

Pegasus Alliance Corporation dba OnPAC ENERGY

RESIDENTIAL - TERMS OF SERVICE

TERM OF SERVICE

This Residential Terms of Service Agreement ("Agreement") shall be between Pegasus Alliance Corporation dba OnPAC ENERGY ("OnPAC"), a Retail Electric Provider (REP), and the customer ("Customer"). OnPAC and Customer may also be referred to as the "Party" or "Parties". Upon execution of the Letter of Authorization (LOA), OnPAC agrees to supply the full electricity requirements to the Customer's facility/premise (identified by the ESID number) listed on the LOA. The LOA is your enrollment authorization in writing, by telephone or on-line registration. This Agreement shall be inclusive of the Residential Terms of Service, LOA, Electricity Facts Label (EFL), and "Your Rights as a Customer" (YRAC) documents. OnPAC's acceptance of the LOA constitutes execution of the LOA and this Agreement. The price and contract term of this Agreement are set forth in the LOA. This Agreement shall become effective on the date reflected on the LOA and shall commence on the Utility Transfer Date immediately following such effective date and ends on the meter read date on or after your term end date. This Agreement shall remain in effect until the expiration of the term unless otherwise agreed to by the Parties in writing.

OnPAC will invoice Customer on a monthly basis for the electricity supply (Energy Charges), costs charged by the Transmission and Distribution Service Provider (TDSP) and applicable taxes. Customer agrees to accept service from OnPAC for the term of the LOA and to pay the associated invoices.

This Agreement is available in Spanish by contacting us. Póngase en contacto con nosotros para ver la versión en español de este contrato.

Contact information:

Phone: (866) 696-6722 Web: www.onpac.com
Fax: (866) 696-6755 Email: info@onpac.com
Hours: Monday – Friday Address: PO BOX 831787
9:00 AM – 5:00 PM CST Richardson, TX 75083-1787

Outage Information (24 Hours a Day/7 Days a Week):

Centerpoint Energy Service Area: (800) 332-7143
Oncor Electric Delivery Service Area: (888) 313-4747
AEP Texas North & AEP Texas Central: (866) 223-8508
Texas-New Mexico Power Service Area: (888) 866-7456

RIGHT OF RESCISSION & CANCELLATION OF SERVICE

The Customer with a switch request has the right to terminate this Agreement without penalty within three (3) federal business days after receiving this Agreement. To cancel a switch enrollment, email support@onpac.com or call (866) 696-6722 ext 2 and provide your name, service address, last four digits of your social security no./tax ID and telephone number with your request.

REFUSAL OF SERVICE

OnPAC may refuse to provide service to the Customer for one or more of the reasons specified in PUCT Substantive Rules §25.477 (<http://www.puc.texas.gov/agency/rulesnlaws/subrules/electric/25.477/25.477.pdf>). If service is denied, you will be notified of the reason(s). OnPAC or the Customer may cancel this Agreement without any penalty for reason(s) set forth in PUCT Rules §25.477.

PRICE

The price to be paid by Customer to OnPAC for all electricity purchased is shown in the EFL. Customer acknowledges that the

prices offered under this Agreement are based upon Customer's existing meter(s) and forecasted usage pattern(s), which is (are) based upon historical usage pattern(s) and Customer's eligibility for the TDSP's applicable rate schedule as of the effective date of this Agreement. Customer agrees to notify OnPAC in advance of any material variances in demand or consumption.

The price includes: the price of "Energy Usage"; an "Energy Base" charge of \$9.95 (\$0 if electric usage is more than 999 kWh) in a billable month and all applicable taxes. Customer will be charged based on actual usage, if actual meter readings are available. OnPAC may calculate an invoice based on estimated meter readings in the absence of actual meter readings from the TDSP. Once actual meter readings are received, OnPAC will make adjustments on a subsequent invoice. In addition, the Customer will be charged for any non-recurring fees (e.g., meter tampering, meter test, trip charges, meter re-reads, out-of-cycle meter reads, disconnection and reconnection fees) charged by the TDSP in addition to added fees by OnPAC. These fees and charges may be found in the EFL and will be itemized on the Customer bill.

- **For Fixed Rate Plan** - The price for the Fixed Rate Plan may be changed from the EFL solely to reflect actual changes in the TDSP charges, changes to ERCOT administrative fees charged to loads, or changes resulting from federal, state or local laws that impose new or modified fees or costs on OnPAC.
- **For Variable Rate Plan** - The price for Variable Rate Plan may fluctuate and is subject to change at the sole discretion of OnPAC. Customers on the Variable Rate Plan may monitor the rates by visiting <http://www.onpac.com/category/variable>.

RENEWALS AND TERMINATION

- The Customer will be notified of contract expiration by written notice thirty (30) days prior to the end of the contract term.
- The Customer will continue to be served by OnPAC and automatically be enrolled in the appropriate Variable Rate Plan (i.e. standard energy or renewable energy) at the end of an expired contract if Customer fails to take action to ensure a new rate plan.
- The Customer may terminate a Fixed Rate Plan with early termination/cancellation fee as referenced under "Early Termination" of this Agreement. For a Variable Rate Plan, there is no cancellation fee. You may also terminate this Agreement with OnPAC without penalty if you move and provide evidence of move and your forwarding address
- If Customer fails to pay on a timely basis, OnPAC shall have the right to terminate this Agreement or terminate a Fixed Rate Plan Term and enroll Customer in the appropriate Variable Rate Plan (i.e. standard energy or renewable energy). In addition, OnPAC shall have the right to terminate this Agreement if Customer defaults on obligations under this Agreement.
- OnPAC may terminate this Agreement if the Utility Transfer Date is delayed for a thirty (30) days period of time for which, at OnPAC's sole discretion, is perceived as unreasonable.

RETAIL ELECTRIC PROVIDER (REP) SERVICES AND RIGHTS

Customer authorizes, and OnPAC shall: (i) act as Customer's REP for all purposes; and (ii) provide all services required of REP. OnPAC shall have no responsibility for payment of any outstanding debts owed by Customer to the TDSP or previous supplier of electricity. OnPAC shall have the right to transfer Customer to the Provider of Last Resort ("POLR") if any uncontested portion of billing remain unpaid for thirty

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(30) days after the Due Date thereof, or if Customer breaches any other term or condition of this Agreement and fails to remedy or correct the same within thirty (30) days after written notice of such breach from OnPAC. The transfer of Customer to the POLR shall be in addition to any and all other remedies available in this Agreement or under the law.

Service shall be provided in accordance with Customer's existing connection requirements unless Customer requests a change by the TDSP and pays for the cost of that change. Customer shall not use the electric power and energy furnished hereunder as an auxiliary and supplement to any other source of power and shall not resell any capacity or energy purchased hereunder.

RESPONSIBILITIES OF THE TRANSMISSION & DISTRIBUTION SERVICE PROVIDER (TDSP)

The TDSP maintains responsibility for the reliability of the electricity supply, as set forth in the TDSP tariffs approved by the PUCT. The TDSP is responsible for distribution lines, meters and meter data, and the quality of power entering the Customer's premise. Customer will receive TDSP services at the same quality of services from any REP, including the affiliate of the incumbent TDSP. Service outage should be reported to your designated TDSP 24/7. Phone numbers for each TDSP are listed above.

BILLING, PAYMENT AND PAYMENT ARRANGEMENTS

Customer will be billed on a monthly basis in either paper or electronic format as requested by the Customer. Invoices shall be rendered to Customer at Billing Address as specified in the LOA. The service period associated with each invoice will be approximately thirty (30) days and will be based on the TDSP meter read cycle for the Customer's premise. However, OnPAC may calculate an invoice based on estimated meter readings in the absence of actual meter readings from the TDSP. Once actual meter readings are received, OnPAC will make adjustments on a subsequent invoice. Payment is due upon receipt. OnPAC accepts money orders, checks, credit cards/debit cards, and bank draft as form of payment. Customer may also set up Autopay. Payment will be considered past due if not received by OnPAC within sixteen (16) days following the date the bill was issued. Customer will be charged a five percent (5%) late payment penalty on past due balances before any applicable discount. Late payment penalties will not apply to customers who are "LITE-UP qualified", refer to YRAC document for details regarding LITE-UP program. If you are unable to pay your bill on time, please call Customer Support immediately. OnPAC may allow you to pay the outstanding bill after its Due Date but before the Due Date of the next bill, or you may qualify for a deferred payment plan

- **Deferred Payment:** Customer may be eligible for Deferred Payment if the Customer cannot pay the electric bill on time; provided that Customer: (i) has not received more than two (2) termination or disconnection notices during the previous twelve (12) months; or (ii) has only received electric service from OnPAC for three (3) months or less. If Customer has received a disconnection notice, the delinquent amounts paid under Deferred Payment will include an initial payment of 50% of the outstanding balance, and the remaining balance to be paid in equal installments in addition to the monthly invoiced amount over the next five (5) billing cycles. Customer's electric service may still be terminated and disconnected if Customer does not meet the requirements of Deferred Payment.

- **Average Payment:** OnPAC offers Average Payment to Customer who is not currently delinquent in payment to OnPAC and has paid bills for twelve (12) consecutive billings. The average payment amount is calculated by adding the current invoice amount to the previous eleven months' billed amounts for the service address and that total amount is divided by twelve (12). If Customer requests Average Payment and is disconnected more than once in six (6) consecutive months, OnPAC reserves the right to remove Customer from Average Payment and require payment of actual invoiced charges on a go-forward basis. OnPAC will determine your average payment amount once every six (6) months (true-up) and will credit/refund any over-payments or collect any under-payments associated with Average Payment at such time. Upon termination of service, Customer is responsible for the balance of the account.

An Energy Assistance program is available to Customers who have severe financial hardships and temporarily may be unable to pay their bills. A customer who receives food stamps, TANF, Medicaid, AFDC, SSI or QMB from the Texas Department of Human Services (TDHS) or whose household income is not more than 125% of the federal poverty guidelines may qualify for Energy Assistance program. The program is funded in part by contributions from OnPAC customers. Please call OnPAC for additional information.

If you believe your bill includes unauthorized charges ("cramming"), you may contact OnPAC to dispute such charges and may file a complaint with the Public Utility Commission Texas (PUCT). OnPAC will not seek to disconnect your service for nonpayment of an unauthorized charge or file an unfavorable credit report against you for disputed unpaid charges that are alleged to be unauthorized, unless the dispute is resolved against you. Please see YRAC document for more information.

DEPOSITS AND DEPOSIT REFUNDS

OnPAC reserves the right to request a deposit prior to completing enrollment if Customer is unable to demonstrate creditworthiness. Customer reserves the right to refuse payment of the deposit and cancel the LOA without penalty, prior to the submission of new electric service or switch by OnPAC. If Customer is delinquent in payment more than once in a twelve (12) month period or more than twenty-five (25) days late in paying any one (1) invoice, OnPAC may request a deposit or an increase to a current deposit. If a deposit or additional deposit is required, the total amount of your deposit will not exceed an amount equal to the greater of either (i) one-fifth (1/5) of the customer's estimated or actual annual billing, or (ii) the sum of the estimated billings for the next two (2) months. Customers who qualified for the LITE-UP Texas program are eligible to pay any deposit requested by a REP that exceeds \$50 in two (2) equal installments. Qualified customers, including the medically indigent, applicants 65 years or older or victims of domestic family violence may be entitled to waive the deposit requirement. Please refer to YRAC document or call us for additional information.

Your deposit will accrue interest from the day we received it at the interest rate established annually by the PUCT if held for more than thirty (30) days. No interest payment will be made if the deposit is refunded within thirty (30) days. Any deposit will be (i) refunded or offset to unpaid balances following the closing of the Customer's account(s), or (ii) refunded after twelve (12) consecutive months of on time payments. Interest is payable at the time deposit is refunded or offset to unpaid balances.

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LOW INCOME DISCOUNTS

Payment assistance programs are available for those customers who express an inability to pay or need assistance with the bill payment. A customer who receives food stamps, TANF, Medicaid, SSI or QMB from the Texas Department of Human Services (TDHS) may automatically qualify for a discount of at least ten percent (10%) on electric service through the LITE-UP Texas program. Customers who do not receive these benefits, but whose household income is not more than 125% of the federal poverty guidelines may apply for the discount. Contact LITE- UP Texas toll-free at (866) 4-LITE-UP or (866) 454-8387 for information.

DISCONNECTION & TERMINATION OF SERVICE

If the Customer fails to remit payment to OnPAC in accordance with the Billing and Payment provisions, OnPAC may instruct the TDSP to disconnect the electric service to Customer's premise. OnPAC will not order the TDSP to disconnect service for non-payment of legitimately disputed invoice amounts. Prior to disconnecting electric service, OnPAC will provide Customer a "Disconnection Notice" no earlier than the first day after Customer bill is due and provide an opportunity to avoid disconnection by paying outstanding invoices. The disconnection date must be at least 10 days from the date the notice is issued. Please see YRAC document for more information as to the reasons in which OnPAC may disconnect service after proper notice, may disconnect service without notification, as well as the reasons in which OnPAC may not disconnect service. Customer will be responsible for all DISCONNECTION and RECONNECTION FEES from the TDSP in addition to OnPAC fees.

OnPAC has the right to terminate this Agreement for reasons listed in YRAC disclosure, and transfer you to the Affiliated REP in your service area if you do not obtain service from another REP by the date noted on the "Termination Notice". See YRAC disclosure for more information.

RECONNECTION OF SERVICE

If Customer's electric service has been disconnected for non-payment, OnPAC will upon satisfactory correction of the reasons for the disconnection including payment of related fees, notify Customer's TDSP to reconnect electric service; informing Customer of approximate reconnection time pursuant to PUCT Rules §25.483 (<http://www.puc.state.tx.us/agency/ruleslaws/subrules/electric/25.483/25.483.pdf>). If Customer's electric service was disconnected due to a dangerous situation, electric service will be reconnected once Customer demonstrates to OnPAC that Customer has corrected the dangerous situation.

EARLY TERMINATION

Should Customer switch the premise listed on the LOA away from OnPAC prior to the end of the Fixed Rate Plan term, the Customer shall be charged \$150.00 for early termination/cancellation fee for 12 months contract and \$250 for 24 months contract. You may also terminate this Agreement with OnPAC without penalty if you move and provide evidence of move and forwarding address. For the Variable Rate Plan, there is no cancellation fee.

NON-RECURRING FEES

• **Connection (Move In)/New Service Fee:** The standard connection/new service fee is charged according to your local TDSP (CENTERPOINT, ONCOR, AEPN, AEPC, and TNMP), as illustrated in the chart below.

	Centerpoint	Oncor	AEPN/AEPC	TNMP
Existing Meter	\$30	\$30	\$60	\$60
New Meter	\$100	\$30	\$60	\$60

- **Switching Fee:** OnPAC does not charge the Customer a switching fee for on-cycle switching of REP. At the Customer's request for an out-of-cycle switch, OnPAC will "pass thru" to the Customer out-of-cycle switching fee from the TDSP.
- **Disconnection/Reconnection for non-payment:** If OnPAC has to disconnect or reconnect electricity service to Customer premise due to non-payment, the Customer will incur a disconnect fee and reconnect fee. A twenty dollar (\$20) Disconnection Fee is assessed if you fail to pay the past due amount before the date your service is subject to disconnection and a twenty dollar (\$20) Reconnection Fee if OnPAC processes a reconnection transaction on your account. These charges are in addition to disconnect/reconnect fees assessed by your TDSP.
- **Additional Charges and Fees:** (i) A 5% late payment penalty charge for each unpaid bill, (ii) there is a twenty-five dollar (\$25) charge for each payment transaction that is returned unpaid or not processed for returned check, returned electronic fund transfers, or rejected credit/debit card transactions, (iii) should OnPAC, due to Customer's delinquency, be required to send a past due collections letter, Customer may be charged a ten dollar (\$10) Collection Fee for each letter. Should OnPAC ultimately be required to use a third party collections agency to collect past due balances, there will be a nineteen percent (19%) collections surcharge added to the amount due. If Customer's refusal to pay legitimate invoices requires OnPAC to take legal action and OnPAC's claims are upheld, Customer agrees to pay OnPAC reasonable legal costs associated with this action.
- Customer agrees to pay non-recurring fees charged by the TDSP, in addition to fees charged by OnPAC that include, but are not limited to inadvertent switch, disconnection or reconnection, meter tampering, meter testing, trip charges, meter re-reads, or out of cycle meter reads.

METER TESTING

You, or OnPAC at your request, may request one (1) meter test every four (4) years at no cost. If you request more than one (1) test every four (4) years, and the meter is functioning properly, then you may be charged for the additional meter test(s) at the rate approved for your TDSP. The TDSP or OnPAC will advise you of the test results, including the test date, testing person and, if applicable, the removal date of the meter. You may contact OnPAC for instructions on how to read the meter if necessary.

CRITICAL CARE AND CHRONIC CONDITION CUSTOMERS

If you have a person permanently residing in your premise diagnosed by a physician as being dependent upon an electric-powered medical device to sustain life, you may apply for designation as a "Critical Care Residential Customer". If you have a person permanently residing in your premise diagnosed by a physician with a serious medical condition requiring an electric-powered medical device or electric heating or cooling to prevent the impairment of a major life function through a significant deterioration or exacerbation of the person's medical condition, you may apply for designation as a "Chronic Condition Residential Customer". To be considered for such designation, your physician must submit a completed Critical Care Eligibility Determination Form by facsimile or other electronic means to

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the TDSP. The TDSP will notify you and your REP of the final status of your designation and will notify you when such designation will expire and whether you will receive a renewal notice. If you are not satisfied with the TDSP's decision, you may appeal to your TDSP and file a complaint with PUCT. Qualification as a Critical Care or Chronic Condition Residential Customer does not relieve you of the obligation to pay your REP or the TDSP for services rendered. Contact your REP or TDSP immediately if you need assistance with paying your bill.

TERMS OF SERVICES CHANGES

OnPAC reserves the right to modify or terminate this Agreement, without liability, in response to new or changed law, rule, tariff, regulation, procedure or protocol, or interpretation thereof, or in response to changing market conditions, or if the Customer usage or demand characteristics change, or if the information provided by the Customer to OnPAC to make this offer is in error or is inconsistent with the Customer load profile information that OnPAC receives from the Customer's TDSP, in each instance as determined by OnPAC. Should OnPAC make a material change or modification to this Agreement, OnPAC will notify the Customer fourteen (14) days in advance of such change or modification. Upon receiving this notice, the Customer has the right to terminate this Agreement without penalty within fourteen (14) days after the date of the notice and choose another REP. If the Customer does not contact OnPAC within the period provided in the notice, OnPAC will continue to serve the Customer under these modified terms.

ANTI-DISCRIMINATION

OnPAC cannot deny service or require a prepayment or deposit for service based on a customer's race, creed, color, national origin, ancestry, sex, marital status, lawful source of income, level of income, disability, familial status, location of a customer in an economically distressed geographic area, or qualification for low income or energy efficiency services. OnPAC also cannot use a credit score, a credit history, or utility payment data as the basis for determining the price for electric service for a product with a contract term of twelve (12) months or less.

FORCE MAJEURE

- Force Majeure shall mean any act or event that is beyond the reasonable control, and without the fault or negligence of, the Party whose performance under the Agreement is adversely affected, interrupted, or precluded by the event. A Force Majeure event includes, but is not limited to, an act of God; labor disturbance; act of public enemy; war; insurrection; riot; embargo; fire; storm; lightning; flood; explosion; breakage or accident due to machinery or equipment; acts of other parties, including ERCOT, aggregators, other REP, qualified scheduling entities, TDSP's, and the respective employees and agents of such parties; a curtailment order, regulation, or restriction imposed by a governmental, military, or lawfully established civil authority; and any other condition beyond the control and without the fault of either Party.
- If either Party is rendered unable by Force Majeure to carry out, in whole or in part, its obligations under this Agreement and such Party gives notice and full details of the event to the other Party as soon as practicable after the event, then during the pendency of such Force Majeure, but no longer period, the obligations of the Party affected by the event (other than the obligation to make payments, then due or becoming due with respect to performance prior to the

event) shall be excused to the extent required. The Party affected by the Force Majeure event shall take all reasonable steps to remedy the effect of such event.

LIMITATIONS OF LIABILITY

YOU AGREE THAT CAUSES AND EVENTS BEYOND THE CONTROL OF ONPAC ("FORCE MAJEURE" EVENTS), MAY RESULT IN INTERRUPTIONS IN SERVICE AND THAT ONPAC WILL NOT BE LIABLE FOR THOSE INTERRUPTIONS. ONPAC IS NOT RESPONSIBLE FOR GENERATING OR DISTRIBUTING ELECTRICITY TO YOUR SERVICE ADDRESS. LIABILITIES NOT EXCUSED BY REASON OF FORCE MAJEURE OR OTHERWISE SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES. NEITHER ONPAC NOR THE CUSTOMER SHALL BE LIABLE TO THE OTHER FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES. THESE LIMITATIONS APPLY WITHOUT REGARD TO THE CAUSE OF ANY LIABILITY OR DAMAGE. THERE ARE NO THIRD PARTY BENEFICIARIES TO THIS AGREEMENT.

REPRESENTATIONS AND WARRANTIES

The electricity sold under this Agreement will meet the quality standards of the applicable local TDSP and will be supplied from a variety of generating sources. OnPAC makes no representations or warranties other than those expressly set forth in this Agreement, and expressly disclaims all other warranties, expressed or implied, including warranties of merchantability and fitness for a particular purpose.

ASSIGNMENT

Customer may not assign this Agreement, in whole or in part, or any of its rights or obligations hereunder without the prior written consent of OnPAC. OnPAC may, without Customer's consent: (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangement; (ii) transfer or assign this Agreement to an affiliate of OnPAC or to any person or entity succeeding to all or substantially all of the assets of OnPAC; and/or (iii) transfer or assign this Agreement to a certified REP. In the case of (ii) or (iii), any such assignee shall agree in writing to be bound by the terms and conditions hereof. Upon any such assignment, Customer agrees that OnPAC shall have no further obligations.

GOVERNING LAW

This Agreement with OnPAC is governed by the State of Texas. Venue shall be in Dallas County, Texas. The Texas Uniform Commercial Code (<http://www.statutes.legis.state.tx.us/?link=BC>) applies to the Terms of Service and Electricity is deemed a "Good".

ENTIRE AGREEMENT

This Terms of Service, together with the LOA, EFL, and YRAC documents, contains the entire understanding of the Parties with respect to OnPAC's supply of electricity to the Customer. There are no promises, covenants or understandings other than those expressly set forth in these executed documents. Any changes to this Agreement will be made as provided for in this Agreement.