
GAS RATE NO. D3

GENERAL NON-HEATING DELIVERY SERVICE

APPLICABILITY:

This rate schedule applies to all gas delivered in a Month or any portion thereof for non-heating purposes for a single End-Use Customer through one Meter supplying a single Premise.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. D3, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

Meter Class I - \$15.00 Per Meter Per Month
Meter Class II - \$54.40 Per Meter Per Month
Meter Class III - \$183.75 Per Meter Per Month

The total Facilities Charge will be the sum of all applicable per Meter charges.

METER CLASSIFICATIONS:

For the purpose of the application of the Facilities Charge under this rate schedule, the Utility's gas meters are classified as follows:

| <u>Meter Class I</u> (CF/Hour) | <u>Meter Class II</u> (CF/Hour) | <u>Meter Class III</u> (CF/Hour) |
|-----------------------------------|------------------------------------|-------------------------------------|
| 250 | 8C | 5000 |
| 425 | 800 | 5M |
| | 1000 | 7M |
| | 1400 | 11M |
| | 2300 | 16M |
| | 3000 | 23M |

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| <u>Meter Class I</u> (CF/Hour) | <u>Meter Class II</u> (CF/Hour) | <u>Meter Class III</u> (CF/Hour) |
|-----------------------------------|------------------------------------|-------------------------------------|
| | 1.5M | 38M |
| | 3M | 56M |
| | | 102M |
| | | 4 Turbo |
| | | 6 Turbo |
| | | 8 Turbo |
| | | 12 Turbo |

DELIVERY CHARGE:

\$.1197 Per Therm For The First 500 Therms Delivered Each Month

\$.0913 Per Therm For The Next 1,500 Therms Delivered Each Month

\$.0741 Per Therm For All Therms Over 2,000 Delivered Each Month

In addition, applicable Balancing Charges from Rider A and the Customer Benefit Distribution/ Universal Service Program from Rider C shall apply to all Therms delivered.

BASIC DELIVERY OPTION:

End-Use Customers, with annual usage greater than 50,000 Therms at a Single Account, are eligible to elect the Basic Delivery Service Option, in accordance with the Utility's requirements. End-Use Customers choosing the Basic Delivery Service Option must select a 3rd Party Supplier for gas supply service or act as their own Supply Agent.

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Delivery charges for Basic Delivery Service are as follows:

\$.1069 Per Therm For The First 500 Therms Delivered Each Month

\$.0788 Per Therm For The Next 1,500 Therms Delivered Each Month

\$.0618 Per Therm For All Therms Over 2,000 Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution / Universal Service Program from Rider C shall apply to all Therms delivered.

End-Use Customers choosing the Basic Delivery Service Option must have Automatic Meter Reading (AMR) device(s), provided by the Utility through Information Service, under Gas Rate No. A7.

GAS SUPPLY:

This rate schedule and the above-stated charges or adjustments do not provide for a supply of Gas. Gas Supply is available from the Utility through Variable-Rate Gas Supply Service, under Gas Rate No. S1.

When eligible under the Citizens Energy Select program, End-Use Customers may also choose to purchase gas supply from a 3rd Party Supplier.

End-Use Customers choosing not to make a gas supply selection, either from the Utility, or from a 3rd Party Supplier, will receive Variable-Rate Gas Supply Service under Gas Rate No. S1.

End-Use Customers electing the Basic Delivery Service Option are eligible, but are not required, to act as their own Supply Agent. An End-Use Customer acting as a Supply Agent must be an approved bidder on CMS Panhandle Eastern Pipe Line and/or Texas Gas Transmission Corporation

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or its successor and is expected to perform all responsibilities normally handled by 3rd Party Suppliers. These include, but are not limited to, forecasting gas supply volumes, making Daily Gas Supply Nominations, and balancing their nominations, deliveries and usage. End-Use Customers acting as their own Supply Agent, are responsible for charges for Supply Administration Service, under Gas Rate No. A1, as well as for Basic Usage Balancing Service, under Gas Rate No. A3, and, if applicable, Non-Performance Charges, under Gas Rate No. A4.

GAS SUPPLY FROM 3RD PARTY SUPPLIERS:

End-Use Customers may, when eligible under the Citizens Energy Select program, choose a 3rd Party Supplier to furnish a supply of Gas in accordance with the Utility's requirements. It is the End-Use Customer's responsibility to ensure that the 3rd Party Supplier delivers the directed proportion of gas supplies at delivery points designated by the Utility.

The Utility also reserves the right to bill the End-Use Customer at appropriate Gas Supply Service rates for Gas consumed in excess of Daily Gas Supply Deliveries, following cessation of any agreement with a 3rd Party Supplier.

Back-up Gas Supply Service, under Gas Rate No. S2, is available from the Utility to End-Use Customers for each Single Account with annual usage at a single meter greater than 50,000 Therms, and either choosing a 3rd Party Supplier, or acting as their own Supply Agent. Back-up Gas Supply Service provides for reservation of a designated level of pipeline capacity and gas supply to be available on a daily basis, in order to provide an additional measure of gas supply security. Back-up Gas Supply Service is only available to those customers choosing the Basic Delivery option and who have not opted out of Banking.

3rd Party Suppliers of End-Use Customers in a Supplier Pool will be notified on a daily basis as to the level of Forecasted Daily Requirements to be delivered by the 3rd Party Supplier on behalf of the End-Use Customer, the following Gas Day. Volumes to be delivered may include Banking Volume Injections or Withdrawals. Daily Gas Supply Nominations and Daily Gas Supply Deliveries must equal the day's Forecasted Daily Requirements in order to avoid Delivery Imbalances and Non-Performance charges (see Imbalance Provisions).

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Following expiration of their contracts with 3rd Party Suppliers, and with appropriate notice, as described in the accompanying Terms and Conditions for Gas Service, End-Use Customers may choose to purchase Gas Supply from the Utility under Gas Rate No. S1, with the Utility's approval.

End-Use Customers may switch 3rd Party Suppliers once each calendar year at no charge but will not be permitted to switch between 3rd Party Supplier to System Supply or vice versa more than one time per 12-month period. End-Use Customers who switch 3rd Party Suppliers more than once each calendar year will be subject to Switching Charges, under Gas Rate No. A8.

Gas Imbalance Provisions

Delivery Imbalances for Supplier Pools, arising from differences in the level of Forecasted Daily Requirements compared to the level of Daily Gas Supply Deliveries will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier in a Supplier Pool. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers through Non-Performance Charges under Gas Rate No. A4.

Usage Imbalances for Supplier Pools, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in Supplier Pools, will be calculated continually and used to adjust Forecasted Daily Requirements provided to 3rd Party Suppliers for remaining days in the month. Usage Balancing charges will not apply to Supplier Pools for Usage Imbalances.

Delivery Imbalances for Supplier Groups, or End-Use Customers acting as their own Supply Agent, arising from differences in the level of Daily Gas Supply Nominations compared to the level of Daily Gas Supply Deliveries to the Utility's gas system, will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier, in a Supplier Group, or End-Use Customers acting as their own Supply Agent. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers, or to End-Use Customers acting as their own Supply Agent, through Non-Performance Charges, under Gas Rate No. A4.

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Usage Imbalances for Supplier Groups, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in the Supplier Group, will be monitored, combined and netted, on a monthly basis. All monthly net Usage Imbalances up to 30% will be charged, at month end, to 3rd Party Suppliers through Usage Balancing Service, under Gas Rate No. A2. Monthly net Usage Imbalances in excess of 30% will be charged, at month end, to 3rd Party Suppliers through Non-Performance Charges, under Gas Rate No. A4.

Basic Usage Imbalances, for Basic Delivery Service Customers, arising from differences in the level of Daily Gas Supply Deliveries compared to the level of gas consumed by the End-Use Customer, will be monitored for End-Use Customers acting as their own Supply Agent, or combined and netted, on a daily basis, for all End-Use Customers in a single Supplier Group. All daily net Basic Usage Imbalances up to and including 30% will be charged, at month end, to 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, through Basic Usage Balancing Service, under Gas Rate No. A3. Daily net Basic Usage Imbalances in excess of 30% will be charged, at month end, to 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, through Non-Performance Charges under Gas Rate No. A4.

Banking Service

All End-Use Customers contracting with 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, will be granted Customer Banking Volumes for use throughout the year.

Customer Banking Volumes will be granted periodically by the Utility to each End-Use Customer based on the ratio of the End-Use Customer's winter season (November through March) consumption to total Utility winter season throughput, both for the preceding heating season, times the storage capacity available for banking. New End-Use Customers will be granted Customer Banking Volumes based on usage of similar End-Use Customers, if more specific information is not available.

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If the End-Use Customer elects to change 3rd Party Suppliers, Customer Banking Volumes will remain with the End-Use Customer and will transfer from the former 3rd Party Supplier to the new 3rd Party Supplier, effective at the same time as the change in 3rd Party Supplier.

Incremental Banking Service

During the Election Period, the Utility will make available Incremental Banking Volumes, through Incremental Banking Service, under Gas Rate No. A9, to all End-Use Customers purchasing gas supply from a 3rd Party Supplier, End-Use Customers acting as their own Supply Agent, or 3rd Party Suppliers. Requirements for use of Incremental Banking Volumes acquired by 3rd Party Suppliers or End-Use Customers either are identical to standard Banking Volumes as described below, or are in accordance with the non-discriminatory standards determined by the Utility.

Nomination of Customer Banking Volumes

End-Use Customers' daily Banking Volume Injections or Withdrawals will be designated by their 3rd Party Supplier or End-Use Customers acting as their own Supply Agent. All Customer Banking Volumes requested to be injected or withdrawn must be nominated by the 3rd Party Supplier or End-Use Customers acting as their own Supply Agent, by the end of the gas day, in accordance with the required nomination procedures as described in the Terms and Conditions for Gas Service. Subject to the limitations described below, the Banking Injection or Withdrawal Nominations will be confirmed in total or in part at the sole discretion of the Utility.

Confirmed Banking Injection or Withdrawal Nominations will be used in the determination of Delivery and Usage Imbalances.

The Customer Banking Volume injection period will be the period from April 1 through October 31, inclusive. Customer Banking Volume injections shall not be permitted from November 1 through March 31. By October 31 of each year, all Banking Injection Nominations must have been delivered to the Utility's City Gate. The maximum Banking Volume Injection Quantity ("BVIQ") is one-one hundred and fiftieth (1/150) of the Customer Banking Volume, less remaining inventory from the previous year. Banking Withdrawal and Injection Nominations will be done ratably, or in accordance with the Utility's operational needs.

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Permission for Banking Injection Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

If the granted Customer Banking Volume level is not reached by October 31, the Utility will purchase and inject the volume of Gas necessary to bring the Customer Banking Volume inventory to the assigned level and the End-Use Customer will be charged for that volume in accordance with the provisions of Gas Rate No. A2.

The Customer Banking Volume withdrawal period will be the period from November 1 through March 31, inclusive. Banking Withdrawal Nominations shall not be permitted from April 1 through October 31. The maximum Banking Volume Withdrawal Quantity (“BVWQ”), on any one day, shall be calculated as one-seventy fifth (1/75) of the granted Customer Banking Volumes. Banking Injection and Withdrawal Nominations will be done ratably or in accordance with the Utility’s operational needs.

The BVWQ will be reduced as the withdrawal period progresses in accordance with the following table:

| Applicable Dates | Maximum Daily Banking Withdrawal Quantity |
|-------------------------|--|
| Nov. 1 – Dec. 31 | 100% of BVWQ |
| Jan. 1 – Jan. 15 | 75% of BVWQ |
| Jan. 16 – Feb. 15 | 50% of BVWQ |
| Feb. 16 – Mar. 31 | 25% of BVWQ |

Permission for Banking Withdrawal Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

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Customer Banking Volumes must be maintained at or above minimum Customer Banking Volume inventory levels, expressed as a percentage of total Customer Banking Volumes, over the winter season, in accordance with the following table:

| Date | Minimum Customer Banking Volume Inventory % of Total Capacity |
|----------------|--|
| At January 31 | 19% |
| At February 28 | 9% |

No End-Use Customers will be allowed to switch back to Variable-Rate Gas Supply Service under Gas Rate No. S1 during the winter season, unless the required minimum Customer Banking Volume Inventory balances noted above are maintained.

Up to 5% of Customer Banking Volumes may remain in inventory at the end of the withdrawal period (March 31) without penalty. If more than 5% of Customer Banking Volumes is left in inventory at the end of the withdrawal period, the Utility will purchase from the End-Use Customer all remaining Customer Banking Volumes above the 5% allowance. The purchase price will be the lesser of 90% of the applicable Variable-Rate Gas Supply Service, for the current month, under Gas Rate No. S1, or 90% of the Utility's Storage WACOG at March 31.

Supply of Last Resort

If the 3rd Party Supplier or End-Use Customer acting as its own Supply Agent, defaults, as indicated by its failure to nominate and/or deliver gas supplies for three consecutive days, End-Use Customers who have contracted for gas supply services from 3rd Party Suppliers, or are acting as their own Supply Agent will have access to Supply of Last Resort Service from the Utility, under Gas Rate No. S3 if available. Supply of Last Resort Service, if available, will be provided until the first day of the End-Use Customer's next billing cycle, at which time Variable Rate Gas Supply Service, under Gas Rate No. S1, will apply for a minimum of one billing cycle, subject to the Utility's discretion. If End-Use Customers do not have Automated Meter Reading devices, usage applicable to Supply of Last Resort Service will be prorated.

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Nominations

3rd Party Suppliers of End-Use Customers in a Supplier Group, and End-Use Customers acting as their own Supply Agent, will be required to provide an estimate of Daily Gas Supply Nominations for the following month to the Utility by the required date, as stated in the Terms and Conditions for Gas Service, prior to the beginning of the month. 3rd Party Suppliers of End-Use Customers in a Supplier Group or Supplier Pool, and End-Use Customers acting as their own Supply Agent, also will be required to provide Daily Gas Supply Nominations to the Utility, as stated in the Terms and Conditions for Gas Service. The Utility retains the right to refuse Daily Gas Supply Nominations that vary significantly from the estimated daily nomination previously provided to the Utility.

Except as otherwise provided herein, 3rd Party Suppliers of Supplier Groups and Supplier Pools, and End-Use Customers acting as their own Supply Agent are required to provide 50% of their Daily Gas Supply Nominations on Panhandle Eastern Pipe Line and the remaining 50% on the Texas Gas Transmission Pipe Line and/or Heartland Gas Pipe Line (in any combination) at the 3rd Party Supplier's level.

Non-Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue a Non-Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If a Non-Economic OFO is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Non-Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Non-Economic Operational Flow Order, will be subject to the Non-Economic Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue an Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If an Economic OFO is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Economic Operational Flow Order procedures

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stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Economic Operational Flow Order, will be subject to the Economic Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

Company Use Gas

The Utility will retain 0.6% of the volumes tendered for delivery to the End-Use Customer for Company Use Gas.

Curtailement

Service under this rate schedule may be curtailed, as described in Terms and Conditions for Gas Service. If a Curtailement is declared, the Utility will notify End-Use Customers, and 3rd Party Suppliers, as soon as practicable, but not less than 30 minutes prior to the effective time. End-Use Customers may be directed to restrict their Gas consumption on an hourly or daily basis. End-Use Customers who do not comply with the Utility's request may be subject to Non-Performance Charges, under Gas Rate No. A4, for all Gas taken in excess of the Utility's order.