

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of
ANR EATON COMPANY and SEMCO GAS STORAGE
COMPANY on behalf of Eaton Rapids Gas
Storage System for authorization of
initial gas storage service rates.

Case No. U-9369

At a session of the Michigan Public Service Commission held at its offices
in the city of Lansing, Michigan, on the 6th day of February, 1990.

PRESENT: Hon. William E. Long, Chairperson
Hon. Steven M. Fetter, Commissioner
Hon. Ronald E. Russell, Commissioner

ORDER APPROVING INITIAL GAS STORAGE SERVICE RATES,
APPROVING MEMORANDUM OF UNDERSTANDING, AND FINDING JURISDICTION

On May 10, 1989, ANR Eaton Company and SEMCO Gas Storage Company filed an
application with the Commission for approval of their initial gas storage ser-
vice rates, which would produce revenues of approximately \$5,958,000 annually.

The applicants were organized to, and are, jointly converting the Eaton
Rapids 36 gas reservoir to a gas storage operation. The applicants propose to
perform gas storage service for three Michigan local distribution companies.
They may also perform gas storage service for out-of-state customers.

Pursuant to due notice, a prehearing conference was held on July 13, 1989,
before Administrative Law Judge Lana Shafer (ALJ). The Commission Staff (Staff)
filed an appearance. No other parties participated.

A hearing was held September 21, 1989. The applicants presented the testimony of two witnesses, who were cross-examined, and the applicants' exhibits (A-1 through 11) were admitted. The Staff presented Exhibit S-12 (a Memorandum of Understanding between the Staff and the applicants, attached to this order as Exhibit A) and Exhibit S-13. Both exhibits were admitted.

The Memorandum of Understanding sets forth the parties' agreement that the applicants' proposed initial gas storage rates, based on a projected five-year average cost of service, are just and reasonable; that the rates, if approved by the Commission, will remain subject to revision at any time by appropriate procedures commenced by the Staff, the applicants, or any interested parties; and that the applicants should be authorized to file their proposed tariff. The Memorandum of Understanding reserved jurisdictional questions for decision by the Commission.

The applicants and the Staff briefed the jurisdictional issues, and on December 11, 1989, the ALJ issued her Proposal for Decision (PFD). In their respective briefs, the Staff and the applicants were in material agreement on the jurisdictional issues, and the ALJ ruled in a manner consistent with those briefs. However, the Staff and the applicants filed joint exceptions on December 26, 1989. The Staff filed a revision to the exceptions on December 27, 1989.

The parties did not except to the ALJ's legal conclusions. Rather, the joint exceptions clarified the positions of the parties as to the operative facts, the application of the Hinshaw Amendment to the applicants' proposed intrastate gas storage operations, the applicants' ability to perform interstate gas storage service pursuant to a blanket certificate that may be issued by the Federal Energy Regulatory Commission (FERC) pursuant to 18 CFR 284.224, the

reasonableness of the applicants' proposed rates, and issues concerning the applicability of the Certificate Act, 1929 PA 69, 460.501 et seq., (Act 69).

As to the Memorandum of Understanding, both Rule 33 of the Commission's Rules of Practice and Procedure, R 460.43, and Section 78 of the Administrative Procedures Act of 1969, MCL 24.278, provide for the disposition of matters before the Commission by stipulation and agreement. The Memorandum of Understanding is, in effect, an agreement as to rates and conditions of service. Those provisions do not relieve the Commission of its responsibility to make a final determination that the agreement of the parties is in the public interest.

After a review of the Memorandum of Understanding, the Commission finds that it is reasonable and therefore should be approved. As to the jurisdictional issues, the Commission finds, after a review of the briefs, PFD, and exceptions, that it does have comprehensive regulatory jurisdiction, pursuant to the statutes cited below in the Findings, over the rates and services for the applicants' proposed intrastate gas storage operations. Those intrastate gas storage operations are exempt from FERC regulation pursuant to the Hinshaw Amendment, Section 1(c) of the Natural Gas Act, 15 USC 717(c). The applicants may perform interstate gas storage services without jeopardizing that exemption if a blanket certificate is obtained from the FERC pursuant to 18 CFR 284.224. Further, the Commission has jurisdiction over the applicants' issuance of securities, pursuant to 1909 PA 144, as amended, MCL 460.301 et seq. Finally, Schneidewind v ANR Pipeline and ANR Storage Company, 485 US 293, 108 S Ct 1145, 99 L Ed 2d 316 (1988), does not impose a legal impediment to the Commission's securities regulation because Schneidewind was based upon a non-Hinshaw Amendment operation. In this case, securities regulation is based upon the storage facilities' operation within the Hinshaw Amendment. Commission regulation of

the applicant's issuance of securities results from and furthers the Commission's comprehensive regulation of rates, services, and facilities.

The Commission does not make any determination concerning its jurisdiction under Act 69, because this case was not noticed as an Act 69 application.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; 1909 PA 144, as amended, MCL 460.301 et seq.; 1929 PA 9, as amended, MCL 483.101 et seq.; 1939 PA 3, as amended, MCL 460.6 et seq.; and the Commission's Rules of Practice and Procedure, 1979 Administrative Code, R 460.11 et seq.

b. The Memorandum of Understanding is reasonable and in the public interest, and should be approved.

c. The applicants' proposed initial gas storage service rates are just and reasonable.

d. The applicants should be authorized to file their proposed tariff for the Eaton Rapids Gas Storage System.

e. Schneidewind v ANR Pipeline and ANR Storage Company, 485 US 293, 108 S Ct 1145, 99 L Ed 2d 316 (1988) does not create a legal impediment to Commission regulation of the applicants' issuance of securities, pursuant to 1909 PA 144, MCL 460.301 et seq., for the reasons stated in this order.

THEREFORE, IT IS ORDERED that:

A. The Memorandum of Understanding, attached as Exhibit A, is approved.

B. ANR Storage Company and SEMCO Gas Storage Company are authorized to implement their proposed initial gas storage service rates, to produce revenues

of approximately \$5,958,000 annually, effective for service rendered on and after February 7, 1990.

C. In accordance with Case No. U-6300, Filing Procedures, ANR Eaton Company and SEMCO Gas Storage Company shall file with the Commission their proposed tariff in substantially the same form as the tariff that is part of Exhibit A attached to this order. Due to the voluminous nature of the tariff, it is made part of this order by reference. However, a copy of the tariff is contained in the official docket as part of the original of this order.

The Commission specifically reserves jurisdiction of the matters herein contained and the authority to issue such further order or orders as the facts and circumstances may require.

Any party desiring to appeal this order must perfect an appeal to the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

(S E A L)

/s/ William E. Long
Chairperson

By the Commission and pursuant to
its action of February 6, 1990.

/s/ Steven M. Fetter
Commissioner

/s/ Dorothy Wideman
Its Executive Secretary

/s/ Ronald E. Russell
Commissioner



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In the matter of the application of
ANR EATON COMPANY and SEMCO GAS STORAGE
COMPANY on behalf of Eaton Rapids Gas
Storage System for authorization of its
initial gas storage service rates.

Case No. U-9369

MEMORANDUM OF UNDERSTANDING

On May 10, 1989, ANR Eaton Company (ANR Eaton) and SEMCO Gas Storage Company (SEMCO) (herein collectively referred to as "Applicants"), filed an application with the Commission for authorization of their initial gas storage service rates, together with prepared testimony and proposed exhibits of their witnesses in support of the Application. Pursuant to the Commission's May 23, 1989 Notice of Hearing, Applicants gave due and lawful notice of these proceedings to the prospective gas storage customers (being Michigan local distribution companies) and to the Michigan customers of such local distribution companies.

Applicants are engaged in a joint venture to convert the Eaton Rapids "36" gas reservoir to storage. Applicants propose to provide such gas storage service, beginning April 1, 1990, to Battle Creek Gas Company, Michigan Gas Company and Southeastern Michigan Gas Company and others.

Public hearings commenced with a prehearing conference on July 13, 1989, at the Commission's offices in Lansing,

Michigan. An Appearance was filed by the Commission Staff ("Staff"). Applicants' case was presented on September 21, 1989. Also, on various dates, the parties have engaged in settlement discussions. As a result of such settlement discussions, the parties have reached agreement on the proposed rates, as follows:¹

A. The Staff, based on its review of Applicants' exhibits and work papers, has concluded that Applicants' proposed cost of service and resultant rates based upon Applicants' construction and operating estimates are just and reasonable.

B. Applicants' required initial annual gas storage revenues are \$5,958,000. Such revenue requirement is based on a projected five-year average cost of service consisting of \$3,014,000 for Operating Expense, and \$2,944,000 for Return on Rate Base.

C. Although the initial gas storage revenues and rates are based on such five year average, the resulting rates and tariff shall remain fully subject to the jurisdiction of this Commission and, thus, subject to revision at any time by appropriate procedures commenced by Staff, Applicants or any other interested party.

¹It is recognized by the parties that the Commission must first decide whether it has jurisdiction over these proceedings based upon the Hinshaw Amendment to the Natural Gas Act. 15 USC 717(c), whether applicable state statutes grant the regulatory jurisdiction over the storage of natural gas, and whether Schneidewind v ANR Pipeline & ANR Storage Co, 99 LE2d 2d 316 (1988) creates a legal impediment to Commission regulation over the securities of the storage company as would otherwise exist under the Michigan Utilities Security Act, 1909 PA 144; MCL 460.301, et seq; MSA 22.101 et seq.

Applicants agree to file another application based on actual costs of providing service no later than the fifth year of operation.

D.. The following initial gas storage service rates will be just and reasonable:

<u>Firm Service</u>	<u>Maximum</u>	<u>Minimum</u>
100-Day Service - per Mcf of Maximum Storage Volume		
Annual	52.43¢	N/A
Monthly	4.37¢	N/A
128-Day Service - per Mcf of Maximum Storage Volume		
Annual	46.40¢	N/A
Monthly	3.87¢	N/A
<u>Released Firm Service</u>		
100-Day Service - per Mcf of Maximum Storage Volume		
Annual	52.43¢	12.00¢
Monthly	4.37¢	1.00¢
128-Day Service - per Mcf of Maximum Storage Volume		
Annual	46.40¢	12.00¢
Monthly	3.87¢	1.00¢
<u>Interruptible Service</u>		
Per Mcf of Average Monthly Volumes	4.14¢	1.00¢
Fuel:		
Injection	1.5%	
Withdrawal	.5%	

E. Applicants should be authorized to file their proposed Tariff M.P.S.C. No. 1 - Storage (including rate schedules and proforma gas storage agreements), all in the form of Exhibit

A- 7 attached, effective as of the first date gas storage is to be rendered pursuant to U-6300 (Michigan Administrative Code R 460.2011 through R 460.2031). Applicants acknowledge that said Tariff M.P.S.C. No. 1 is subject to the jurisdiction of this Commission, and that said tariff may be revised pursuant to order of this Commission.

Dated: September 20, 1989

PART 1 SECTION 4
CASE NO. _____
WITNESS _____
EXHIBIT NO. _____
SCHEDULE NO. F-1
PAGE NO. 2 OF 2

RULES, REGULATIONS AND RATE SCHEDULES

(RATE BOOK)

TITLE PAGE

EATON RAPIDS GAS STORAGE SYSTEM

RULES, REGULATIONS AND RATE SCHEDULES
FOR STORAGE SERVICE

These Rules, Regulations and Rate Schedules apply to the
Entire Storage Service provided by the Company.

ISSUED BY
MICHAEL J. MUJADIN
CHAIRMAN
500 RENAISSANCE CENTER
DETROIT, MI 48243

EFFECTIVE FOR STORAGE SERVICE
RENDERED ON AND AFTER

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Tariff Book Standard Forms Filed with the Commission	17.00	

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TERRITORY SERVED
Eaton Rapids Gas Storage System

Not applicable

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TECHNICAL TERMS AND ABBREVIATIONS

(See contracts in Tariff Book, Standard Forms Section)

"FS" means firm gas storage service.

"RFS" means released firm gas storage service resulting from operation of Section 18.2 of the Pro Forma Gas Storage Agreement for Firm Service.

"IS" means interruptible gas storage service.

"Agreement" means any agreement for gas storage service entered into between Seller and Customer on one of the Standard Forms

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RULES AND REGULATIONS

A. Agreements. A Agreement for storage service in the appropriate form shall be entered into between Seller and Customer. Such Agreement shall be substantially in the form of one of the Pro Forma Gas Storage Agreements which are a part of this Tariff. In the event of conflict, the terms and conditions of the Rules and Regulations and Rate Schedules of this Tariff shall control.

B. Responsibility for Gas. Upon receiving delivery of Gas to be stored at the Point of Delivery, Seller shall be in exclusive control and possession of such Gas and responsible for any loss thereof, or any and all injury or damage caused thereby. When the Gas has been redelivered at the Point(s) of Redelivery Customer shall be in exclusive control and possession of such Gas and responsible for any and all injury or damage caused thereby.

C. Limitation of Service. A Customer which fails to comply with any and all of the terms of the Agreement, including the applicable Rate Schedule and these Rules and Regulations of this Tariff, shall, at Sellers option, be deemed to have consented to termination of such Agreement and abandonment of service.

D. Additional Facilities. An IS Customer shall be responsible for the prior payment of the costs of any additional facilities required to perform service for that Customer.

E. Requests for Storage Service.

E1. Requests. To seek to qualify for FS, RFS, or IS, a potential Customer shall submit a request for such service in writing to the Seller. Seller shall evaluate and respond to such requests as soon as is reasonably possible, and shall begin service, if an Agreement is executed, as soon as is reasonably possible. Such a request shall be considered acceptable only if the information specified in subsections E.2(a) through (g) below is provided in writing, but Seller may waive all or a portion of such information in individual instances, when the information is already in the possession of Seller. Each request for FS and RFS shall be accompanied by refundable earnest money in the form of a certified or cashier's check payable to Seller in the amount of the lesser of ten thousand dollars (\$10,000) or the maximum charges which would be due for the term of service for such requested service, which amount shall be applied, until fully used, against the first

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RULES AND REGULATIONS - (CONTINUED)

amounts due by Customer to Seller for the requested service; provided, however, such amount shall be refunded by Seller to Customer within thirty (30) days if such request is considered null and void pursuant to Section E.4 of these Rules and Regulations of this Tariff. Requests for IS service shall be accompanied by refundable earnest money in the form of a certified or cashiers check payable to Seller in the amount equal to the applicable regulatory filing fees relative to such transactions which amount shall be applied to future amounts due for such regulatory fees if service is begun; provided, however, such amount shall be refunded by Seller to Customer within thirty (30) days if such request is considered null and void pursuant to Section E.4 of these Rules and Regulations of this Tariff. Requests for service shall be sent to:

Eaton Rapids Gas Storage System
405 Water Street
Port Huron, MI 48060

George C. Hass
President

E.2 Form of Requests.

(a) Customer(s) names

Name, address, representative and telephone number of Customer(s).

(b) Type of service(s) requested

Specify which service is desired (i.e., FS, RFS or IS).

(c) Quantity (stated in Mcfs)

(i) Maximum Storage Volume (which shall not be less than three hundred thousand (300,000) Mcf)

(ii) Storage Demand Injection Quantity (which shall not be greater than one-sixtieth (1/60th) of the Maximum Storage Volume nor less than five thousand (5,000) Mcf per day for IS Customers and shall be one-one hundred eightieth (1/180th) of the Maximum Storage Volume for FS and RFS Customers.)

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(iii) Storage Demand Withdrawal Quantity (which shall not be greater than one sixtieth (1/60th) of the Maximum Storage Volume nor less than five thousand (5,000) Mcf per day for IS Customers and shall be one-one hundredth (1/100th) or one-one hundred twenty eighth (1/128th) of the Maximum Storage Volume for FS and RFS Customers).

(d) Certified Statement

A certified statement that the Customer has, or will have, by the time of execution of an Agreement with Seller, title to, or the legal right to cause to be delivered to Seller, for storage, the Gas which is to be delivered to Seller and facilities or contractual rights which will cause such Gas to be delivered to and received from Seller.

(e) Term of Service

(i) Date service is requested to commence. FS and RFS must commence on April 1, of each Contract Year.

(ii) Date service is requested to terminate. RFS shall terminate on the date specified by FS customer who is releasing the firm capacity and, FS and RFS shall have a minimum term of one (1) year.

(f) Credit Evaluation

(i) Customer's Bank References.

(ii) Customer's Affiliates, including parent, subsidiaries of parent and of such subsidiaries, and subsidiaries of Customer.

(iii) In the event proceedings have been commenced by or against such Customer for any relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension; or in the event a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or

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RULES AND REGULATIONS (CONTINUED)

liquidator or trustee or assignee in bankruptcy or insolvency of such Customer, or of a substantial part of its property, or for the winding up or liquidation of its affairs, shall have been entered, or any substantial part of the property of such Customer shall be sequestered or attached and shall not be returned to the possession of such Customer or released from such attachment within thirty (30) Days thereafter; or in the event such Customer shall make a general assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due, Customer shall be required to fully disclose any and all actions regarding the above described proceedings against Customer or related parties defined in (ii) above, in its request for service.

(g) Use and Source of Gas

The ultimate end user(s) of the Gas involved, the source of the Gas and the identity of all other entities involved in the transaction including but not limited to upstream and downstream interstate pipelines, intrastate pipelines, local distribution companies and gathering companies. Customer shall be responsible for furnishing all such information, as to Customer, required in reports of Seller pursuant to the regulations of any agency having jurisdiction.

E.3 Subsequent Information

- (a) If any of the events or actions described in E.2f(iii) above, shall be initiated or imposed during the term of service hereunder, Customer shall provide notification thereof to Seller within two (2) working Days of any such initiated or imposed event or action. Customer shall also provide, forthwith, such additional Customer credit information, as may be reasonably required by Seller, at any time during the term of service hereunder, to determine Customer's creditworthiness.

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EFFECTIVE FOR STORAGE SERVICE
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RULES AND REGULATIONS (CONTINUED)

- (b) After receipt of a Request for service hereunder, Seller may require that Customer furnish additional information as a prerequisite to Seller offering to execute an Agreement with Customer. Such information may include proof of Customer's title to the Gas involved and/or its legal right to cause the Gas to be delivered to Seller for storage, and of Customer's contractual and/or physical ability to cause such Gas to be delivered to and received from Seller. Customer may blank out competitively sensitive information from documents furnished hereunder.

E.4 Request Validity.

Customer's Request for storage service shall be considered null and void if Seller has tendered an Agreement for execution to Customer and Customer fails to execute the Agreement within fifteen (15) Days thereafter. In determining whether it is feasible to tender an Agreement relative to FS and RFS, in light of available capacity, after provision for existing services, operating constraints and pending requests for service, Seller will not execute an Agreement which relates to requests for such service for which it does not have sufficient available capacity,

- F. Queuing. This Section governs the sequence in which requests for new service will be accommodated where capacity is not available for all valid requests for new service. It does not govern allocation of capacity pursuant to Section H hereof or interruption of service pursuant to the Agreement.

F.1 Order of Priority.

- (1) Requests for quantities of FS and RFS will be first fulfilled, provided sufficient available capacity exists, in sequence starting with the earliest date of request for such service. Capacity will be pro-rated, as necessary, among requests for quantities of FS and RFS having the same date of request.
- (2) Requests for quantities of IS will be next fulfilled, in sequence starting with the earliest date of requests for such service. Capacity will be pro-rated as necessary, among requests for quantities of IS having the same date of request.

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RULES AND REGULATIONS (CONTINUED)

F.2 Date of Requests.

- (1) Existing Service - The date of request for any existing service shall be the date of the Agreement to provide such service. For purposes of this Section an existing service is any service for which there was a valid executed Agreement as of the initial effective date of this Tariff (i.e. _____, 1989).
- (2) New Service - The date of request for any other service shall be the date of Seller's receipt of a valid request for storage service under Section E hereof. If Seller does not receive Customer's executed Agreement within fifteen (15) days from the date the Agreement is sent, the request for storage service and any priorities for the storage service shall expire without prejudice to Customer's right to submit a new request for storage service.

G. Customer's Performance and Loss of Priority. It is recognized that the Agreement for IS contains no fixed or minimum charge. If an IS Customer fails to maintain, during any twelve (12) consecutive months, a twelve (12) month average Storage Volume equal to ten percent (10%) of the Customer's Maximum Storage Volume, Seller may terminate Customer's Agreement and Customer shall have no further rights to priority of service. Customer may, however, submit a new request for service.

H. Scheduling and Allocation of Capacity. For each Day and on any Day, if Seller determines that the capacity of its system, or portions thereof, is insufficient to serve all Customers' scheduled volumes of Gas for such day, capacity which requires allocation shall be allocated so as to provide the service which is feasible, first to FS and RFS Customers, and next to IS Customers, in the method prescribed below:

H.1 For FS and RFS Customers, Seller shall allocate capacity, if required to do so, on a prorata basis in proportion to the Customer's scheduled deliveries or redeliveries to the total of all FS and RFS Customers' scheduled deliveries or redeliveries immediately prior to the allocation of capacity.

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H.2 For IS Customers, Seller shall allocate capacity, if required to do so, on a first come first served basis commencing with service in sequence starting with the earliest date of request for such service. Service capacity will be pro-rated, as necessary, among requests for quantities of IS having the same date of request.

I. Authorized Overrun Storage Service and Priorities Therefore.

I.1 Upon request of Customer, Seller may (but is not obligated to) receive and redeliver Gas in volumes in excess of the Customer's Storage Demand Injection Quantity and Storage Demand Withdrawal Quantity (for IS Customers) or Customer's Maximum Daily Injection Quantity and Maximum Daily Withdrawal Quantity (for FS and RFS Customers).

I.2 Such "Authorized Overrun Storage Services," when permitted, will be available first to FS and RFS Customers and next to IS Customers. Within each service priority Customers whose nominations are received first in time shall have priority. Customers within a service priority whose nominations are received on the same Day shall share available Authorized Overrun Service pro-rata based upon the Customer's nomination compared to total nominations.

J. Commingling. Shipper shall have the unqualified right to commingle Gas stored hereunder with Gas from all Customers and from other sources and treat and handle all such Gas without distinction as to source. It is recognized that Gas redelivered will not be the same molecules as those received.

K. Range of Rates. Unless otherwise agreed upon in writing between Customer and Seller, the rates applicable to Customer for service hereunder shall be the applicable Maximum Rate(s), if any, as set forth in the effective tariff sheet. In the event an amount less than the applicable Maximum Rate(s) and not less than the applicable Minimum Rate(s) is agreed upon, such

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amount shall be applied prospectively from the Day such lesser rate is agreed to, and Seller shall be responsible for complying with the reporting requirements of any regulatory agency. Anything to the contrary notwithstanding, any rate for RFS service less than the applicable Maximum Rate(s) requires the prior approval of the Customer releasing such service.

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Rate Schedule FS

FIRM SERVICE

Availability:

This Rate Schedule is available for Firm storage service by Eaton Rapids Gas Storage System (Eaton Rapids) for any person to the extent that:

- (a) Eaton Rapids has determined that it has sufficient available and uncommitted storage capacity to perform service requested by Customer; and
- (b) Eaton Rapids and Customer have executed an Agreement under this Rate Schedule.

Characteristics of Service:

Firm-except as may be limited by the effective Rules and Regulations of the Company.

Rate:

100-Day Service - per Mcf of Maximum Storage Volume	
Annual	52.43¢
Monthly	4.37¢

128-Day Service - per Mcf of Maximum Storage Volume	
Annual	46.40¢
Monthly	3.87¢

Fuel:

Injection	1.5%
Withdrawal	.5%

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Rate Schedule RFS

RELEASED FIRM SERVICE

Availability:

This Rate Schedule is available for Released Firm Storage service by Eaton Rapids Gas Storage System (Eaton Rapids) for any person to the extent that:

- (a) Eaton Rapids has determined that it has sufficient available Released Firm storage capacity to perform service requested by Customer; and
- (b) Eaton Rapids and Customer have executed an Agreement under this Rate Schedule.

Characteristics of Service:

Firm-except as may be limited by the effective Rules and Regulations of the Company.

Rate:

	<u>Minimum</u>	<u>Maximum</u>
100-Day Service - per Mcf of Maximum Storage Volume.		
Annual	12.00¢	52.43¢
Monthly	1.00¢	4.37¢
128-Day Service - per Mcf of Maximum Storage Volume.		
Annual	12.00¢	46.40¢
Monthly	1.00¢	3.87¢

Fuel:

Injection	1.5%
Withdrawal	.5%

ISSUED BY
MICHAEL J. MUJADIN
CHAIRMAN
500 RENAISSANCE CENTER
DETROIT, MI 48243

EFFECTIVE FOR STORAGE SERVICE
RENDERED ON AND AFTER

ISSUED AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMM.
DATED:
IN CASE NO. U -

Rate Schedule IS

INTERRUPTIBLE SERVICE

Availability:

This Rate Schedule is available for Interruptible storage service by Eaton Rapids Gas Storage System (Eaton Rapids) for any person to the extent that:

- (a) Eaton Rapids has determined that it has sufficient available Interruptible storage capacity to perform service requested by Customer; and
- (b) Eaton Rapids and Customer have executed an Agreement under this Rate Schedule.

Characteristics of Service:

Interruptible

Rate:

Maximum Rate (month) - per Mcf of Average Monthly Volumes	4.14¢
Minimum Rate (month) - per Mcf of Average Monthly Volumes	1.00¢

Fuel:

Injection	1.5%
Withdrawal	.5%

ISSUED BY
MICHAEL J. MUJADIN
CHAIRMAN
500 RENAISSANCE CENTER
DETROIT, MI 48243

EFFECTIVE FOR STORAGE SERVICE
RENDERED ON AND AFTER

ISSUED AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMM.
DATED:
IN CASE NO. U -

TARIFF BOOK STANDARD FORMS
FILED WITH THE COMMISSION

<u>Form #</u>	<u>Description</u>	<u>Form Effective Date</u>	<u>Sheet No.</u>
	Storage Service Contracts		
	a) Pro Forma Gas Storage Agreement for Firm Service		1-22
	d) Pro Forma Gas Storage Agreement for Interruptible Service		23-42

ISSUED BY
MICHAEL J. MUJADIN
CHAIRMAN
500 RENAISSANCE CENTER
DETROIT, MI 48243

EFFECTIVE FOR STORAGE SERVICE
RENDERED ON AND AFTER

ISSUED AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMM.
DATED:
IN CASE NO. U -

PRO FORMA
GAS STORAGE AGREEMENT
FOR FIRM SERVICE
BETWEEN
EATON RAPIDS GAS STORAGE SYSTEM
AND

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GAS STORAGE AGREEMENT

This Agreement, made and entered into as of this ____ day of _____, 19____, by and between _____, a corporation having its principal office at _____ (hereinafter referred to as "Customer"), and Eaton Rapids Gas Storage System, having its principal office in Ingham County, Michigan 49264 (hereinafter referred to as "Seller").

W I T N E S S E T H:

WHEREAS, Seller proposes to construct, own and operate gas transportation and underground gas storage facilities located in Ingham and Eaton Counties, Michigan; and

WHEREAS, Customer is in need of transportation and storage service to enable it to meet the peak day and Winter Period requirements of its customers during the 19____-19____ and subsequent heating seasons and is desirous of utilizing a portion of the Gas storage capacity proposed to be constructed by Seller; and

WHEREAS, Seller is willing to render such service pursuant to the terms and conditions hereinafter provided for; and

WHEREAS, Customer is currently negotiating agreements with other pipeline companies for the transportation, delivery and redelivery of volumes of Gas for the transportation and storage service proposed herein:

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, Seller and Customer agree as follows:

ARTICLE IDEFINITION OF TERMS

1.1 The term "Btu" ("British thermal unit") shall mean the amount of heat required to raise the temperature of one (1) pound of water one degree (1°) Fahrenheit at sixty degrees (60°) Fahrenheit. (Btu is measured on a dry basis at 14.73 psia.)

1.2 The term "Contract Year" shall mean the period from April 1 of a calendar year through March 31 of the following calendar year.

1.3 The term "Day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m., local time, in the zone in which delivery of Gas is made to Seller, or such other hour as Customer and Seller may agree upon. The reference date for any Day shall be the date of the beginning of such Day.

1.4 The term "FERC" shall mean the Federal Energy Regulatory Commission or any federal commission, agency or other governmental body or bodies succeeding to the powers of such Commission.

1.5 The term "Gas" shall mean natural gas as produced in its natural state, natural gas that has been previously liquefied and restored to its gaseous state prior to delivery, gas synthesized or manufactured from oil, naptha, coal or any other material that meets the quality standards contained in this Agreement and which Customer or Seller may elect to deliver and redeliver in lieu of or commingled with one or more of the types of gas described herein.

mean: 1.6 The term "Maximum Daily Injection Quantity" shall

- (a) the Storage Demand Injection Quantity as long as the Storage Volume is equal to or less than fifty percent (50%) of the Maximum Storage Volume.
- (b) Seventy-five percent (75%) of the Storage Demand Injection Quantity as long as the Storage Volume is greater than fifty percent (50%) of the Maximum Storage Volume.

mean: 1.7 The term "Maximum Daily Withdrawal Quantity" shall

- (a) the Storage Demand Withdrawal Quantity as long as the Storage Volume is equal to or greater than thirty percent (30%) of the Maximum Storage Volume.
- (b) Eighty percent (80%) of the Storage Demand Withdrawal Quantity as long as the Storage Volume is less than thirty percent (30%), but equal to or greater than _____ (%), of the Maximum Storage Volume.
- (c) Sixty percent (60%) of the Storage Demand Withdrawal Quantity as long as the Storage Volume is less than _____ (%), but equal to or greater than _____ (%), of the Maximum Storage Volume.

- (d) Forty percent (40%) of the Storage Demand Withdrawal Quantity as long as the Storage Volume is less than _____ (____%) of the Maximum Storage Volume.

1.8 The term "Maximum Storage Volume" shall mean _____ Mcf of Gas.

1.9 The term "Mcf" shall mean one thousand (1,000) cubic feet and, when used in reference to volumes covered by this Agreement, shall mean one thousand cubic feet containing 1,000 Btu's per cubic foot, as determined in accordance with the provisions of Article XIII hereof. (Mcf is measured on a dry basis at 14.73 psia.)

1.10 The term "Month" shall mean the period beginning at 8:00 a.m. on the first Day of a calendar month and ending at the same hour on the first Day of the next succeeding calendar month or such other hour as Customer and Seller may agree upon.

1.11 The term "MPSC" shall mean the Michigan Public Service Commission or any state commission, agency or other governmental body or bodies succeeding to the powers of such Commission.

1.12 The term "Point of Delivery" shall mean the location where Customer shall deliver or cause deliveries of Gas to be made to Seller as provided in Section 4.1.

1.13 The term "Point(s) of Delivery and Redelivery" shall mean both the Point of Delivery and the Point(s) of Redelivery.

1.14 The term "Point(s) of Redelivery" shall mean the location where Seller shall redeliver Gas for the account of Customer as provided in Section 4.2.

1.15 The term "Storage Demand Injection Quantity" shall mean a daily quantity of _____ Mcf of Gas (_____) of the Maximum Storage Volume).

1.16 The term "Storage Demand Withdrawal Quantity" shall mean a daily quantity of _____ Mcf of Gas (_____) of the Maximum Storage Volume).

1.17 The term "Storage Volume" shall mean the actual volumes of Gas being stored by Seller for the account of Customer at any particular time pursuant to the provisions of this Agreement, and shall equal the volumes of Gas that Customer has caused to be delivered to Seller for storage pursuant to Sections 2.1 and 2.2 of Article II herein (exclusive of injection compressor fuel delivered to Seller) and Section 3.4 of Article III herein (exclusive of injection compressor fuel delivered to Seller): less the volumes of Gas withdrawn from storage and

redelivered by Seller to Transporter(s) for ultimate redelivery to Customer pursuant to Section 2.4 of Article II herein (inclusive of withdrawal compressor fuel) and Sections 3.1 and 3.2 of Article III herein (inclusive of withdrawal compressor fuel) during the Contract Year.

1.18 The term "Summer Period" shall mean the period from April 1 through October 31 of a calendar year.

1.19 The term "Total Heating Value per Cubic Foot" shall mean the number of Btu's produced by the combustion, at constant pressure, of one (1) dry cubic foot of Gas at an absolute pressure of fourteen and seventy-three hundredths pounds (14.73#) per square inch and at a temperature of sixty degrees (60°) Fahrenheit, with air of the same pressure and temperature as the Gas, when the products of combustion are cooled to the initial temperature of the Gas and air, and when the water formed by combustion is condensed to the liquid state.

1.20 The term "Transporter(s)" shall mean Jackson Pipeline Company for volumes of gas delivered to Seller for storage hereunder, and _____ for volumes of gas redelivered by Seller for the account of Customer hereunder.

1.21 The term "Winter Period" shall mean the period from November 1 of a calendar year through March 31 of the following calendar year.

ARTICLE II

SUMMER PERIOD

2.1 During each Contract Year of the term hereof, Seller will be obligated to store for the account of Customer such volumes of Gas as Customer shall cause to be delivered for storage pursuant to the provisions hereof; provided, however, that Seller shall have no obligation to accept for storage any volumes of Gas, which will cause Customer's Storage Volume to exceed Customer's Maximum Storage Volume.

2.2 During each Summer Period of the term hereof, Customer will cause to be delivered the volumes of Gas to be transported and stored by Seller for the account of Customer pursuant to Section 2.1 of this Article II at a daily rate not to exceed the Maximum Daily Injection Quantity. In addition, Customer will cause to be delivered to Seller together with such volumes a volume of Gas equal to one and five-tenths of one percent (1.5%) of such volumes which Seller shall retain as compensation for its compressor fuel usage.

2.3 Although Seller shall have no obligation to accept for transportation and storage daily volumes of Gas in excess of the Maximum Daily Injection Quantity, Seller may, at Customer's

request, accept such daily volumes in excess thereof as Seller, in its sole judgment, determines that it is able to accept without jeopardizing its ability to meet its other obligations.

2.4 During each Summer Period of the term hereof, Seller will, at Customer's request, and provided that Seller's wells, compression facilities, pipeline and all other equipment are not undergoing tests, maintenance, alterations, or repairs, be obligated to redeliver to Transporter(s) for the account of Customer such daily quantity of Gas, up to the Maximum Daily Withdrawal Quantity, as Customer may request, reduced by five-tenths of one percent (0.5%) of such daily quantity which Seller shall retain as compensation for its compressor fuel usage.

ARTICLE III

WINTER PERIOD

3.1 During each Winter Period of the term hereof, Seller will withdraw from storage, such volumes of the Storage Volume as Customer may request and subject to the limitations provided for in Section 3.2 of this Article III, transport and redeliver such volumes to Transporter(s) for the account of Customer.

3.2 The cumulative volumes of Gas redelivered by Seller to Transporter(s) for the account of Customer pursuant to Section 3.1 of this Article III shall be at such daily rate as Customer may request but not in excess of the Maximum Daily Withdrawal Quantity without the consent of Seller. Seller will redeliver to Transporter(s) such volumes of Gas less five-tenths of one percent (0.5%) of such volumes which Seller shall retain as compensation for its compressor fuel usage.

3.3 Although Seller shall have no obligation to withdraw from storage and redeliver daily volumes of Gas in excess of the Maximum Daily Withdrawal Quantity, Seller may, at Customer's request withdraw from storage and redeliver such daily volumes in excess thereof as Seller, in its sole judgment, determines that it is able to withdraw from storage and redeliver without jeopardizing its ability to meet its other obligations.

3.4 During each Winter Period of the term hereof, Seller will, at Customer's request, and provided that Seller's wells, compression facilities and all other equipment are not undergoing tests, maintenance, alterations, or repairs, be obligated to accept for transportation and storage such daily quantity of Gas that Customer may cause Transporter(s) to deliver up to the Maximum Daily Injection Quantity, plus a volume of Gas equal to one and five-tenths of one percent (1.5%) of such daily quantity which Seller shall retain as compensation for its compressor fuel usage.

ARTICLE IV

POINT(S) OF DELIVERY AND REDELIVERY

4.1 The Point of Delivery shall be at point of interconnection to be constructed between the pipeline system of Seller and of Transporter(s) in Onondaga Township, Ingham County, Michigan.

4.2 The Point(s) of Redelivery shall be at point(s) of interconnection to be constructed between the pipeline system of Seller and the pipeline system of Transporter(s) in Onondaga Township, Ingham County, Michigan.

4.3 Customer shall be solely responsible for making all arrangements and paying for the transportation of the Gas to be stored hereunder to the Point of Delivery and from the Point(s) of Redelivery specified in Sections 4.1 and 4.2 of this Article IV, respectively.

4.4 Seller shall have no obligation to receive deliveries from Transporter(s) for transportation and storage hereunder, or to redeliver to Transporter(s) for the account of Customer, Gas stored for Customer hereunder, to the extent that Transporter(s) is unwilling, not obligated to, or unable to make or receive such deliveries or redeliveries, as the case may be.

ARTICLE V

SCHEDULING OF DELIVERIES

5.1 On or before the first Day of each Month during each Summer Period, when deliveries are to be made to Seller for transportation and storage pursuant to the provisions hereof, Customer shall advise or cause Transporter(s) to advise Seller of the daily volumes that it intends to deliver during such Month. On twenty-four (24) hours' advance notice to Seller, Customer or Transporter(s) on Customer's behalf may reschedule any daily volumes to be delivered pursuant to the provisions hereof.

5.2 During each Winter Period, Customer will give or cause Transporter(s) to give Seller twenty-four (24) hours' advance notice of the daily volumes of Gas that it schedules for withdrawal from storage pursuant to the provisions hereof.

5.3 At any time and from time to time, and with the concurrence of Transporter(s) and Seller, Customer may give or cause Transporter(s) to give less than twenty-four (24) hours' advance notice of the daily volumes to be delivered for storage or to be withdrawn from storage pursuant to Sections 5.1 and 5.2 of this Article V.

5.4 On any Day during a Winter Period that Customer desires to deliver Gas pursuant to Section 3.4 of Article III,

Customer shall provide or cause Transporter(s) to provide Seller with twenty-eight (28) hours' advance notice of the daily volume that Customer desires to deliver for storage. Seller will advise or cause Transporter(s) to advise Customer no later than twenty-four (24) hours before such Day whether or not Seller will accept such deliveries.

5.5 On any Day during a Summer Period that Customer desires to have redeliveries made to Transporter(s) for the account of Customer pursuant to Section 2.4 of Article II, Customer shall provide or cause Transporter(s) to provide Seller with twenty-eight (28) hours' advance notice of the daily volume that it desires to have redelivered. Seller will advise or cause Transporter(s) to advise Customer not later than twenty-four (24) hours before such Day whether or not the requested withdrawal will be made.

ARTICLE VI

DETERMINATION OF DELIVERIES

6.1 Because of the inability to maintain precise control over the rates of flow and volumes of Gas to be delivered and redelivered hereunder, continuous efforts shall be exercised to maintain the actual delivery and redelivery volumes hereunder approximately equal to the scheduled delivery and redelivery volumes. Notwithstanding the above, however, all Gas delivered or redelivered hereunder on each Day shall be at rates as constant as practicable throughout such Day and any imbalances shall be corrected, insofar as practicable, during any period (Winter or Summer) in which such imbalances occur, but no later than sixty (60) Days into the succeeding period or such longer period as might be agreed to by Seller, Transporter(s), and Customer.

ARTICLE VII

DELIVERY PRESSURE

7.1 Customer shall cause Transporter(s) to deliver Gas to Seller at Transporter(s)' available pipeline pressure at the Point of Delivery, but in no event at a pressure less than three hundred (300) psig unless otherwise mutually agreed to by Seller, Customer and Transporter(s).

7.2 Seller shall redeliver Gas to Transporter(s) for the account of Customer at a pressure sufficient to enter Transporter(s)' pipeline system at the Point(s) of Redelivery, but in no event at a pressure in excess of eight hundred twenty-five (825) psig unless otherwise mutually agreed to by Seller, Customer, and Transporter(s).

ARTICLE VIII

RATE

8.1 Customer will pay Seller for the service provided for hereunder a charge of \$ _____ per Month for each Month of the term of this Agreement.

8.2 Either Customer or Seller may seek and obtain authorization from the MPSC for such rate adjustments as may be found necessary to assure that Seller's rates are just and reasonable.

8.3 In the event that, at anytime, the MPSC requires Seller to adjust the rate charged for service hereunder, then from and after the effective date of the rate adjustment so ordered, the adjusted rate shall be the effective rate hereunder.

ARTICLE IX

ADJUSTMENTS

9.1 In the event that during any one or more Days of any Winter Period Seller is unable to withdraw from storage and redeliver the volumes of Gas which Customer requests in accordance with the provisions of Sections 3.1 and 3.2 of Article III, and if Customer and Seller are unable to agree upon and effect make-up of such deficiency during the balance of such Winter Period, then Customer shall be entitled to a credit against Monthly charges, for the ensuing Summer Period, as otherwise computed pursuant to Section 8.1 of Article VIII hereof, which shall be equal to the sum of all such Days' deficiencies which are not made up multiplied by _____ ¢ per Mcf, or such adjusted cents (¢) per Mcf charge as may be in effect pursuant to Section 8.3 of Article VIII hereof.

ARTICLE X

BILLING AND PAYMENT

10.1 Billing: On or before the tenth (10th) Day of the Month in which the primary term of this Agreement commences and on or before the tenth Day of each Month thereafter until the last Month of the term of this Agreement, Seller shall render a statement to Customer setting forth the amount due for the current Month pursuant to Article VIII hereof, and any adjustment pursuant to Article IX hereof. Each party shall have the right at all reasonable times to examine the books, records and charts of the other party to the extent necessary to verify the accuracy of any statement, made under or pursuant to any provisions of this Agreement.

10.2 Payment: Customer shall pay to Seller, on or before the twentieth (20th) Day of each Month, the amount billed by Seller in the statement for said Month. All such payments shall be made in the form of immediately available funds directed to a bank account designated by Seller's Treasurer. If the last Day for paying an invoice hereunder is not a banking Day, the time of payment shall be extended through the next banking Day.

10.3 Interest on Unpaid Amounts: Should Customer fail to pay the amount of any statement rendered by Seller as herein provided when such amount is due, interest thereon shall accrue from the due date until the date of payment, at a rate of interest equal to the prime rate charged by Citibank, N.A. during that period to responsible commercial and industrial borrowers, but which in no event shall be higher than the maximum rate permitted by applicable law.

10.4 Remedies for Failure to Pay Bills: If Customer's failure to pay the amount of any statement rendered by Seller continues for thirty (30) Days after payment is due, Seller shall have the right, but not the obligation, to suspend further service to Customer until such amount is paid, or to terminate this Agreement without further notice, provided, however, that if Customer in good faith shall either dispute the amount of any such statement or parts thereof or present a counterclaim or offset against the same, and at any time thereafter, within fifteen (15) Days after demand made by Seller shall furnish a good and sufficient surety bond, in the amount and with sureties satisfactory to Seller, conditioned upon the payment of any amounts ultimately found due upon such statement after a final determination, which may be reached by agreement, or by judgment of the courts, then such statement shall not be deemed to be due within the meaning of this section unless and until default be made in the conditions of such bond. If Seller shall require Customer to furnish such a bond, Seller shall institute appropriate proceedings to resolve the dispute with respect to which the bond has been furnished within one (1) year after the date of the statement in dispute. The foregoing remedy shall be in addition to any other remedies Seller may have, at law or in equity, with respect to Customer's failure to pay the amount of any such statements.

10.5 Late Billing: If presentation of a statement by Seller is delayed after the tenth (10th) Day of the Month, then the time for payment shall be extended correspondingly, unless Customer is responsible for such delay.

10.6 Errors in Billing: If Customer shall find at any time within twelve (12) Months after the date of any statement rendered by Seller that it has been overcharged in the amount billed in such statement, and if Customer shall have paid said overcharge and shall have made a claim therefore within sixty (60) Days from the date of discovery thereof, Seller shall verify and refund the principal of any such overcharge within thirty (30) Days, with interest thereon at a rate of interest equal to

the prime rate charged by Citibank, N.A. during that period to responsible commercial and industrial borrowers, but which in no event shall be higher than the maximum rate permitted by applicable law.

If Seller shall find at any time within twelve (12) Months after the date of any statement rendered by it that there has been an undercharge in the amount billed in such statement, it may submit a statement for such undercharge and Customer shall pay the same without interest, but this provision shall not preclude Customer from disputing the amount of such statement or the fact that there has been an undercharge.

ARTICLE XI

TERM

11.1 This Agreement shall be effective upon its execution and shall remain in effect for a primary term of _____ years from April 1, 19____ or from such later date when Seller shall notify Customer that the storage facilities of Seller are completed and ready to accept deliveries for the account of Customer. The term of this Agreement shall automatically be extended beyond its primary term on a year-to-year basis. Either Party may terminate this Agreement at the end of the primary term or any anniversary thereof by giving the other party at least 12 months' advance written notice.

11.2 In the event any volumes of Gas remain in storage for Customer's account on the Day this Agreement terminates, such remaining volumes shall be redelivered by Seller to Transporter(s) for the account of Customer, at no additional cost to Customer, as soon as practicable, but commencing not later than sixty (60) days after such termination.

ARTICLE XII

QUALITY OF GAS

12.1 The Gas delivered and redelivered hereunder:

- (A) Shall have a Total Heating Value per Cubic Foot of not less than nine hundred sixty (960) Btu's.
- (B) Shall be commercially free (at prevailing pressure and temperature) from objectionable odors, dust, or other solid or liquid matters which might interfere with its merchantability or cause injury or interference with proper operation of the lines, regulators, meters or other appliances through which it flows, and shall not contain an amount of moisture at any

time exceeding seven (7) pounds per million cubic feet of Gas.

- (c) Shall not contain more than three-tenths (0.3) of one grain of hydrogen sulphide per one hundred (100) cubic feet of Gas when tested by methods generally accepted by the pipeline industry.
- (d) Shall not contain more than twenty (20) grains of total sulphur per one hundred (100) cubic feet of Gas.
- (e) Shall not contain more than one percent (1%) of oxygen by volume, and every reasonable effort shall be made to keep the Gas free of oxygen.
- (f) Shall not contain more than two percent (2%) by volume of carbon dioxide.
- (g) Shall not contain more than three percent (3%) by volume of nitrogen.

12.2 Notwithstanding anything herein contained to the contrary, if the Gas delivered or redelivered hereunder fails at any time to conform to any of the specifications of this Article XII, including, but not limited to, failure at any time to have a Total Heating Value per Cubic Foot of at least nine hundred sixty (960) Btu's, the party to whom such Gas is being delivered or redelivered may notify the other party of such failure and may, at its option, reject further deliveries or redeliveries until the condition is corrected. Customer therefore authorizes Seller to refuse to accept deliveries from Transporter(s) which do not conform to the specifications of this Article XII unless and until said deliveries are, in Seller's sole opinion, conformed to said standard. After receiving a notice hereunder, the party responsible for such failure shall immediately take all necessary steps to correct the condition and, upon completion thereof, shall resume deliveries and redeliveries in accordance with the terms and conditions of this Agreement. The remedies herein provided are in addition to any and all other remedies at law or equity to which either party may be entitled.

ARTICLE XIII

MEASUREMENTS

13.1 Unit of Volume:

- (a) The unit of volume for measurement hereunder shall be a dry cubic foot of Gas at a temperature of sixty degrees (60°) Fahrenheit and an absolute pressure of fourteen and seventy-three hundredths pounds (14.73#) per square inch,

having an average Total Heating Value per Cubic Foot of one thousand (1,000) Btu's. Such units shall be determined by multiplying the number of cubic feet of Gas delivered during each Day by the factor arrived at by dividing the average Total Heating Value per Cubic Foot for such Day, on the basis indicated in Paragraph (b) below, by one thousand (1,000).

- (b) The Total Heating Value per Cubic Foot of the Gas delivered and redelivered hereunder shall be determined by a recording calorimeter of standard manufacture or other method mutually acceptable to both Seller and Customer and installed so that it may properly record the gross heat content of the Gas at the Point(s) of Delivery and Redelivery. Where a calorimeter is used, the arithmetical average of the hourly gross heat content recording each Day shall be deemed to be the heat content of the Gas for that Day. Such calorimeter shall be checked at least once each Month to assure its proper operation and accuracy. An appropriate certified Gas sample of known heat content shall be used to check the calorimeter accuracy.

13.2 Computations of Volume from Meter Readings and Registrations: The volume of Gas delivered or redelivered hereunder shall be determined in the manner specified in AGA Gas Measurement Committee Report No. 3 ("AGA Report No. 3") published in 1978, as such publication may be revised from time to time, or of other reports and publications which are mutually acceptable to Seller and Customer.

13.3 Flowing Temperature: The flowing temperature of Gas delivered and redelivered hereunder shall be determined by means of a standard recording thermometer or other instrument of standard manufacture accepted in the industry. The flowing temperature used in determining the flowing temperature factor for each meter chart shall be the arithmetical average of the temperature shown by the recording instrument during the period of time when Gas is passing through the meter.

13.4 Specific Gravity: The specific gravity of the Gas delivered and redelivered hereunder shall be determined by a recording specific gravity instrument of standard manufacture or other method mutually acceptable to Seller and Customer and installed so that it may properly record the specific gravity of the Gas at the Point(s) of Delivery and Redelivery. The arithmetical average of the hourly specific gravity recording each Day shall be deemed to be the specific gravity of the Gas for that Day. Such instrument shall be checked at least once each Month by the use of an Edwards Balance, or by any other method or intervals mutually agreed to by Seller and Customer.

13.5 Supercompressibility: Adjustment for the effect of supercompressibility for Gas delivered and redelivered hereunder shall be made according to the provisions of AGA Report NX-19 as such publication may be revised from time to time, or of other reports and publications which are mutually acceptable to Seller and Customer, for the average conditions of pressure, flowing temperature and specific gravity at which the Gas was measured during the period under consideration and with the proportionate values of carbon dioxide and nitrogen in the Gas delivered and redelivered included in the computation of the applicable supercompressibility factors. Seller and Customer shall exercise due diligence in obtaining initial carbon dioxide and nitrogen fraction values and to obtain subsequent values of these components quarterly or at other intervals mutually agreeable.

13.6 Assumed Atmospheric Pressure: The average absolute atmospheric (barometric) pressure shall be assumed to be fourteen and four-tenths pounds (14.4#) per square inch irrespective of actual elevation or location of the Point(s) of Delivery and Redelivery above sea level or variations in actual barometric pressure from time to time.

ARTICLE XIV

MEASURING EQUIPMENT

14.1 Measuring Equipment: The Gas which Customer causes Transporter(s) to deliver to Seller hereunder and which Seller redelivers to Transporter(s) for the account of Customer shall be measured by measuring equipment owned, installed and operated by Seller in Ingham County, Michigan. The measuring equipment shall be of one-way flow design and of a type and kind generally accepted by the natural gas industry for the measurement of Gas in accordance with the provisions of Article XIII hereof at the rates of flow and pressures expected to exist at the Point(s) of Delivery and Redelivery. When orifice meters are used, they shall be of a type specified and recommended in AGA Report No. 3 as such publication may be revised from time to time or of other reports and publications which are mutually agreeable to Seller and Customer, and the construction and installation shall be in accordance with the recommendations and specifications set forth in said agreed to report.

14.2 Access to Measuring Equipment, Tests and Charts: Customer shall have access to all measuring equipment at all reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done by Seller. Further, Customer shall have the right to be present at the time of any installing, testing, reading, cleaning, changing, repairing, inspecting, calibrating or adjusting done in connection with the measuring equipment used in determining the volumes of deliveries and redeliveries hereunder, and Customer shall be given reasonable notice thereof in order that it may be

present. The records and charts from such measuring equipment shall remain the property of Seller, but Seller, upon request, shall submit to Customer such records and charts, or reproductions thereof, together with calculations therefrom, for inspection and verification. Original records or charts so submitted will be returned within ten (10) Days after receipt thereof.

14.3 Check Measuring Equipment: Customer may install, maintain and operate, at its own expense, such check measuring equipment as it shall desire at the Point(s) of Delivery and Redelivery, and Seller shall provide a suitable site therefore and allow Customer free access to and use of the site; provided that such equipment shall be so installed, maintained and operated as not to interfere with the operation or maintenance of Seller's measuring equipment at the Point(s) of Delivery and Redelivery. Seller shall have free access to the check measuring equipment at all reasonable hours. The reading, calibrating and adjusting thereof and the changing of charts shall be done by Customer, but Seller shall be given reasonable notice thereof. Customer may remove any of its equipment at any time.

14.4 Failure of Measuring Equipment: Seller and Customer agree that if for any reason Seller's measuring equipment is out of service or out of repair so that the volume of Gas delivered is not correctly indicated by the reading thereof, the Gas delivered through the period such measuring equipment is out of service or out of repair shall be estimated and agreed upon on the basis of the best data available, using the first of the following methods which is feasible:

- (a) by using the registration of any check meter or meters if installed and accurately registering; or
- (b) by correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation; or
- (c) by estimating the volume of delivery by deliveries during preceding periods under similar conditions when the measuring equipment was registering accurately.

14.5 Measuring Equipment Tests: Seller shall cause the accuracy of the measuring equipment to be verified at a minimum of once each thirty (30) Day period.

14.6 Correction of Measuring Equipment Errors: Seller and Customer agree that if upon any test, Seller's measuring equipment is found to be not more than one-half of one percent (0.5%) fast or slow, previous readings of such equipment shall be considered correct in computing the deliveries of Gas, but such equipment shall be adjusted properly at once to record accurately. Seller and Customer further agree that if upon any

test, Seller's measuring equipment shall be found to be inaccurate by an amount exceeding one-half of one percent (0.5%), then any previous readings of such equipment shall be corrected to zero error for any period which is known definitely or agreed upon, but if the period is not known definitely or agreed upon, such correction shall be for a period covering the last half of the time elapsed since the date of the last test, but not exceeding a period of sixteen (16) Days.

14.7 Preservation of Records: Customer and Seller agree to preserve, for a period of at least three (3) years, or such longer period as any governmental agency having jurisdiction may require, all test data, charts and other similar records.

14.8 Improvements in Gas Measuring Techniques: If at any time during the term hereof, a new method or technique is developed with respect to Gas measurement or the determination of the factors used in such Gas measurement, such new method or technique may be substituted upon mutual agreement of Seller and Customer.

ARTICLE XV

WARRANTY

15.1 Seller and Customer each warrants that it will at the time of delivery or redelivery have the right to deliver or cause to be delivered the Gas hereunder; and that it will indemnify the other party and save it harmless from suits, actions, debts, accounts, damages, costs, losses and expenses, including reasonable attorney fees, arising from or out of adverse claims of any and all persons to said Gas or to royalty, taxes, license fees or charges thereon.

ARTICLE XVI

FORCE MAJEURE AND REMEDIES

16.1 Force Majeure. Neither Seller nor Customer shall be liable in damages or for any other relief to the other for any act, omission or circumstances occasioned by or in consequence of any force majeure; provided that such Party gives notice and reasonably full particulars of such force majeure in writing or by telegraph to the other within a reasonable time after the occurrence of the cause relied on.

16.2 Force Majeure Defined. As used herein, force majeure shall mean acts of God, strikes, lockouts, or industrial disturbances, acts of a public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, crevasses, floods, washouts, arrests and restraints of the government (either Federal or state, civil

or military), civil disturbances, shutdowns (for purposes of necessary repairs, alterations, relocation or construction of wells, machinery, lines of pipe or other facilities), breakage or accident to wells or machinery or lines of pipe, testing (as required by governmental authority or as deemed necessary by the Seller for the safe operation of the underground storage reservoir and facilities required to perform the service hereunder), failure of wells or surface equipment or pipelines, well or line freeze-ups, inability of either Party hereto to obtain necessary material or supplies or permits or land rights or labor to perform or comply with any obligation or condition of this Agreement, failure of Transporter(s) or other transporters to deliver or receive gas, laws or orders or rules or regulations or acts of any court or governmental authority, and any other causes, whether of the kind herein enumerated or otherwise, which are not reasonably in the control of the Party hereto claiming suspension. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Party hereto having the difficulty and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of an opposing party when such course is inadvisable in the discretion of the Party hereto having the difficulty.

16.3 Limitations. Such force majeure affecting the performance hereunder by either Party hereto, however, shall not relieve such Party of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting such performance relieve Customer in whole or in part of its obligations to pay the Monthly charges provided for in Section 8.1 hereof, which charge shall not be subject to any adjustment pursuant to Article IX hereof on account of such force majeure.

16.4 Impairment of Seller's Capacity. If, due to any cause whatsoever, Seller's capability to redeliver volumes hereunder is impaired so that Seller is unable to redeliver the volumes provided for herein, then Customer shall be entitled to such proportion of the total impaired redeliveries from the facilities used by Seller to render service hereunder as the Customer's scheduled deliveries bears to the total of all customers' scheduled deliveries from such facilities immediately prior to such impairment.

ARTICLE XVII

NOTICES

17.1 Any notice or other communication required or permitted under this Agreement shall be in writing and shall be

deemed to have been duly given upon hand delivery or on the first day following delivery to a nationally recognized United States overnight courier service, fee prepaid, return receipt or other confirmation of delivery requested, or on the third day following delivery to the U.S. Postal Service as certified or registered mail, return receipt requested, postage prepaid, if addressed to Seller or Customer at the addresses set forth below, and at such other addresses and to such other persons as may be designated from time to time by either Seller or Customer by written notice to the other party, or when telecopied or sent by facsimile transmission to the respective numbers set forth for Seller or Customer on the signature page, to be followed within three (3) days by delivery of a written copy of such communication:

EATON RAPIDS GAS STORAGE SYSTEM

Mail: Eaton Rapids Gas Storage System
500 Renaissance Center
Detroit, MI 48243

Courier: Eaton Rapids Gas Storage System
One Woodward Avenue
Detroit, MI 48226

Telecopy: 313-496-3504

Mail: _____

Courier: _____

Telecopy: _____

17.2 Notices with respect to deliveries of Gas shall be sufficient if given in person, in writing, by telegram, by telephone or by radio to the person or persons designated from time to time as authorized to receive the same.

17.3 All notices provided for in this Article XVII may be waived with the consent of Customer and Seller.

ARTICLE XVIIITRANSFER AND ASSIGNMENT

18.1 Any company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Seller or of Customer, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement. Either Seller or Customer may, without relieving itself of its obligations under this Agreement, assign any of its rights or obligations hereunder to a financially responsible corporation with which it is affiliated at the time of such assignment, and Seller may assign any of its rights to receive payments hereunder to any other entity. Otherwise, no assignment of this Agreement or any of its rights or obligations hereunder shall be made by Seller or Customer without the written consent of the other first obtained. However, the provisions of this Article XVIII shall not in any way prevent either party to this Agreement from pledging or mortgaging its rights hereunder as security for its indebtedness. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

18.2 If at any time or from time to time, Customer determines that there will be a definite period of time during which Customer will not fully utilize the service capacity available hereunder, and Customer gives Seller notice of (i) the quantity of such spare capacity available; (ii) the time period that it will be available; and, (iii) Customer's desire to release such capacity for commitment to others during such period, then Seller shall endeavor to find a substitute customer or customers who will commit to use and pay for all or part of such capacity. Any notice provided Seller by Customer under this Section 18.2 must be received by January 1 of any calendar year that Customer determines spare capacity will be available during the Contract Year commencing April 1 of such calendar year and thereafter. By giving such notice, Customer authorizes Seller to contract with such substitute customer(s) for the use of the released capacity. Seller's entering into contract(s) with any substitute customer(s) shall not relieve Customer of any of its obligations hereunder, but, Seller will credit to Customer Monthly revenues received by Seller from such substitute customer(s), up to the Monthly charges provided for in Section 8.1 hereof, for use of such released capacity. Seller's obligation to find substitute customer(s) is limited to customer(s) which qualify to receive service under the blanket certificate issued pursuant to Section 284.224 of regulation of the FERC or to intrastate customer(s) within the State of Michigan, and the substitute customer(s) shall be responsible for making all arrangements and paying for the transportation, to the Point of Delivery and from the Point(s) of Redelivery, of the Gas to be stored in any released capacity. Customer(s) agrees to hold Seller harmless from any liability arising from Seller's inability to find substitute customers.

ARTICLE XIXREGULATION

19.1 This Agreement and the respective obligations of the parties hereunder are subject to all valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction, and are conditioned upon the issuance, by any governmental agency having jurisdiction, of requisite authorizations for Seller to provide the storage and transportation service contemplated hereby and to construct and operate the Gas storage facilities necessary to provide such storage service, and for Transporter(s) to make deliveries and redeliveries necessary to effect the storage service provided for herein. The parties hereto shall promptly file for and diligently pursue all governmental authorizations necessary for the implementation of this Agreement. If all such necessary authorizations have not been received by Seller and Transporter(s) by April 1, 1990, or if any final authorization granted to any such parties contains terms or conditions which, in the judgment of the affected party, are unacceptable, then either party may terminate this Agreement by giving the other ten (10) Days prior written notice; provided however, that such written notice must be given within thirty (30) Days after issuance of the final order which is deemed unacceptable.

ARTICLE XXNON-WAIVER OF FUTURE DEFAULTS

20.1 No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

20.2 Creditworthiness. Seller shall not be required to commence service or to continue to provide service hereunder in the event that Customer is or has become insolvent or, when requested by Seller to demonstrate creditworthiness, fails to do so in light of previous experience and information available; provided, however, that Customer may receive service if Customer deposits with Seller and maintains, on prepaid account, an amount equal to amounts which would be due for three (3) Months service as provided in Section 8.1 or furnishes, within fifteen (15) Days, good and sufficient security, as reasonably determined by Seller, of a continuing nature and in an amount equal to such amounts which would be due. Seller may, without waiving any rights or remedies it may have, suspend further service until such security is accepted by Seller.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed in several counterparts by the hands of their proper officials duly authorized in that behalf, as of the day and year first above written.

EATON RAPIDS GAS STORAGE SYSTEM

By _____

ATTEST:

By _____
Title: _____

PRO FORMA
GAS STORAGE AGREEMENT
FOR INTERRUPTIBLE SERVICE
BETWEEN
EATON RAPIDS GAS STORAGE SYSTEM
AND

INDEX

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INTERRUPTIBLE GAS STORAGE AGREEMENT

This Agreement, made and entered into as of this ____ day of _____, 19____, by and between _____, a corporation having its principal office at _____ (hereinafter referred to as "Customer"), and Eaton Rapids Gas Storage System, having its principal office in Ingham County, Michigan 49264 (hereinafter referred to as "Seller").

W I T N E S S E T H:

WHEREAS, Seller owns and operates underground gas storage facilities located in Ingham and Eaton Counties, Michigan; and

WHEREAS, Customer is in need of interruptible storage service and is desirous of utilizing a portion of the available Gas storage capacity of Seller; and

WHEREAS, Seller is willing to render such service on a best efforts basis pursuant to the terms and conditions hereinafter provided for; and

WHEREAS, Customer has negotiated agreements with other pipeline companies for the transportation, delivery and redelivery of volumes of Gas for storage service proposed herein;

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, Seller and Customer agree as follows:

ARTICLE I

DEFINITION OF TERMS

1.1 The term "Btu" ("British thermal unit") shall mean the amount of heat required to raise the temperature of one (1) pound of water one degree (1°) Fahrenheit at sixty degrees (60°) Fahrenheit. (Btu is measured on a dry basis at 14.73 psia.)

1.2 The term "Contract Year" shall mean the period from April 1 of a calendar year through March 31 of the following calendar year.

1.3 The term "Day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m., local time, in the zone in which delivery of Gas is made to Seller, or such other hour as Customer and Seller may agree upon. The reference date for any Day shall be the date of the beginning of such Day.

1.4 The term "FERC" shall mean the Federal Energy Regulatory Commission or any federal commission, agency or other governmental body or bodies succeeding to the powers of such Commission.

1.5 The term "Gas" shall mean natural gas as produced in its natural state, natural gas that has been previously liquefied and restored to its gaseous state prior to delivery, gas synthesized or manufactured from oil, naptha, coal or any other material that meets the quality standards contained in this Agreement and which Customer or Seller may elect to deliver and redeliver in lieu of or commingled with one or more of the types of gas described herein.

1.6 The term "Interruption Order" shall mean any order from Seller to Customer issued pursuant to Section 2.2.

1.7 The term "Mcf" shall mean one thousand (1,000) cubic feet and, when used in reference to volumes covered by this Agreement, shall mean one thousand cubic feet containing 1,000 Btu's per cubic foot, as determined in accordance with the provisions of Article XIII hereof. (Mcf is measured on a dry basis at 14.73 psia.)

1.8 The term "Month" shall mean the period beginning at 9:00 a.m. on the first Day of a calendar month and ending at the same hour on the first Day of the next succeeding calendar month or such other hour as Customer and Seller may agree upon.

1.9 The term "MPSC" shall mean the Michigan Public Service Commission or any state commission, agency or other governmental body or bodies succeeding to the powers of such Commission.

1.10 The term "Point of Delivery" shall mean the location where Customer shall deliver or cause deliveries of Gas to be made to Seller as provided in Section 4.1.

1.11 The term "Point(s) of Delivery and Redelivery" shall mean both the Point of Delivery and the Point(s) of Redelivery.

1.12 The term "Point(s) of Redelivery" shall mean the location where Seller shall redeliver Gas for the account of Customer as provided in Section 4.2.

1.13 The term "Storage Demand Injection Quantity" shall mean a daily quantity of _____ Mcf of Gas (_____ of the Maximum Storage Volume).

1.14 The term "Storage Demand Withdrawal Quantity" shall mean a daily quantity of _____ Mcf of Gas (_____ of the Maximum Storage Volume).

1.15 The term "Storage Volume" shall mean the actual volumes of Gas being stored by Seller for the account of Customer at any particular time pursuant to the provisions of this Agreement, and shall equal the volumes of Gas that Customer has caused to be delivered to Seller for storage pursuant to Section 3.2 of Article III herein (exclusive of injection compressor fuel delivered to Seller) less the volumes of Gas withdrawn from storage and redelivered by Seller to Transporter(s) for ultimate redelivery to Customer pursuant to Section 3.4 of Article III herein (inclusive of withdrawal compressor fuel) during the Contract Year.

1.16 The term "Total Heating Value per Cubic Foot" shall mean the number of Btu's produced by the combustion, at constant pressure, of one (1) dry cubic foot of Gas at an absolute pressure of fourteen and seventy-three hundredths pounds (14.73#) per square inch and at a temperature of sixty degrees (60°) Fahrenheit, with air of the same pressure and temperature as the Gas, when the products of combustion are cooled to the initial temperature of the Gas and air, and when the water formed by combustion is condensed to the liquid state.

1.17 The term "Transporter(s)" shall mean Jackson Pipeline Company for volumes of gas delivered to Seller for storage hereunder, and _____ for volumes of gas redelivered by Seller for the account of Customer hereunder.

1.18 The term "Average Monthly Storage Volume" shall mean, for any given Month, the sum of the Customer's daily Storage Volumes at the end of each Day divided by the number of Days in said Month. In the event this Agreement begins on a Day other than the first Day of a Month, then the Customer's daily Storage Volume at the end of each Day shall be divided by the number of Days in said Month that this Agreement is in effect.

1.19 The term "Maximum Storage Volume" shall mean _____ Mcf of Gas.

ARTICLE II

CHARACTER OF SERVICE

2.1 Service shall be on a best efforts basis and may be interrupted or allocated whenever necessary for Seller to serve a firm customer, to maintain gas quality, or to maintain the integrity of its system. Seller shall interrupt or allocate service in compliance with any priorities set forth in its Rules and Regulations, attached and made a part hereof by reference, or imposed by regulatory authorities.

2.2 Seller may at any time notify Customer of an interruption or allocation pursuant to Section 2.1 above, in which

event Customer must immediately cease deliveries to or receipt of Gas from Seller, in whole or in part, as directed by Seller, and may be required by Seller to withdraw all or any part of the Gas being held by Seller for Customer's account. If Customer is required by Seller to withdraw Gas being held by Seller for its account, Customer shall be required to accept or cause Transporter(s) to accept such Gas over a period of time determined by dividing (i) Customer's Storage Volume by (ii) Customer's Storage Demand Withdrawal Quantity. Seller shall specify the quantities and time requirements in its Interruption Order. If Seller is unable to withdraw any volumes within Customer's Storage Demand Withdrawal Quantity, this period shall be extended accordingly.

2.3 In any event, Customer shall be required to withdraw all Gas being held by Customer for its account by October 15 of each Contract Year unless Seller notifies Customer to the contrary provided, however, Seller shall be under no obligation to notify Customer of its obligations under this Section 2.3.

2.4 If Customer fails to comply with any Interruption Order, Customer will pay a penalty of \$5.00 per Mcf for all deliveries or withdrawals which varies by more than 10% each Day from the quantities specified in the Interruption Order. If Customer fails to withdraw Gas by the time specified in any Interruption Order or by the time required by Section 2.3, any remaining balance as of such time shall be forfeited by Customer to Seller.

ARTICLE III

INJECTIONS AND WITHDRAWALS

3.1 During each Contract Year of the term hereof, Seller, subject to Article II, shall store for the account of Customer such volumes of Gas as Customer shall cause to be delivered for storage pursuant to the provisions hereof; provided, however, that Seller shall have no obligation to accept for storage any volumes of Gas, which will cause Customer's Storage Volume to Exceed Customer's Maximum Storage Volume.

3.2 Customer will cause to be delivered the volumes of Gas to be stored by Seller for the account of Customer pursuant to Section 3.1 of this Article III at a daily rate not to exceed the Storage Demand Injection Quantity. In addition, Customer will cause to be delivered to Seller together with such volumes a volume of Gas equal to one and five-tenths of one percent (1.5%) of such volumes which Seller shall retain as compensation for its compressor fuel usage.

3.3 Although Seller shall have no obligation to accept for storage daily volumes of Gas in excess of the Storage Demand Injection Quantity, Seller may, at Customer's request, accept such daily volumes in excess thereof as Seller, in its sole judgment,

determines that it is able to accept without jeopardizing its ability to meet its other obligations.

3.4 During each Contract Year of the term hereof, Seller, subject to Article II hereof, will withdraw from storage, such volumes of the Storage Volume as Customer may request and subject to the limitations provided for in Section 3.5 of this Article III, redeliver such volumes to Transporter(s) for the account of Customer.

3.5 The cumulative volumes of Gas redelivered by Seller to Transporter(s) for the account of Customer pursuant to Section 3.4 of this Article III shall be at such daily rate as Customer may request but not in excess of the Storage Demand Withdrawal Quantity without the consent of Seller. Seller will redeliver to Transporter(s) such volumes of Gas less five-tenths of one percent (0.5%) of such volumes which Seller shall retain as compensation for its compressor fuel usage.

3.6 Although Seller shall have no obligation to withdraw from storage and redeliver daily volumes of Gas in excess of the Storage Demand Withdrawal Quantity, Seller may, at Customer's request withdraw from storage and redeliver such daily volumes in excess thereof as Seller, in its sole judgment, determines that it is able to withdraw from storage and redeliver without jeopardizing its ability to meet its other obligations.

ARTICLE IV

POINT(S) OF DELIVERY AND REDELIVERY

4.1 The Point of Delivery shall be at point of interconnection to be constructed between the pipeline system of Seller and of Transporter(s) in Onondaga Township, Ingham County, Michigan.

4.2 The Point(s) of Redelivery shall be at point(s) of interconnection to be constructed between the pipeline system of Seller and the pipeline system of Transporter(s) in Onondaga Township, Ingham County, Michigan.

4.3 Customer shall be solely responsible for making all arrangements and paying for the transportation of the Gas to be stored hereunder to the Point of Delivery and from the Point(s) of Redelivery specified in Sections 4.1 and 4.2 of this Article IV, respectively.

4.4 Seller shall have no obligation to receive deliveries from Transporter(s) for transportation and storage hereunder, or to redeliver to Transporter(s) for the account of Customer, Gas stored for Customer hereunder, to the extent that Transporter(s) is unwilling, not obligated to, or unable to make or receive such deliveries or redeliveries, as the case may be.

ARTICLE VSCHEDULING OF DELIVERIES

5.1 At least seven (7) Days prior to the beginning of each Month during the term hereof, when deliveries or redeliveries of daily volumes are to be made pursuant to the provisions hereof, Customer shall advise or cause Transporter(s) to advise Seller of such daily volumes that it intends to deliver or redeliver during such Month. On twenty-four (24) hours' advance notice to Seller, Customer or Transporter(s) on Customer's behalf may reschedule any daily volumes pursuant to the provisions hereof.

ARTICLE VIDETERMINATION OF DELIVERIES

6.1 Because of the inability to maintain precise control over the rates of flow and volumes of Gas to be delivered and redelivered hereunder, continuous efforts shall be exercised to maintain the actual delivery and redelivery volumes hereunder approximately equal to the scheduled delivery and redelivery volumes. Notwithstanding the above, however, all Gas delivered or redelivered hereunder on each Day shall be at rates as constant as practicable throughout such Day and any imbalances shall be corrected, insofar as practicable, within sixty (60) Days or such longer period as might be agreed to by Seller, Transporter(s), and Customer.

ARTICLE VIIDELIVERY PRESSURE

7.1 Customer shall cause Transporter(s) to deliver Gas to Seller at Transporter(s)' available pipeline pressure at the Point of Delivery, but in no event at a pressure less than three hundred (300) psig unless otherwise mutually agreed to by Seller, Customer and Transporter(s).

7.2 Seller shall redeliver Gas to Transporter(s) for the account of Customer at a pressure sufficient to enter Transporter(s)' pipeline system at the Point(s) of Redelivery, but in no event at a pressure in excess of eight hundred twenty-five (825) psig unless otherwise mutually agreed to by Seller, Customer, and Transporter(s).

ARTICLE VIIIRATE

8.1 Customer will pay Seller for the service provided for hereunder a charge per Month determined by multiplying Customer's Average Monthly Storage Volume by _____¢ per Mcf.

8.2 Seller may seek and obtain authorizaton from the MPSC for such rate adjustments as may be found necessary to assure that Seller's rates are just and reasonable.

8.3 In the event that, at anytime, any regulatory body having jurisdiction over the charges hereunder requires Seller to adjust the rate charged for service hereunder, then from and after the effective date of the rate adjustment so ordered, the adjusted rate shall be the effective rate hereunder.

ARTICLE IXBILLING AND PAYMENT

9.1 Billing: On or before the tenth (10th) Day of the Month following the Month in which the primary term of this Agreement commences and on or before the tenth Day of each Month thereafter until the Month following the end of the term of this Agreement, Seller shall render a statement to Customer setting forth the amount due for the preceding Month pursuant to Article VIII hereof. In computing the amounts due, Seller may utilize estimates of the quantity of Customer's Monthly Average Storage Volume during any month in place of the actual quantities when actual quantities are not reasonably available; provided that adjustments shall be made in later statements for differences between such estimated and actual quantities. Each party shall have the right at all reasonable times to examine the books records and charts of the other party to the extent necessary to verify the accuracy of any statement, charge or computation made under or pursuant to any provisions of this Agreement.

9.2 Payment: Customer shall pay to Seller, on or before the twentieth (20th) Day of each Month, the amount billed by Seller in the statement for said Month. All such payments shall be made in the form of immediately available funds directed to a bank account designated by Seller's Treasurer. If the last Day for paying an invoice hereunder is not a banking Day, the time of payment shall be extended through the next banking Day.

9.3 Interest on Unpaid Amounts: Should Customer fail to pay the amount of any statement rendered by Seller as herein provided when such amount is due, interest thereon shall accrue from the due date until the date of payment, at a rate of interest equal to the prime rate plus two percent (2%) charged by Citibank, N.A. during that period to responsible commercial and

industrial borrowers, but which in no event shall be higher than the maximum rate permitted by applicable law.

9.4 Remedies for Failure to Pay Bills: If Customer's failure to pay the amount of any statement rendered by Seller continues for thirty (30) Days after payment is due, Seller shall have the right, but not the obligation, to suspend further service to Customer until such amount is paid, or to terminate this Agreement without further notice, provided, however, that if Customer in good faith shall either dispute the amount of any such statement or parts thereof or present a counterclaim or offset against the same, and at any time thereafter, within fifteen (15) Days after demand made by Seller shall furnish a good and sufficient surety bond, in the amount and with sureties satisfactory to Seller, conditioned upon the payment of any amounts ultimately found due upon such statement after a final determination, which may be reached by agreement, or by judgment of the courts, then such statement shall not be deemed to be due within the meaning of this section unless and until default be made in the conditions of such bond. If Seller shall require Customer to furnish such a bond, Seller shall institute appropriate proceedings to resolve the dispute with respect to which the bond has been furnished within one (1) year after the date of the statement in dispute. The foregoing remedy shall be in addition to any other remedies Seller may have, at law or in equity, with respect to Customer's failure to pay the amount of any such statements.

9.5 Late Billing: If presentation of a statement by Seller is delayed after the tenth (10th) Day of the Month, then the time for payment shall be extended correspondingly, unless Customer is responsible for such delay.

9.6 Errors in Billing: If Customer shall find at any time within twelve (12) Months after the date of any statement rendered by Seller that it has been overcharged in the amount billed in such statement, and if Customer shall have paid said overcharge and shall have made a claim therefore within sixty (60) Days from the date of discovery thereof, Seller shall verify and refund the principal of any such overcharge within thirty (30) Days, with interest thereon at a rate of interest equal to the prime rate charged by Citibank, N.A. during that period to responsible commercial and industrial borrowers, but which in no event shall be higher than the maximum rate permitted by applicable law.

If Seller shall find at any time within twelve (12) Months after the date of any statement rendered by it that there has been an undercharge in the amount billed in such statement, it may submit a statement for such undercharge and Customer shall pay the same without interest, but this provision shall not preclude Customer from disputing the amount of such statement or the fact that there has been an undercharge.

ARTICLE XTERM

10.1 This Agreement shall be effective upon its execution and shall remain in effect for a primary term of Months and Month to Month thereafter until terminated by either party by five (5) Days prior written notice.

10.2 In the event any volumes of Gas remain in storage for Customer's account on the Day this Agreement terminates, for any reason, such remaining volumes shall be redelivered by Seller to Transporter(s) for the account of Customer as soon as practicable and the term of this Agreement will be automatically extended until all such volumes are redelivered, provided, however, if Customer is unable to accept or cause Transporter(s) to accept within sixty (60) days of any notice of termination of this Agreement, any then remaining volumes in storage for Customer's account such volumes shall be forfeited by Customer to Seller and this Agreement shall terminate on such Day.

ARTICLE XIQUALITY OF GAS

11.1 The Gas delivered and redelivered hereunder:

- (a) Shall have a Total Heating Value per Cubic Foot of not less than nine hundred sixty (960) Btu's.
- (b) Shall be commercially free (at prevailing pressure and temperature) from objectionable odors, dust, or other solid or liquid matters which might interfere with its merchantability or cause injury or interference with proper operation of the lines, regulators, meters or other appliances through which it flows, and shall not contain an amount of moisture at any time exceeding seven (7) pounds per million cubic feet of Gas.
- (c) Shall not contain more than three-tenths (0.3) of one grain of hydrogen sulphide per one hundred (100) cubic feet of Gas when tested by methods generally accepted by the pipeline industry.
- (d) Shall not contain more than twenty (20) grains of total sulphur per one hundred (100) cubic feet of Gas.

- (e) Shall not contain more than one percent (1%) of oxygen by volume, and every reasonable effort shall be made to keep the Gas free of oxygen.
- (f) Shall not contain more than two percent (2%) by volume of carbon dioxide.
- (g) Shall not contain more than three percent (3%) by volume of nitrogen.

11.2 Notwithstanding anything herein contained to the contrary, if the Gas delivered or redelivered hereunder fails at any time to conform to any of the specifications of this Article XI, including, but not limited to, failure at any time to have a Total Heating Value per Cubic Foot of at least nine hundred sixty (960) Btu's, the party to whom such Gas is being delivered or redelivered may notify the other party of such failure and may, at its option, reject further deliveries or redeliveries until the condition is corrected. Customer therefore authorizes Seller to refuse to accept deliveries from Transporter(s) which do not conform to the specifications of this Article XI unless and until said deliveries are, in Seller's sole opinion, conformed to said standard. After receiving a notice hereunder, the party responsible for such failure shall immediately take all necessary steps to correct the condition and, upon completion thereof, shall resume deliveries and redeliveries in accordance with the terms and conditions of this Agreement. The remedies herein provided are in addition to any and all other remedies at law or equity to which either party may be entitled.

ARTICLE XII

MEASUREMENTS

12.1 Unit of Volume:

- (a) The unit of volume for measurement hereunder shall be a dry cubic foot of Gas at a temperature of sixty degrees (60°) Fahrenheit and an absolute pressure of fourteen and seventy-three hundredths pounds (14.73#) per square inch, having an average Total Heating Value per Cubic Foot of one thousand (1,000) Btu's. Such units shall be determined by multiplying the number of cubic feet of Gas delivered during each Day by the factor arrived at by dividing the average Total Heating Value per Cubic Foot for such Day, on the basis indicated in Paragraph (b) below, by one thousand (1,000).
- (b) The Total Heating Value per Cubic Foot of the Gas delivered and redelivered hereunder shall be determined by a recording calorimeter of

standard manufacture or other method mutually acceptable to both Seller and Customer and installed so that it may properly record the gross heat content of the Gas at the Point(s) of Delivery and Redelivery. Where a calorimeter is used, the arithmetical average of the hourly gross heat content recording each Day shall be deemed to be the heat content of the Gas for that Day. Such calorimeter shall be checked at least once each Month to assure its proper operation and accuracy. An appropriate certified Gas sample of known heat content shall be used to check the calorimeter accuracy.

12.2 Computations of Volume from Meter Readings and Registrations: The volume of Gas delivered or redelivered hereunder shall be determined in the manner specified in AGA Gas Measurement Committee Report No. 3 ("AGA Report No. 3") published in 1978, as such publication may be revised from time to time, or of other reports and publications which are mutually acceptable to Seller and Customer.

12.3 Flowing Temperature: The flowing temperature of Gas delivered and redelivered hereunder shall be determined by means of a standard recording thermometer or other instrument of standard manufacture accepted in the industry. The flowing temperature used in determining the flowing temperature factor for each meter chart shall be the arithmetical average of the temperature shown by the recording instrument during the period of time when Gas is passing through the meter.

12.4 Specific Gravity: The specific gravity of the Gas delivered and redelivered hereunder shall be determined by a recording specific gravity instrument of standard manufacture or other method mutually acceptable to Seller and Customer and installed so that it may properly record the specific gravity of the Gas at the Point(s) of Delivery and Redelivery. The arithmetical average of the hourly specific gravity recording each Day shall be deemed to be the specific gravity of the Gas for that Day. Such instrument shall be checked at least once each Month by the use of an Edwards Balance, or by any other method or intervals mutually agreed to by Seller and Customer.

12.5 Supercompressibility: Adjustment for the effect of supercompressibility for Gas delivered and redelivered hereunder shall be made according to the provisions of AGA Report NX-19 as such publication may be revised from time to time, or of other reports and publications which are mutually acceptable to Seller and Customer, for the average conditions of pressure, flowing temperature and specific gravity at which the Gas was measured during the period under consideration and with the proportionate values of carbon dioxide and nitrogen in the Gas delivered and redelivered included in the computation of the applicable supercompressibility factors. Seller and Customer shall exercise due

diligence in obtaining initial carbon dioxide and nitrogen fraction values and to obtain subsequent values of these components quarterly or at other intervals mutually agreeable.

12.6 Assumed Atmospheric Pressure: The average absolute atmospheric (barometric) pressure shall be assumed to be fourteen and four-tenths pounds (14.4#) per square inch irrespective of actual elevation or location of the Point(s) of Delivery and Redelivery above sea level or variations in actual barometric pressure from time to time.

ARTICLE XIII

MEASURING EQUIPMENT

13.1 Measuring Equipment: The Gas which Customer causes Transporter(s) to deliver to Seller hereunder and which Seller redelivers to Transporter(s) for the account of Customer shall be measured by measuring equipment owned, installed and operated by Seller in Ingham County, Michigan. The measuring equipment shall be of one-way flow design and of a type and kind generally accepted by the natural gas industry for the measurement of Gas in accordance with the provisions of Article XIII hereof at the rates of flow and pressures expected to exist at the Point(s) of Delivery and Redelivery. When orifice meters are used, they shall be of a type specified and recommended in AGA Report No. 3 as such publication may be revised from time to time or of other reports and publications which are mutually agreeable to Seller and Customer, and the construction and installation shall be in accordance with the recommendations and specifications set forth in said agreed to report.

13.2 Access to Measuring Equipment, Tests and Charts: Customer shall have access to all measuring equipment at all reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done by Seller. Further, Customer shall have the right to be present at the time of any installing, testing, reading, cleaning, changing, repairing, inspecting, calibrating or adjusting done in connection with the measuring equipment used in determining the volumes of deliveries and redeliveries hereunder, and Customer shall be given reasonable notice thereof in order that it may be present. The records and charts from such measuring equipment shall remain the property of Seller, but Seller, upon request, shall submit to Customer such records and charts, or reproductions thereof, together with calculations therefrom, for inspection and verification. Original records or charts so submitted will be returned within ten (10) Days after receipt thereof.

13.3 Check Measuring Equipment: Customer may install, maintain and operate, at its own expense, such check measuring equipment as it shall desire at the Point(s) of Delivery and

Redelivery, and Seller shall provide a suitable site therefore and allow Customer free access to and use of the site; provided that such equipment shall be so installed, maintained and operated as not to interfere with the operation or maintenance of Seller's measuring equipment at the Point(s) of Delivery and Redelivery. Seller shall have free access to the check measuring equipment at all reasonable hours. The reading, calibrating and adjusting thereof and the changing of charts shall be done by Customer, but Seller shall be given reasonable notice thereof. Customer may remove any of its equipment at any time.

13.4 Failure of Measuring Equipment: Seller and Customer agree that if for any reason Seller's measuring equipment is out of service or out of repair so that the volume of Gas delivered is not correctly indicated by the reading thereof, the Gas delivered through the period such measuring equipment is out of service or out of repair shall be estimated and agreed upon on the basis of the best data available, using the first of the following methods which is feasible:

- (a) by using the registration of any check meter or meters if installed and accurately registering; or
- (b) by correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation; or
- (c) by estimating the volume of delivery by deliveries during preceding periods under similar conditions when the measuring equipment was registering accurately.

13.5 Measuring Equipment Tests: Seller shall cause the accuracy of the measuring equipment to be verified at a minimum of once each thirty (30) Day period.

13.6 Correction of Measuring Equipment Errors: Seller and Customer agree that if upon any test, Seller's measuring equipment is found to be not more than one-half of one percent (0.5%) fast or slow, previous readings of such equipment shall be considered correct in computing the deliveries of Gas, but such equipment shall be adjusted properly at once to record accurately. Seller and Customer further agree that if upon any test, Seller's measuring equipment shall be found to be inaccurate by an amount exceeding one-half of one percent (0.5%), then any previous readings of such equipment shall be corrected to zero error for any period which is known definitely or agreed upon, but if the period is not known definitely or agreed upon, such correction shall be for a period covering the last half of the time elapsed since the date of the last test, but not exceeding a period of sixteen (16) Days.

13.7 Preservation of Records: Customer and Seller agree to preserve, for a period of at least three (3) years, or such

longer period as any governmental agency having jurisdiction may require, all test data, charts and other similar records.

13.8 Improvements in Gas Measuring Techniques: If at any time during the term hereof, a new method or technique is developed with respect to Gas measurement or the determination of the factors used in such Gas measurement, such new method or technique may be substituted upon mutual agreement of Seller and Customer.

ARTICLE XIV

WARRANTY

14.1 Seller and Customer each warrants that it will at the time of delivery or redelivery have the right to deliver or cause to be delivered the Gas hereunder; and that it will indemnify the other party and save it harmless from suits, actions, debts, accounts, damages, costs, losses and expenses, including reasonable attorney fees, arising from or out of adverse claims of any and all persons to said Gas or to royalty, taxes, license fees or charges thereon.

ARTICLE XV

FORCE MAJEURE AND REMEDIES

15.1 Force Majeure. Neither Seller nor Customer shall be liable in damages or for any other relief to the other for any act, omission or circumstances occasioned by or in consequence of any force majeure; provided that such Party gives notice and reasonably full particulars of such force majeure in writing or by telegraph to the other within a reasonable time after the occurrence of the cause relied on.

15.2 Force Majeure Defined. As used herein, force majeure shall mean acts of God, strikes, lockouts, or industrial disturbances, acts of a public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, crevasses, floods, washouts, arrests and restraints of the government (either Federal or state, civil or military), civil disturbances, shutdowns (for purposes of necessary repairs, alterations, relocation or construction of wells, machinery, lines of pipe or other facilities), breakage or accident to wells or machinery or lines of pipe, testing (as required by governmental authority or as deemed necessary by the Seller for the safe operation of the underground storage reservoir and facilities required to perform the service hereunder), failure of wells or surface equipment or pipelines, well or line freeze-ups, inability of either Party hereto to obtain necessary material or supplies or permits or land rights or labor to perform or comply with any obligation or condition of

this Agreement, failure of Transporter(s) or other transporters to deliver or receive gas, laws or orders or rules or regulations or acts of any court or governmental authority, and any other causes, whether of the kind herein enumerated or otherwise, which are not reasonably in the control of the Party hereto claiming suspension. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Party hereto having the difficulty and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of an opposing party when such course is inadvisable in the discretion of the Party hereto having the difficulty.

15.3 Limitations. Such force majeure affecting the performance hereunder by either Party hereto, however, shall not relieve such Party of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting such performance relieve Customer in whole or in part of its obligations to pay the Monthly charges provided for in Section 8.1 hereof, which charge shall not be subject to any adjustment pursuant to Article IX hereof on account of such force majeure.

ARTICLE XVI

NOTICES

16.1 Any notice or other communication required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given upon hand delivery or on the first day following delivery to a nationally recognized United States overnight courier service, fee prepaid, return receipt or other confirmation of delivery requested, or on the third day following delivery to the U.S. Postal Service as certified or registered mail, return receipt requested, postage prepaid, if addressed to Seller or Customer at the addresses set forth below, and at such other addresses and to such other persons as may be designated from time to time by either Seller or Customer by written notice to the other party, or when telecopied or sent by facsimile transmission to the respective numbers set forth for Seller or Customer on the signature page, to be followed within three (3) days by delivery of a written copy of such communication:

EATON RAPIDS GAS STORAGE SYSTEM

Mail: Eaton Rapids Gas Storage System
500 Renaissance Center
Detroit, MI 48243

Courier: Eaton Rapids Gas Storage System
 One Woodward Avenue
 Detroit, MI 48226

Telecopy: 313-496-3504

Mail: _____

Courier: _____

Telecopy: _____

16.2 Notices with respect to deliveries of Gas shall be sufficient if given in person, in writing, by telegram, by telephone or by radio to the person or persons designated from time to time as authorized to receive the same.

16.3 All notices provided for in this Article XVII may be waived with the consent of Customer and Seller.

ARTICLE XVII

TRANSFER AND ASSIGNMENT

17.1 Any company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Seller or of Customer, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement. Either Seller or Customer may, without relieving itself of its obligations under this Agreement, assign any of its rights or obligations hereunder to a financially responsible corporation with which it is affiliated at the time of such assignment, and Seller may assign any of its rights to receive payments hereunder to any other entity. Otherwise, no assignment of this Agreement or any of its rights or obligations hereunder shall be made by Seller or Customer without the written consent of the other first obtained. However, the provisions of this Article XVIII shall not in any way prevent either party to this Agreement from pledging or mortgaging its rights hereunder as security for its indebtedness. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

ARTICLE XVIIIREGULATION

18.1 This Agreement and the respective obligations of the parties hereunder are subject to all valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction, and are conditioned upon the issuance, by any governmental agency having jurisdiction, of requisite authorizations for Seller to provide the storage service contemplated hereby and for Transporter(s) to make deliveries and redeliveries necessary to effect the storage service provided for herein. The parties hereto shall promptly file for and diligently pursue all governmental authorizations necessary for the implementation of this Agreement.

ARTICLE XIXNON-WAIVER OF FUTURE DEFAULTS

19.1 No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

19.2 Creditworthiness. Seller shall not be required to commence service or to continue to provide service hereunder in the event that Customer is or has become insolvent or, when requested by Seller to demonstrate creditworthiness, fails to do so in light of previous experience and information available; provided, however, that Customer may receive service if Customer deposits with Seller and maintains, on prepaid account, an amount equal to amounts which would be due for three (3) Months service as provided in Section 8.1 or furnishes, within fifteen (15) Days, good and sufficient security, as reasonably determined by Seller, of a continuing nature and in an amount equal to such amounts which would be due. Seller may, without waiving any rights or remedies it may have, suspend further service until such security is accepted by Seller.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed in several counterparts by the hands of their proper officials duly authorized in that behalf, as of the day and year first above written.

EATON RAPIDS GAS STORAGE SYSTEM

By _____
Chairman

ATTEST:

By _____
Title: