

Procedure Manual

Natural Gas Transportation

The purpose of this procedure manual is intended to explain and exemplify the topics as outlined below.

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I. Nominations

The nomination procedure is basically a means of communicating account and expected gas usage information between the Customer, the Marketer and the LDC.

Texican Natural Gas (the Marketer) will initiate this procedure each month and handle all nominations with the LDC.

Authorization Form

Before we "nominate" for a customer, they must first submit an Authorization Form to their given LDC(s) stating that Texican Natural Gas is their chosen Marketer and that we have authorization to act on their behalf regarding the transportation of natural gas (*see Appendix A*). This is a one-time-only request... once received we are the marketer on record.

Calendar/Deadlines

Each LDC has their own deadline for which nominations are due. As the Marketer, Texican Natural Gas will nominate, on your behalf, with the LDC. The following are the nomination deadlines for each LDC:

Piedmont Natural Gas	4 <u>business</u> days before the end of the month.
NCNG	4 <u>business</u> days before the end of the month.
PSNC	2 <u>business</u> days before the end of the month. <i>(Be aware of holidays – not counted as business days)</i>

Communication

Since we provide a balanced service for you it is important to keep an open line of communication between us. We will not require a Nomination Form from you each month. We will use the historical usage provided by the State as a baseline, so, please let us know if there are any operational changes that will affect gas usage in any given month. Whether planned or unexpected, please let us know as soon as possible so we may adjust or nominations accordingly. Please contact Scott Ferreira at 704-544-5170.

II. Invoices

Texican Natural Gas will invoice you for the natural gas and transportation to the LDC's (utility company's) city gate. The LDC will provide a separate invoice for the delivery of natural gas to your facility.

See *Appendix B* for an example of an invoice from Texican Natural Gas.

III. Reports

Please see Appendix C – Energy Summary Report, which will be distributed to customers on a monthly, quarterly and annual basis. If you have any questions regarding this report please contact Chris Koch at 704-544-7123.

IV. Curtailment

Texican Natural Gas will provide firm delivery of natural gas for all facilities (unless mutually determined otherwise), therefore, at this level of obligation, you will not be curtailed. However, interruption is possible by the LDC or pipeline through Force Majeure.

V. Balancing

Texican Natural Gas bears all balancing risks related to the mismatch of the volumes nominated vs. volumes used by customers. Therefore, as mentioned earlier, please notify us with any operational changes that will affect natural gas usage as soon as possible.

VI. Taxes

All taxes that are currently imposed in North Carolina are collected by your given LDC by means of an Excise Tax. The following is a schedule of this tax. (One Dekatherm = 10 Therms)

Excise Tax Notice:

North Carolina Session Law 1998-2 authorized an excise tax effective July 1, 1999, for piped natural gas deliveries. This Session Law requires the LDC to bill and collect excise taxes for remittance to the North Carolina Department of Revenue. The applicable excise tax rates based on monthly deliveries to each customer are as follows:

First 200 therms	\$0.047 per therm
201 to 15,000 therms	\$0.035 per therm
15,001 to 60,000 therms	\$0.024 per therm
60,001 to 500,000 therms	\$0.015 per therm
Over 500,000 therms	\$0.003 per therm

VII. Glossary of Terms

balancing -- The act of making receipts and deliveries of gas into a local distribution company's distribution system equal. Balancing may be accomplished daily or monthly with fees or penalties generally assessed for excessive imbalances. The purpose of balancing requirements is to prevent a shipper from tying up storage and line pack with excess deliveries of transportation gas, or from depleting storage and line pack by taking more gas off the system than it delivers, both of which disrupt other sales and transportation services.

city gate - The site where a local distribution company receives and measures gas from a pipeline company.

dekatherm (Dth) - A unit of measurement equal to ten therms or one million Btu.

firm transportation service (FT) - The highest priority transportation service offered under a filed rate schedule which anticipates no interruption except force majeure

force majeure - Pronounced: fors ma'zheur A French term meaning superior force. In the gas industry it refers to unexpected and uncontrollable disruptive events that excuse a party from contract obligations.

marketer - An unregulated company involved in the business of purchasing and reselling gas.

natural gas - Gaseous forms of petroleum consisting of mixtures of hydrocarbon gases and vapors, the more important of which are methane, ethane, propane, butane, pentane, and hexane; gas produced from a gas well.

nominations - A precise listing of the quantities of gas to be transported during any specified time period. A nomination includes all custody transfer entities, locations, compressor fueled and other volumetric assessments, and the precise routing of gas through the pipeline network. Nominations often create contract rights and liabilities.

therm - A unit of measurement equal to one hundred thousand Btu. Ten therms equals one dekatherm.

VIII. Industry Links

North Carolina Utility Commission

www.ncuc.commerce.state.nc.us/

Piedmont Natural Gas

www.piedmontng.com

Public Service Company of North Carolina (PSNC)

www.scana.com/psnc%20energy/default.htm

North Carolina Natural Gas (NCNG)

www.progress-energy.com

Transco Pipeline/Williams Company

www.tgpl.twc.com/htm/index.htm

American Gas Association

www.aga.org