and
 - (D) All monies received from the lease or sale of real or personal property; provided, however, that this exclusion does not apply to the lease of Facilities located within a Public Right-of-Way in the City.

Person shall mean, without limitation, an individual, a corporation, a limited liability company, a general or limited partnership, a sole proprietorship, a joint venture, a business trust or any other form of business entity or association.

Public Right-of-Way shall mean all dedicated public streets, highways, alleys and rights-of-way in the City, but shall not include any property of the City that is not a dedicated public street, highway, alley or right-of-way.

Transfer or Transferred shall mean (i) any form of sale, conveyance, assignment, lease, or sublease of all or substantially all of Company's Facilities within the City, or merger involving Company as to this Franchise or Company's Facilities or (ii) any change in the effective control of Company. The term Transfer includes (i) any change in limited partnership interests, non-managing limited liability company interests, or non-voting stock representing thirty percent (30%) or more of the equity interests in the entity in question and (ii) any option, right of conversion or similar right to acquire interests constituting control without substantial additional consideration.

Transport Customer shall mean a customer that consumes Gas transported but not sold by Company within the corporate limits of the City.

2. GRANT OF RIGHTS.

2.1. General Use of Public Rights-of-Way for Provision of Gas.

Subject to the terms and conditions set forth in this Franchise and the Denton City Charter and ordinances, the City hereby grants Company the right to (i) erect, construct, install maintain and operate Facilities in, over, under, along and across the Public Rights-of-Way in the Franchise Area and (ii) furnish, transport, sell and distribute Gas to Customers in the Franchise Area. Company hereby acknowledges and agrees that this Franchise does not allow Company to provide any goods

or services other than Gas in or through the City and does not allow Company to provide Gas in or through any part of the City other than the Franchise Area. Notwithstanding any other provision herein, Company agrees any rights or privileges granted to Company herein apply only in the Franchise Area.

2.2 Changes to Territorial Limits.

Company agrees that the territorial limits of the City are subject to expansion or reduction by annexation and contraction of municipal boundaries and that Company has no vested right in a specific area. If the Company provides Gas service to an area at the time that area is annexed to the City, such Gas service by Company shall be provided under the same terms and conditions of this Franchise. The parties agree to amend Exhibit A in the event the geographic area applicable to this Franchise Agreement changes pursuant to this section. Such expansion or reduction of the Franchise Area shall occur without further action by the City or Company except written approval by the City Manager and an individual duly authorized to bind the Company. The Company must revise its payments due to any expansion or reduction no later than thirty (30) days after such boundary change is effective.

2.3. Nonexclusive.

2.3.1. This Franchise and all rights granted to Company herein are strictly nonexclusive. The City reserves the right to grant other and future Gas franchises to other Persons in accordance with applicable law and as the City deems appropriate. This Franchise does not establish any priority for the use of the Public Rights-of-Way by Company or by any present or future franchisees or other permit holders. In the event of any dispute as to the priority of use of the Public Rights-of-Way, the first priority shall be to the public generally, the second priority to the City in the performance of its various functions, and thereafter, as between franchisees and other permit holders, as determined by the City in the exercise of its powers, including the police power and other powers reserved to and conferred on it by the State of Texas.

2.3.2. City reserves to itself the right and power at all times to exercise, in the interest of the public and in accordance with state law, regulation and control of Company's use of the Public Rights-of-Way to ensure the rendering of efficient public service and the maintenance of Company's System in good repair throughout the term of this Franchise.

2.3.3. City expressly reserves the right to own and operate its own system for the purpose of transporting, delivering, distributing, or selling gas to and for the City and inhabitants thereof.

2.3.4. Nothing herein shall impair the right of City to fix, within constitutional and statutory limits, a reasonable price to be charged for natural gas, or to provide and fix a scale of prices for natural gas and other charges, to be charged by Company to residential consumers, commercial consumers, industrial consumers or to other consumers, or any combination of such consumers, within the territorial limits of the City as same now exists or as such limits may be extended from time to time hereafter.

3. TERM

The term of this Franchise shall be for ten (10) years and become effective on the Effective Date, as established in the Franchise Ordinance, and shall expire at 11:59 P.M. CST ten (10) years from the Effective Date (the "Term"). This Franchise and all rights of Company provided hereunder shall automatically terminate upon the expiration of this Franchise. This Franchise Agreement may be renewed for five (5) years upon mutual written consent of the City and Company, each a "Renewal Term." This Franchise Agreement may be renewed as many times as the City and Company mutually agree.

4. FEES AND PAYMENTS TO CITY.

4.1 Franchise Fee.

Company shall pay the City throughout the term of this Franchise an amount equal to five percent (5%) of Company's Gross Receipts ("Franchise Fee"). If permitted by applicable law, following at least thirty (30) days' advance written notice to Company, the City may review and change the amount of the Franchise Fee to the amount of the franchise fee applicable to all other Gas utilities within the City by ordinance adopted by the City Council.

4.1.1. Confidential Information Regarding Transport Customers.

Company shall require each of its Transport Customers to disclose to Company on a quarterly basis their aggregate purchase prices of Gas transported through Company's Facilities. If Company submits any documents to the City that are related to disclosures made to Company by any of its Transport Customers, Company may remove from such documents any information that would disclose either the identity of the Transport Customer or other information deemed confidential by Company, provided that any such removal does not prevent the City from its determining any Transport Customer's purchase prices of Gas transported through Company's Facilities. In order for the City to verify the accuracy of information provided by Company, Company shall, at the City's written request, give the City access to any information deemed confidential by Company and that was removed by Company in documents provided to the City.

4.1.2. Due Date of Franchise Fee.

Except for Franchise Fee amounts that are based on CIAC, Company shall pay the Franchise Fee to the City on a calendar quarterly basis. The Franchise Fee shall be due within forty-five (45) days following the last day of each quarter. The Franchise Fee amounts based on CIAC shall be calculated on an annual calendar year basis, i.e., from January 1 through December 31 of each calendar year. The Franchise Fee amounts that are due based on CIAC shall be paid at least once annually, on or before April 30 of each year, based on the total CIAC recorded during the preceding calendar year.

4.1.3. Effect of Other Municipalities' Fees Accepted and Paid by Company.

Company agrees the percentage amount of the Franchise Fee provided for herein to the City of

Denton is equal to or is a greater percentage of the Franchise Fee agreed to by Company or provided for in any other similar Gas municipal franchise, which includes any franchise ordinance or agreement.

Company further agrees that where terms or provisions related to all fees, costs, pass-throughs, taxes etc. ("Payment") are not included in the Franchise Fee are provided to other municipalities in similar Gas franchises and that are more favorable than those provided to the City, then the Payment to be paid by Company to the City pursuant to this Franchise Agreement shall be increased without any further action required or taken by the City so that the amount due and to be paid hereunder is proportionally equal to the amount that would be due and payable to the City were the franchise fee provisions of that other similar municipal franchise applied to the City.

If Company should at any time after the Effective Date hereof agree to a new similar municipal franchise or renew a similar existing municipal franchise ordinance with another municipality and the franchise fee owed to that municipality for the use of its public rights-of-way would, if applied to the City, result in a Franchise Fee greater than the amount otherwise due the City under this Franchise Agreement, then the Franchise Fee to be paid by Company to the City pursuant to this Franchise Agreement shall be increased without any further action required or taken by the City so that the amount due and to be paid hereunder is equal to the amount that would be due and payable to the City were the franchise fee provisions of that other municipal franchise applied to the City. The Company shall also notify the City of the change pursuant to the notification provisions herein. The provisions of this Section 4.1.3 apply only to the amount of the Franchise Fee to be paid to the City and do not apply to other payment provisions, including, without limitation, the timing of such payments.

4.1.4. Accompanying Report.

Company shall submit with its Franchise Fee payment a written report in a form acceptable to the City and verified by an officer of the Company that summarizes Company's Gross Receipts, including but not limited to, its gross revenues for the preceding calendar quarter upon which franchise fees are calculated, including the amount of revenues received by Company for the transportation of gas; (ii) the coded identity of Company's Transport Customers during the preceding calendar quarter; and (iii) the cost, volume, and transport fee of Gas transported during the preceding calendar quarter for such Transport Customers.

4.1.5. Audits.

The City may audit Company at any time to verify the accuracy of Franchise Fees paid to the City for the prior four (4) years. Company shall pay any additional amounts due the City as reported in any City audit within thirty (30) days following the City's submission to Company of an invoice for such sum, provided that the City Council shall afford Company a fair hearing with reference to the audit and shall either approve or disapprove the results of the audit or make such order as may be reasonable. The City and Company may compel the attendance of witnesses and the production of books and other records in order to assist the City Council in its decisions relating to the accuracy of the Franchise Fees paid to the City. If the additional amount due exceeds ten percent (10%) of the Franchise Fee which the audit shows should have been paid to the City for the period in which

the audit covered, Company shall pay the City's costs for the audit. Otherwise, the City shall pay its own costs for the audit.

4.1.6. Other Obligations.

In addition to the Franchise Fee, Company shall pay the City all sums which may be due the City for property taxes, license fees, permit fees, or other taxes, charges, or fees that the City may from time to time impose on all other Gas utilities within the City. Company shall be responsible for publication of this Franchise as required by the Denton City Charter. The City may require the funds prior to publication, or may invoice the Company for reimbursement.

4.2 Interest.

All sums not paid when due shall bear interest at the rate of ten percent (10%) per annum or the maximum amount allowed by law, whichever is less, computed monthly. If such outstanding sums are paid with interest within thirty (30) days following their respective due dates, Company's failure to pay such sums by their respective due dates shall not, in and of itself, constitute an Event of Default under Section 13 of this Franchise.

4.4. Tariff Recovery

City agrees (i) to the extent the City acts as regulatory authority, to adopt and approve that portion of any tariff which provides for one hundred percent (100%) recovery of the franchise fee on Discretionary Service Charges; (ii) in the event the City intervenes in any regulatory proceeding before a federal or state agency in which the recovery of the franchise fees on such Discretionary Service Charges is an issue, the City will take an affirmative position supporting the 100% recovery of such franchise fees by Company and; (iii) in the event of an appeal of any such regulatory proceeding in which the City has intervened, the City will take an affirmative position in any such appeals in support of the 100% recovery of such franchise fees by Company. City agrees that it will take no action, nor cause any other person or entity to take any action, to prohibit the recovery of such franchise fees by Company. The City is not required to intervene in any proceeding, and is also not required to expend any funds in order to comply with this section.

5. REGULATORY AUTHORITY OF THE CITY.

5.1. Rates.

A. The City Council hereby expressly reserves the full right, power, and authority to regulate and establish the rates and charges for Company's provision, distribution and transportation of Gas and any other services of Company, as provided by and in accordance with Texas law and the Denton City Charter. Company may from time to time propose changes in its general rates by filing an application with the City Secretary for consideration by the City Council. Within a reasonable time consistent with applicable law, the City Council shall afford Company a fair hearing with reference to the application and shall either approve or disapprove the proposed changes or make such order as may be reasonable. The City shall have the full power and authority to inspect, or cause to be inspected, Company's books and to inventory and appraise, or cause to be inventoried

and appraised, Company's Facilities and other real and personal property. In addition, the City may compel the attendance of witnesses and the production of Company's books and other records in order to assist the City Council in its decisions relating to the City's rate regulatory authority.

B. The Company agrees to initially establish the rates and charges as described in Exhibit C. Future changes to these rates will be governed by Section 5.1(A) and (B).

C. The Grantee shall have the right to make and enforce such reasonable rules and regulations as it may deem necessary for the extension of its facilities, the sale of its gas and the conduct of its business, provided that such rules and regulations comply with the laws of the State of Texas, the ordinances and regulations of the Grantor, the provisions of this Franchise, and with the applicable orders, rules or regulations of the Railroad Commission of Texas where such RRC orders, rules and regulations are consistent with the three items first listed in this sentence.

5.2. Other Matters.

Company's property and operations hereunder shall be subject to such regulation by the City as may be reasonably necessary for the protection or benefit of the general public. In this connection, Company shall be subject to, governed by and shall comply with all applicable federal, state, and local laws, including all ordinances, rules, and regulations of the City, as same may be adopted and amended from time to time.

5.3. Regulatory Expenses.

Company agrees that City may, at any time during the term of this Franchise, employ at the expense of Company expert assistance and advice in determining fair, just, and reasonable rates to be charged by Company to its consumers in the City, and in determining the extent to which Company is complying with the terms and conditions of this Franchise Ordinance. In the manner requested by the City, Company agrees to pay reasonable expenses in connection therewith, or reimburse City for the same.

6. RECORDKEEPING AND ACCOUNTING.

Company shall keep complete and accurate books of accounts and records of its business and operations in the City pursuant to this Franchise as required by the Commission and in accordance with state and federal law, of accounts and in a manner that will allow the City to determine investment, cost of service and operating expenses related to Company's provision of Gas to Customers and transportation of Gas to Transport Customers. The City may require the keeping of additional records or accounts which are reasonably necessary for purposes of identifying, accounting for and reporting receipts, uncollectible accounts, and expenses or otherwise reasonably necessary for the administration of this Franchise. The City shall have the right to inspect at reasonable times the plant, equipment and other property of Company and its Affiliates (but only to the extent that the Affiliate's plant, equipment or other property relates to Company's provision of Gas to Customers or transportation of Gas to Transport Customers) in accordance with applicable law and to examine, audit and obtain copies of the papers, books, accounts, documents

and other business records of Company pertaining to its business and operations in the City.

7. USE OF PUBLIC RIGHTS-OF-WAY.

7.1 City's Right-of-Way

7.1.1. Company acknowledges and agrees the City has the right to control and regulate the use of the Public Rights-of-Way, public places and other City-owned property and the spaces above and beneath them.

7.1.2. The City has and reserves the right to lay, and permit to be laid, storm, sewer, gas, water, wastewater, and other pipe, lines, cables, and conduits, or other improvements and to do and permit to be done any underground or overhead work that may be necessary or proper as determined by the City in, across, along, over, or under Public Rights-of-Way occupied by Company. The City also reserves the right to change in any manner any curb, sidewalk, highway, alley, public way, street, utility lines, storm sewers, drainage basins, ditches, and the like as necessary or proper as determined by the City.

7.2 Permits; Right-of-Way Requirements.

7.2.1. This Franchise does not relieve Company of any obligation to obtain permits, licenses, and other approvals from the City necessary for the construction, installation, maintenance or repair of Company's Facilities or the provision, distribution, or transportation of Gas through such Facilities.

7.2.2. Company agrees it must comply with the City Denton Charter and City of Denton, Texas Code of Ordinances, Chapter 25, Article II, *Construction and Repair*, Division 3. *Right-of-Way Construction Management*, as amended (ROW Ordinance), except where the requirements on Company in this Franchise Agreement are more stringent than those in the ROW Ordinance. A violation of the ROW Ordinance constitutes a breach of this Franchise.

7.3 No Undue Burden.

Company's Facilities shall not be erected, installed, constructed, repaired, replaced, or maintained in any manner that places an undue burden on the present or future use of the Public Rights-of-Way by the City and the public. If the City reasonably determines that any of Company's Facilities do place an undue burden on a portion of the Public Rights-of-Way, Company, at Company's sole cost and expense and within a reasonable time period specified by the City, shall modify the Facilities or take other actions determined by the City to be in the public interest to remove or alleviate the burden.

7.4 Minimal Interference.

Company shall not unreasonably interfere with traffic over streets, alleys, and highways. Company's operations and activities within the Public Rights-of-Way in the City.

7.5. Marking of Facilities.

Company's Facilities shall be clearly marked in a manner to show conspicuously Company's name and a toll-free telephone number of Company that a Person may call for assistance. The markings and their placement shall be in compliance with all applicable law regarding marking, labeling and notice, and shall be placed in a manner to ensure public safety, and to prevent accidental damage such as during construction, maintenance or operations activity.

7.6. Emergency Work by the City

The City shall have the right to sever, disrupt, remove, relocate, damage or destroy any of Company's Facilities without any prior notice and at no liability to the City if such action is deemed necessary by the City Manager, Mayor, Police Chief or Fire Chief or their authorized representatives due to a public emergency. For purposes of this Section 7.9.1, a public emergency shall be any condition which, in the opinion of the officials specified herein, poses an immediate threat to life, health or property and is caused by any natural or man-made disaster, including, but not limited to, storms, floods, fires, accidents, explosion, water main breaks and hazardous materials spills. Company, at Company's sole cost and expense, shall be responsible for the repair, relocation or reconstruction of any of its Facilities that are affected by such action of the City.

7.7. Relocation. In the event Company's Facilities must be relocated for any reason, Company acknowledges and agrees it is responsible for all costs for such relocation, and that Company must comply with the applicable provisions related to relocation in Chapter 25 in the City of Denton Code of Ordinances.

8. CUSTOMER SERVICE AND CONSUMER PROTECTION.

8.1. General Standards.

Company shall comply with the more stringent of the Customer service and consumer protection provisions of (i) this Franchise Agreement and any applicable ordinance of the City or (ii) Chapters 182 and 183 of the Texas Utilities Code and Title 16, Chapter 7, Subchapter D of the Texas Administrative Code, as such provisions exist or are amended or recodified during the term of this Franchise Agreement.

8.2. Dependable Service and Reasonable Rates.

Company shall take all reasonable and necessary steps to assure a dependable supply of Gas to Customers at the lowest reasonable cost consistent with long-term reliable supplies and in a manner that may be prescribed from time to time by appropriate state and local authorities.

8.3. New Service.

8.3.1. Extension of Facilities; Duty to Serve.

If a Customer requests Company to provide Customer with Gas to a property within the Franchise

Area, Company shall promptly comply with this request as provided by this Section 8.3. In extending the provision of its services to a new Customer within the Franchise Area, Company shall extend its mains and other Facilities in the Public Rights-of-Way necessary to provide Gas to such Customer up to one hundred (100) feet without cost to that Customer. Otherwise, Company shall have the right to contract with a Customer in regard to the installation of and payment for any Facilities necessary to connect the Customer's premises with Company's Facilities in the Public Rights-of-Way. Company shall not be required to extend its mains or other Facilities in the Public Rights-of-Way more than one hundred (100) feet to serve any one Customer.

8.3.2 Extension of Facilities to City-owned Property.

As a condition of this Franchise Agreement, the Company agrees to extend services at the Company's sole cost to a City-owned property identified by the Denton County Appraisal District as property identification number 64578, known commonly as Southwest Park. The Company agrees to extend these services to the Southwest Park and make these services available to the City at the same time and in the same manner the services are available to the adjacent property in Hunter Ranch Municipal Management District. The Parties agree Southwest Park is included in the Franchise Area.

8.4 Ownership of Facilities.

Company shall own, operate, and maintain all supply lines extending from Company's main in the Public Right-of-Way to a Customer's meter, including the meter itself. A Customer shall own, operate, and maintain all underground supply lines extending from the point of connection with the meter for that Customer to the point of connection with the piping for that Customer's dwelling or structure.

8.5 Customer Notifications.

Company shall provide new Customers or any existing or potential Customer upon request with written information on Company's installation and service policies and billing and complaint procedures, which include a toll-free telephone number that a Customer may call for information, assistance, or complaint resolution. In the event that the rules and regulations governing annual notification are changed by statute or appropriate regulatory authority, Company reserves the right to substitute such information for the information set forth in this paragraph.

8.6. Bills.

8.6.1. Format.

Company's bills to its Customers shall be issued monthly to each Customer with a balance due. Bills shall be clear, concise, and understandable. Bills shall be fully itemized and clearly delineate all activity during the billing period, including optional charges, rebates, credits, and late charges. Each bill shall prominently display Company's contact information, including messaging, and local or toll-free telephone numbers available for use by Customers.

8.6.2. Complaints and Disputes.

Company shall respond in writing to all written complaints from Customers regarding billing matters within thirty (30) days of receipt. Company shall not disconnect a Customer for failure to pay contested charges during a billing dispute,

9. REPORTS TO CITY.

9.6. Annual Statement.

Company shall make available for inspection by the City all annual reports filed with the Commission or successor agency covering the operation of Company within the City. The City shall have the right to require Company to submit reasonable information regarding Company's properties and expenses related to Company's Facilities and operations in the City that may not be included in such reports, including, but not limited to, a fiscal year-end balance sheet, an income statement covering the results of operations for the respective fiscal year, a statement of retained earnings for the year and a statement of cash flows, all of which the City may require to be audited by an independent certified public accountant acceptable to the City and the Company and to include a statement to that effect by the certified public accountant.

9.7. Construction-Related Reports.

Within fifteen (15) calendar days following the start of each calendar quarter, Company shall provide the City a written report in a form acceptable to the Director of Capital Projects that outlines Company's plans for construction in the Public Rights-of-Way for the forthcoming eight (8) calendar quarters.

9.8. Other Reports.

Company shall report to the City such other information relating to Company as the City may reasonably consider useful and shall comply with the City's preference for the form of such reports, the time for such reports and the frequency with which such reports are to be made.

10. LIABILITY AND INDEMNIFICATION.

10.1. Liability of Company.

COMPANY SHALL BE LIABLE AND RESPONSIBLE FOR ANY AND ALL PROPERTY LOSS, PROPERTY DAMAGE OR PERSONAL INJURY, INCLUDING DEATH, TO ANY AND ALL PERSONS, OF ANY KIND OR CHARACTER, WHETHER REAL OR ASSERTED, ARISING FROM THE CONSTRUCTION, INSTALLATION, MAINTENANCE OR REPAIR OF COMPANY'S FACILITIES, THE PROVISION, DISTRIBUTION OR TRANSPORTATION OF GAS IN OR THROUGH THE CITY OR ANY OTHER USE OF THE PUBLIC RIGHTS-OF-WAY BY COMPANY, ITS OFFICERS, AGENTS, SERVANTS, EMPLOYEE CONTRACTORS AND SUBCONTRACTORS.

10.2. Disclaimer of Liability.

THE CITY SHALL NOT AT ANY TIME BE LIABLE FOR ANY INJURY OR DAMAGE OCCURRING TO ANY PERSON OR PROPERTY FROM ANY CAUSE WHATSOEVER THAT ARISES OUT OF THE CONSTRUCTION, MAINTENANCE, REPAIR, USE, OPERATION, CONDITION OR DISMANTLING OF COMPANY'S FACILITIES OR COMPANY'S DISTRIBUTION, PROVISION OR TRANSPORTATION OF GAS, EXCEPT TO THE EXTENT DIRECTLY CAUSED BY THE NEGLIGENT ACT(S) OR OMISSION(S) OR INTENTIONAL MISCONDUCT OF THE CITY.

10.3. Indemnification.

COMPANY, AT COMPANY'S SOLE COST AND EXPENSE, SHALL INDEMNIFY AND HOLD HARMLESS THE CITY, ITS OFFICERS, BOARDS, COMMISSIONS, AGENTS, EMPLOYEES AND VOLUNTEERS ("INDEMNITEES"), FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, DAMAGES, PENALTIES, CLAIMS, LIENS, COSTS, CHARGES, LOSSES AND EXPENSES, WHETHER LEGAL OR EQUITABLE, WHICH MAY BE IMPOSED UPON, INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEES BY REASON OF ANY PERSONAL INJURY OR PROPERTY DAMAGE OR ANY ACT OR OMISSION OF COMPANY, ITS PERSONNEL, EMPLOYEES, OFFICERS, AGENTS, CONTRACTORS OR SUBCONTRACTORS WHICH MAY ARISE OUT OF OR BE IN ANY WAY CONNECTED WITH (I) THE CONSTRUCTION, INSTALLATION, OPERATION, MAINTENANCE OR CONDITION OF COMPANY'S FACILITIES; (II) THE PROVISION, DISTRIBUTION OR TRANSPORTATION OF GAS THROUGH COMPANY'S FACILITIES; (III) ANY CLAIM OR LIEN ARISING OUT OF WORK, LABOR, MATERIALS OR SUPPLIES PROVIDED OR SUPPLIED TO COMPANY, ITS CONTRACTORS OR SUBCONTRACTORS; OR (IV) COMPANY'S FAILURE TO COMPLY WITH ANY FEDERAL, STATE OR LOCAL LAW, ORDINANCE, FRANCHISE, RULE OR REGULATION.

10.4. Assumption of Risk.

COMPANY HEREBY UNDERTAKES AND ASSUMES, FOR AND ON BEHALF OF COMPANY, ITS OFFICERS, AGENTS, CONTRACTORS, SUBCONTRACTORS AND EMPLOYEES, ALL RISK OF DANGEROUS CONDITIONS, IF ANY, ON OR ABOUT ANY CITY-OWNED OR CITY-CONTROLLED PROPERTY, INCLUDING, BUT NOT LIMITED TO, THE PUBLIC RIGHTS-OF-WAY. IN ADDITION, COMPANY HEREBY AGREES TO AND SHALL INDEMNIFY AND HOLD HARMLESS ANY INDEMNITEE AGAINST AND FROM ANY CLAIM ASSERTED OR LIABILITY IMPOSED UPON ANY INDEMNITEE FOR ANY PERSONAL INJURY OR PROPERTY DAMAGE INCURRED OR ASSERTED BY COMPANY OR ANY OF ITS PERSONNEL, EMPLOYEES, OFFICERS AGENTS, SERVANTS, CONTRACTORS OR SUBCONTRACTORS, AND ARISING FROM THE INSTALLATION, OPERATION, MAINTENANCE OR CONDITION OF FACILITIES, EXCEPT TO THE EXTENT CAUSED BY THE NEGLIGENT ACTS OR OMISSIONS OR INTENTIONAL MISCONDUCT OF THE CITY.

10.5. Defense of Indemnities.

IN THE EVENT ANY ACTION, LAWSUIT OR OTHER PROCEEDING IS BROUGHT AGAINST ANY INDEMNITEE BY REASON OF ANY MATTER FOR WHICH THE INDEMNITEES ARE INDEMNIFIED HEREUNDER, THE CITY SHALL GIVE COMPANY PROMPT WRITTEN NOTICE OF THE MAKING OF ANY CLAIM OR COMMENCEMENT OF ANY SUCH ACTION, LAWSUIT OR OTHER PROCEEDING, AND COMPANY, AT COMPANY'S SOLE COST AND EXPENSE, SHALL RESIST AND DEFEND THE SAME WITH REASONABLE PARTICIPATION BY THE CITY AND WITH LEGAL COUNSEL SELECTED BY COMPANY, AND SPECIFICALLY APPROVED BY THE CITY. IN SUCH AN EVENT, COMPANY SHALL NOT ADMIT LIABILITY IN ANY MATTER ON BEHALF OF ANY INDEMNITEE WITHOUT THE ADVANCE WRITTEN CONSENT OF THE CITY.

COMPANY SHALL RETAIN COUNSEL SPECIFICALLY APPROVED BY THE CITY WITHIN 3 BUSINESS DAYS FROM THE DATE COMPANY IS AWARE AN ACTION, LAWSUIT OR OTHER PROCEEDING IS BROUGHT AGAINST THE CITY, EXCEPT THAT CITY MAY CONSENT TO A LONGER PERIOD TO RETAIN COUNSEL WHERE SUCH LONGER PERIOD DOES NOT JEOPARDIZE THE CITY'S ABILITY TO ACT IN ITS INTEREST AS TO SUCH ACTION, LAWSUIT OR OTHER PROCEEDING.

11. INSURANCE.

Company shall, at its sole cost and expense, procure and maintain at all times, in full force and effect, throughout the term of this Franchise, a policy or policies of insurance to provide coverages as specified herein and in accordance with Section 25-83, as amended, of the City of Denton Code of Ordinances, naming the City as an additional insured to cover all risks related to the use, occupancy, condition, maintenance, existence or location of the Public Rights-of-Way and the construction, installation, operation, maintenance or condition of its Facilities.

11.1. Primary Liability Insurance Coverage.

- Commercial General Liability:

\$1,000,000 per occurrence for Bodily Injury and Property Damage Liability except Worker's Compensation, including coverage for the following where exposure exists and as directed by the City's Risk Manager: (i) Premises Liability; (ii) independent contractors; (iii) products/completed operations; (iv) personal injury; (v) contractual liability; (vi) explosion, collapse, and underground property damage.

- Property Damage Liability:

\$1,000,000 per occurrence.

- Automobile Liability:

\$1,000,000 per accident,
including, but not limited to, all owned, leased, hired or non-owned motor vehicles used in conjunction with the rights granted under this Franchise.

- Worker's Compensation:

As required by law; and, Employer's Liability as follows:
\$1,000,000 per accident.

- Pollution Liability.

Pollution liability insurance which provides coverage for sudden and accidental environmental contamination with minimum limits of liability of five million dollars (\$5,000,000)

11.2. Excess Liability Insurance Umbrella.

\$25,000,000, including primary coverage, for each coverage listed in § 11.1.

11.3. Underwriters and Certificates.

Company shall procure and maintain its insurance with underwriters authorized to do business in the State of Texas and who are acceptable to the City in terms of solvency and financial strength. Within thirty (30) days following adoption of this Franchise by the City Council, Company shall furnish the City with certificates of insurance signed by the respective companies or agents thereof as proof that it has obtained the types and amounts of insurance coverage required herein. In addition, Company shall, on demand, provide the City with evidence that it has maintained such coverage in full force and effect.

11.4. Deductibles.

Deductible or self-insured retention limits on any line of coverage required herein shall not exceed \$25,000 per occurrence.

11.5. No Limitation of Liability.

The insurance requirements set forth in this Section 11 and any recovery by the City of any sum by reason of any insurance policy required under this Franchise shall in no way be construed or effected to limit or in any way affect Company's liability to the City or other Persons as provided by this Franchise or law.

11.6 Adjustments During Term of Franchise

The City may adjust the limits required by this section at any time with sixty (60) days' notice to Company based on changes in statutes or in circumstances that necessitate increased limits in order

to protect the interests of the City and the public in the public right-of-way.

12. TRANSFERS, OWNERSHIP AND CONTROL.

12.1. Management of Company.

Company shall personally manage its Facilities and oversee the provision, distribution, and transportation of Gas within the City. Company shall not, directly or indirectly, contract for, subcontract, or assign, in whole or in part, the management of its Facilities or the provision, distribution, or transportation of Gas within the City to any other Person unless the City provides advance written consent, which consent shall not be unreasonably withheld.

12.2. Transfers.

This Franchise shall not be sold, Transferred, assigned, or otherwise encumbered without the prior written consent of the City, which consent shall not be unreasonably withheld. For purposes of this Franchise, if Company seeks to obtain the consent of the City for any kind of Transfer, sale, assignment or other encumbrance, Company shall submit a request for such consent in writing to the City and shall submit or cause to be submitted to the City all such documents and information that the City may reasonably need for its consideration of the request.

13. DEFAULTS.

The occurrence at any time during the term of this Franchise of one or more of the following shall constitute an "Event of Default" under this Franchise:

13.1. Failure to Pay Franchise Fees.

An Event of Default shall occur if Company fails to pay any Franchise Fee on or before the respective due date.

13.2. Breach.

An Event of Default shall occur if Company materially breaches or violates any of the terms, covenants, representations, warranties, or sections set forth in this Franchise or fails to perform any obligation required by this Franchise.

13.3. Bankruptcy, Insolvency or Receivership.

An Event of Default shall occur if Company (i) files a voluntary petition in bankruptcy; (ii) is adjudicated insolvent; (iii) files any petition or fails to contest any petition filed against it seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any laws relating to bankruptcy, insolvency or other relief for debtors; (iv) seeks, consents to or acquiesces in the appointment of any trustee, receiver, master, custodian or liquidator of Company, any of Company's property, franchises, or any receipts, issues, earnings or profits thereof; (v) makes an assignment for the benefit of creditors; or (vi) fails to pay Company's

debts generally as they become due.

13.4. Violations of the Law.

An Event of Default shall occur if Company at any time violates any federal, state, or local laws including the Denton City Charter and ordinances.

14. UNCURED DEFAULTS AND REMEDIES.

14.1. Notice of Default and Opportunity to Cure.

If an Event of Default occurs, the City shall provide Company with written notice and shall give Company the opportunity to cure such Event of Default. For an Event of Default which can be cured by the immediate payment of money to the City, Company shall have thirty (30) days from the date it receives written notice from the City to cure the Event of Default. If any payment amount is in dispute, the second paragraph of this Section 14.1 shall control. For any other Event of Default, Company shall have sixty (60) days from the date it receives written notice from the City to cure the Event of Default. Except as otherwise provided by this Section 14.1, if any Event of Default is not cured within the time period specified herein, such Event of Default shall, without further notice from the City, become an "Uncured Default" and the City immediately may exercise the remedies provided in Section 14.2.

In the event that Company disputes an amount of money owed by Company to City, Company shall remit the disputed amount to the City. The City Manager or their designee shall review the dispute and relevant documents. To the extent the City Manager agrees with Company's position, that portion of the disputed amount shall be returned.

14.2. Remedies for Uncured Defaults.

Upon the occurrence of an Uncured Default, the City shall be entitled to exercise, at the same time or at different times, any of the following remedies, all of which shall be cumulative of and without limitation to any other rights or remedies the City may have:

14.2.1. Termination of Franchise.

Upon the occurrence of an Uncured Default, the City may terminate this Franchise. Upon such termination, Company shall forfeit all rights granted to it under this Franchise, and, except as to Company's unperformed obligations and existing liabilities as of the date of termination, this Franchise shall automatically be deemed null and void and shall have no further force or effect. Company shall remain obligated to pay and the City shall retain the right to receive Franchise Fees, Payments, and any other amounts due up to the date of termination. In accordance with and as provided by Chapter 25 of City of Denton's Code of Ordinances, Company shall remove its Facilities from and restore the Public Rights-of-Way as and when requested by the City. The City's right to terminate this Franchise under this Section 14.2.1 does not and shall not be construed to constitute any kind of limitation on the City's right to terminate this Franchise for other reasons as provided by and in accordance with this Franchise; provided, however, that Company may not

abandon its Facilities or discontinue its Gas services in the City without the approval of the Commission or successor agency or other regulatory authority with jurisdiction, if such action without such approval is prohibited at the time by applicable federal or state law or regulation.

14.2.2. Legal Action Against Company; Attorney Fees.

Upon the occurrence of an Uncured Default, the City may commence against Company an action at law for monetary damages or in equity for injunctive relief or specific performance of any of the provisions of this Franchise which, as a matter of equity, are specifically enforceable. Company agrees that if City is granted any relief for an action of an Uncured Default, Company is responsible for the City's attorney fees and costs without any further action required by the City other than providing documentation of such fees to the Company.

15. PROVISION OF INFORMATION.

15.1. Filings with the Commission.

Company shall provide copies to the City of all documents which Company files with or sends to the Commission concerning or related to its provision of Gas to Customers or other operations in the City, including, but not limited to, filings related to (i) tariffs; (ii) rules, regulations and policies requested, under consideration or approved by the Commission; and (iii) applications and any supporting pre-filed testimony and exhibits filed by Company or third parties on behalf of Company, on the same date as such filings are made with the Commission. In addition, Company shall provide the City with copies of records, documents and other filings related to its provision of Gas to Customers or other operations in the City that Company is required to maintain or supply to the Commission under the Texas Utilities Code and any other applicable state or federal law, rule, or regulation. Confidential information of Company shall be provided to the City consistent with the Commission's rules governing disclosure of such information to a regulatory authority.

15.2. Lawsuits or Claims.

Company shall provide the City with copies of all pleadings in all lawsuits, claims or proceedings to which Company is a party and that pertain to the granting of this Franchise or the provision, distribution, or transportation of Gas to Customers or other operations in the City within thirty (30) days of Company's receipt of same.

16. COMPANY AS INDEPENDENT CONTRACTOR.

It is expressly understood and agreed that Company shall operate as an independent contractor as to all rights and privileges granted by this Franchise, and not as an agent, representative or employee of the City. Company shall have the exclusive right to control the details of its business and other operations necessary or appurtenant to the provision, distribution, or transportation of Gas in accordance with the terms and conditions of this Franchise *AND SHALL BE SOLELY RESPONSIBLE FOR THE ACTS AND OMISSIONS OF COMPANY'S OFFICERS, AGENTS, SERVANTS, EMPLOYEES, CONTRACTORS, AND SUBCONTRACTORS. COMPANY ACKNOWLEDGES THAT THE DOCTRINE OF RESPONDEAT SUPERIOR SHALL NOT APPLY*

AS BETWEEN THE CITY AND COMPANY, ITS OFFICERS, AGENTS, EMPLOYEES, CONTRACTORS, AND SUBCONTRACTORS. Company further agrees that nothing herein shall be construed as the creation of a partnership or joint enterprise between the City and Company.

17. NOTICES.

Notices required pursuant to the provisions of this Franchise shall be conclusively determined to have been delivered when (i) hand-delivered to the other party, its agents, employees, servants, or representatives, or (ii) received by the other party by United States Mail, postage prepaid, return receipt requested.

To the City of Denton:

City Manager
City of Denton
215 E. McKinney St.
Denton, Texas 76201

City Attorney
City of Denton
215 E. McKinney St.
Denton, Texas 76201

To Company:

Universal Natural Gas, LLC (d/b/a Universal
Natural Gas, Inc.)
Attn: General Counsel
9950 Woodloch Forest Drive 22nd Floor
The Woodlands, TX 77380

18. NON-DISCRIMINATION COVENANT.

Company shall not discriminate against any Person on the basis of race, color, national origin religion, handicap, sex, sexual orientation or familial status in the provision, distribution or transportation of Gas; in the receipt of benefits from Company's business operations in the City; in opportunities for employment with Company that Company may offer; or in the construction or installation of Company's Facilities.

19. NO WAIVER

The failure of the City to insist upon the performance of any term or provision of this Franchise or to exercise any rights that the City may have, either under this Franchise or the law, shall not constitute a waiver of the City's right to insist upon appropriate performance or to assert any such right on any future occasion.

20. GOVERNING LAW AND VENUE.

This Franchise shall be construed pursuant to and in accordance with the laws of the United States of America, the State of Texas, and the City of Denton Charter and Code of Ordinances. Any action

at law or in equity, related to this Franchise, Company's provision, distribution or transportation of Gas, or Company's use of the Public Rights-of-Way, venue for such action shall be exclusively in the state courts located in Denton County, Texas or the United States District Court for the Eastern District of Texas. Sherman Division.

21. CONFERENCES.

At the request of either the City or Company, the City and Company shall meet at reasonable times and upon reasonable notice to discuss any aspect of this Franchise, Company's Facilities, Company's operations in the City, Company's provision, distribution and transportation of Gas, or Company's use of Public Rights-of-Way.

22. SEVERABILITY.

22.1. Except as provided in 22.2, if any provision of this Franchise is held to be invalid, illegal, or unenforceable by a final order entered by a court of competent jurisdiction, or if any provisions lawfully entered into on the Effective Date are later prohibited or invalidated by state or federal law, the provisions of this Franchise shall be severable. The City and Company agree they shall amend this Franchise to comply with such final order entered by a court of competent jurisdiction.

22.2. If Section 7.7 *Relocation*, which the City and Company agree is lawfully entered into on the Effective Date of this Franchise, is held to be invalid, illegal, or unenforceable by a final order entered by a court of competent jurisdiction, or if Section 7.7 *Relocation* is later prohibited or invalidated by state or federal law, the City and Company agree this Franchise will terminate sixty (60) days from such holding, finding, or effective date without any further action required by the City or Company.

23. SURVIVAL.

The following provisions shall survive the termination of this Franchise Agreement:

Section 11- Insurance

Section 10.3- Indemnity

Section 4- Fees and Payment

Section 7.2- Permits; Right-of-Way Requirements

24. FORCE MAJEURE.

In the event Company's performance of any of the terms, conditions or obligations required by this Franchise is prevented by a cause or event that is not within Company's reasonable control, Company's non-performance shall be deemed excused for the period of such inability. Causes or events that are not within the Company's control shall include, but not be limited to, acts of God, weather, action or inaction of regulatory bodies, strikes, sabotage, riots or civil disturbances, failure or loss of utilities, explosions, and natural disasters.

25. HEADINGS NOT CONTROLLING.

Headings and titles that are used in this Franchise are for reference purposes only and shall not be deemed a part of this Franchise.

26. ENTIRETY OF AGREEMENT.

This Franchise, including the schedule of exhibits attached hereto and any documents incorporated herein by reference, contains the entire understanding and agreement between the City and Company as to the matters contained herein. Any prior or contemporaneous oral or written agreement is hereby declared null and void to the extent in conflict with the terms and conditions of this Agreement. This Franchise shall not be amended unless agreed to in writing by both parties and approved by the City Council of the City.

27. GUARANTEE OF PERFORMANCE.

Company hereby acknowledges that it carefully has read the terms and conditions of this Franchise and accepts and agrees to perform the duties and obligations set forth in this Franchise.

28. ACCEPTANCE OF FRANCHISE.

In order to accept this franchise, Company must file with the City Secretary its written statement of acceptance of this franchise substantially in the form shown in Exhibit "B" within sixty (60) calendar days after its final passage and approval by City. The right, privilege and franchise granted hereby shall expire on December 31, 2035. Failure to return the acceptance as required by this section allows the City, at its option to deem that the Company has accepted the Franchise as stated or to revoke the Franchise and deny the Company its benefits hereunder.

EXECUTED this __ day of, _____ 20 __ .

THE CITY OF DENTON, TEXAS:

By: _____
Sara Hensley,
City Manager

UNIVERSAL NATURAL GAS, LLC:

By: _____
Richard Bard,
SVP Engineering and Construction

EXHIBIT A FRANCHISE AREA MAP

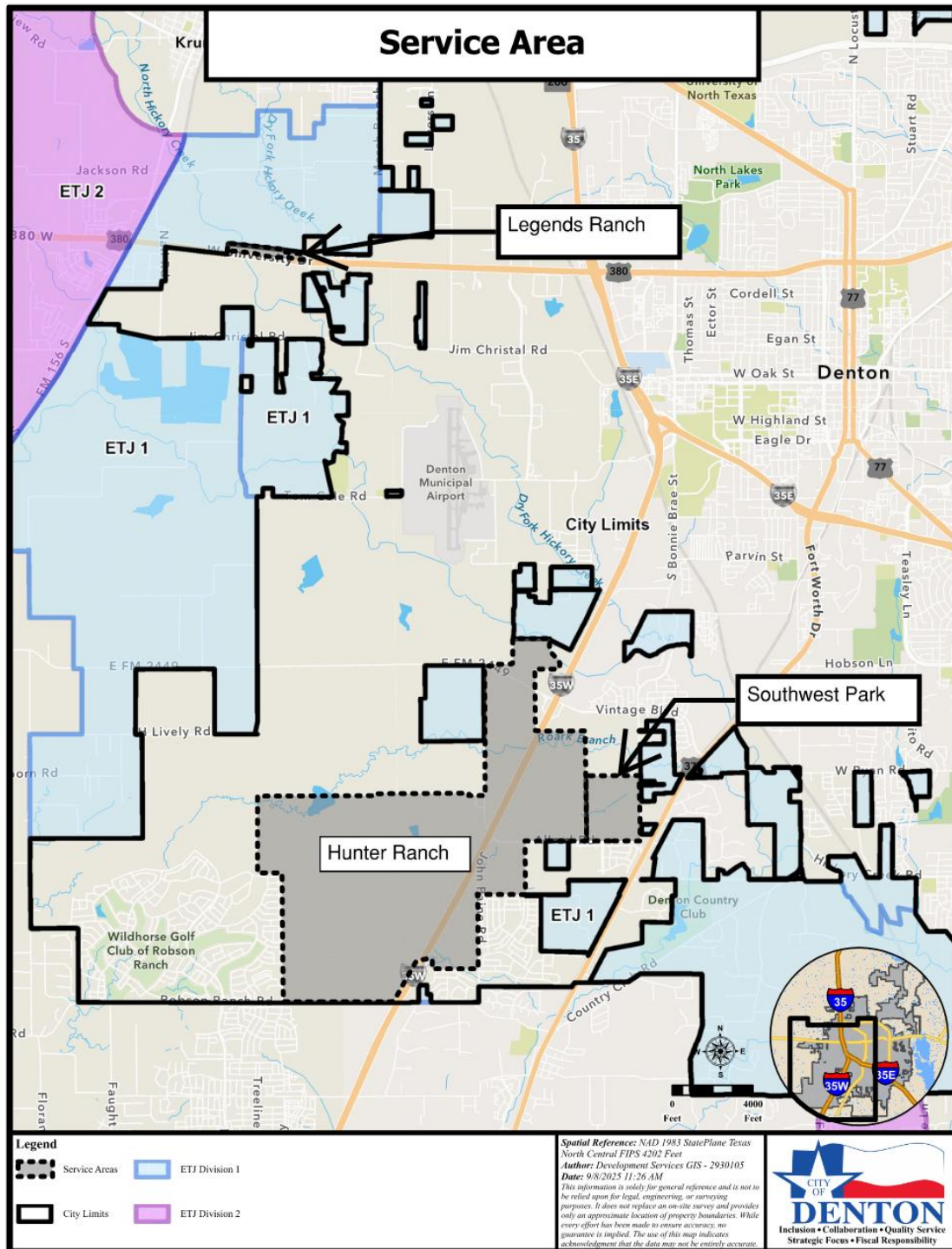


EXHIBIT B

ACKNOWLEDGEMENT OF SIGNATURE ON BEHALF OF UNIVERSAL NATURAL GAS,
LLC

STATE OF TEXAS §
COUNTY OF DENTON §

BEFORE ME, the undersigned authority, on this day personally appeared Richard Bard, SVP Engineering and Construction, known to me to be the person whose name is signed to this Franchise Agreement. Richard Bard acknowledged that he is authorized to sign this Agreement, that his signature is binding to Universal Natural Gas, LLC and that he did sign this Franchise Agreement for the purposes and considerations expressed in the Franchise Agreement.

Given my hand and seal of office this _____ day of _____, 2025.

Notary Public in and for the State of Texas

(Personalized Seal)

For Denton City Secretary Use:

Filed with the Office of City Secretary on: _____

Received by: _____, _____
[NAME and TITLE]

EXHIBIT C Initial Rates

UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC. RESIDENTIAL SERVICE RATE SCHEDULE RES

AVAILABILITY

This schedule is available to residential consumers in unincorporated areas and in all incorporated areas unless otherwise covered by a specific UNIGAS rate schedule for residential consumers in incorporated areas receiving natural gas service from UNIGAS (hereinafter called "Company").

APPLICATION OF SCHEDULE

The Company will provide distribution service for the delivery of gas supply through the Company's facilities to eligible residential customers residing in single family or multi-unit residential dwellings in which each unit requires a separate connection and meter. Gas supplied hereunder is for the individual use of the Consumer at one point of delivery and shall not be resold or shared with others. If the Consumer has a written contract with Company, the terms and provisions of such contract shall be controlling.

BASE MONTHLY RATE

For bills rendered on and after the effective date of this rate schedule, the monthly billing period rate for each customer receiving service under this rate schedule shall be the sum of the following:

Monthly Customer Charge:	\$43.18
Base Charge:	\$18.00
Interim Rate Adjustments (IRA) ¹ :	\$25.18
All Gas Consumed at:	\$3.14 per Mcf

OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule COG.

¹ 2021 IRA - Case No. 00009430 \$7.43; 2022 IRA - Case No. 00012763 \$9.38; 2023 IRA - Case No. 00016486 \$8.37

Taxes: Plus applicable taxes and fees related to above in accordance with the provisions of Rate Schedule TAXES.

Pipeline Safety Inspection Fee: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety Inspection Fee, Rate Schedule PSFUG.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Rate Case Expense Rider: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

Miscellaneous Service Charges: The billing shall reflect adjustments in accordance with provisions of the Miscellaneous Service Charges, Rate Schedule M.

UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.

COMMERCIAL SERVICE

RATE SCHEDULE COMM – DENTON

AVAILABILITY

This schedule is available to commercial and other non-residential (hereinafter called “Commercial”) customers within the municipal boundaries of the City of Denton, Texas receiving natural gas service from UNIGAS (hereinafter called "Company").

APPLICATION OF SCHEDULE

The Company will provide distribution service for the delivery of gas supply through the Company's facilities to eligible Commercial customers in which each unit requires a separate connection and meter. Gas supplied hereunder is for the individual use of the Customer at one point of delivery and shall not be resold or shared with others. If the Customer has a written contract with Company, the terms and provisions of such contract shall be controlling.

BASE MONTHLY RATE

For bills rendered on and after the effective date of this rate schedule, the monthly billing period rate for each customer receiving service under this rate schedule shall be the sum of the following:

Monthly Customer Charge:	\$94.00
Base Charge:	\$94.00
Interim Rate Adjustments (IRA):	\$0.00
All Gas Consumed at:	\$2.2261 per Mcf

OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule COG.

Pipeline Safety Inspection Fee: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety Inspection Fee, Rate Schedule PSFUG.

Taxes: Plus applicable taxes and fees related to above in accordance with the provisions of Rate Schedule TAXES.

Rate Case Expense Rider: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

Miscellaneous Service Charges: The billing shall reflect adjustments in accordance with provisions of the Miscellaneous Service Charges, Rate Schedule M.