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CABARRUS COUNTY NC
LINDA F. McABEE
REGISTER OF DEEDS

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Prepared by: Attorney General's Office / Property Control Section
9001 Mail Service Center, Raleigh, North Carolina 27699-9001
SPO File No. 013-Y

After Recording Mail
To: Terri Smith, City of Monroe, PO Box 69 Monroe, NC 28111

STATE OF NORTH CAROLINA

EASEMENT

COUNTY OF CABARRUS

THIS EASEMENT ("Easement"), made and entered into as of the date set forth in the notary acknowledgment below, by and between the STATE OF NORTH CAROLINA, a body politic and corporate, hereinafter referred to as GRANTOR, and the TOWN OF MIDLAND, a body politic and corporate, hereinafter referred to as GRANTEE;

W I T N E S S E T H :

THAT, WHEREAS, the North Carolina Department of Environment and Natural Resources, Ecosystem Enhancement Program ("EEP") , has authorized and approved the execution of this instrument for the purposes herein expressed; and,

WHEREAS, EEP has received and approved the metes and bounds description, location map, and directional bore profile of the stream crossing, and the joint venture agreement among the Grantee, the Town of Mooresville, the City of Monroe, and the Public Service Company of North Carolina ("PSNC").

WHEREAS, EEP has received also received a copy of the Emergency Response and Repair Plan and the Operating and Maintenance Agreement for the proposed high pressure natural gas line and fiber optic cable.

WHEREAS, the execution of this instrument for and on behalf of the Grantor has been duly approved by the Council of State by resolution adopted at a meeting held in the City of Raleigh, North Carolina, on the 2nd day of June 2009; and

25/86

WHEREAS, Grantor owns a certain parcel or tract of land situated in No.1 Township, Cabarrus County, North Carolina having tax identification number 5284350510000; also found in Map Book 45 page 93 tract 2 (said lands owned by Grantor being hereinafter referred to as the "Property").

WHEREAS, EEP will lose stream mitigation credits as a result of the granting of this Easement for this stream crossing and the value of replacing THIRTY FEET (30') of lost stream credit is NINE THOUSAND SIX HUNDRED AND NINETY DOLLARS ($9,690.00) calculated at THREE HUNDRED TWENTY THREE DOLLARS ($323) per linear foot. Which is the current fee schedule as approved by the Environmental Management Commission and detailed in 15A NCAC 2R.0402. An additional cost of ONE THOUSAND FIVE HUNDRED DOLLARS ($1,500) will also be incurred by EEP for staff time required to coordinate with the restoration project engineer and the pipeline representatives, the time spent by EEP contracted positions at the State Property Office and Department of Justice to review documents and to request allocation of this Easement at an existing stream restoration project area.

WHEREAS, a total reimbursement amount of ELEVEN THOUSAND ONE HUNDRED AND NINETY DOLLARS ($11,190.00) must be paid to EEP to compensate for lost stream mitigation credit and lost staff time and to be deposited into the Ecosystem Restoration Fund.

NOW, THEREFORE, in consideration of ELEVEN THOUSAND ONE HUNDRED AND NINETY DOLLARS ($11,190.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, Grantor does hereby grant unto Grantee, its successors and assigns as allowed under the terms of this easement, the right, privilege and easement to construct, install, operate and maintain a twelve inch (12 in.) natural gas pipeline and a one and one quarter inch (1 1/4 in.) PE conduit for a future fiber optic line and other accessories and appurtenances (collectively referred to hereinafter as the "Facilities") within an area more particularly described on **Exhibit A** attached hereto and incorporated herein by reference (the area within the easement described on **Exhibit A** being hereinafter referred to the "Easement Area").

IT IS UNDERSTOOD AND AGREED BETWEEN GRANTOR AND GRANTEE:

1. The Facilities shall remain the property of Grantee. Grantee shall have the right to inspect, rebuild, remove, repair, improve, relocate within the Easement Area, and make such changes, alterations, substitutions, additions to or extensions of its Facilities as Grantee may from time to time deem advisable with the prior approval of the EEP.

2. Grantee shall not have the right to mow, bush-hog or otherwise disturb the Easement Area with the exclusive **exception** of future repairs to th pipeline or fiber-optic cable. **All** future repairs to the pipeline and subsequent repairs to the riparian area within the Easement Area must be reviewed and approved by the EEP and repairs to the stream bank and the planting of native vegetation will be required after such pipeline repairs are complete. If emergency response and/or repairs are needed, Grantee shall ensure that Emergency Response and Repair Plan and Operating and Maintenance Agreement, a copy of which is attached hereto as **Exhibit B** are followed. After emergency repairs are complete, restoration of the riparian area shall be required as soon as practicable. Bank stabilization and planting plans must be reviewed and approved by the EEP.

3. That by acceptance of this Easement, the Grantee shall not have the right to sell, lease, or assign this easement to any person or party including, but not limited to, corporations, other body politic or private organizations of any sort, with the sole and only exception of assigning a twenty five percent (25%) interest in the Easement to PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED, a South Carolina corporation, dba PSNC ENERGY, which is non-assignable and may not be sold or leased.

4. For the purpose of constructing, inspecting, maintaining or operating the Facilities, Grantee shall have the right of ingress to and egress from the Easement Area over the Property adjacent to the Easement Area and lying between public and private roads and the Easement Area in such manner as shall occasion the least practical damage and inconvenience to EEP.

5. Grantee shall repair damage to roads, fences or other improvements and shall pay EEP for other damage done in the process of the construction, inspection, repair, or maintenance of its Facilities, or in the exercise of its right of ingress and egress.

6. The EEP shall also have the power and authority, consistent with its statutory authority;
(a) to prevent any impairment of the stream restoration project by acts which may be unlawful;
(b) to otherwise preserve or protect its interest in the Property;
(c) to seek damages from any appropriate person or entity.

7. That EEP may use the Easement Area for all purposes not inconsistent with the rights herein granted.

8. This Easement is granted subject to all existing rights of way and easements within the Easement Area.

9. That Grantee agrees to restore the Easement Area after installation of the Facilities to the same condition as before said installation.

10. That by acceptance of this Easement, the Grantee binds itself and its successors, agents and assigns to the foregoing conditions.

11. If after installation the Facilities are not operated within the Easement Area for a continuous period of twelve months (12 mos.) , this Easement shall be deemed abandoned.

12. This Easement is made subject to the condition that the Grantee shall properly obtain all necessary permits required by State and Federal law. Failure to obtain such permits in a timely manner shall be deemed an abandonment of this Easement.

13. Any costs incurred by EEP in enforcing the terms of this Easement against the Grantee, their successors or assigns, including, without limitation, and any costs of restoration necessitated by Grantee's acts or omissions in violation of the terms of this agreement, shall be borne by Grantee.

14. The Grantee guarantees that all necessary and required permits and permission have been obtained prior to the granting and acceptance of this Easement by the Town of Midland. If it should be determined, however, that any such permits, grants of permission or authorization or any other requirements under local, state and federal law have not been properly obtained in advance of the granting of this Easement then the Easement will automatically cease and determine without any further action required by either party executing this document.

TO HAVE AND TO HOLD the aforesaid rights, privileges and easements which are hereby granted unto Grantee, its successors and assigns, for so long as Grantee maintains the Facilities and no longer.

TOWN OF MIDLAND

By: John Crump

Print Name: John Crump

Title: 10-15-09

IN TESTIMONY WHEREOF, the STATE OF NORTH CAROLINA has caused this instrument to be executed in its name by BEVERLY E. PERDUE, Governor, attested by ELAINE F. MARSHALL, Secretary of State, and the Great Seal of the State of North Carolina to be hereto affixed by virtue of the power and authority aforesaid.

STATE OF NORTH CAROLINA

By: _____
Governor

ATTEST:

By: _____
Secretary of State

APPROVED AS TO FORM:

ROY COOPER
ATTORNEY GENERAL

By: _____
Assistant Attorney General

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Jennell Baughman, a Notary Public in and for the aforesaid County of Johnston and State of North Carolina, do hereby certify that ELAINE F. MARSHALL, Secretary of State of North Carolina, personally came before me this day and acknowledged that she is Secretary of State of North Carolina, and that by authority duly given and as the act of the State, the foregoing instrument was signed in its name by BEVERLY E. PERDUE, Governor of the State of North Carolina, sealed with the Great Seal of the State of North Carolina, and attested by herself as Secretary of State of North Carolina.

IN WITNESS WHEREOF, I have hereunto set my hand and Notarial Seal, this the 15th day of October, 2009.

JENNELL BAUGHMAN
Notary Public
Johnston County
State of North Carolina
My Commission Expires Nov 21, 2011

Jennell Baughman
Notary Public

Print Name: Jennell Baughman

My Commission Expires: 11-21-2011

EXHIBIT A

Legal Description
20' General Public Utility Easement

Legal Description for a 20' General Public Easement crossing the property of the State of North Carolina, Located in the No. 1 Township, Cabarrus County, North Carolina and more particularly described as follows:

BEGINNING at a point near the centerline of Rocky River Road (SR 1139), said point being the common property corner of the Chaonn K. Hole tract as recorded in deed Book 578, Page 274 and the State of North Carolina as recorded in Map Book 45, Page 93 of the Cabarrus County Registry; thence continuing along the common property line of Chaonn K. Hoyle and the State of North Carolina, N 36-56'26" E, crossing and existing iron located near the easterly margin of the right of way of Rocky River Road (SR 1139) at 39.02', for a total distance of 74.38' to the POINT OF BEGINNING of a 20' General Public Easement crossing the property of the State of North Carolina; thence with the line of the easement S 00-17'22" E 260.44' to a point and S 39-15'10" E 240.73' to a point on the Edward F. Kirgan property line; thence with the Kirgan property as shown in Map Book 45 page 93 of the Cabarrus County Registry N 34-13'17" E 20.86' to a point on the Kirgan Property line; thenceN39-15'10" W 227.72 to a point; thence N 00-17'22" W 279.69 to a point on the Chaonn K. Hoyle property line; thence with the Hoyle property line as recorded in Book 578 Page 274 of the Cabarrus County Registry S 36-56'26" W 33.56 to the Point of Beginning and containing 10,086 square feet or 0.23 Acres.

The above description is according to a plat and survey by Lawrence Associates. Drawing Number 08/129, Revised 3/10/09 entitled "Easement Survey for the Property of the State of North Carolina for the purpose of acquisition of easements only and is not intended to be boundary surveys.

Legal Description
10' Temporary Construction Easement

Legal description for a 10' Temporary Construction Easement crossing the property of the State of North Carolina, Located in the No.1 Township, Cabarrus County, North Carolina and more particularly described as follows.

BEGINNING at a point near the centerline of Rocky River Road (SR 1139), said point being the common property corner of Chaonn K. Hoyle as recorded in Deed Book 578, page 274 and the State of North Carolina recorded Map Book 45, page 93 of the Cabarrus County Registry; Thence continuing along the common property line of Chaonn K. Hoyle and the State of North Carolina, N 36-56'26" E, crossing an existing iron located hear the easterly margin of the right of way of Rocky River Road (SR 1139) at 39.02, for a total distance of 107.44 to the POINT OF BEGINNING of a 10' Temporary Construction Easement crossing the property of the State of North Carolina; Thence S 00-17'22" E 279.69' to a point and S 39-15'10" E 227.72' to a point on the Edward F. Kirgan property line; Thence with the Kirgan property line N 34-13'17" E 10.43' to a point; Thence N 39-15'10" W 221.22' to a point and N 00-17'22" W 289.31' to a point on the

Chaonn K. Hoyle property line; Thence with the Hoyle property line as recorded in Book 578 page 274 of the Cabarrus County Registry S 36-56'26" W 16.53' to the Point of Beginning and containing 5,090 sf. Or 0.12 acre.

The above description is according to a plat and survey by Lawrence Associates. Drawing Number 08/129, Revised 3-10-09 entitled "Easement Survey for the Property of the State of North Carolina for the purpose of acquisition of easements only and is not intended to be boundary surveys.

EXHIBIT "B"

OPERATING AND MAINTENANCE AGREEMENT

This Operating and Maintenance Agreement ("Agreement") is entered into this 5th day of May, 2010, by and between the **City of Monroe**, North Carolina, a North Carolina municipal corporation ("Monroe"), and **Public Service Company of North Carolina, Incorporated**, a South Carolina corporation d/b/a PSNC Energy ("PSNC"). In this Agreement, Monroe and PSNC are referred to collectively as the "Parties" and individually as a "Party."

WHEREAS, Monroe is constructing an approximately 43-mile, 12-inch natural gas pipeline, having a design capacity of 69,000 dekatherms per day, of which approximately 33 miles will be located in PSNC's service territory, specifically Iredell and Cabarrus Counties, North Carolina, and of which the remaining approximately ten miles will be located in Union County, North Carolina, outside of PSNC's service territory (the "Pipeline");

WHEREAS, PSNC and Monroe are parties to a Joint Venture Agreement, dated as of February 26, 2009, certain provisions of which are being amended concurrently with this Agreement (as amended, the "Joint Venture Agreement");

WHEREAS, PSNC will lease capacity in certain facilities to be constructed, owned, and operated by Monroe in Cabarrus and Iredell Counties (the "Joint Facilities," as more fully described in the Joint Venture Agreement);

WHEREAS, the Parties desire to provide for the terms and conditions of the operation, maintenance, inspection, and repair of the Joint Facilities and reimbursement for the costs thereof as set forth in this Agreement; and

WHEREAS, the Parties further desire to provide for the terms and conditions of certain safety and maintenance services to be provided by PSNC to Monroe for the Joint Facilities as well as that portion of the Pipeline located in Union County;

NOW, THEREFORE, for and in consideration of the mutual promises set forth herein and for other valuable consideration, the receipt of which is hereby acknowledged, the Parties, intending to be bound, agree as follows:

1. Definitions.

Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Joint Venture Agreement.

2. Operation and Maintenance.

A. Joint Facilities. Subject to the provisions of Subsection B. below, Monroe shall be responsible for providing all operation, maintenance, inspection, and repair of the Joint Facilities ("Operation and Maintenance"); provided that payments made

by Monroe pursuant to the Interlocal Agreements shall not be included as Operation and Maintenance.

B. Maintenance and Safety Services. PSNC agrees to provide to Monroe maintenance, inspection, and repair of, and safety services for, the Pipeline ("Maintenance and Safety Services") as set forth in Exhibit A to this Agreement. The Parties shall meet no less frequently than once each year to determine other such services to be provided by PSNC to Monroe for the Pipeline under a separate agreement.

3. Costs.

A. Allocation of Costs.

1. Joint Facilities. PSNC shall reimburse Monroe for its share of the actual and reasonable costs of Operation and Maintenance (or will bear its share of the cost of providing Maintenance and Safety Services and other services it provides related to the Joint Facilities) in proportion to the percentage of PSNC's capacity in the Joint Facilities. Initially, PSNC will bear twenty-five percent (25%) of such costs. This percentage may be adjusted as a result of any expansion or improvements to the Joint Facilities pursuant to Section 10 of the Joint Venture Agreement.

2. Maintenance and Safety Services. Monroe shall reimburse PSNC for its share of the actual and reasonable costs incurred by PSNC in providing Maintenance and Safety Services and other services it provides related to the Joint Facilities and all of such costs related to the remainder of the Pipeline. To the extent reasonably possible, PSNC shall track the cost of providing Maintenance and Safety Services and other services it provides related to the Joint Facilities separately from such costs for the remainder of the Pipeline. Where separate tracking of costs is not reasonably possible, costs shall be allocated to the Joint Facilities based upon the proportion that the length of pipeline comprising the Joint Facilities bears to the length of pipeline comprising the Pipeline (the "Joint Facilities Proportion").

B. Determination of Costs. The costs for services provided under this Agreement by employees of Monroe or PSNC, as applicable, may include actual costs and applicable overheads for such services, but only to the extent that the total amount of such costs are reasonable. Overheads for labor charges include indirect payroll, pensions, benefits, taxes, and fleet charges for the use of trucks, vehicles, and other power-operated equipment. Stores overheads applicable to material charges cover the costs of operating the warehouses where inventory is stored.

C. Verification of Costs. Each Party shall have the right to inspect and review the

other Party's records pertaining to Operation and Maintenance or Maintenance and Safety Services, as applicable, at the other Party's place of business and at a time convenient to such other Party in order to verify and document costs. Such review must be conducted within twelve (12) months of the invoice date.

D. Payment of Costs. On a monthly basis, Monroe shall invoice PSNC for Operation and Maintenance costs and PSNC shall invoice Monroe for Maintenance and Safety Services costs and other costs as provided in Section 21.A. of this Agreement.

4. **Conditions Precedent.**

The obligations of the Parties under this Agreement are expressly conditioned upon the Closing.

5. **Meter Calibration / Accuracy.**

A. Meter Station Calibration.

1. PSNC Meter Stations. PSNC shall notify Monroe at least two (2) business days prior to the date on which any PSNC Meter Station will be calibrated so that a witness for Monroe may be present; provided, however, that PSNC shall have the right to proceed with the calibration of a PSNC Meter Station in the event that Monroe is unable or declines to have a witness present. Unless requested by Monroe to be calibrated at an earlier date, which request shall be reasonable and based on a reasonable belief that such calibration is required, calibration shall occur in accordance with a schedule to be agreed to by the Parties. PSNC shall provide electronic measurement data to Monroe.

2. Monroe Meter Stations. Monroe shall notify PSNC at least two (2) business days prior to the date on which any Monroe Meter Station will be calibrated so that a witness for PSNC may be present; provided, however, that Monroe shall have the right to proceed with the calibration of a Monroe Meter Station in the event that PSNC is unable or declines to have a witness present. Unless requested by PSNC to be calibrated at an earlier date, which request shall be reasonable and based on a reasonable belief that such calibration is required, calibration shall occur in accordance with a schedule to be agreed to by the Parties. Monroe shall provide electronic measurement data to PSNC.

B. Meter Station Accuracy.

1. PSNC Meter Stations. If PSNC determines that the measurements at any of the PSNC Meter Stations are inaccurate due to factors beyond the scope

of routine operations and maintenance, including, but not limited to, pulsation or regulator noise, or to the extent that PSNC changes its design parameters or gas usage patterns such that the actual hourly flow at a PSNC Meter Station either exceeds the maximum meter design flow rate or fails to meet the minimum meter design flow rate for the specified equipment, PSNC shall notify Monroe of such inaccuracies or design changes and shall design, construct, and install, or cause to be designed, constructed, and installed, any modifications or additions required to restore the accuracy of the PSNC Meter Station.

2. Monroe Meter Stations. If Monroe determines that the measurements at any of the Monroe Meter Stations are inaccurate due to factors beyond the scope of routine operations and maintenance, including, but not limited to, pulsation or regulator noise, or to the extent that Monroe changes its design parameters or gas usage patterns such that the actual hourly flow at a Monroe Meter Station either exceeds the maximum meter design flow rate or fails to meet the minimum meter design flow rate for the specified equipment, Monroe shall notify PSNC of such inaccuracies or design changes and shall design, construct, and install, or cause to be designed, constructed, and installed, any modifications or additions required to restore the accuracy of the Monroe Meter Station.

C. Check Metering Facilities / Disconnection.

1. Monroe Facilities. PSNC reserves the right to disconnect immediately any Monroe Check Metering Facility if at any time such Monroe Check Metering Facility interferes with or detrimentally affects PSNC's ability to perform effective measurement or interferes with PSNC's operation and maintenance procedures at a PSNC Meter Station. In the event that it is necessary for PSNC to disconnect a Monroe Check Metering Facility, PSNC agrees to notify Monroe of such disconnection, prior to or immediately thereafter, and to coordinate with Monroe reconnection of the Monroe Check Metering Facility following correction of the problem causing the disconnection.

2. PSNC Facilities. Monroe reserves the right to disconnect immediately any PSNC Check Metering Facility if at any time such PSNC Check Metering Facility interferes with or detrimentally affects Monroe's ability to perform effective measurement or interferes with Monroe's operation and maintenance procedures at a Monroe Meter Station. In the event that it is necessary for Monroe to disconnect a PSNC Check Metering Facility, Monroe agrees to notify PSNC of such disconnection, prior to or immediately thereafter, and to coordinate with PSNC reconnection of the PSNC Check Metering Facility following correction of the problem causing the disconnection.

6. Gas Control / Gas Nominations.

A. Transco Interconnection. At its sole expense, Monroe will act as designated point operator for natural gas deliveries from Transco to the Monroe Take-Off Station ("Point Operator").

B. Upstream Nominations and Scheduling.

1. Monroe and PSNC will each be responsible for nominating natural gas for transportation on Transco to cover their respective deliveries to the Monroe Take-Off Station each Gas Day.

2. During a Gas Day, scheduled quantities of natural gas by Transco for PSNC to the Monroe Take-Off Station shall be deemed to be the first through the meter; the remaining quantities delivered by Transco to the Monroe Take-Off Station shall be deemed to be for Monroe. Accordingly, as Point Operator, Monroe agrees to designate its contract services with Transco to take the swing for all natural gas quantities measured at the Monroe Take-Off Station ("Receipt Quantities") that are greater than or less than the total quantities scheduled by Monroe and PSNC on any Gas Day for delivery to the Monroe Take-Off Station. Monroe shall provide Transco a predetermined allocation to that effect in accordance with Transco's FERC Gas Tariff. As Point Operator, Monroe will confirm all PSNC nominations to the Monroe Take-Off Station, but reserves the right to reduce a nomination to the extent that the nomination exceeds PSNC's capacity rights under this Agreement and Monroe determines, in its sole discretion, that such nominated deliveries would detrimentally affect the operation of the Joint Facilities.

C. Gas Deliveries on the Joint Facilities. Each Gas Day the Parties' natural gas deliveries on the Joint Facilities will be calculated as follows:

1. PSNC's gas deliveries shall be the sum of all natural gas quantities measured at the PSNC Meter Stations ("PSNC Deliveries").

2. Monroe's gas deliveries shall be the sum of all natural gas quantities measured at the Monroe Meter Stations ("Monroe Deliveries").

D. Imbalance Resolution.

1. Any difference between the quantities of natural gas that PSNC has scheduled on any Gas Day for delivery to the Monroe Take-Off Station and the PSNC Deliveries for such Gas Day (an "Imbalance") shall be resolved through an in-kind transfer of gas between the Parties. PSNC and Monroe will undertake reasonable efforts to resolve any Imbalances by the end of the month in which such Imbalances occur.

2. In the event an Imbalance exists at the end of a month, such Imbalance shall be resolved by payment from PSNC to Monroe, if a shortage, or from Monroe to PSNC, if a surplus (in either case, the "Imbalance Charge"). The Imbalance Charge per dekatherm shall equal the median of each of the weekly prices for the month in which the Imbalance occurred and the first weekly price for the following month for Transco Station 65 as published in *Natural Gas Week*, plus the one hundred percent (100%) load factor rate under Transco's currently effective Rate Schedule FT for deliveries from Transco's Zone 3 to Zone 5, plus all applicable fuel retention and surcharges.

E. Line Pack.

1. Monroe will own and pay for any gas line pack ("Line Pack") associated with the Joint Facilities and the Pipeline.

2. Monroe will be responsible for monitoring and maintaining Line Pack throughout the year and replenishing any natural gas quantities necessary to provide adequate Line Pack for operating the Joint Facilities.

3. At the beginning of the first Gas Day of each month, Line Pack will be calculated for the Pipeline using the pressure measurements taken at the Monroe Take-Off Station, the PSNC Meter Stations, and the Monroe Meter Stations or using some other methodology mutually agreeable to the Parties. Line Pack for the Joint Facilities will be calculated by multiplying the Pipeline Line Pack by the Joint Facilities Proportion.

F. Lost and Unaccounted For Gas.

1. For each month, the quantities of lost and unaccounted for gas ("LAUF") for the Joint Facilities will be calculated and allocated between the Parties in accordance with Subsection F.2. below. The amount of LAUF allocated to PSNC shall be resolved monthly by payment from PSNC to Monroe, if positive, or from Monroe to PSNC, if negative (in either case, the "LAUF Charge"). The LAUF Charge per dekatherm shall equal the first of the month price for the applicable month for Transco Station 65 as published in *Natural Gas Week*, plus the one hundred percent (100%) load factor rate under Transco's currently effective Rate Schedule FT for deliveries from Transco's Zone 3 to Zone 5, plus all applicable fuel retention and surcharges.

2. Joint Facilities LAUF shall be calculated as the difference between the total Receipt Quantities and the total PSNC and Monroe Deliveries for the month, adjusted upward (for decreases) or downward (for increases) for the month-to-month change in the Joint Facilities Line Pack calculated as of the beginning of the Gas Day for the next month and downward for

estimated quantities of natural gas due to any line break on the portion of the Pipeline located in Union County not included in Monroe Deliveries, multiplied by the Joint Facilities Proportion. Joint Facilities LAUF shall be allocated between PSNC and Monroe based upon total PSNC Deliveries for the month and total Monroe Deliveries for the month, respectively.

G. Penalties. If any act or omission of a Party causes assessment of a penalty or other adverse action by Transco or any other entity, the Party causing such penalty to be assessed or adverse action taken shall be responsible for paying the penalty or bearing the consequences of the action, as applicable.

H. Creditworthiness. Each Party agrees to maintain financial creditworthiness sufficient to perform its responsibilities under this Agreement and to allow the other Party access to reasonable financial information upon request. If reasonable grounds for insecurity of payment or performance arises or if a Party believes in good faith that the creditworthiness of the other Party has been diminished, such Party may demand satisfactory adequate assurance of payment or performance from the other Party.

I. Emergency Gas. In the event that an emergency condition reduces or eliminates the capacity of the Joint Facilities and Monroe is unable to obtain necessary natural gas supplies from any other source, PSNC may provide emergency gas through an un-metered emergency by-pass or connector. As soon as practicable after such emergency is resolved, Monroe will reimburse PSNC for any emergency gas provided by making an in-kind replacement and by paying PSNC for any cash-outs, penalties, or other charges associated with such emergency gas. Gas usage shall be computed using all known pipeline operational parameters, metered flows, and other information from the time of the event. In the event that PSNC, in its sole discretion, determines that the operation of the emergency by-passes or connectors threatens, restricts, or endangers the safety or reliability of PSNC's operations, facilities, personnel, or equipment, PSNC shall notify Monroe as soon as practicable that it intends to reduce or refuse delivery of gas into the Joint Facilities.

7. Codes and Standards.

The Parties agree to perform their respective responsibilities herein in a manner consistent with the Code, applicable laws, the National Electrical Code, and generally accepted natural gas industry standards and practices.

8. Gas Pressure.

A. Joint Facilities. Monroe will be responsible for determining the flow and pressure control set-point(s) into the Joint Facilities from Transco.

B. PSNC Meter Stations. PSNC will be responsible for setting and operating the flow and pressure control equipment for the PSNC Meter Stations.

C. Monroe Meter Stations. Monroe will be responsible for setting and operating the flow and pressure control equipment for the Monroe Meter Stations.

9. Ingress/Egress.

Each Party, or its representatives, shall have full rights, permission, and authority for ingress to and egress from all Joint Facilities. Monroe agrees to provide PSNC, and its representatives, full rights, permission, and authority for ingress to and egress from the Monroe Meter Stations at all mutually agreeable times for the purposes of observation and inspection of any construction, installation, operation, and maintenance activities undertaken hereunder. PSNC agrees to provide Monroe, and its representatives, full rights, permission, and authority for ingress to and egress from the PSNC Meter Stations at all mutually agreeable times for the purposes of observation and inspection of any construction, installation, operation, and maintenance activities undertaken hereunder.

10. Representations and Warranties.

Monroe and PSNC each hereby represent, warrant, and covenant to the other Party as follows:

A. Due Organization. It is duly organized, validly existing, and in good standing under the laws of the state of its incorporation and has the requisite power and authority to own and operate its business and properties and to carry on its business as such business is now being conducted and is duly qualified to do business in the State of North Carolina and in any other jurisdiction in which the transaction of its business makes such qualification necessary.

B. Due Authorization. Its execution, delivery, and performance of this Agreement have been duly and effectively authorized by the requisite action on the part of its governing board.

C. Binding Obligation. This Agreement constitutes its legal, valid, and binding obligation, enforceable against it in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws affecting the rights of creditors generally and by general principles of equity.

D. Approvals. It has obtained all approvals required from third parties for the consummation of the transactions contemplated by this Agreement.

E. Non-Contravention. Its execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby do not and will not contravene any applicable law or organizational documents or do not and will not conflict with or result in a breach of or default under any indenture, mortgage,

lease, agreement, instrument, judgment, decree, order, or ruling to which it is a party or by which it or any of its properties is bound or affected.

11. **Waiver and Limitation of Certain Damages.**

In no event shall the liability of PSNC or Monroe to the other Party exceed the lesser of the other Party's actual direct damages or $1,000,000. Neither Party shall be liable to the other Party for incidental, consequential, or special damages, including, for example, loss of profit, revenue, or use of capital. Neither Party shall be liable for punitive damages to the other Party.

12. **Entire Agreement.**

This Agreement, together with the Joint Venture Agreement, contains the entire agreement and understanding between the Parties as to the subject matter of this Agreement, and merges and supersedes all prior agreements, commitments, representations, writings, and discussions between them other than the Non-Disclosure Agreement entered into between the Parties on or about February 3, 2008 (the "Non-Disclosure Agreement"), which shall remain in effect. Neither of the Parties shall be bound by any prior obligations, conditions, warranties, or representations with respect to the subject matter of this Agreement.

13. **Insurance.**

Insurance for Operation and Maintenance shall be obtained by Monroe and the cost therefor included in the Operation and Maintenance costs to be shared pursuant to Section 3 of this Agreement.

14. **Force Majeure.**

In the event of any Party hereto being rendered unable, wholly or in part, by Force Majeure to carry out its obligations under this Agreement, other than to make payments due hereunder, it is agreed that, upon such Party giving notice in full of the particulars of such Force Majeure event in writing or by telephone (followed by written confirmation) to the other Party as soon as possible after the occurrence of the event relied on, the obligations of the Party giving such notice, so far as they are affected by such Force Majeure, shall be suspended during the continuance of any event so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch.

15. **Term and Termination.**

A. Term. This Agreement shall commence as of the Closing Date and shall remain in full force and effect until termination of the Joint Venture Agreement.

B. Mutual Agreement. The Parties may mutually agree to amend or terminate this

Agreement at any time.

C. Default. Notwithstanding the foregoing, after giving notice to the defaulting Party, the non-defaulting Party may terminate this Agreement and shall be entitled to all remedies available at law and equity if any of the following events of default occur:

1. a material breach of this Agreement, which breach is not cured within ten (10) days written notice from the other Party (except that if a cure within ten (10) days is not possible, the breaching Party must take all reasonable steps within such ten (10) days to achieve a cure and must achieve a cure as promptly thereafter as is reasonably possible);

2. the defaulting Party declares bankruptcy;

3. the defaulting Party dissolves or liquidates;

4. the entry of a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, trustee, or assignee in bankruptcy, for insolvency of the defaulting Party or of a substantial part of the defaulting Party's property, or for the winding up or liquidation of its affairs and such decree or order having remained in force undischarged and unstayed for a period of ninety (90) days, or any substantial part of the property of the defaulting Party having been sequestered or attached and not returned to the possession of that Party or released from such attachment within ninety (90) days thereafter; or

5. the defaulting Party makes a general assignment for the benefit of creditors to pay its debts generally as they become due.

16. Non-Waiver.

No waiver by either Party of any one or more defaults by the other Party in performance of any provisions of this Agreement shall operate or be construed as waiver of any future default(s), whether of a like or a different character. No waiver of any of the provisions of this Agreement shall be valid unless it is in writing signed by the Party against whom it is sought to be enforced.

17. Assignment.

This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns. Neither Party shall assign its interest hereunder without the prior written consent of the other Party. A Party's sale or transfer of all or substantially all of its natural-gas related assets shall be deemed to be an assignment under this Section.

18. **Workmanship.**

The Parties shall perform all services provided for herein in a good and workmanlike manner consistent with good and acceptable industry standards.

19. **Governing Law.**

This Agreement shall be governed by the laws of the State of North Carolina.

20. **Performance of Obligations.**

In performance of their obligations hereunder, Monroe and PSNC shall be independent contractors and not employees or agents of the other Party. Monroe and PSNC shall perform their obligations hereunder in accordance with all applicable, valid requirements of all governmental bodies having or asserting jurisdiction, including but not limited to the Code and any and all amendments thereto, and in accordance with sound natural gas pipeline industry practices.

21. **Billing and Payment.**

A. Invoices. On or before the last day of each calendar month, each Party shall render an invoice to the other Party for the preceding month. Monroe's invoice to PSNC shall include any charges and credits associated with reimbursement of costs, including PSNC's share of Operations and Maintenance costs related to the Joint Facilities not provided by PSNC, resolution of imbalances, LAUF, penalties, and any other payments due to or from a Party arising under this Agreement or the Joint Venture Agreement. PSNC's invoice to Monroe shall include Monroe's share of the costs incurred by PSNC in providing Maintenance and Safety Services and other services it provides related to the Joint Facilities and all of such costs related to the remainder of the Pipeline.

B. Payment. Within thirty (30) days after receipt of any invoice hereunder, the receiving Party will remit the amount specified in the invoice to the invoicing Party or, if the invoice has a credit balance, the invoicing Party will remit with the invoice the amount specified to the receiving Party.

C. Interest. In the event a Party fails to make timely payment of an invoice, the other Party shall be entitled to collect the amount of the invoice together with interest at a rate equal to two percent (2%) above the "Prime Rate" for "US" loans as published in the Wall Street Journal from the due date of any such unpaid invoice.

D. Disputes. If the amount of an invoice shall be disputed in good faith, a Party shall notify the invoicing Party in writing of the disputed portion and shall promptly pay the portion of the invoice not in dispute and provide the invoicing Party with a written statement that acceptance of such payment shall not prejudice the invoicing Party's claim as to the disputed portion of the invoice. If upon

resolution of the dispute, it is determined that a Party owes unpaid amounts to the other Party, such amounts shall be promptly paid, along with interest calculated pursuant to Subsection C. above from the date originally due.

22. **Construction.**

Any headings in this Agreement are for convenience only and shall be given no effect in the construction or interpretation of this Agreement or any provisions thereof. No provision of this Agreement will be interpreted in favor of or against any Party by reason of the extent to which either such Party or its counsel participated in the drafting thereof.

23. **Government Regulations.**

This Agreement is subject to all laws and all present and future valid orders, rules, and regulations of any governmental authority having jurisdiction, so long as such orders, rules, and regulations shall be in force and effect.

24. **Notification.**

Any notice, request, statement, invoice, payment, or other communication provided for in this Agreement shall be deemed duly given if in writing and sent by telecopy, or by postpaid, registered, certified, or express courier service addressed to the respective Party at the address stated below or such other address as either shall respectively hereinafter designate in writing from time to time.

Public Service Company of North Carolina, Incorporated

For Billing and Payments:
Post Office Box 1398
Gastonia, North Carolina 28053-1398
Attention: Financial Accounting
Telephone: (704) 864-6731 or 1-800-222-1034 Toll Free
Fax: (704) 834-6538

For Non-Emergency Operational Matters:
800 B Gaston Road
Gastonia, NC 28054
Attention: Central Transmission or Gastonia Operations Center
or
Post Office Box 1398
Gastonia, North Carolina 28053-1398
Attention: Central Transmission or Gastonia Operations Center

Telephone: (704) 810-3334 or 1-800-222-1034 Toll Free
Fax: (704) 810-3330

For All Other Matters:
800 A Gaston Road
Gastonia, NC 28054
Attention: Engineering
or
Post Office Box 1398
Gastonia, North Carolina 28053-1398
Attention: Engineering

Telephone: (704) 864-6731 or 1-800-222-1034 Toll Free
Fax: (704) 810-3220

City of Monroe

For Billing and Payments:
PO Box 69
300 W. Crowell St.
Monroe, NC 28111
Attention: Accounts Receivable/Payable
Telephone: (704) 282-4500
Fax: (704) 283-9098

For Non-Emergency Operational Matters:
PO Box 69
2401 Walkup Ave.
Monroe, NC 28111
Attention: Natural Gas System Manager
Telephone: (704) 282-4611
Fax: (704) 283-6492

For All Other Matters:
PO Box 69
2401 Walkup Ave.
Monroe, NC 28111
Attention: Natural Gas System Manager
Telephone: (704) 282-4611
Fax: (704) 283-6492

Twenty-four (24) hour emergency communication/notification shall be to:

Public Service Company of North Carolina, Incorporated
800 A Gaston Road
Gastonia, NC 28054
Attention: Gas Control
Telephone Number: (704) 834-6590 or 1-800-296-0356 Toll Free

City of Monroe
PO Box 69
Monroe, NC 28111
Attention: Police Department
Telephone Number: (704) 282-4600 or (704) 282-4700

25. **Dispute Resolution.**

In the event of a dispute between the Parties regarding this Agreement and as a condition precedent to either Party filing a legal action regarding a matter involving this Agreement, both Parties agree to participate in mediation to resolve the dispute. The Parties expressly agree to submit to mediation by a mediator mutually selected by the Parties and to follow the mediation procedure set forth in the Rules Implementing Statewide Mediated Settlement Conferences in North Carolina Superior Court Civil Actions, as adopted and revised periodically. In the event such mediation is unsuccessful, both Parties consent and agree to jurisdiction and venue of any legal action in and by the North Carolina Business Court. If the Chief Justice of the North Carolina Supreme Court (or such other authority as may at that time be designated by statute) refuses to assign any legal action to the North Carolina Business Court, Monroe agrees not to object to venue of such legal action in (or to the transfer of venue of such legal action to) Iredell County, Cabarrus County, or any other North Carolina county adjacent to Union County.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as indicated below.

CITY OF MONROE

By: Wayne Herron

Print Name: Wayne Herron

Title: City Manager

This Instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act.

CITY OF MONROE

By: Gregory Demko

Print Name: GREGORY DEMKO

Title: ASSISTANT CITY MANAGER/FINANCE DIRECTOR

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED

By: _____

Print Name: D. Russell Harris

Title: President/COO

Exhibit A

Maintenance and Safety Services

Regulation	Task	Description
191.5	Telephonic notice of certain incidents	Monroe to notify. PSNC will provide Monroe with details of incidents to which PSNC responds.
191.15	Transmission system incident report	Monroe to submit report. PSNC will provide Monroe with details of incidents to which PSNC responds.
191.17	Transmission system annual report / National Pipeline Mapping System	Monroe to submit annual report. PSNC will assist Monroe in compiling.
192.615	Emergency plans	PSNC will work jointly with Monroe to develop an emergency plan for the Pipeline that can be incorporated into each Party's overall emergency plans.
192.713 & 192.717	Transmission lines: Permanent field repair of imperfections, damages, and leaks (in association with emergency response)	PSNC will dispatch first responders, work with Monroe to isolate damaged sections, perform temporary and permanent repairs, perform tapping and stopping, and place sections of line back in service.
192.719	Transmission lines: Testing of repairs (in association with emergency response)	PSNC will test or assist Monroe in testing repaired sections and materials using Monroe's stockpile of tested pipe of the same material and coating.
	Customer service : Call Center / Dispatching	PSNC's call and dispatch centers will receive emergency calls potentially related to the Pipeline, will dispatch PSNC first responders and known Monroe responders, and will provide Monroe with appropriate details and documentation.
	Emergency Tapping & Stopping / Repair Fitting Installation	PSNC will perform or assist Monroe in tapping and stopping operations and installation of repair fittings in accordance with pipeline shutdown and operation of temporary feeds as jointly determined by PSNC and Monroe and, where applicable, Piedmont Natural Gas. PSNC's activities will utilize materials stocked by Monroe to the extent such can be utilized with equipment PSNC is qualified to operate. Alternatively, PSNC will use its own equipment and available materials, which will be provided by PSNC and replaced by Monroe in kind.