

PURCHASE CONTRACT

1. **Joint Purchase Contract.** The Buyer specified below hereby becomes a party to and, except to the extent described herein, assumes all rights and obligations of a "**Buyer**" under the Joint Gas Purchase Contract, dated as of January 1, 2006 (the "**Joint Contract**"), among TMGC II (specified below), the Agent (specified below), and Local Governments and State Agencies, as therein defined, who become parties thereto, and TMGC II and the Agent hereby consent thereto. The terms of the Joint Contract are hereby incorporated herein by reference.

2. **Category of Purchaser.** The Buyer is [check and complete one or more]:
- a Requirements Buyer described in *Section 6.03A(2)* of the Joint Contract,
 - a Conditional Buyer described in *Section 6.03A(____)* of the Joint Contract, and/or
 - an Exempt Gas Buyer, because it will accept Exempt Gas to satisfy all or any part of its Requirements without further action on its part.

3. **Purchase of Gas.** The Buyer agrees to receive and buy from the Agent, and the Agent agrees to sell and deliver to the Buyer, at the Delivery Point, the Buyer's Nominated Quantities of Gas during the term of this Purchase Contract, which shall not exceed the Buyer's Requirements in any Contract Year. The Buyer agrees to nominate Gas for purchase so that it will buy from the Agent not less than the Buyer's Requirements in any Contract Year (subject to the next paragraph), to the extent Gas is available for delivery to the Buyer under the Joint Contract and except as otherwise provided therein, at the price specified below.

4. **Maximum Annual Quantity.** The Maximum Annual Quantity of Gas that the Buyer agrees to nominate for purchase hereunder, up to its Requirements and subject to the conditions provided in the Joint Contract, in each Contract Year is:

- its Requirements or
- as specified in *Schedule A* attached hereto.

5. **Price.** The Buyer will pay for all Gas purchased and received by it hereunder in any period at a price equal to the Gross Price identified herein for such period *less* the Discount determined by TMGC II in accordance with the Joint Contract and then in effect. The Buyer will be entitled to a partial rebate of such payments when, as, and to the extent that rebates are declared by TMGC II under the Joint Contract.

6. **Delivery and Gross Price.** A Balancing Agreement between TMGC II and a Balancer will be used by TMGC II to deliver Gas to the Buyer, unless otherwise agreed by TMGC II and the Buyer. One or more of the Buyer's existing Suppliers have executed a Supplier-Exchanger Agreement with such Balancer. For so long as such or any replacement Balancing Agreement and Supplier-Exchanger Agreement are in effect in respect of the Buyer, the Buyer's Gross Price for each Day and Month will be the weighted average prices payable by the Buyer (if a Requirements Buyer) under its Supply Contract with each such Supplier (or substitute Supplier which has so agreed) or payable by the Balancer with the consent of the Buyer under a Supplier-Exchanger Agreement (if a Conditional Buyer), for Gas delivered to the Buyer in such Day or Month, and the Buyer's Delivery Points will be the points specified in such Supply Contracts with such Suppliers (if a Requirements Buyer) or in such Supplier-Exchanger Agreements (if a Conditional Buyer), unless otherwise agreed by TMGC II and the Buyer. Thereafter, the Buyer's Delivery Points and Gross Price will be as provided in the Joint Contract or as agreed to between them in writing.

7. **Use.** The Buyer will use all Gas purchased hereunder (or Gas exchanged therefor) [*check one or more*]:
- in its electric utility system to generate electric power and/or
 - in its gas utility system or enterprise and/or
 - to secure a discount in the electric energy charges paid by it or (in the case of a political subdivision corporation) its member buyers and/or
 - for consumption in its (or for resale to other Local Governments and State Agencies for consumption in their) other public facilities.

The Buyer agrees that all Exempt Gas sold and delivered to it under the Joint Contract will be consumed in, or to produce electric energy consumed in, qualified service areas and qualified annexed areas and that no such Exempt Gas will be used in a private trade or business or to make a private loan, as provided more fully and except as permitted by *Article Ten* of the Joint Contract.

8. **Address.** The address of the Buyer for notices received under the Joint Contract is:

City Manager, City of Tomball
401 West Market
Tomball, Texas 77375

Telephone No. (281) 351-5484
Facsimile No. (281) 351-6256
Internet: bgriffin@ci.tomball.tx.us

9. **Special Provisions.** [*insert special provisions, if any*]. None.

10. **Term.** This Purchase Contract shall commence on the Effective Date hereof, which is the latest of the effective dates of the Balancing Agreement and initial Supplier-Exchanger Agreement referred to above and June 19, 2006, and shall extend to December 31, 2025. The term of this Purchase Contract shall automatically be extended by one year on each December 31, unless the Buyer, TMGC II, or the Agent has given written notice to the other two parties of its election not to extend the term of this Purchase Contract prior to such December 31, but in no event shall the term of this Purchase Contract be extended beyond December 31, 2036, except by written amendment executed by the parties hereto. This Purchase Contract may be phased out at the election of the Buyer as described in the Joint Contract.


The parties hereto have caused this Purchase Contract to be duly executed, effective as of the Effective Date described above.

BUYER:

CITY OF TOMBALL, TEXAS


By: 
Name: H.G. "Hap" Harrington
Title: Mayor

Attest/Countersign:

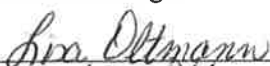

Name: Doris Speer
Title: City Secretary

AGENT:

CITY OF LA GRANGE, TEXAS

By: 
Name: Janet Moerbe
Title: Mayor

Attest/Countersign:


Name: Lisa Dittmann
Title: City Secretary

TMGC II:

TEXAS MUNICIPAL GAS CORPORATION II

By: 
Name: Janet Moerbe
Title: President

Attest:


Name: Lisa Dittmann
Title: City Secretary

*Schedule A to
Purchase Contract*

The Buyer's Maximum Annual Quantity, if any, and projected Requirements (each expressed in MMBtus) in each Contract Year are as follows:

<u>Year</u>	<u>Maximum Annual Quantity (if applicable)</u>	<u>Projected Requirements</u>
2006	N/A	242,000
2007	N/A	248,000
2008	N/A	256,000
2009	N/A	268,000
2010	N/A	274,000
2011–2045	N/A	274,000