

**AN ORDINANCE APPROVING A SERVICE AGREEMENT WITH
PIEDMONT NATURAL GAS COMPANY, INC.**

WHEREAS, the franchise authorizing Piedmont Natural Gas Company, Inc. to provide natural gas service expired on December 2, 2005 and the Town of Kernersville desires to continue to permit Piedmont Natural Gas Company, Inc. to operate within the corporate limits of the Town of Kernersville, a municipality located within the Piedmont Natural Gas Company, Inc. Service Area as defined by the North Carolina Utilities Commission; and

WHEREAS, the Town of Kernersville and Piedmont Natural Gas Company, Inc. have discussed the rights and responsibilities that each entity should have in addition to the service provision requirements established by the North Carolina Utilities Commission; and

WHEREAS, the Board of Aldermen of the Town of Kernersville wishes to authorize the continued provision of natural gas service within the Town subject to the terms of the Service Agreement as defined herein.

NOW, THEREFORE, BE IT HEREBY ORDAINED by the Board of Aldermen of the Town of Kernersville that the following Service Agreement is approved:

**“TOWN OF KERNERSVILLE SERVICE AGREEMENT WITH
PIEDMONT NATURAL GAS COMPANY, INC.**

I. DEFINITIONS

1.01 As used in this Agreement, the following terms, words and phrases shall have the meanings respectively ascribed to them in this section:

"Company" shall mean Piedmont Natural Gas Company, Inc., a corporation organized under the laws of the State of North Carolina and authorized to do business in the State of North Carolina and any successor in interest to Piedmont Natural Gas Company, Inc. under this Service Agreement.

"Town" shall mean the Town of Kernersville, a North Carolina municipal corporation located in Forsyth and Guilford Counties, North Carolina.

" Board of Aldermen " shall mean the governing body of the Town of Kernersville;

"Gas" when used as an unqualified term shall mean either natural or artificial gas, by whatever process or processes derived or manufactured, or both such gases either separately or a mixture of them;

II. SERVICE RIGHTS GRANTED

2.01 The Company is hereby granted the right to construct operate and maintain a gas utilities system within the Town for the production, transmission, distribution and sale for gas to consumers and users within the Town corporate limits, and to the Town, and any and all agencies and departments thereof.

2.02 The Company is hereby granted the right, authority and privilege to construct and install, operate, maintain, lay or relay, renew, replace and repair gas pipes, mains, pipelines, conduits, regulators, connections, services and all other appurtenances thereto, in, through, across, along and under streets, avenues, roads, public alleys, lanes, parks and squares, and other public places and ways within the Town corporate limits for the production, pumping, handling, transmission, distribution and sale of gas for any and all purposes, subject to the terms and conditions hereinafter set forth in this Agreement.

2.03 (a) Whenever the Company shall cause any opening, excavation or alteration to be made in any streets, avenues, roads, public alleys, lanes, parks and squares, or other public places and ways within the Town in the construction, operation or maintenance of any of its pipelines or other appliances owned or used by it, the Company shall, immediately upon completion of said work, repair and restore such portions of such streets, avenues, roads, public alleys, lanes, parks and squares, or other public places and ways to either the same condition in which it found them as nearly as practicable to the same condition in which it found them. If the Company fails to restore the area to its the required former condition within a reasonable period of time, hereby agreed to as no more than three days after completion of said work (notwithstanding reasonable delays caused by weather or similar conditions not within the control of the Company), the Town may proceed to restore such streets, avenues, roads, public alleys, lanes, parks and squares, and other public places and ways as nearly as practicable to their original condition. In such event, the Town shall submit an invoice for its costs plus 50% for this restoration to the Company. The Company agrees to pay the Town the amount of any such invoice within thirty days.

(b) Except in emergencies, the Company shall obtain an encroachment permit from the Public Works Director before beginning any work in, upon, or under the streets, avenues, roads, public alleys, lanes, parks and squares, and other public places and ways of the Town for the purpose of constructing, installing, or repairing any mains, pipes, or other appurtenances of the gas system. The Public Works Director may require that the Company file a sufficient plan with specifications showing the nature, timeframe and extent of the proposed construction, installation, or repair work prior to issuance of such a permit.

(c) All work upon the streets, avenues, roads, public alleys, lanes, parks and squares, and other public places and ways of the Town shall be done under the general supervision of the Public Works Director and/or the North Carolina Department of Transportation (“NCDOT”), and in accordance with the requirements imposed by the Town and/or NCDOT. Without limiting the generality of the foregoing, the Company and the Town shall coordinate the location of their respective facilities within the streets and public places of the Town so that the facilities of each do not interfere with the construction, operation, and maintenance of the facilities of the other as much as practicable.

2.04 In the event that Company facilities described in Section 2.02 are located within streets, avenues, roads, public alleys, lanes, parks and squares, or other public places and ways within the Town, and work within said locations necessitates the movement, removal or relocation of the Company facilities, the Company shall bear the cost of moving, removing, or relocating such facilities.

2.05 The term of this Service Agreement is granted twenty years beginning _____, 2010 and ending at midnight _____, 2030.

2.06 Excluding fees that may be adopted by the Board of Aldermen for the encroachment permit required in Section 2.03(b), the Company shall not be obligated to the Town or any of its departments or agencies for any tax, license fee, other fee, or any other payment whatsoever, relating to the rights granted herein this Agreement other than that which is levied by state law; provided, however, that if state law is changed to authorize the Town to charge such a tax, license, or other fee, then the Company shall pay to the Town either a mutually agreeable fee arrived at upon good faith negotiations or any fee established by the North Carolina Utilities Commission.

2.07 The Company is hereby granted the right during the existence of this Service Agreement to mortgage or hypothecate this Agreement, together with all rights and privileges hereunder and any right or interest herein, as security for indebtedness, subject to acceptance by any legal successor in interest of the obligations, duties, liabilities, limitations and prohibitions set out herein and subject to the approval by the North Carolina Utilities Commission or other governmental agency whose approval is required by law. The Company shall not assign or transfer its rights under this Agreement, provided, however, that this provision shall not prohibit the Company from assigning its rights here under to the surviving corporation in any corporate reorganization in which the Company is a party.

III. ACCEPTANCE OF SERVICE AGREEMENT

3.01 By entering this Service Agreement, the Company acknowledges that its rights hereunder are subject to Town use of its police power to adopt and enforce Ordinances that the Board of Aldermen may deem necessary for the health, safety, and welfare of the public, and the

Company agrees to comply with all applicable Ordinances enacted by the Town pursuant to such power. Any conflict between the provisions of this Agreement and any other present or future lawful exercise of the Town's police powers shall be resolved in favor of the latter.

3.02 This Agreement shall take effect from the day both parties have executed the same; provided that, if the Company has not executed the Agreement within sixty (60) days of approval of the Agreement by the Board of Aldermen of the Town, then the same shall be null and void and of no effect.

This the ____ day of _____, 2010.

PIEDMONT NATURAL GAS COMPANY, INC.

BY: _____
Executive Vice President—Operations

ATTEST:

Vice President, General Counsel, Chief Compliance
Officer & Secretary

TOWN OF KERNERSVILLE

BY: _____
Dawn H. Morgan, Mayor

ATTEST:

Dale F. Martin, Town Clerk

NORTH CAROLINA - _____ COUNTY

This is to certify that on the _____ day of _____, 2010 before me came _____, with whom I am personally acquainted, who, being by me duly sworn, says that he is the Senior Vice President - Utility Operations of Piedmont Natural Gas Company, Inc., and _____, with whom I am personally acquainted, who, being by me duly sworn, says that she is the Vice President, Corporate Counsel, Chief Compliance Officer & Secretary of Piedmont Natural Gas Company, Inc.; that the Senior Vice President - Utility Operations and Vice President, Corporation Counsel, Chief Compliance Officer & Secretary subscribed their names thereto, and the Company's corporate seal was affixed, all with the consent of the Board of Directors of the Company.

Witness my hand and official seal, this the ___ day of _____, 2010.

Notary Public

My Commission expires: _____

NORTH CAROLINA - _____ COUNTY

This _____ day of _____, 2010 personally came before me Dale F. Martin, Town Clerk of the Town of Kernersville by me duly sworn, says that she knows the common seal of the Town of Kernersville and she is acquainted with Dawn H. Morgan, Mayor of this Town, and that she saw the Mayor sign the foregoing instrument, and that she affixed the Town's Seal to this instrument and she signed her name in attestation of the execution of this instrument in the presence of the Mayor of this Town.

Witness my hand and official seal, this the __ day of _____, 2010.

Notary Public

My Commission expires: _____ ”