

## Retired Gas Utility Rate Book

The entire rate book entitled Northern States Power (Xcel) Company – MPSC No. 2 Gas, with approved rate schedules, rules, regulations, and standard forms, was retired April 1, 2008, in compliance with the Commission’s Order in Case No. U-15152 issued on October 9, 2007.

**Northern States Power  
dba Xcel Energy**

**Rate Book - MPSC No. 2  
Gas**

*Current*

TITLE PAGE  
NATURAL GAS SERVICE

NORTHERN STATES POWER COMPANY  
*d/b/a XCEL ENERGY*

RATES, RULES & REGULATIONS

FOR

NATURAL GAS SERVICE

EFFECTIVE

IN

GOGEBIC COUNTY

Bessemer, City  
Ironwood, City  
Wakefield, City

Bessemer, Township  
Ironwood, Township  
Wakefield, Township

ONTONAGON COUNTY

Bergland, Township  
McMillan, Township

IN THE STATE OF

MICHIGAN

Issued December 16, 2002 by

M.L. Swenson  
President  
Eau Claire, Wisconsin



Effective: December 16, 2002

Issued Under Authority of the  
Michigan Public Service Commission  
dated September 16, 2002  
in Case No. U-13365

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Michigan Public Service Commission
<b>March 14, 2008</b>
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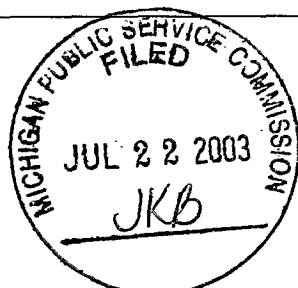
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CHECKLIST

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Effective April 1, 2008 .  
 Issued under authority of the PA 1982 304 Section 6h  
 and the Michigan Public Service Commission for  
 Self-Implementing in Case No. U-15455

CHECKLIST

<u>Revision</u>	<u>Sheet No.</u>	<u>Effective Date</u>		<u>Revision</u>	<u>Sheet No.</u>	<u>Effective Date</u>
Original	B-1.0	12/16/02		1st Revised	B-32.0	03/13/03
Original	B-2.0	12/16/02		1st Revised	B-33.0	03/13/03
Original	B-3.0	12/16/02		1st Revised	B-34.0	03/13/03
Original	B-4.0	12/16/02		1st Revised	B-35.0	03/13/03
Original	B-5.0	12/16/02		1st Revised	B-36.0	03/13/03
Original	B-6.0	12/16/02		1st Revised	B-37.0	03/13/03
Original	B-7.0	12/16/02		1st Revised	B-38.0	03/13/03
Original	B-8.0	12/16/02		1st Revised	B-39.0	03/13/03
Original	B-9.0	12/16/02		1st Revised	B-40.0	03/13/03
Original	B-10.0	12/16/02		1st Revised	B-41.0	03/13/03
Original	B-11.0	12/16/02		1st Revised	B-42.0	03/13/03
Original	B-12.0	12/16/02		1st Revised	B-43.0	03/13/03
Original	B-13.0	12/16/02		Original	B-44.0	12/16/02
Original	B-14.0	12/16/02		Original	B-45.0	12/16/02
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1st Revised	B-28.0	03/13/03		Original	B-59.0	12/16/02
1st Revised	B-29.0	03/13/03		Original	B-60.0	12/16/02
1st Revised	B-30.0	03/13/03		Original	B-61.0	12/16/02
1st Revised	B-31.0	03/13/03				

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CHECKLIST

<u>Revision</u>	<u>Sheet No.</u>	<u>Effective Date</u>		<u>Revision</u>	<u>Sheet No.</u>	<u>Effective Date</u>	
1 <sup>st</sup> Revised	C-1.0	10/10/07		Original	C-36.0	12/16/02	C
1 <sup>st</sup> Revised	C-2.0	10/10/07		Original	C-37.0	12/16/02	C
Original	C-3.0	12/16/02	C	Original	C-38.0	12/16/02	C
Original	C-4.0	12/16/02	C	Original	C-39.0	12/16/02	C
Original	C-5.0	12/16/02	C	1 <sup>st</sup> Revised	C-40.0	10/10/07	
Original	C-6.0	12/16/02	C	Original	C-41.0	12/16/02	
Original	C-7.0	12/16/02	C	Original	C-42.0	12/16/02	
Original	C-8.0	12/16/02	C				
Original	C-9.0	12/16/02	C	Original	D-1.0	12/16/02	
Original	C-10.0	12/16/02	C	Original	D-3.0	12/16/02	
Original	C-11.0	12/16/02	C	Original	D-4.0	12/16/02	
Original	C-12.0	12/16/02	C	Original	D-5.0	12/16/02	
Original	C-13.0	12/16/02	C	Original	D-6.0	12/16/02	
Original	C-14.0	12/16/02	C	Original	D-7.0	12/16/02	
Original	C-15.0	12/16/02	C				
Original	C-16.0	12/16/02	C		E-1.0		
Original	C-17.0	12/16/02	C	<b>8<sup>th</sup> Revised</b>	E-2.0	<b>04/01/08</b>	
Original	C-18.0	12/16/02	C	<b>8<sup>th</sup> Revised</b>	E-3.0	<b>04/01/08</b>	
Original	C-19.0	12/16/02	C	Original	E-4.0	12/16/02	
Original	C-20.0	12/16/02	C	Original	E-5.0	12/16/02	
Original	C-21.0	12/16/02	C	Original	E-6.0	12/16/02	
Original	C-22.0	12/16/02	C	Original	E-7.0	12/16/02	
Original	C-23.0	12/16/02	C	Original	E-8.0	12/16/02	
Original	C-24.0	12/16/02	C	Original	E-9.0	12/16/02	
Original	C-25.0	12/16/02	C				
Original	C-26.0	12/16/02	C	Original	F-1.0	12/16/02	
Original	C-27.0	12/16/02	C	Original	F-2.0	12/16/02	
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Original	C-29.0	12/16/02	C	Original	F-4.0	12/16/02	
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Original	C-31.0	12/16/02	C	Original	F-6.0	12/16/02	
Original	C-32.0	12/16/02	C	Original	F-7.0	12/16/02	
Original	C-33.0	12/16/02	C	Original	F-8.0	12/16/02	
Original	C-34.0	12/16/02	C	Original	F-9.0	12/16/02	
Original	C-35.0	12/16/02	C	Original	F-10.0	12/16/02	

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INDEX OF COMMUNITIES SERVED  
AND APPLICABLE RATE SCHEDULES

GOGEBIC COUNTY

Bessemer, City  
Ironwood, City  
Wakefield, City

Bessemer, Township  
Ironwood, Township  
Wakefield, Township

ONTONAGON COUNTY

Bergland, Township  
McMillan, Township

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RATE CLASSIFICATION AVAILABLE IN EACH COMMUNITY

Residential Service	Sheet No. E-4.0
Commercial and Industrial General Service	Sheet No. E-5.0
Commercial and Industrial Interruptible	Sheet No. E-6.0

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FRANCHISE DATA

FRANCHISES GRANTED TO COMPANY  
 FOR DISTRIBUTION AND SALE OF  
 NATURAL GAS IN MICHIGAN

**GOGEBIC COUNTY**

<u>Taxing District</u>	<u>Term Years</u>	<u>Adopted</u>	<u>Effective Date of Franchise</u>
Ironwood, City	30	Aug. 23, 1993	Aug. 23, 2023
Bessemer, City	30	Sept. 30, 1993	Sept. 8, 2023
Wakefield, City	30	Aug. 23, 1993	Aug. 23, 2023
Bessemer, Township	30	June 13, 1994	June 13, 2024
Ironwood, Township	30	Sept. 17, 1993	Sept. 17, 2023
Wakefield, Township	30	Oct. 4, 1995	Oct. 4, 2025

**ONTONAGON COUNTY**

Bergland, Township	30	Aug. 29, 1995	Aug. 29, 2025
McMillan, Township	30	Apr. 28, 1996	Apr. 28, 2026
Carp Lake, Township	30	May 11, 1966	May 11, 1996 No Cust.
Stannard, Township	30	Sept. 6, 1966	Sept. 6, 1996 No Cust.

Unless otherwise stated, gas service is being rendered in each taxing district in which a franchise is held.

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TECHNICAL TERMS AND ABBREVIATIONS

Definitions

Classes of Service:

Residential service applies to domestic use in each separately metered private dwelling and separately metered family apartments.

Commercial service applies to each separately metered commercial establishment or business enterprise.

Industrial service applies to any large consumer that cannot be classified as residential or commercial. Normally such customers are engaged in manufacturing or processing enterprises.

Dekatherm Ten therms

Distribution Charge is the charge made for gas service which varies with the volume of gas sold. In each rate schedule the distribution charge is quoted per unit volume of gas (cents per therm).

Gauge Pressure Pressure indicated by instrument--pressure in excess of atmospheric pressure.

Gas Pressure in distribution mains and pipes is generally expressed in pounds per square inch and may vary from ten to sixty pounds per square inch. Normal delivery pressure to the customer is generally expressed in inches of water column (approximately twenty-two one-hundredths of one pound per square inch gauge pressure).

Gas Mains Pipes used to carry large volumes of gas for general or collective use.

Services Pipes used to carry gas from a main to the meter on customer's premises.

Abbreviations

BTU (British thermal unit) heat required to raise temperature of one pound of water 1° F.

Ccf One hundred cubic feet

Cfm Cubic feet per minute

Psig Pounds per square inch, gauge pressure

DKT Ten therms

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SECTION B – PART I  
GENERAL RULES AND REGULATIONS FOR ALL CUSTOMERS

**B1. TECHNICAL STANDARDS FOR GAS SERVICE**

**B1.1 GENERAL PROVISIONS**

**B1.1.1 R 460.2301 Definitions.**

Rule 1. As used in these rules:

- (a) "Acceptable to the commission" or "approved by the commission" or "authorized by the commission" means that a commission order has been obtained.
- (b) "British thermal unit" means the quantity of heat that must be added to 1 pound of pure water to raise its temperature from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit under standard pressure. Standard pressure is 30 inches mercury at 32 degrees Fahrenheit or 14.73 pounds per square inch absolute and with acceleration due to gravity equal to 32.174 feet per second per second.
- (c) "Commission" means the Michigan public service commission.
- (d) "Cubic foot of gas" means the following:
  - (i) For billing purposes, a standard cubic foot of gas is that quantity of dry gas which, at a temperature of 60 degrees Fahrenheit and an absolute pressure of 14.65 pounds per square inch, occupies 1 cubic foot. The commission may, however, approve a different absolute pressure base.
  - (ii) For testing purposes, such as testing for heating value, a standard cubic foot of gas is that quantity of gas which, when saturated with water vapor at a temperature of 60 degrees Fahrenheit and an absolute pressure of 14.73 pounds per square inch, occupies 1 cubic foot.
- (e) "Customer" means an individual or business, excluding other gas utilities, that purchases gas or transportation services, or both, on the utility's system.
- (f) "Hazardous condition" means any condition which the utility determines poses an immediate and serious threat to the health, safety, or welfare of a customer or the general public and which requires immediate action.
- (g) "Liquefied petroleum gas-air mixture" means a gas that is produced by mixing an appropriate quantity of air with propane vapor, butane vapor, or a mixture of such vapors.
- (h) "Meter" means, unless otherwise qualified, a device of a utility that is used in measuring a quantity of gas.
- (i) "Meter accuracy" means the volume that is measured by a meter as a percent of the actual volume that flowed through the meter as measured by a working standard.

(Continued on Sheet No. B-2.0)

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(Continued from Sheet No. B-1.0)

**B1.1.1 R 460.2301 Definitions.(contd)**

- (j) "Mixed gas" means a gas that is produced by mixing natural gas with any of the following:
  - (i) Air.
  - (ii) Inert gas.
  - (iii) Liquefied petroleum gas.
  - (iv) Liquefied petroleum gas-air mixture.
  - (v) Other flammable gas.
  - (vi) Substitute natural gas.
- (k) "Premises" means land or real estate, including buildings and other appurtenances thereon.
- (l) "Potentially hazardous condition" means any condition which the utility determines has the potential to become a hazardous condition, but which does not require immediate action. All of the following are examples of potentially hazardous conditions:
  - (i) Customer failure to permit the utility to perform inspections and maintenance on the utility's facilities in or on the customer's premises.
  - (ii) Customer alterations or modifications of the utility's facilities located in or on the customer's premises.
  - (iii) Customer construction of a structure or appurtenance near or over the main, service line piping, or meter set assembly so that the utility's facilities are not in compliance with the provisions of R 460.14001 et seq. of the Michigan Administrative Code or the utility's standards.
  - (iv) Customer failure to correct or replace gas utilization equipment or gas fuel line piping that has been previously identified and classified as potentially hazardous by the utility.
- (m) "Rate book" means the assembled rate schedules, rules, regulations, and standard forms of the utility as filed with the commission.
- (n) "Required access" means access that is necessary to conduct any of the following:
  - (i) Routine inspections and maintenance.
  - (ii) Meter readings of gas usage.
  - (iii) Scheduled replacement, repairs, relocation, or disconnection of branch service lines or other changes with respect to service lines and meter assembly piping.
- (o) "Substitute natural gas" means gas which is interchangeable and compatible with natural gas and which is manufactured from carbon and hydrogen-bearing materials.

(Continued on Sheet No. B-3.0)

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(Continued from Sheet No. B-2.0)

**B1.1.1 R 460.2301 Definitions.(contd)**

- (p) "Utility" means a person, firm, corporation, cooperative, association, or agency which is subject to the jurisdiction of the commission and which delivers or distributes and sells gas to the public for heating, power, or other residential, commercial, or industrial purposes.

**B1.1.2 R 460.2302 Application, intention, and interpretation of rules; utility rules and regulations.**

Rule 2.

- (1) These rules apply to a gas utility which operates within the state of Michigan and which is subject to the jurisdiction of the commission.
- (2) These rules are intended to promote safe and adequate gas service to the public, to provide technical standards for uniform and reasonable practices by gas utilities, to encourage efficiency and economy, and to establish a basis for determining the reasonableness of such demands as may be made by the public upon gas utilities.
- (3) Questions that concern the application or interpretation of these rules and disagreements with respect to any service rules and regulations that are promulgated by a gas utility shall be referred to the commission for a ruling.
- (4) A utility shall adopt reasonable rules and regulations, subject to commission approval, governing its relations with customers. The rules and regulations shall not be inconsistent with these rules and any other rules of the commission as may be promulgated from time to time. A utility's rules and regulations shall constitute an integral part of the utility's rate book.

**B1.2 RECORDS, REPORTS, AND OTHER INFORMATION**

**B1.2.21 R 460.2321 Retention of records.**

Rule 21. All records that are required to be made or maintained pursuant to these rules shall be preserved by the utility for a period of time specified in R 460.2501 et seq. of the Michigan Administrative Code. If a time period is not specified in these rules or in R 460.2501 et seq., records shall be preserved by the utility for not less than 1 year after the records are completed.

**B1.2.22 R 460.2322 Location of records.**

Rule 22. Copies of all records required by these rules shall be kept within the boundaries of this state or at the administrative headquarters of the utility, and shall be available at all reasonable times for examination by an authorized representative of the Commission.

**B1.2.23 R 460.2323 Reports and records generally.**

Rule 23.

- (1) Volumetric data that is contained in any report which is filed with the commission shall define the pressure, temperature, and water saturation upon which the data is based.

(Continued on Sheet No. B-4.0)

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(Continued from Sheet No. B-3.0)

**B1.2.23 R 460.2323 Reports and records generally.(contd)**

- (2) In addition to reports or records that are required to be filed with the commission pursuant to these rules, a utility shall provide the commission with a current list of the name, title, address, and telephone number of the person who should be contacted in connection with all of the following:
- (a) General management duties.
  - (b) Customer complaints that relate to operations.
  - (c) Construction, maintenance, operations, and emergencies during office and non office hours for each major operating headquarters.
  - (d) Meter tests and repairs.

**B1.3 SERVICE REQUIREMENTS**

**B1.3.31 R 460.2331 Sale of gas.**

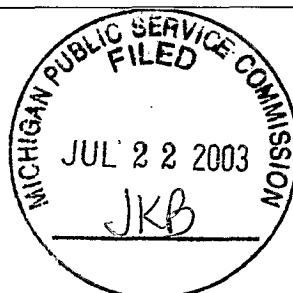
Rule 31.

- (1) All gas that is sold by a utility shall be on the basis of meter measurement, unless otherwise authorized by the commission.
- (2) The utility shall provide the characteristics of service available to prospective customers upon request.
- (3) If gas is supplied and metered to a customer at a nominal delivery pressure of 0.25 pounds per square inch gauge, then, for billing purposes, both of the following provisions apply:
  - (a) The gas volume that is registered by the meter is assumed to be measured at standard billing conditions as defined in R 460.2301(d)(i), regardless of the actual temperature of the gas or actual atmospheric pressure. However, all meters which are to operate at ambient outdoor conditions and which are installed after the effective date of this subrule shall be installed with a temperature-compensating device.
  - (b) If the billing pressure base is 14.65 pounds per square inch absolute, then the atmospheric pressure is assumed to be 14.4 pounds per square inch absolute. If the commission has approved a different billing pressure base, then the assumed atmospheric pressure is equal to the difference between such absolute billing pressure base and 0.25 pounds per square inch.

(Continued on Sheet No. B-5.0)

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(Continued from Sheet No. B-4.0)

**B1.3.31 R 460.2331 Sale of gas.(contd)**

- (4) If gas is supplied to a customer through a low-pressure distribution system such that a service regulator is not used before metering, then, for billing purposes, the gas shall be assumed to be supplied and metered at 0.25 pounds per square inch gauge. The low-pressure system shall be operated so that the gauge pressure at the outlet of the meter shall be maintained within a range of 3 inches water column minimum to a maximum of 14 inches water column. However, delivery to the customer may be as high as 18 inches water column if the pressure to the appliances is regulated to not more than 14 inches water column. A utility may implement different standards for operating its low-pressure system if those standards are approved by the commission.
  
- (5) If gas is supplied and metered to a customer at a nominal delivery pressure of more than 0.25 pounds per square inch gauge, then, for billing purposes, all of the following provisions apply:
  - (a) The gas volume that is measured by the meter shall be corrected to standard billing conditions as defined in R 460.2301(d)(i).
  - (b) Gas volume corrections for temperature shall be made in accordance with Charles' law. Gas volume corrections for pressure shall be made in accordance with Boyle's law. Gas volume corrections for supercompressibility shall be made in accordance with either of the following publications of the American gas association(AGA), both of which are adopted by reference in these rules and may be purchased at the cost specified as of the time of adoption of these rules(which is subject to change)from the American Gas Association, 1515 Wilson Boulevard, Arlington, VA 22209,(703)841-8558, or from the Michigan Public Service Commission, 6545 Mercantile Way, P.O. Box 30221, Lansing, MI 48909:
    - (i) "Manual for the Determination of Supercompressibility Factors for Natural Gas, Project NX-19,"(1962)(A.G.A. Catalog No. L00340). . \$35.00.
    - (ii) "Compressibility and Supercompressibility for Natural Gas and Other Hydrocarbon Gases, Transmission Measurement Committee Report No. 8," (1992)(A.G.A. Catalog No. . . . . . \$80.00(\$40.00 for AGA members).
  - (c) If the pressure at which the gas is metered is established on a gauge basis rather than an absolute basis, then the absolute pressure at which the gas is metered shall be inferred by summing the gauge pressure and either the actual atmospheric pressure or a reasonable estimate thereof or an atmospheric pressure that is filed with, and approved by, the commission.

(Continued on Sheet No. B-6.0)

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(Continued from Sheet No. B-5.0)

**B1.3.31 R 460.2331 Sale of gas.(contd)**

(5) (contd)

- (d) If a pressure-compensating device is used with the meter, the device shall be calibrated using the actual atmospheric pressure or a reasonable estimate thereof

**B1.3.32 R 460.2332 Permanent service line rules.**

Rule 32. Within 30 days after a company commences operating as a gas utility, the utility shall file its service line installation rules for commission approval. Such rules and regulations shall constitute an integral part of the utility's rate book.

**B1.3.33 R 460.2333 Main extension rules.**

Rule 33. Within 30 days after a company commences operating as a gas utility, the utility shall file its main extension rules for commission approval. Such rules and regulations shall constitute an integral part of the utility's rate book.

**B1.3.34 R 460.2334 Temporary Service.**

Rule 34. If a utility renders temporary service to a customer for a period not exceeding 2 years or for the duration of a particular construction project using such temporary service, in addition to the charges for gas used during such service, the utility may require the customer to bear all of the cost of installing, removing, and providing equipment of facilities for such temporary service, less the salvage value of any equipment or facilities retained by the utility at the conclusion of the temporary service.

**B1.3.35 R 460.2335 Interruptions of service.**

Rule 35.

- (1) This rule does not apply to service interruptions that result from a utility's implementation of the provisions of R 460.2101 et seq. of the Michigan Administrative Code or a utility's shutoff of service pursuant to the provisions of R 460.2371 to R 460.2374.
- (2) A utility shall make a reasonable effort to prevent interruptions of service and, when such interruptions occur, shall endeavor to reestablish service with the shortest possible delay consistent with the safety of its customers, its employees and others engaged in work for the utility, and the general public. If service is necessarily interrupted for the purpose of working on the distribution system or plant equipment, it shall be done at a time that causes the least inconvenience to customers, and those customers who may be seriously affected shall be notified in advance.

(Continued on Sheet No. B-7.0)

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(Continued from Sheet No. B-6.0)

**B1.3.35 R 460.2335 Interruptions of service.(contd)**

- (3) If the supply of gas diminishes to the point where continuous service to customers is threatened, the utility may limit or shut off service to its customers pursuant to curtailment procedures approved by the commission.
- (4) A utility shall keep records of major interruptions of service on its entire system or in major divisions or operating districts thereof. The records shall include a statement of the time, duration, and cause of the interruption. A utility shall report interruptions of service, as required by R 460.14001 et seq. of the Michigan Administrative Code, and shall periodically make an analysis of the records for the purpose of determining steps to be taken to prevent the recurrence of such interruptions.

**B1.4 ENGINEERING**

**B1.4.41 R 460.2341 Gas Facilities; Construction and installation.**

Rule 41. Gas facilities of a utility shall be constructed and installed in accordance with accepted engineering practices in the gas industry to ensure, to the extent reasonably practicable, continuity of service, uniformity in the quality of service provided, and the safety of persons and property.

**B1.4.42 R 460.2342 Standards of accepted engineering practice.**

Rule 42. Unless otherwise specified by the commission, a utility shall use the publications listed below as standards of accepted practice:

- (a) The current edition of the Michigan gas safety code, R 460.14001 et seq. of the Michigan Administrative Code, which may be ordered from the Michigan Public Service Commission, 6545 Mercantile Way, P.O. Box 30221, Lansing, MI 48909.
- (b) The following American national standards institute (ANSI) publications, which are adopted by reference in these rules and which may be purchased at the specified cost as of the time of adoption of these rules(which is subject to change) from the American National Standards Institute, 1430 Broadway, New York, New York 10018,(212) 642-4900, or from the American Gas Association(AGA), 1515 Wilson Boulevard, Arlington, VA 22209,(703) 841-8558, or from the Michigan Public Service Commission, 6545 Mercantile Way, P.O. Box 30221, Lansing, MI 48909:
  - (i) ANSI/API 2530, "Orifice Metering of Natural Gas and Other Related Hydrocarbon, A.G.A. Report No. 3," as follows:

(Continued on Sheet No. B-8.0)

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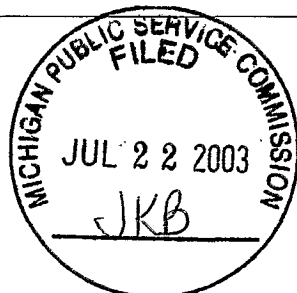
**B1.4.42 R 460.2342 Standards of accepted engineering practice.(contd)**

- (b) (i) (contd)
- (A) Part I, "General Equations and Uncertainty Guidelines," (1990)(A.G.A. Catalog No. XQ9017) \$55.00 from ANSI or \$50.00 from AGA (\$40.00 for AGA members).
  - (B) Part II, "Specification and Installation Requirements,"(1991) (A.G.A. Catalog No. XQ9104) \$55.00 from ANSI or \$50.00 from AGA(\$40.00 for AGA members).
  - (C) Part III, "Natural Gas Applications,"(1992)(A.G.A. Catalog No. XQ9210) \$65.00 from ANSI or \$50.00 from AGA(\$40.00 for AGA members).
  - (D) Part IV, "Background Development, Implementation Procedures, and Sub-Routine Documentation for Emperical Flange-Tapped Discharged Coefficient Equation,"(1992)(A.G.A. Catalog No. XQ9211) \$50.00 from AGA (\$40.00 for AGA members).
- (ii) ANSI B109.1, "Diaphragm Type - Gas Displacement Meters, Under 500 Cubic Feet per Hour Capacity,"(1992)(A.G.A. Catalog No. X69218) \$20.00 from ANSI or \$20.00 from AGA(\$10.00 for AGA members).
- (iii) ANSI B109.2, "Diaphragm Type - Gas Displacement Meters, 500 Cubic Feet per Hour Capacity and Over,"(1992)(A.G.A. Catalog No. X69219) \$20.00 from ANSI or \$20.00 from AGA(\$10.00 for AGA members).
- (iv) ANSI B109.3, "Gas Displacement Meters, Rotary Type,"(1992)(A.G.A. Catalog No. X69220) \$20.00 from ANSI or \$20.00 from AGA(\$10.00 for AGA members).
- (v) ANSI Z223.1 National Fuel Gas Code-1992 edition, which may also be purchased from the American Society of Mechanical Engineers, 345 East 47th Street, New York, NY 10017,(212) 705-7722, or from the National Fire Protection Association(NFPA), P.O. Box 9146, Quincy, MA 02269,(800) 344-3555 \$24.50(\$22.00 for NPFA members).
- (c) The following national fire protection association standards, which are adopted by reference in these rules and which may be purchased at the specified cost as of the time of adoption of these rules(which is subject to change) from the National Fire Protection Association, P.O. Box 9146, Quincy, MA 02269,(800) 344-3555, or from the Michigan Public Service Commission, 6545 Mercantile Way, P.O. Box 30221, Lansing, MI 48909:

(Continued on Sheet No. B-9.0)

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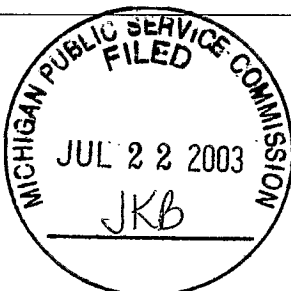
**B1.4.42 R 460.2342 Standards of accepted engineering practice.(contd)**

- (c) (contd)
- (i) "NFPA Standard 58, Storage and Handling of Liquefied Petroleum Gases,"(1992) \$24.50(\$22.00 for NFPA members).
  - (ii) "NFPA Standard 59, Storage and Handling of Liquefied Petroleum Gases at Utility Gas Plants,"(1992) \$18.75(\$17.00 for NFPA members).
  - (iii) "NFPA Standard 59A, Production, Storage and Handling of Liquefied Natural Gas(LNG),"(1990) \$18.75(\$17.00 for NFPA members).
- (d) The following American society for testing and materials(ASTM) publications, which are adopted by reference in these rules and which may be purchased at the specified cost as of the time of adoption of these rules(which is subject to change) from ASTM, 1916 Race Street, Philadelphia, Pennsylvania 19103-1187,(215) 299-5585, or from the Michigan Public Service Commission, 6545 Mercantile Way, P.O. Box 30221, Lansing, MI 48909:
- (i) ASTM specification D-1826 "Calorific Value of Gases in Natural Gas Range by Continuous Recording Calorimeter,"(D1826-88) \$15.00.
  - (ii) ASTM specification D-1945 "Method for Analysis of Natural Gas by Gas Chromatography,"(D1945-91) \$18.00.
  - (iii) ASTM specification D-3588 "Method for Calculating Calorific Value and Specific Gravity(Relative Density of Gaseous Fuels),"(D3588-91) \$15.00. Many of ASTM's publications are now stored at University Microfilm International, 300 N. Zeeb Road, Ann Arbor, Michigan 48106,(313) 761-4700.
- (e) General rules of the construction code commission, which may be ordered from the Construction Code Commission, Michigan Department of Labor, State Secondary Complex, 7150 Harris Drive, Lansing, MI 48926, (517) 322-1701.

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**B1.5 INSPECTION OF METERS**

**B1.5.51 R 460.2351 Meters and associated metering devices; inspections and tests.**

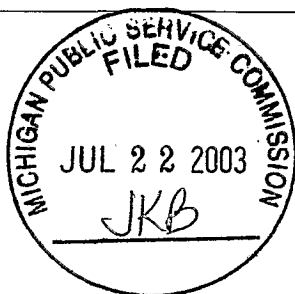
Rule 51. Inspections and tests of meters and associated metering devices shall be made by, or on behalf of, each utility as follows:

- (a) A meter or an associated metering device that is not included as a part of the meter, or both, shall be inspected and tested before being placed in service, and the error shall be not more than 1.0%. In place of this requirement, methods of sample testing that are acceptable to the commission may be used.
- (b) A meter or an associated metering device, or both, shall be tested after it is removed from service. Such tests shall be made before the meter or associated metering device is adjusted, repaired, or retired.
- (c) A repaired meter or a meter that is removed from service shall be leak-tested before being returned to service, subject to the following requirements:
  - (i) If tested in the field, a meter shall be tested at the actual meter operating pressure of the system.
  - (ii) If tested in the shop, a meter shall be subjected to an internal pressure test of not less than 3.0 pounds per square inch gauge pressure and, in addition, any meter that will operate above 3.0 pounds per square inch gauge pressure shall be so marked on the meter and shall be subjected to 1 of the following tests:
    - (A) An internal pressure test of not less than the manufacturer's rated operating pressure.
    - (B) An internal pressure test at 10% above the maximum operating pressure to which the meter could be subjected.
    - (C) Any suitable test that is acceptable to the commission.
  - (iii) During the pressure test, the meter shall be checked for leaks by 1 of the following tests:
    - (A) Immersion test.
    - (B) Soap test.
    - (C) Pressure drop test of a type that is acceptable to the commission.
- (d) As part of its rate book, a utility shall file, for commission approval, a statement of its policy with regard to testing meter accuracy upon a customer's request. In the absence of a filed policy approved by the commission, the utility shall adhere to both of the following provisions:

(Continued on Sheet No. B-11.0)

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**B1.5.51 R 460.2351 Meters and associated metering devices; inspections and tests. (contd)**

- (d) (contd)
  - (i) A utility shall test meter accuracy upon the request of a customer if the customer does not request a test more than once every 2 years and if the customer agrees to accept the results of the test as the basis for determining the difference claimed. A charge shall not be made to the customer for the first test in any 5-year period, but if subsequent tests during the same period, for the same customer, show the meter to be within the allowable limits of accuracy, the utility may charge the customer an amount for subsequent tests which is uniform and which does not exceed the utility's direct cost thereof, plus a reasonable charge for administrative overhead. The customer may be present at the test if he or she makes a request before the test.
  - (ii) A written report shall be made to the customer by the utility. The report shall state the results of the test. A record of the test shall be kept by the utility.
- (e) A utility shall make periodic tests of meters, associated devices, and instruments to ensure their accuracy. The tests shall be conducted according to the following schedule, unless otherwise authorized by the commission:
  - (i) Positive displacement diaphragm-type meters that have capacities of 500 cubic feet per hour and under .....10 years.
  - (ii) Positive displacement diaphragm-type meters that have capacities over 500 cubic feet per hour .....7 years.
  - (iii) Other meter types, such as proportional, rotary, and turbine, may be tested in place when possible..... 2 years.
  - (iv) Orifice meters .....6 months.
  - (v) Gas instruments, such as base volume, base pressure, and base temperature-correcting devices, shall be removed and checked for calibration at intervals that correspond to the schedule for their associated meters and shall be checked for calibration in place at intervals of not more than ... ..2 years.
  - (vi) Test bottles, 1 cubic foot .....10 years.
  - (vii) Deadweight testers .....10 years.
  - (viii) Certified test meters .....10 years.

(Continued on Sheet No. B-12.0)

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(Continued from Sheet No. B11.0)

**B1.5.51 R 460.2351 Meters and associated metering devices; inspections and tests. (contd)**

(e) (contd)

- (ix) Meter testing systems shall be calibrated when first installed and after alterations, damages, or repairs that might affect accuracy. To assure that the accuracy of a meter testing system is maintained on a continuous basis, a daily leakage test shall be made and a weekly accuracy test with a comparison meter of known accuracy shall be made. If the test results differ by more than plus or minus 0.5% from the comparison meter, the cause of the error shall be determined and necessary corrections shall be made before the system is reused. The comparison meter shall be checked at an interval of 1 month.

**B1.5.52R 460.2352 Diaphragm-type meters; meter tests; reports.**

Rule 52.

- (1) A utility shall comply with the provisions of R 460.2351, except that a utility that receives approval from the commission may adopt the requirements of this rule.
- (2) This rule applies only to diaphragm-type meter categories that have a rated capacity as follows:
- (a) Category 1 - 500 cubic feet per hour or less.
- (b) Category 2 - 501 cubic feet per hour to 1000 cubic feet per hour.
- (c) Category 3 - 1001 cubic feet per hour or more.
- (3) As used in this rule:
- (a) "Meter class" means a group or groups of meters as assigned by the utility according to specified meter characteristics, such as TMS(type, make, size), set year, year of manufacture, or other similar characteristics.
- (b) "Norm" means the acceptable meter accuracy range between 98% and 102%.
- (c) "Test point," for a meter, means the numerical equivalent of the accuracy variance from norm, with 1 test point equal to a 1% variance. For example, a meter that is between 104.1% and 105.0% or between 95.0% and 95.9% accurate on test would have 3 test points.
- (4) The overall annual test rate criteria shall be determined pursuant to all of the following provisions:
- (a) Determine the average test points per meter for each meter class (Pmc).
- (b) Multiply the total number of installed meters at year-end in each class by the respective Pmc to determine the total test points for each meter class. The test points for each meter class shall be added to arrive at total overall test points(Pt) for all installed meters specified in subrule(2) of this rule.

(Continued on Sheet No. B-13.0)

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**B1.5.52 R 460.2352 Diaphragm-type meters; meter tests; reports.(contd)**

(4) (Contd)

- (c) Divide Pt by the total number of installed meters at year-end to determine the overall average test points per meter.
- (d) Using the overall average test points per meter determined in subdivision(c) of this subrule, determine the required percentage of total overall test points to be corrected the following year based upon the following table:

Overall average test points per meter(Pt)			Percentage of total overall test points to be corrected
.060	or	less	2
.061	-	.09	3
.091	-	.12	4
.121	-	.15	5
.151	-	.18	6
.181	-	.21	7
.211	-	.24	8
.241	-	.27	9
.271	-	.30	10
.301	-	.33	11
.331	-	.35	12
.351	or	more	15

- (e) Multiply Pt by the applicable percentage of the points to be corrected as specified in subdivision(d) of this subrule to determine the total minimum test points to be corrected for the following year.
- (f) The sum of Pmc times the number of meters tested for each meter class for the following year shall meet or exceed the total minimum test points to be corrected as determined in subdivision(e)of this subrule. The mix of meters to be tested shall be at the utility's discretion, if the requirements of subrules (5) and (6)of this rule are met.
- (g) With commission approval, a utility may modify the requirements set forth in subdivisions(b) to (f) of this subrule so as to make the required computations based not on the utility's test data from the prior year, but on the utility's test data from a calendar year 1 year earlier.

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**B1.5.52 R 460.2352 Diaphragm-type meters; meter tests; reports. (contd)**

- (5) Except for the nonregistering meters, all meters that are removed from customers' premises shall be tested and shall form the basis of determining the total minimum test points to be corrected for the following calendar year in accordance with the provisions of subrule(4) of this rule. If a utility has knowledge that a particular class of meters is not maintaining satisfactory accuracy and cannot be repaired to maintain satisfactory accuracy, the class of meters shall be removed from service and retired.
- (6) Not less than 2% of the total meters that are originally set in each set year and not less than 2% of the total meters in service in each meter class shall be tested annually, except that a meter need not be removed for testing within the first 4 years after it is set.
- (7) Not later than March 1 of each year, utilities shall file a report of the meters that have been tested during the preceding calendar year. The report shall detail all of the following information:
  - (a) All of the following meter characteristics:
    - (i) Set year.
    - (ii) Type of case.
    - (iii) Manufacturer.
    - (iv) Type of diaphragm.
    - (v) Revenue classification, either commercial and industrial or residential.
  - (b) The number of meters in each meter class tested and found within the norm and within each 1% variance from norm between 94% accuracy and 106% accuracy. Meters that are slower than 94% and faster than 106% shall each be grouped separately. For a utility that has more than 500,000 customers, the commission may approve a further 1% variance for meters that are slower than 94% and faster than 106%.
  - (c) A comparison of the total test meters that were tested in the preceding year with the standard required pursuant to the provisions of subrule(4)of this rule.
  - (d) Information and data that are needed to compute the total minimum test points to be corrected for the subsequent year in accordance with the provisions of subrule(4)(a) to (e) of this rule.
  - (e) The identity of the meter classes to be used for the subsequent year, including an explanation for any meter class changes.
  - (f) A separate section on meters that were retired during the preceding year that details the information identified in subdivision(a) of this subrule and the reasons for the retirement of the meters.

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**B1.5.53 R 460.2353 Retirement of Meters**

Rule 53 Meters shall be retired from service whenever abnormal conditions affecting accuracy cannot be corrected for economic or other reasons. Examples of such conditions are basic defects due to manufacture, design, or excessive damage. Meters may also be retired due to obsolescence, unavailability of repair parts, or other reasons.

**B1.5.54 R 460.2354 Accuracy of metering equipment; tests; standards.**

Rule 54.

- (1) The utility shall use the applicable provisions of the standards listed in R 460.2342 as criteria of accepted practice in testing meters.
- (2) Metering equipment shall be tested by comparison with the standards that are referenced in R 460.2342.
- (3) A gas service meter that is repaired or removed from service for any cause shall, before installation, be tested and adjusted to be correct within 1% fast or 1% slow.
- (4) Every diaphragm-type gas meter shall be tested before installation and adjusted, if required, to a meter accuracy of 100% plus or minus 1% at a low flow rate and at a high flow rate so that the numerical difference between the meter accuracy at these 2 flow rates is not more than 1 percentage point. A low flow rate is a flow at 20% to 50% of the rated capacity of the meter. A high flow rate is a flow at 80% to 120% of the rated capacity of the meter. The average meter accuracy of a diaphragm-type meter shall be defined as 1/2 the sum of the meter accuracy at the low flow test and at the high flow test.
- (5) All recording-type meters or associated instruments that have a timing element that serves to record the time at which the measurement occurs for billing purposes shall be adjusted at intervals of not more than 2 years so that the timing element is not in error by more than plus or minus 4 minutes in 24 hours, under laboratory conditions, as set forth in ANSI B109.1(which is adopted by reference in R 460.2342(b)(ii)), or by more than plus or minus 10 minutes in 24 hours under field conditions.

**B1.5.55 R 460.2355 Meter shop; design; meter testing system; standards; handling; calibration cards; calibrated orifices.**

Rule 55.

- (1) A utility shall maintain or designate a meter shop within Michigan for the purpose of inspecting, testing, and repairing meters. The shop shall be open for inspection by authorized representatives of the commission at all reasonable times. A utility may secure authority from the commission to have its meters tested outside of Michigan upon showing, to the satisfaction of the commission, that the meter test facilities so utilized are in compliance with these rules. Records of test results shall be maintained in Michigan or the administrative headquarters of the utility.

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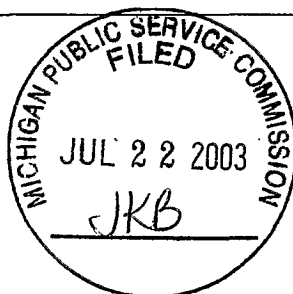
**B1.5.55 R 460.2355 Meter shop; design; meter testing system; standards; handling; calibration cards; calibrated orifices. (contd)**

- (2) The area within the meter shop that is used for the testing of meters shall be designed so that the meters and meter-testing equipment are protected from drafts and excessive changes in temperature. The meters to be tested shall be stored in such a manner that the temperature of the meters is substantially the same as the temperature of the prover.
- (3) A utility shall own and maintain, or have access to, a meter-testing system (working standard) of an approved type, subject to all of the following provisions:
  - (a) Means shall be provided to maintain the temperature of the liquid in a meter-testing system at substantially the same level as the ambient temperature in the prover area.
  - (b) The meter-testing system shall be maintained in good condition and in correct adjustment so that it shall be capable of determining the accuracy of any service meter to plus or minus 0.5%.
  - (c) A utility may use a properly calibrated test meter or transfer prover or may use a properly designed flow prover for testing meters.
- (4) Meter-testing systems (working standards) shall be checked by comparison with a secondary standard. Both of the following provisions shall be complied with:
  - (a) At least once every 5 years, bell and flow provers shall be checked with a 1-cubic foot bottle or shall be calibrated by dimensional measurement or any other test that is approved by the commission. The accuracy of the secondary standard that is used shall be traceable to the national institute of standards and technology.
  - (b) At least once every 10 years, rotary displacement transfer provers shall be checked with a standard that has its calibration traceable to the national institute of standards and technology or shall be checked by any other suitable test that is approved by the commission.
- (5) Extreme care shall be exercised in the use and handling of standards to assure that their accuracy is maintained.
- (6) Each standard shall have a certificate or calibration card which shall be duly signed and dated and which shall record the corrections that were required to compensate for errors found on the last test.
- (7) A utility shall have properly calibrated orifices to achieve the rates of flow required to test the meters on its system.

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**B1.5.56 R 460.2356 Pressure measurement standards.**

Rule 56.

- (1) For its working pressure measurement standards, a utility shall have manometers, laboratory-quality indicating pressure gauges, field-type deadweight pressure gauges, or any other instruments that have an accuracy error of not more than 1/2 of 1% of full scale, which shall be used to test the indicating and recording pressure gauges that are used in determining the pressure on the utility's system.
- (2) For its secondary pressure measurement standards, a utility shall own, or have access to, a pressure-testing instrument that has an accuracy error of not more than 1/10 of 1% of full scale, which shall be used to verify the accuracy of its working pressure measurement standards. An instrument that is used as a secondary pressure measurement standard shall be maintained in an accurate condition.

**B1.5.57 R 460.2357 Records; meter tests.**

Rule 57.

- (1) A utility shall maintain records of the last 2 tests made on any meter. The record of the meter test made at the time of the meter's retirement shall be maintained for a minimum of 3 years.
- (2) Test records shall include the following information:
  - (a) The date and reason for the test.
  - (b) The index reading of the meter at the time of removal from the customer's premises.
  - (c) The meter accuracy "as found."
- (3) If the test of the meter is made by using a test meter, transfer prover, or flow prover, the utility shall retain, as test records, all data taken at the time of the test in complete form to permit the checking of the test methods and the calculations.

**B1.5.58 R 460.2358 Records; meter and associated metering device data.**

Rule 58. A utility shall maintain records of the following data, where applicable, for each meter or associated metering device, or both, until retirement:

- (a) Descriptive data, manufacturer, identification number, type, capacity, multiplier, and constants.
- (b) The dates of installation and removal from service, together with the location of current and previous installation.

(Continued on Sheet No. B-18.0)

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**B1.6 BILL ADJUSTMENT; METER ACCURACY**

**B1.6.61 R 460.2361 Bill adjustment; meter accuracy.**

Rule 61. If a meter is found to be nonregistering or to have an average meter accuracy less than 98% or greater than 102%, an adjustment of bills for the inaccuracy may be made in the case of nonregistration or underregistration and shall be made in the case of overregistration. The adjustment shall be calculated on the basis that the meter is 100% accurate with respect to the testing equipment that is used to make the test.

**B1.6.62 R 460.2362 Determination of adjustment.**

Rule 62.

- (1) If the date that the period of inaccurate meter registration began can be determined, that date shall be the starting point for calculating an adjustment pursuant to the provisions of R 460.2361.
- (2) If the date that the period of inaccurate meter registration began cannot be determined, it shall be assumed that the inaccuracy existed for a period equal to 1/2 of the time elapsed since the meter was last installed on the present premises.
- (3) The adjustment shall be made on the basis of actual monthly consumption, if possible. Otherwise, the average monthly consumption that is determined from the most recent 36 months' consumption data shall be used.

**B1.6.63 R 460.2363 Refunds.**

Rule 63.

- (1) Refunds shall be made to the 2 most recent customers who received service through the meter found to be registering inaccurately. If the utility has not adopted the requirements of R 460.2352, the period that is used for determining the amount to be refunded shall not be more than 12 months. If the utility has adopted the requirements of R 460.2352, the period that is used for determining the amount to be refunded shall be the period of inaccurate meter registration that is determined pursuant to the provisions of R 460.2362(1) to (2). In the case of a previous customer who is no longer a customer of the utility, a notice of the amount of the refund shall be mailed to his or her last known address and the utility shall, upon demand made within 3 months, refund the amount.

(Continued on Sheet No. B-19.0)

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**B1.6.63 R 460.2363 Refunds. (contd)**

- (2) If the amount of the refund due an existing or previous customer as the result of meter overregistration is equal to, or more than, an average of 10 cents per month for the period that is used for determining the amount to be refunded, the full amount of the refund shall be made, except that a refund that is less than \$1.00 need not be made to an existing customer and a refund that is less than \$2.00 need not be made to a previous customer who is no longer a customer of the utility.

**B1.6.64 R 460.2364 Rebilling.**

Rule 64. If the amount due the utility as the result of meter nonregistration or underregistration is equal to, or more than, amounts set forth in R 460.2363(2) as minimum refunds, the utility may bill the customer for the amount due, but the period covered by the billing shall not be more than 12 months unless otherwise ordered by the commission. The utility shall offer the customer reasonable payment arrangements for the amount of the billing, taking into account the period covered by the billing. A rebilling policy that is adopted by a utility based on minimum amounts that are more than those set forth in R 460.2363(2) shall be uniformly applied to all customers.

**B1.6.65 R 460.2365 Consumption data records.**

Rule 65. Records of all consumption data and other data necessary for the administration of adjustment of bills shall be maintained for a minimum period of 36 months.

**B1.7 SHUTOFF OF SERVICE**

**B1.7.71 R 460.2371 Conditions for establishing gas service; liability; notice and record of inability to establish service; refusal of service to customer using other gaseous fuel; exception.**

Rule 71.

- (1) A utility shall not establish gas service to a customer's premises until the utility has done both of the following:
- (a) Performed a leakage test using gas at utilization pressure to ensure that the customer's fuel line is gastight.
  - (b) Made a determination that the gas odor is detectable.
- (2) This test shall not be construed to make the utility liable for the installation, maintenance, or use of piping or appliances that are owned by the customer, nor shall the utility be held liable for any continuing duty of inspection of piping or appliances.

(Continued on Sheet No. B-20.0)

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**B1.7.71 R 460.2371 Conditions for establishing gas service; liability; notice and record of inability to establish service; refusal of service to customer using other gaseous fuel; exception. (contd)**

- (3) If the condition of the customer's fuel line is such that service cannot be established, the utility shall notify the customer, in writing, of the reason or reasons that service was not established.
- (4) A record shall be kept by the utility of all cases where refusal to establish service is made. The record shall provide all of the following information:
  - (a) The name of the customer.
  - (b) The address or location of the premises.
  - (c) The date of the test.
  - (d) The name of the service person.
  - (e) All changes or rearrangements recommended.
- (5) Except in certain commercial and industrial applications that require a standby fuel that is authorized by the utility, the utility shall have the authority to refuse gas service to a customer that uses another gaseous fuel, such as liquefied petroleum gas, in the same building.

**B1.7.72 R 460.2372 Gas facilities hazard.**

Rule 72. When a utility acquires knowledge that a customer's action has caused a hazardous condition to exist with respect to a gas facility, the utility shall initiate the following action depending on the facility that is involved:

- (a) For a utility's facilities, the utility shall correct the condition at the expense of the customer or shut off service to the customer.
- (b) For a customer's facilities, the utility shall correct the condition at the expense of the customer, if such action is authorized by the utility's service policy and if the customer consents. Otherwise, the utility shall shut off service to the customer until the condition has been corrected.

**B1.7.73 R 460.2373 Shutoff of service.**

Rule 73. Under any of the following conditions, gas service may be shut off by the utility:

- (a) A hazardous condition exists. In this instance gas service may be shut off without prior notification.
- (b) A potentially hazardous condition exists. In this instance gas service may be shut off upon implementing the customer notification procedures set forth in R 460.2071 et seq. and R 460.2101 et seq. of the Michigan Administrative Code and in the utility's rate book.

(Continued on Sheet No. B-21.0)

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(Continued from Sheet No. B-20.0)

**B1.7.73 R 460.2373 Shutoff of service.(contd)**

- (c) Refusal of required access. In this instance gas service may be shut off upon implementing the customer notification procedures set forth in R 460.2071 et seq. and R 460.2101 et seq. of the Michigan Administrative Code and in the utility's rate book.

**B1.7.74 R 460.2374 Customer notification of shutoff of service.**

Rule 74. A utility shall include, in its rate book, notification procedures to be utilized in dealing with potentially hazardous conditions and refusal of required access conditions.

**B1.8 GAS QUALITY**

**B1.8.81 R 460.2381 Gas purity.**

Rule 81.

- (1) Gas that is distributed by a utility to a customer shall not contain more than 0.3 grains of hydrogen sulfide or more than 20 grains of total sulfur per 100 cubic feet, including the sulfur in any hydrogen sulfide.
- (2) Gas that is distributed by a utility to a customer shall not contain flammable liquids in quantities that interfere with the normal operation of the customer's equipment.

**B1.8.82 R 460.2382 Heating value; authorized variations.**

Rule 82.

- (1) The heating value of substitute natural gas and mixed gas shall be considered as being under the control of the utility. The average heating value on 1 day shall not be more than or less than the standard total heating value range set forth in the utility's rules. A utility shall not add air to a gas stream if this results in a heating value that is below 1,000 British thermal units per standard cubic foot.
- (2) The average monthly heating value of gas that is supplied by a utility shall be 1,025 British thermal units per standard cubic foot, plus or minus 75 British thermal units. A greater variation may be authorized by the commission upon a showing by the utility that the variation will not adversely affect the efficient and satisfactory operation of its customers' appliances.

(Continued on Sheet No. B-22.0)

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**B1.8.83 R 460.2383 Heating value records; location and accuracy of measuring equipment; frequency of heating value determination.**

Rule 83.

- (1) A utility shall maintain records of the heating value of gas it distributes. Heating value test records shall be preserved for not less than 6 years. A utility shall utilize either the industry standards that are adopted by reference in R 460.2342(d) or other standards that are approved by the commission for heating value determination methods.
- (2) Heating value measuring equipment shall be installed in suitably located testing stations.
- (3) The accuracy of all heating value measuring equipment and the method of making heating value tests shall meet the industry standards that are adopted by reference in R 460.2342(d) or shall otherwise be approved by the commission. Recording equipment shall be tested not less than annually.
- (4) The utility shall determine the heating value of substitute natural gas and mixed gas not less than twice a day and shall make the tests during the periods of the a.m. and p.m. peak demands.
- (5) The utility shall determine the heating value of gas at least once a month. A utility that sells gas subject to a thermal adjustment shall determine the heating value at least once a day.

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SECTION B - PART II  
GENERAL RULES AND REGULATIONS FOR ALL CUSTOMERS

**B2 CHARACTERISTICS OF SERVICE**

**B2.1 Character of service**

Characteristics of service are set forth in the individual rate sheets contained in these Rules, Regulations and Rate Schedules. The Company reserves the right to change its system, type of gas supplied and its method of operation from time to time, pursuant to law and the provisions of these Rules, Regulations and Rate Schedules as, in its judgment, is necessary or advisable for economical and proper service to the public, subject to the lawful jurisdiction of the Michigan Public Service Commission

**B.2.2 Provisions hereof subject to termination, change or modification.**

These Rules, Regulations and Rate Schedules, general information, terms and conditions, characteristics of service, form of application and other provisions contained or referred to herein or in any revised sheet thereof, including agreements for service, are subject to such termination, change or modification, at any time, as may be provided by the lawful orders of the Michigan Public Service Commission. The Company reserves the right, in any manner permitted by law and at any time to terminate, change or modify these Rules, Regulations and Rate Schedules, general information, terms and conditions, characteristics of service, form of application and other provisions contained herein and in any revised sheet thereof including agreements for service.

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**B3 CONTROLLED SERVICE**

The Company may limit or deny gas service to new customers and additional service to existing customers when the Company deems it is necessary to conserve the Company's remaining supplies for higher priority service, or when supplies are determined to be depleted.

Such limitations or denials would be imposed in a uniform manner in accordance with the end use to be made of the gas. The lowest priority will be restricted first for control purposes. The following priority categories are established of which category 5 constitutes the lowest priority and category 1A the highest priority use.

PRIORITIES OF SERVICE: Refer to Sheet No. B-27.0 for category status.

- 1A - Residential General Firm
- 1B - Residential Space Heating Firm
- 2A - Commercial or Industrial Firm--uses to 10 Mcf/day
- 2B - Commercial or Industrial Firm--uses to 25 Mcf/day
- 2C - Commercial or Industrial Firm--uses to 50 Mcf/day
- 3 - Small Volume Interruptible--to 199 Mcf/day
- 4 - Large Volume Firm--50 Mcf/day or greater  
Special Contract Firm/Interruptible Service
- 5 - Large Volume Interruptible--200 Mcf/day and over

**SPECIAL ITEMS AND CONDITIONS**

Section A. Under the priority of service plan, application for interruptible service will be treated independently from application for firm service. Limitations or denial of service may be imposed upon each type of customer depending on the characteristics of the available gas supply and type of service requested.

Section B. The Company shall inform the PSC when changes are made in the availability of gas to various priority categories. The changes will be effective upon this date of filing with the Commission.

Section C. Any interruptible customer using over 50 Mcf/day is prohibited from switching to firm service.

Section D. All small volume interruptible customers will maintain a minimum of 30 days' alternate fuel supply.

(Continued on Sheet No. B-26.0)

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**B3 CONTROLLED SERVICE (contd)**

DEFINITIONS FOR GAS SERVICE:

Residential -- Service to customers for residential purposes only in a single-family dwelling or in individually metered apartment units.

Commercial -- Service to customers who are primarily engaged in wholesale or retail trade, agriculture, local, state or federal government, forestry, fishery, transportation, communication, sanitary service facilities, insurance and real estate, private service (clubs, hotels, rooming houses, hospitals, etc.) and any service that does not fall within or in another category of service.

Industrial -- Service to customers who are engaged primarily in a process that creates or changes raw or unfinished materials to another form of product, including, in some cases, the generation of electric power.

Feedstock Gas -- The use or chemical process of natural gas as a raw material in creating their product.

Process Gas -- Gas used for fuel where no alternate fuel may be used, such as an application requiring precise temperature control and precise flame characteristics.

Boiler Fuel -- Natural gas used as a fuel for the generation of steam or electricity.

Estimation of maximum daily requirements for an industrial customer will be determined by multiplying the maximum daily rating customer's equipment by 20 hours of operation per day unless a more accurate determination is possible.

(Continued on Sheet No. B-27.0)

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**B3 CONTROLLED SERVICE (contd)**

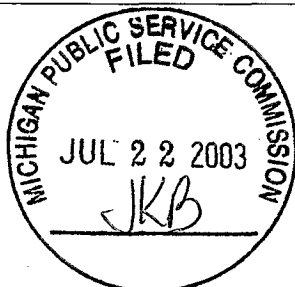
**PRIORITY OF SERVICE STATUS**

<u>Status</u>	<u>Classification</u>
Open	1A -- Residential General Firm
Open	1B -- Residential Space Heating Firm
Open	2A -- Commercial or Industrial Firm - uses to 10 Mcf/day
Open	2B -- Commercial or Industrial Firm - uses to 25 Mcf/day
Open	2C -- Commercial or Industrial Firm - uses to 50 Mcf/day
Open	3 -- Small Volume Interruptible - to 199 Mcf/day
Closed	4 -- Large Volume Firm - 50 Mcf/day or greater Special Contract Firm/Interruptible Service
Closed	5 -- Large Volume Interruptible - 200 Mcf/day and over

Total additional sales in Michigan and Wisconsin in the open priorities will be limited to the 5,170 Mcf/day capacity available.

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**B4. CURTAILMENT OF GAS SERVICE**

**B4.1 Definitions**

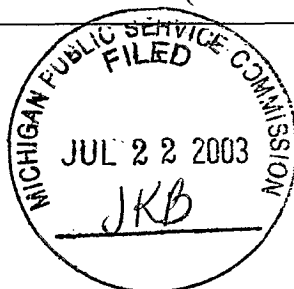
The following terms used in this rule shall have the meanings hereinafter set forth:

- A. **Commercial gas requirements** shall include all service to customers engaged primarily in the furnishing or sale of goods or services including schools, local, state and federal government agencies and other public or private institutions for use other than those involving manufacturing or electric power generation.
- B. **Curtailment / Interruption** is defined as a restriction of supply to customers resulting from 1) a capacity constraint on the Company's distribution system, 2) the unavailability of gas supply, pipeline contract capacity restriction, or other required pipeline services needed to serve customers or 3) condition requiring an interruption to enable the Company to meet its daily nomination and to comply with applicable FERC gas tariff provisions of its suppliers or 4) other unforeseen events requiring the Company to reduce load.
- C. **Customers**, unless otherwise specified, shall mean sales customers, and transportation customers.
- D. **Deliveries** shall mean both transportation and sales volumes.
- E. **Distribution system capacity restriction** shall mean emergency situations whereby anticipated load may temporarily exceed the capacity of the Company's distribution system to deliver volumes commensurate with such load, or distribution system capacity restrictions due to force majeure or other damage to the Company's facilities such that the full design capacity of the distribution system is not available. See Section B4.3E of this rule.
- F. **Distribution system or supply limitation** shall mean a curtailment/interruption becomes necessary due to supply deficiency or an emergency situation resulting from a distribution system capacity restriction or other force majeure, the Company shall curtail gas service in accordance with Section B4.3F.
- G. **End use customer** is a customer under the Company's sales and transportation rate schedules where the gas is used or consumed on the customer's premises to which the gas was delivered.

(Continued on Sheet No. B-29.0)

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**B4. CURTAILMENT OF GAS SERVICE (contd)**

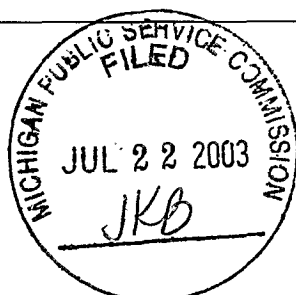
**B4.1 Definitions (contd)**

- H. Force majeure** shall mean acts of God, strikes, lockouts, or other industrial disturbances; acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms (including but not limited to hurricanes or hurricane warnings), crevasses, floods, washouts, actions of the government restricting use of the Company's facilities or operations, either Federal or State, civil or military disturbances. Force majeure shall also mean shutdowns for purposes of necessary repairs, relocation, or construction of facilities; inability to maintain sufficient pressure; failure of electronic data capability; breakage or accident to machinery or lines of pipeline; the necessity of testing (as required by governmental authority or as deemed necessary by the Company for the safe operation thereof), the necessity of making repairs or alterations to machinery or lines of pipe; failure of surface equipment or pipelines; accidents, breakdowns, inability to obtain necessary materials, supplies, rights of way or permits, or labor to perform or comply with any obligation or condition of service; and any other causes, whether of the kind herein enumerated or otherwise which are not reasonably within the control of the Company. It is understood that the settlement of strikes and lockouts or controversies with landowners involving rights of way shall be entirely within the Company's discretion and that the above requirement that any force majeure be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts or controversies with landowners involving rights of way by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the Company.
- I. Industrial gas requirements** shall include all service to customers engaged primarily in a process that creates or changes raw or unfinished materials into another form or product including the generation of electric power.
- J. Pipeline capacity limitation** shall mean a curtailment/interruption becomes necessary due to pipeline contract capacity restrictions or pipeline system constraint conditions, with no associated distribution capacity restriction or supply deficiency. The Company shall curtail gas service in accordance with the curtailment/interruption priority categories set forth in Section B4.3E.

(Continued on Sheet No. B-30.0)

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**B4. CURTAILMENT OF GAS SERVICE (contd)**

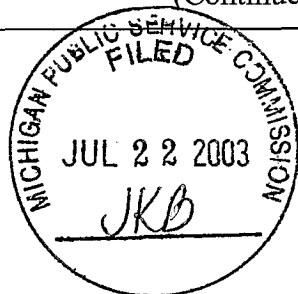
**B4.1 Definitions (contd)**

- K. Pipeline contract capacity restriction** shall mean any situation where anticipated load may temporarily exceed the capacity of the Company's interstate pipeline contracts to meet such load so as to require the Company to curtail or interrupt service to its customers to avoid the payment of penalties for over-take of gas but such that the full design capacity of the distribution system is unaffected. See Section B4.3E of this rule.
- L. Pipeline system constraint condition** shall mean any situation where a pipeline serving the Company reduces its daily balancing tolerance for transporters (including the Company) delivering gas into the Company's system or increases its imbalance or unauthorized overrun charges temporarily because of capacity limitations or for other reasons.
- M. Requirements for industrial plant protection** shall mean such minimum volumes of gas as required to prevent physical harm to the plant facilities or danger to plant personnel when such protection cannot be afforded through the use of an alternate fuel. This includes the protection of such material in process as would otherwise be destroyed, but shall not include deliveries required to maintain plant production.
- N. Requirements for services essential for public health and safety** shall mean gas purchased for use by or in connection with hospitals, convalescent homes, nursing homes, medical centers and clinics; water and sewage treatment and waste disposal facilities; civil defense centers and public utility buildings; newspapers, radio and television stations; fire stations, police stations, jails and penal institutions; and such other uses of gas as are found qualified by the Michigan Public Service Commission as requirements for services essential for public health and safety; provided, however, that requirements for boilers which have alternate fuel capability shall not qualify as requirements for services essential for public health and safety without the express authorization of the Michigan Public Service Commission.

(Continued on Sheet No. B-31.0)

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**B4. CURTAILMENT OF GAS SERVICE (contd)**

**B4.1 Definitions (contd)**

- O. Residential gas requirements** shall include all direct natural gas usage for space heating, cooking, water heating, and other residential uses in a single family dwelling or in an individual flat or apartment; or to two or more households served by a single meter (one customer) in a multiple family dwelling, or portion thereof. A “multiple family dwelling” includes such living facilities as, for example, cooperatives, condominiums and apartments; provided each household within such multiple family dwelling has the normal household facilities such as bathroom, individual cooking and kitchen sink. A “multiple family dwelling” does not include such living facilities as, for example, penal or corrective institutions, motels, hotels, dormitories, nursing homes, tourist homes, military barracks, hospitals, special care facilities or any other facilities primarily associated with the purchase, sale or supplying (for profit or otherwise) of a commodity, product, or service by a public or private person, entity, organization or institution.
- P. Supply deficiency** shall mean emergency situations whereby the Company is temporarily unable to procure gas supplies commensurate with its system requirements so as to require the Company to curtail or interrupt service to its customers to avoid the payment of penalties for over-take of gas. See Section B4.3F of this rule.
- Q. System supply customer** shall mean those customers who purchase natural gas requirements from the Company.

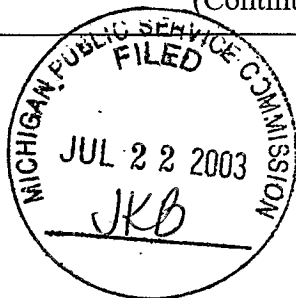
**B4.2 Availability of gas under interruptible rate schedules**

- (1) The amount of gas available at any time under interruptible service or special contract service is that portion of the total amount of natural gas available to the Company’s system, if any, in excess of the amount of natural gas required to meet the demand of the Company’s firm gas customers. The Company will endeavor to give customers as much advance notice as practicable whenever restriction of deliveries will be required. Under certain conditions, the notice might be given as little as one hour in advance, although normally longer notice will be given. The customer shall curtail his use of the gas at the time and to the extent requested by the Company.
- (2) No gas service on a firm rate shall be used as a standby for gas service on an off-peak or interruptible rate.

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**B4. CURTAILMENT OF GAS SERVICE (contd)**

**B4.3 Curtailment/Interruption of gas service**

A. Company's rights to curtail/interrupt

The Company recognizes its primary public service obligation is to maintain gas service to its customers. If, in the event of an emergency arising, for example, out of extreme cold weather, a pipeline system constraint condition, a supply deficiency, a pipeline contract capacity restriction, a distribution system capacity restriction or other causes referred to as force majeure situations, the Company determines that its ability to deliver gas may become inadequate to support continuous service to its customers on its system, the Company shall have the right to partially or completely curtail service to its customers in accordance with the curtailment procedures set forth below, irrespective of the contracts in force. This plan applies to all gas sales and transportation service provided by the Company. The Company will implement this curtailment plan throughout its system to the extent necessary and possible, consistent with its practical operation, considering such factors as system capacity and the extent to which curtailment of customers in a specific portion of the Company's system may remedy the emergency.

B. Steps prior to firm customer curtailment

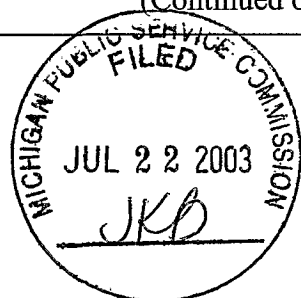
When there is adequate time during an emergency situation, and if applicable, the following steps will be implemented by the Company prior to the enforcement of the curtailment plan established by this Rule on firm customers.

- (1) Implement any existing contingency contracts for emergency gas supply purchases established in advance. Seek to purchase additional gas supplies at prices which shall be regarded as reasonable and prudent under the conditions then existing;
- (2) Implement an Operational Flow Order (OFO), as further described in Section B4.3C.
- (3) Interrupt service provided under an "interruptible" rate or contract then in effect.
- (4) Curtail deliveries to any special contract or back-up supply customer in excess of volumes allowed under contracts;

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**B4. CURTAILMENT OF GAS SERVICE (contd)**

**B4.3 Curtailment/Interruption of gas service (contd)**

B. Steps prior to firm customer curtailment (contd)

- (5) Ask transportation customers to voluntarily reduce use and/or increase deliveries.
- (6) Make a public service announcement for voluntarily dial-down actions by system supply customers.

C. Implementation of an Operational Flow Order (OFO)

(1) Purpose of an OFO

An OFO may limit the availability of daily balancing services for transportation customers and hold transportation customer to their pipeline confirmed nominations.

(2) Conditions for implementation of an OFO

An OFO may be implemented for any gas day during which one or more of the following conditions exist:

- (a) One or more of the pipelines serving the Company restricts the availability of authorized overrun service.
- (b) One or more of the pipelines serving the Company curtails interruptible deliveries and/or allocates firm transportation via primary or secondary delivery points.
- (c) One or more of the pipelines serving the Company declares some form of system constraint condition.
- (d) One or more of the pipelines serving the Company issues its own OFO or its equivalent to the Company.
- (e) As a preemptive action on the part of the Company to obviate the need to curtail firm gas deliveries due to an emergency on the Company's system.
- (f) As a preemptive action on the part of the Company to avoid the payment of penalties for over-take of gas.

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**B4. CURTAILMENT OF GAS SERVICE (contd)**

**B4.3 Curtailment/Interruption of gas service (contd)**

C. Implementation of an Operational Flow Order (OFO) (contd)

(3) Scope of an OFO

The OFO will be issued to those customers whose gas usage or nominating activity can be changed in order to minimize a) the potential of a curtailment on all or a portion of the Company's system or b) the potential imposition of penalties upon the Company.

(4) Notice of an OFO

(a) Preliminary notification of a possible OFO

To the extent possible or practical, the Company will notify all potentially affected transportation customers or their designated agents or gas marketers via telephone, facsimile or other electronic means as soon as it believes that an OFO may be required. Notice will indicate the period the OFO may be in effect and the anticipated level of restricted daily tolerance.

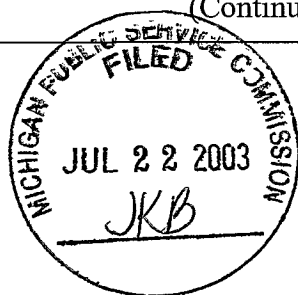
(b) Notification of an OFO

If the decision is made to implement an OFO, the Company will notify all affected transportation customers or their designated agents or gas marketer via telephone, facsimile or other electronic means. It is the customers' responsibility to inform the Company of the correct telephone and facsimile numbers and, if appropriate and available, to monitor the Company's electronic communication system for notice of an OFO. A facsimile confirmation sheet to the last facsimile number provided by the customer will be conclusive evidence that the Company provided appropriate notice. The Company will issue notice as soon as possible in advance of the deadline for nominations on the upstream pipelines. Notice will indicate the period the OFO will be in effect and the need for nomination changes, if necessary, to balance usage with gas deliveries to the Company. As soon as the Company determines that it is in a position to cancel the OFO, it will notify all affected transportation customers via telephone or facsimile as to when the OFO is canceled.

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**B4. CURTAILMENT OF GAS SERVICE (contd)****B4.3 Curtailment/Interruption of gas service (contd)**

## (5) Penalties for Violation of an OFO

After the Company has provided actual notice of implementation of an OFO, any gas usage in excess of the volumes authorized (confirmed nomination) are detailed in Rule B4.3K Penalty for unauthorized take.

## D. Notice of curtailment/interruption

If a customer curtailment/interruption becomes necessary, the Company shall provide notices to all affected customers or their designated agents or gas marketers via telephone, facsimile or other electronic means of the nature, probable duration and extent of such curtailment. Such notice might be given as little as one hour in advance, although normally longer notice will be given.

If a firm customer curtailment/interruption becomes necessary, the Company shall provide notice to the Commission as far in advance as possible.

## E. Method of curtailment/interruption – Pipeline capacity limitation

(1) If a curtailment/interruption becomes necessary due to pipeline contract capacity restrictions or pipeline system constraint conditions, with no associated distribution capacity restriction or supply deficiency, the Company shall determine the amount of firm service capacity that is available (residual firm capacity). The residual firm capacity shall be curtailed in accordance with the curtailment/interruption priority categories set forth in Section B4.3.E(2) of this Rule, beginning with Curtailment/Interruption Priority Seven and proceeding to the next highest priority category.

(a) Curtailments/Interruptions may be simultaneously instituted in more than one curtailment priority category provided that gas usage falling within a lower priority category is being completely curtailed.

(b) If system deliverability permits only partial delivery of gas to a given interruptible priority category of use, curtailment/interruption will be effected on a rotating basis.

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**B4. CURTAILMENT OF GAS SERVICE (contd)**

**B4.3 Curtailment/Interruption of gas service (contd)**

E. (1) (c) For transportation customers, positive daily scheduling variances shall be curtailed and any usage in excess of deliveries (flowing pipeline supplies) will be subject to penalty as described in B4.3K Penalty for unauthorized take. Usage in balance with deliveries on a daily basis is exempt from curtailment under this paragraph.

(2) Curtailment/interruption priorities - Pipeline capacity limitation

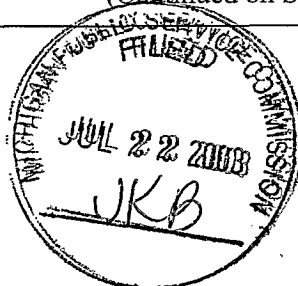
The Company may deviate from this order of curtailment or interruption for brief periods, in order to avoid shutdown of customer's facilities in force majeure or similar situations. In case of such deviation, the Company will so far as practicable subsequently equalize the curtailments within any priority. The Company will implement this curtailment plan throughout its Michigan system to the extent necessary and possible, consistent with its practical operation, considering such factors as system capacity and the extent to which curtailment of customers in a specific portion of the Company's system may remedy the emergency. Specifically, if curtailment or interruption of gas deliveries to a customer does not provide any relief to the Company, then the Company may continue to provide gas service for the customer.

Any usage above the curtailed volume shall be considered unauthorized and is subject to penalty as described in B4.3K Penalty for unauthorized take.

(Continued on Sheet No. B-37.0)

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(Continued from Sheet No. B-36.0)

**B4. CURTAILMENT OF GAS SERVICE (contd)**  
**B4.3 Curtailment/Interruption of gas service (contd)**

E. (2) Curtailment/interruption priorities – Pipeline capacity limitation (contd)

Priorities

Seven	Commercial and Industrial - Transportation Service Rate Sheet No. F-1.0
Six	Backup Capacity Service without Backup Supply Service Rate Sheet No. E-8.0
Five	Commercial and Industrial – Interruptible Use (Includes special contract customers.) Rate Sheet No. E-6.0
Four	Backup Constraint Day Service Rate Sheet No. E-9.0
Three	Backup Capacity Service with Backup Supply Service Rate Sheets No. E-7.0 and E-8.0.
Two	Commercial and Industrial General Service Rate Sheet No. E-5.0
One	Residential General Service Rate Sheet No. E-4.0

(Continued on Sheet No. B-38.0)

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**B4. CURTAILMENT OF GAS SERVICE (contd)**

**B4.3 Curtailment/Interruption of gas service (contd)**

F. Method of curtailment /interruption – Distribution system or supply limitation

(1) If a curtailment/interruption becomes necessary due to supply deficiency or an emergency situation resulting from a distribution system capacity restriction or other force majeure, the Company shall curtail gas service in accordance with Section B4.3F(2).

(a) Curtailments/Interruptions may be simultaneously instituted in more than one curtailment priority category provided that gas usage falling within a lower priority category is being completely curtailed.

(b) If system deliverability permits only partial delivery of gas to a given priority category of use, curtailment will be effected on a pro-rata basis.

(2) Curtailment/interruption priorities – Distribution system or supply limitation

The Company will implement this curtailment/interruption plan throughout its Michigan system to the extent necessary and possible, consistent with its practical operation, considering such factors as system capacity and the extent to which curtailment of customers in a specific portion of the Company's system may remedy the emergency. Specifically, if curtailment/interruption of gas deliveries to a customer does not provide any relief to the Company, then the Company may continue to provide gas service for the customer. In case of such deviation, the Company will, so far as practicable, subsequently equalize the curtailment within any priority.

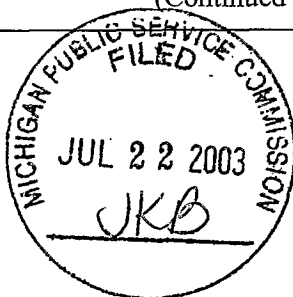
The Company may also deviate from this order of curtailment or interruption and interrupt interruptible loads of a higher priority to avoid curtailing firm loads of a lower priority, when such firm loads do not have alternate fuel capability. Such interruptions of interruptible loads will be made in the inverse order of the priorities in which such interruptible loads are classified, with full or 100 percent interruption to be directed and achieved in each priority before proceeding to the next priority. Interruptions of interruptible loads within any priority will be done on a pro rata basis as far as practicable. Any deviations from such pro rata interruptions will be equalized subsequently to the extent practicable.

Any usage above the curtail volume shall be considered unauthorized and is subject to penalty as described in B4.3K Penalty for unauthorized take.

(Continued on Sheet No. B-39.0)

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(Continued from Sheet No. B-38.0)

**B4. CURTAILMENT OF GAS SERVICE (contd)**  
**B4.3 Curtailment/Interruption of gas service (contd)**

F. (2) Curtailment/interruption priorities - Distribution system or supply limitation (contd)

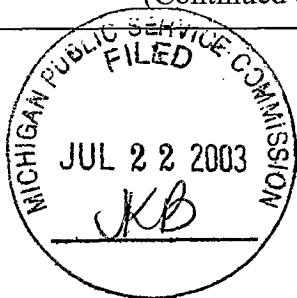
Priority

- |       |  |
|-------|--|
| Nine  | Company owned gas needed for gas balancing requirements for customers served under transportation service schedules.   |
| Eight | Industrial requirements for boiler fuel use above 500 Mcf per day, not otherwise classified.   |
| Seven | All commercial and industrial requirements for non-boiler use 500 Mcf per day and over, not otherwise classified; all commercial requirements above 500 Mcf per day, not otherwise classified.   |
| Six   | All commercial and industrial requirements from 200 Mcf per day through 499 Mcf per day, not otherwise classified.   |
| Five  | Requirements for essential process and feedstock uses and plant protection other than when production operations are shut down, except where the use of a fuel other than natural gas is economically practicable and that fuel is reasonably available. |
| Four  | Requirements for essential agricultural uses as certified by the U.S.D.A., except where the use of boiler fuel other than natural gas is economically practicable and that fuel is reasonably available.   |
| Three | Requirements greater than 199 Mcf per day for requirement for services essential for public health and safety except where the use of a fuel other than natural gas is economically practicable and that fuel is reasonably available. See Rule B4.1L.   |
| Two   | All commercial and irrigation requirements from 50 Mcf per day through 199 Mcf per day and all industrial requirements through 199 Mcf per day.  |
| One   | Residential, small commercial and irrigation requirements less than 50 Mcf on a peak day.  |

(Continued on Sheet No. B-40.0)

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(Continued from Sheet No. B-39.0)

**B4. CURTAILMENT OF GAS SERVICE (contd)**

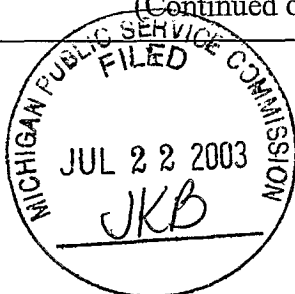
**B4.3 Curtailment/Interruption of gas service (contd)**

- G. During an emergency curtailment/interruption of gas service, public utilities that generate and distribute electricity shall be granted Priority Three service for that portion of the firm gas requirements of owned or firm contracted generation necessary to the discharge of the utilities' obligation to provide services.
- (1) Such classification of volumes qualifying for Priority Three shall be contingent upon the electric utility exercising due diligence in taking reasonable steps to minimize the use of natural gas during the course of the gas emergency, and consistent with maintenance of electric system integrity. To the extent that certain actions can minimize the use of natural gas, such actions may include, but are not limited to the following:
- (a) Bring on line any non-gas reserve capacity.
  - (b) Switch gas fired dual-fuel generating plants to an alternate fuel.
  - (c) Attempt to procure incremental purchased power.
  - (c) Curtail all non-firm off-system electric sales.
- (2) If, after having exhausted all available options to minimize the use of natural gas, conditions are such that curtailment of any portion of the remaining gas service to the electric utility will induce the implementation of the Emergency Electrical Procedures, then Priority Three capacity shall be allocated to the electric utility:
- (a) Sufficient to obviate the need to implement short-term Emergency Electrical Procedures during the first week of the gas emergency provided that the company has not invoked curtailment of Priority Three customers. If, however, the emergency is of such a severe nature that Priority Three customers must be curtailed, then the Company shall provide sufficient gas service to the electric utility to allow it to maintain its system integrity as it implements, to the fullest extent required by the emergency, both its short-term and long-term Emergency Electrical Procedures.

(Continued on Sheet No. B-41.0)

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(Continued from Sheet No. B-40.0)

**B4. CURTAILMENT OF GAS SERVICE (contd)**

**B4.3 Curtailment/Interruption of gas service (contd)**

G. Curtailment/Interruption priorities (contd)

- (b) Or, if the Company has invoked curtailment/interruption priorities to a level no deeper than Priority Four, the Company shall provide the electric utility sufficient Priority Three service to enable it to avoid the implementation of short-term Emergency Electrical Procedures during the first week of the gas emergency, and sufficient to avoid implementing long-term Emergency Electrical Procedures requiring public notification.
- (c) Or, if the company has invoked curtailment/interruption priorities to a level no deeper than Priority Four, then the Company shall provide sufficient Priority Three service to enable the electric utility to avoid the implementation of short-term and long-term Emergency Electrical Procedures.

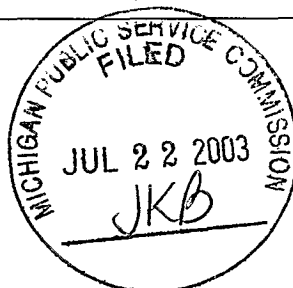
H. Diversion of customer-owned gas during gas emergencies

If the Company determines that its ability to deliver gas is inadequate to support continuous service to its customers on its system and it enforces the curtailment plan established in the Rule, the Company shall give end use transportation customers the option to sell to the Company their flowing pipeline supplies that have been curtailed. The price of the purchased gas will be negotiated between the transportation customer and the Company but be limited to the highest of a) the customer's reasonable costs associated with using alternate fuels during the period of diversion, b) the actual cost of the customer's diverted gas, or c) the highest daily price reported during the diversion period for NNG receipt point at Ventura or Demarcation as reported by Gas Daily. The Company shall not divert gas from transportation customers who do not have title to the gas being transported unless the owner of such gas voluntarily agrees that its gas may be purchased, borrowed or otherwise diverted by the Company pursuant to the option above. Nothing in these Rules relieves the Company from its obligation, under Act 304, of demonstrating the reasonableness and prudence of its gas purchases.

(Continued on Sheet No. B-42.0)

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(Continued from Sheet No. B-41.0)

**B4. CURTAILMENT OF GAS SERVICE (contd)**

**B4.3 Curtailment/Interruption of gas service (contd)**

I. Rate adjustments

A customer shall not be liable for any part of a monthly service charge provided in a rate schedule if such customer's consumption under that rate is completely curtailed for the entire billing period. No other rate adjustments will be permitted unless otherwise provided by contract.

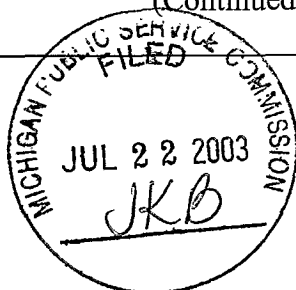
J. Enforcement

- a. The Company reserves the right to take special daily meter reads during periods when a curtailment/interruption has been instituted pursuant to Part B4.3 of this Rule. The Company reserves the right to inspect the customer's equipment, to install special metering, and to immediately physically interrupt gas service for violations of this Rule. Once gas service is terminated, the Company may withhold such service during the period of the curtailment/interruption until it is satisfied that the terms and conditions of this Rule will be observed.
- b. There is nothing in this Rule that shall prevent a customer from challenging before the Commission the continuation of a curtailment/interruption or that shall abridge the customer's right to appeal any such determination to the Commission.

(Continued on Sheet No. B-43.0)

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(Continued from Sheet No. B-42.0)

**B4. CURTAILMENT OF GAS SERVICE (contd)**  
**B4.3 Curtailment/Interruption of gas service (contd)**

K. Penalty for unauthorized take

Penalty which will apply to customers served under interruptible or transportation services who fail to comply with a Company request that customers curtail or interrupt all use of gas as requested:

If customer fails to curtail or interrupt his use of gas when requested to do so by the Company, any gas used in excess of the volumes authorized during a curtailment/interruption period will be subject to unauthorized use charges, in addition to the regular charges set forth in the applicable rate schedules. The charge for such unauthorized use shall be the highest daily price reported during the curtailment period for NNG receipt point at Ventura or Demarcation as reported by Gas Daily plus \$1.00 per therm or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service plus \$1.00 per therm. In the event that the Company receives a resulting penalty because of unauthorized usage, the charge for unauthorized usage shall be the higher of the penalty assessed by the pipeline (the largest penalty if multiple pipelines) or the index price plus \$1.00 per therm. Failure to pay an unauthorized use charge when due shall subject the customer to termination of gas service. If applicable, the charge for unauthorized take shall be added to the normal billing for the month immediately succeeding the billing period during which the unauthorized take occurred.

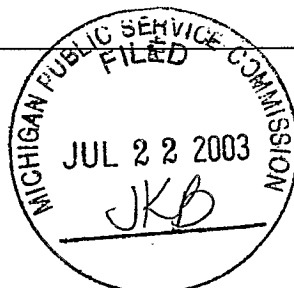
Unauthorized use charges collected by the company will be credited to the cost of gas sold and flow through the GCR. Gas subject to unauthorized use charges shall be considered a sale of gas.

**B4.4 Limitation of liability**

The Company shall, when acting reasonably and prudently in accordance with these rules, not be liable for any loss, cost, damage, injury, or expense that may be sustained by customer by reason of partial or complete curtailment of gas service.

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**B5 APPLICATION OF RATES**

**B5.1 Centrally metered installations**

On the effective date of this schedule no centrally metered gas installations (as described in Michigan Public Service Commission Case No. U-4211 Exhibit "A" dated April 29, 1974) exist in the Company's Michigan service area. Furthermore, no centrally metered installations as described in the above Case Number and Exhibit will be permitted in the future.

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**B6 CUSTOMER RESPONSIBILITIES**

**B6.1 Access to premises**

The Company shall at all reasonable times have access to the customer's premises for the purpose of ascertaining the quantity of gas supplied, for the purpose of inspecting, examining, repairing, installing or removing its regulators, meters, pipes, fittings or other equipment, and for the purpose of examining and inspecting the customer's installation of gas piping and equipment.

**B6.2 Point of delivery**

Unless otherwise provided by written agreement, ownership of gas shall pass from the utility to the customer at the outlet of the utility's meter measuring the delivery of such gas, or at the outlet of the regulator where metering is at a pressure above base pressure and the utility furnishes a regulator at the meter outlet.

**B6.3 Gas piping and equipment**

The customer shall furnish, install and maintain all building gas piping and gas utilization equipment beyond the meter outlet at his expense. Such gas piping and equipment shall be installed and maintained at all times in accordance with requirements set forth by properly constituted authority and by the Company. The Company assumes no responsibility in connection with the installation, maintenance or operation of gas piping and equipment beyond the meter outlet, and reserves the right to discontinue gas service at any time after reasonable notice, when practicable, if such gas piping and equipment is in an unsatisfactory or unsafe condition in the opinion of the Company.

**B6.4. Company equipment on premises being served**

- (1) All meters and regulators and other facilities placed on any premises by the Company for the purpose of rendering gas service shall, unless otherwise expressly provided, be and remain the property of the Company, and the customer shall exercise reasonable care to protect such property from loss or damage.
- (2) The customer shall be liable and shall reimburse the Company for all damages to the Company's equipment and for all loss resulting from customer's interference or tampering therewith. Upon the discovery of any such deliberate damage or interference, the Company shall have the right to terminate service after reasonable notice when practicable. Service may be restored upon the customer's payment of all losses and damages to the Company and the appropriate filed reconnection charge. Further interference or tampering by that customer shall be cause for permanent discontinuance of his service.

(Continued on Sheet No. B-48.0)

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(Continued from Sheet No. B-47.0)

**B6 CUSTOMER RESPONSIBILITIES (contd)**

**B6.4. Company equipment on premises being served (contd)**

- (3) The Company reserves the right to modify, change or exchange its facilities on the customer's premises, provided that where any such modification, change or exchange is made for the Company's convenience, the Company will bear the expense thereof, including the expense of change required in the customer's house piping.
- (4) When there is a change of any kind on the premises of the customer in operations or by reason of construction, reconstruction, alteration or demolition, which in the judgment of the Company makes the relocation of the installed gas service facilities of the Company necessary, or if the relocation of the gas service facilities of the Company is requested by the customer, the Company will move such facilities at the customer's expense to an acceptable location on the customer's premises.

**B6.5 Rights of way and consent of owner**

- (1) The customer will, without compensation, make or procure satisfactory conveyance to the Company of adequate rights of way for installation of pipe and other Company facilities necessary and incidental to furnishing service to the customer.
- (2) In case the customer is not the owner of the premises, the customer shall secure the owner's consent for the installation and maintenance on the premises of all gas piping and other gas equipment required for supplying gas service to the customer.

**B6.6. Regulating and metering**

The Company will furnish and maintain all equipment necessary for regulating, metering and billing the gas supplied, unless otherwise provided for in the rate schedule or contract which is in effect. The customer will provide a suitable space for such equipment. The Company will furnish gas to a customer at any one location through a single service.

**B6.7 Temporary suspension of gas service**

The Company may temporarily suspend service in order to make repairs and improvement in its distribution system. Whenever possible, such changes shall be made so as to cause the least inconvenience to the customers as a whole.

**B6.8. Escaping gas**

The customer will immediately give notice to the Company of any gas escaping in or about the premises.

(Continued on Sheet No. B-49.0)

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**B6 CUSTOMER RESPONSIBILITIES (contd)**

**B6.9 Connection / restoration of service**

- (1) In cases when initial service is requested, the connection fee shall be as follows. \$16.50 for one pair of gas and electric meters. When a special meter reading or meter installation is not required, the connection charge shall be \$7.50.
- (2) When service has been disconnected in accordance with these rules, charges for re-establishing service will be actual labor and transportation costs for disconnect and reconnect. A minimum charge of \$16.50 shall apply unless the customer requests reconnection during other than regular working hours, in which case a minimum charge of \$40.00 will apply.

If an authorized Company employee is sent to a premises for the purpose of disconnecting service for the nonpayment of an undisputed delinquent bill, said employee may accept payment and in such case shall not discontinue service if customer then and there tenders payment in full together with a reasonable charge for sending the employee to the premises.

**B6.10 Termination of service at customer request**

- (1) Any customer who desires a discontinuance of gas supply because he is vacating the premises, or because of any other reason, unless there is a provision to the contrary in the service contract or applicable rate schedule, should give advance notice to the Company of such desire and shall be liable for all gas supplied the premises to be vacated until such notice can be carried out by the Company, but not more than two working days after notice is given by the customer.
- (2) When a customer requests a disconnection and reconnection of service at the same location within any 12 month period the customer must pay a reconnect charge which is the higher of:
  - (a) The charges for connection of service in paragraph B6.9 above, or.
  - (b) The fixed charge set forth in the applicable rate schedule times the number of months service was disconnected.

**B6.11 Non-sufficient funds – NSF Charge**

A processing charge of \$10.00 shall be applied for each check issued as full or partial payment of bill if said check is not honored.

(Continued on Sheet No. B-50.0)

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(Continued from Sheet No. B-49.0)

**B6 CUSTOMER RESPONSIBILITIES (contd)**

**B6.12 Temporary gas service**

A customer taking temporary gas service shall pay the rates applicable to the class or service rendered and shall be subject to these rules and regulations. In such case, the Company may require that the customer pay in advance the cost of the installation and removal of all facilities, including the meter, required to furnish the desired service, less the salvage value of such facilities.

**B7 EXTENSION POLICY**

Rule B7 (Extension Policy) has been superseded by Rule B12 (Customer Attachment Program).

**B8 SERVICE LINES**

Rule B8 (Service Lines) has been superseded by Rule B12 (Customer Attachment Program).

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**B9 METERING CUSTOMER EQUIPMENT AND BILLING**

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**B10 GAS COST RECOVERY CLAUSE**

**B10.1 Applicability of clause**

All rates for gas service, unless otherwise provided in the applicable rate schedule, shall include a Gas Cost Recovery Factor to allow to Company to recover the booked costs of gas sold by the Company to Michigan customers if incurred under reasonable and prudent policies and practices.

**B10.2 Booked cost of gas sold**

- (1) Booked cost of gas sold as used in this rule includes the following as expensed on the books of the Company:
  - (a) Interstate Purchases: Cost for gas service.
  - (b) Intrastate Purchases: Costs for gas service incurred pursuant to all contracts on file with the Michigan Public Service Commission.
  - (c) Company-Produced Natural Gas: Costs which vary with volume produced.
  - (d) Company-Produced Substitute Natural Gas: Costs for feedstock used to produce substitute natural gas.
  - (e) Liquefied Petroleum Air Gas: Costs for propane used to produce a propane-air gas mixture.
  - (f) Storage Gas: Net costs of gas injected and withdrawn from underground storage facilities.
  - (g) Purchases From Other Michigan Utilities: Costs for gas service pursuant to contracts approved by the appropriate regulatory body.
  - (h) Supplier Refunds And Credits: Refunds and credits from suppliers in the period realized.
- (2) Booked cost of gas sold as used in this rule specifically excludes the following items:
  - (a) Gas used by the Company, at the annual average booked cost of gas sold.
  - (b) Lost and unaccounted for gas, at the annual average booked cost of gas sold.
  - (c) Gas sold at a price which does not include a gas cost recovery factor, at the incremental cost from the Company's suppliers.
  - (d) Contract, tariff and other penalties, unless the customers of the Company benefit as a result of payment of such penalties.

(Continued on Sheet No. B-54.0)

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**B10 GAS COST RECOVERY CLAUSE (contd)**

**B10.3 Billing**

- (1) In applying the Gas Cost Recovery Factor per Mcf or dekatherm, any fraction of 0.01 cent shall be rounded to the nearest 0.01 cent.
- (2) Each month the Company shall include in its rates a gas Cost Recovery Factor up to the maximum authorized by the Commission as shown on Sheet No. E-1.0. For months in which the Michigan Public Service Commission has not approved a specific Gas Cost Recovery Factor, the Company may include an appropriate Gas Cost Recovery Factors in its rates if authorized by law to do so.
- (3) The Gas Cost Recovery Factor shall be the same per therm for each billed customer. The factor shall be placed into effect in the first billing cycle of each monthly billing period and shall continue in effect throughout all cycles in each monthly billing period.
- (4) The Gas Cost Recovery Factor shall appear on all customer bills.

**B10.4 General conditions**

- (1) At least fifteen days prior to each billing month, the Company will notify the Public Service Commission staff as to the actual factor or factors to be billed to its customers in the subsequent month.
- (2) This Gas Cost Recovery Clause is authorized by the provisions of 1982 P.A. 304. A copy of that act is available for public inspection at each business office of the Company. The Company will provide a copy of the act to any customer upon request.

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**B11 REFUND PROCEDURES**

**B11.1 Receipt of refunds**

- (1) Identification of Supplier Refunds  
Contained within NSPW's annual GCR Reconciliation shall be a standard exhibit which identifies all pipeline or other supplier refunds received (in the form of a check, bill credit, or wire transfer) during the year covered in the GCR reconciliation. The exhibit shall include:
  - (a) The amount of each refund, including interest.
  - (b) Date received.
  - (c) Explanation of the reasons for each refund.
  - (d) Period covered by each refund (historical refund period).
- (2) Additionally, if any portion of the refund is properly allocable to non-GCR customers, this allocation and amount, along with calculations of deductions therefrom for Company Use and Lost and Unaccounted For volumes, shall also be included in the exhibit.

Failure of the utility to identify a refund within its GCR reconciliation shall result in an interest penalty of 50% over the normal authorized rate of return on common equity for the period of time the NSPW fails to comply with the identification requirement.

Allocation of refunds between Michigan and Wisconsin shall be based upon the consumption in each state during the historical refund period.

The Michigan refund liability is equal to the product of the total supplier refund and the ratio of Michigan rate schedule sales to total NSP sales during the historical refund period.

$$\text{\$ Refund Liability} = \text{\$ Supplier Refund} * (\text{Michigan Sales/Total NSP Sales})$$

**B11.2 GCR customer refunds**

- (1) Supplier Refunds  
All supplier refunds allocable to GCR customers shall be reflected as reduction to the GCR Cost of Gas Sold in the month received and included in the Cost of Purchased and Produced Gas. No deductions for Company Use and Lost and Unaccounted For Gas volumes shall be made from refunds allocated to GCR customers.
- (2) GCR Reconciliation  
Prior year GCR over/under recoveries due to reconciliation provisions of the Company's GCR Clause, shall be computed annually according to the provisions of 1982 PA 304. Such over under-recoveries and any Commission ordered adjustments or disallowances associated with the prior GCR year shall be reflected separately below the GCR Cost of Gas Sold line on the GCR Over/Under-recovery Reconciliation report.

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**B11 REFUND PROCEDURES(contd)**

**B11.2 GCR customer refunds(contd)**

(3) Other Refunds

All other refunds shall be reflected in the month the refund is received and shall be included on a separate line below the Cost of Gas Sold line on the Over/Under-recovery Reconciliation Report so that such refunds are readily identifiable.

**B11.3 Non-GCR customer refunds**

- (1) All supplier refunds allocable to non-GCR customers shall be allocated on the basis of actual consumption during the historical refund period. Deductions for Company Use and Lost and Unaccounted For volumes shall be made from the non-GCR portion of the refund based upon the actual percentage for Company Use and Lost and Unaccounted For during the historical refund period.
- (2) Portions of the refunds allocable to non-GCR customers shall be credited to a refund liability accounts to accrue interest until distributed. The Company shall include an application to refund these moneys in its next GCR Reconciliation filing.
- (3) The Company is not required to issue checks to customers who are in arrears with the Company, to customers for whom checks were returned as undeliverable in previous refunds or for refund amounts of less than \$5.00. Refunds may be applied against past due amounts owed to the Company and any excess refunded according to these procedures. After 90 days, any returned or uncashed refund checks shall be transferred to the non-GCR refund liability account for refund to non-GCR customers in the next GCR Reconciliation. Rights to any portion of a refund shall not vest until a refund check has been negotiated.
- (4) Refund completion reports for non-GCR customers shall be submitted to the Michigan Public Service Commission Staff six months following initial distribution of a non-GCR customer refund. Reports, at a minimum, should include the amount authorized for refund compared to the amount actually refunded and the date of the refund distribution.

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**B12 CUSTOMER ATTACHMENT PROGRAM**

**B12.1 Extension of distribution facilities**

The Company proposes to make extension of its gas mains and/or service lines from time to time, at its own costs, to serve applicants whose requirements will not disturb or impair the service to prior users or will not require an expenditure out of proportion to the expected revenue obtainable therefrom.

The Company reserves the right to delay or deny a request for service under this Schedule, if fulfilling such a request could, in the Company's opinion, create conditions potentially adverse to the Company or its customers. Such conditions may include, but are not limited to, safety issues, system operating requirements or capital constraints. The provisions under this Schedule are in addition to the existing rules and tariffs for customer gas service.

The company will furnish gas to a customer at any one building through a single service and will furnish and maintain the equipment necessary for metering and regulating the gas supplied. The customer will provide a suitable space for such equipment.

**B12.2 Customer contribution**

A customer contribution shall be required equal to any applicable Fixed Monthly Surcharge plus any Excessive Service Line Fee.

**B12.3 Payment of customer contribution**

For all customers other than land developers and builders, the Customer Contribution shall be paid as follows:

The Excessive Service Line Fee is payable in a lump sum at the time the service contract is executed by the customer or prior to installation of the service if the Fee is greater than \$200. If less than \$200, the Excessive Service Line Fee will be payable with the customer's first bill.

The Excessive Service Line Fee is refundable if the service line has not been installed. If the service line has been installed the Excessive Service Line Fee is nonrefundable.

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**B12 CUSTOMER ATTACHMENT PROGRAM (contd)**

**B12.3 Payment of customer contribution (contd)**

The Fixed Monthly Surcharge shall be payable monthly throughout the surcharge period. The surcharge period shall commence the January 1st following the start of construction. The Fixed Monthly Surcharge will commence at the start of the surcharge period or on the date that the customer receives gas service or six (6) months following the date the service agreement is executed by the customer, whichever occurs first at or after the start of the surcharge period. The customer may at any time elect to pay off the present value of the remaining monthly payments. If the present value of the Fixed Monthly Surcharge is less than \$200.00, the Company may require the customer to make a lump sum payment. The Fixed Monthly Surcharge is assessed to the property served such that any subsequent customer requesting gas service at the property address, once notified by the Company of the amount and duration of such surcharge, shall be liable for the Fixed Monthly Surcharge. Such notification may be verbal, written or in the form of a bill which includes the Fixed Monthly Surcharge. Failure of sellers, agents, lessors or other non-company parties to notify a customer of the Fixed Monthly Surcharge shall not relieve the customer's obligation to pay the Fixed Monthly Surcharge. Failure by the customer to timely pay the Fixed Monthly Surcharge shall result in the discontinuation, termination or denial of natural gas service.

For land developers and builder, the Fixed Monthly Surcharge shall be required in a lump sum in advance of the facility expansion. Excessive Service Line Fees will be calculated at the time of construction and paid to the company by the land developer or builder.

**B12.4 Excessive service line fee**

The Excessive Service Line Fee will be assessed to a customer whose service line requirement is in excess of the Service Line Limit. The Service Line Limit is equal to 60 feet. The Excessive Service Line Fee will equal the estimated cost of the service line footage in excess of the Service Line Limit. The Fee will be considered a contribution to construction.

**B12.5 Fixed monthly surcharge**

A Fixed Monthly Surcharge (Surcharge) will be calculated for each Customer Attachment Project (Project). The Surcharge will be considered a contribution to construction. The Surcharge is calculated such that the net present value (NPV) of the anticipated revenue requirement of the Project will equal zero.

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**B12 CUSTOMER ATTACHMENT PROGRAM (contd)**

**B12.5 Fixed monthly surcharge (contd)**

The Surcharge will be recoverable over a predetermined time period, not to exceed ten years. The Company will be responsible for determining the appropriate Surcharge time period. The Surcharge will be a fixed dollar amount for all customers within the Project and will expire on the same date for all customers within the Project, regardless of when the Surcharge was initially assessed to the customer. The Surcharge will not be subject to adjustment, reconciliation or refund. A customer who attaches to a Project after the Surcharge period has expired or a customer whose proposed attachment was beyond the scope of the original Project, will be treated as a separate Project.

**B12.6 Customer attachment project**

A project may consist of a single customer, requiring only the installation of a service line and meter, or may consist of numerous customers requiring the installation of mains, service lines and meters. A Project will generally be defined as a customer or group of customers that may be served from the contiguous expansion of new distribution facilities.

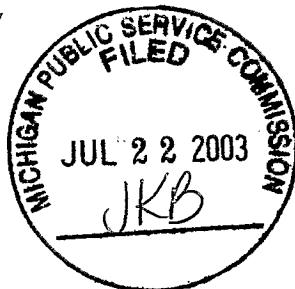
**B12.7 Revenue requirement**

A discounted cost of service model (Model) will be used to calculate the net present value (NPV) of the Revenue Requirement anticipated from the project. The Model will use the expected incremental revenues, customer contributions and incremental costs associated with the Project for each year of a thirty-seven year period. Within the Model the customer contributions will be adjusted until the NPV of the Revenue Requirements is equal to zero. If at zero customer contributions the NPV is positive, or discounted revenues exceed costs, then a customer contributions of zero will be used.

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**B12 CUSTOMER ATTACHMENT PROGRAM (contd)**

**B12.8 Model assumptions**

- a. Incremental Revenues:  
The incremental revenues will be calculated based on current rates and a forecast of the timing and number of customer attachments as well as the customers annual consumption levels.
- b. Incremental Costs:
- (1) Rate of Return  
The overall Rate of Return on rate base will be equal to that authorized in the Company's most recent rate order. In NSP-W's rate order in Case No. U-13365, dated September 16, 2002, the overall Rate of Return is equal to 8.25%. The Revenue Requirement Rate of Return used in this model is equal to 11.83%
  - (2) Plant in Service  
Plant in Service shall reflect the Company's estimated cost to construct distribution mains, customer service lines, meters and pressure regulators or regulating facilities for the Project. The timing of the facility investment, primarily service lines, will correspond with the project timing of the customer attachments.  
  
The facility investment for an individual customer service line will be limited to 60 feet.
  - (3) Rate Base  
Rate Base shall reflect the average of beginning and end-of-year net plant, Plant in Service minus accumulated depreciation minus deferred taxes.
  - (4) Return on Rate Base  
The Return on Rate Base will be the product of the Rate Base multiplied by the Revenue Requirement Rate of Return, noted in paragraph (1) above.
  - (5) Depreciation  
Depreciation expense will be the product of Plant in Service multiplied by the appropriate prescribed depreciation rates approved for the Company.

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**B12 CUSTOMER ATTACHMENT PROGRAM (contd)**

**B12.8 Model assumptions (contd)**

b. Incremental Costs: (contd)

(6) Property Taxes and Other Operating Expenses

Property Taxes will be the product of Plant in Service multiplied by the Company's average property tax rate. All Other Incremental Operating Expenses will be included as identified. Incremental O&M will at a minimum include a proportional cost for monthly meter reading, billing and mailing.

(7) Discount Rate

The Discount Rate will be the overall rate of return authorized in the Company's most recent rate order. Based on NSPW's rate order in Case No. U-13365, dated September 16, 2002, the Discount Rate is equal to 8.25%%.

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