

Retired Natural Gas Utility Rate Book

The entire rate book entitled SEMCO Energy Gas Company (Battle Creek Division) – MPSC No. 2 Gas with approved rate schedules, rules, regulations, and standard forms, was retired January 15, 2008, in compliance with the Commission's Order in Case No. U-15152 issued on October 9, 2007.

TITLE PAGE

SEMCO ENERGY GAS COMPANY
(A Division of SEMCO ENERGY, INC.)

BATTLE CREEK DIVISION

RULES, REGULATIONS AND RATE SCHEDULES
FOR GAS SERVICE

Territory

These Rules, Regulations and Rate Schedules apply to the
Territory in and surrounding Battle Creek Served With Natural Gas by the Company.

Michigan Public Service
Commission

July 25, 2007

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Issued June 26, 2007 by
Eugene N. Dubay
Sr. Vice President and C.O.O
Port Huron, MI 48060

Effective for Gas Service Rendered On
and After July 2, 2007.
Issued Under Authority of the Michigan
Public Service Commission dated
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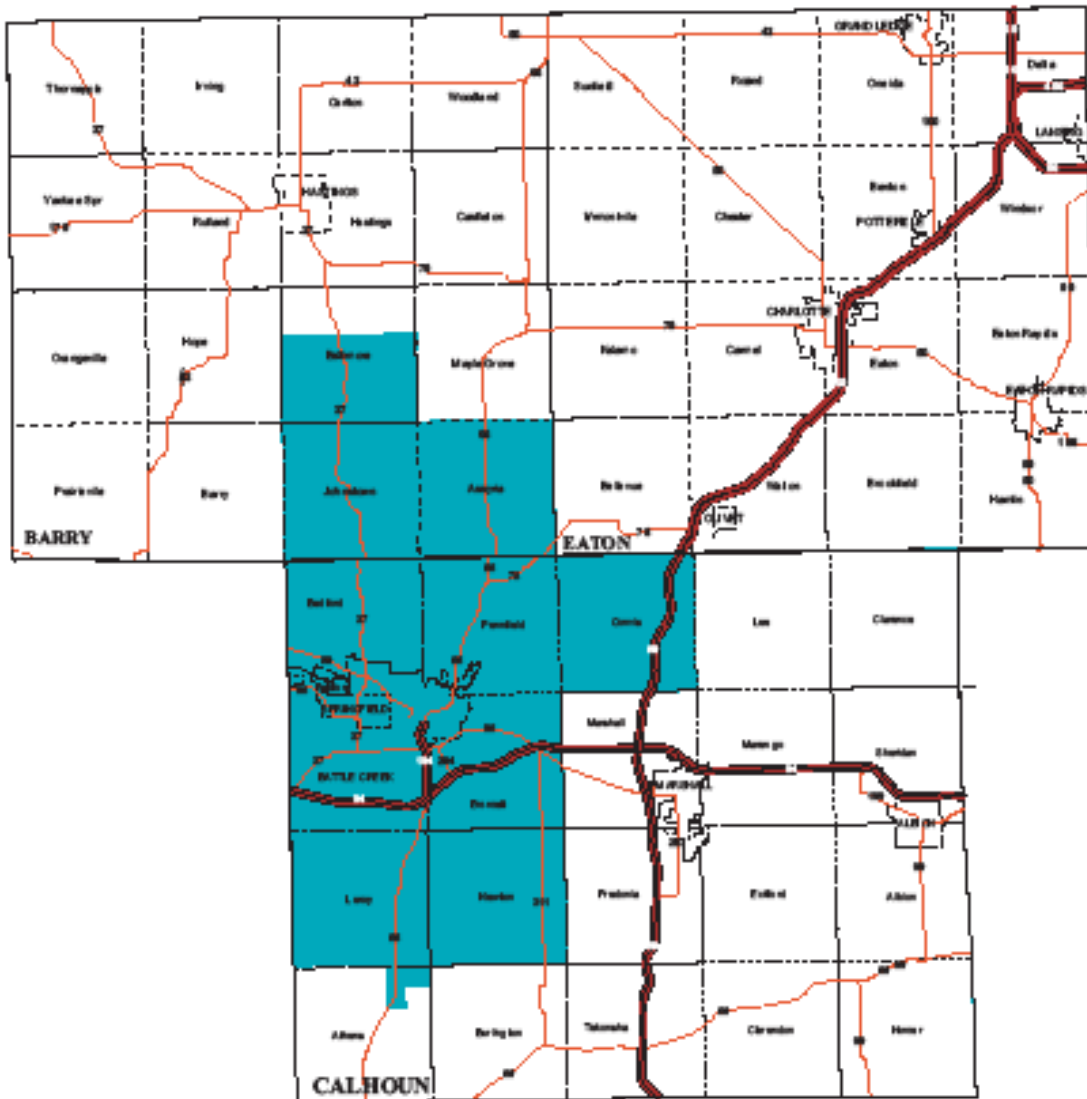
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TERRITORY SERVED

City:

Village of:

Township of:

CALHOUN COUNTY

Battle Creek
Springfield

Athens
Battle Creek
Bedford
Clarence

Emmett
Leroy
Newton

Pennfield

Convis

BARRY COUNTY

Johnstown

Assyria

Baltimore

EATON COUNTY

Bellevue
Walton

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SECTION A
SUPPLEMENTAL UTILITY SERVICE CHARGES
FOR ALL CUSTOMERS

The charges shown on this sheet are not subject to approval by the Michigan Public Service Commission. The Company will make changes in these charges from time to time to include the current prices for the services offered.

LABOR CHARGES

Where service by the Company is performed for which the customer is responsible and the charge for the service is based upon Time and Materials (T & M), the labor charge shall be:

Regular Rates – \$75.00 per hour per employee (\$50.00 minimum charge).

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METER TEST CHARGE

The charge for a gas meter test when applicable per B.1.5.51 (Rule R460.2351) will be based upon time and materials.

ELEVATED PRESSURE CHARGE

Where a customer requires the Company to provide gas service at an elevated pressure (a pressure higher than standard pressure), the customer shall pay an initial charge of \$300 and shall pay an additional \$100 for each annual inspection of the system pressure there after. Elevated pressure provided at 2.0 p.s.i. for residential use shall be exempt from such charge.

ADDITIONAL METER BRACKET CHARGE

Where the Company sets an additional meter bracket from a single service at the same time as the Company installs the first meter bracket, the customer shall be subject to the charges directed by Rule B12, Customer Attachment Program.

Where the Company installs an additional meter bracket from a single service line at a time other than when the original meter bracket is installed, the charge shall be \$200.

SERVICE LINE AND/OR METER RELOCATION CHARGE

A charge for a customer requested meter relocation shall be based upon time and materials.

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SECTION A
TECHNICAL TERMS AND ABBREVIATIONS
FOR ALL CUSTOMERS

British Thermal Unit -- The quantity of heat that must be added to 1 avoirdupois 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.

Btu -- British thermal unit.

Ccf -- 100 cubic feet.

Cfh -- Cubic feet per hour.

Commission -- The Michigan Public Service Commission.

Company -- SEMCO ENERGY GAS COMPANY – BATTLE CREEK Division

Cubic Foot of Gas:

(A) If gas is supplied and metered to a customer at the standard delivery pressure of domestic appliances, a cubic foot of gas means that volume of gas which, at the temperature and pressure existing in the meter, occupies one cubic foot, except where a temperature compensating device is built into the meter, in which case a cubic foot of gas means that quantity of gas which, at the pressure existing in the meter and the temperature corrected to 60 degrees Fahrenheit, occupies one cubic foot.

(B) 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.

(C) 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.

(D) For all reports to the Commission, a cubic foot of gas means that volume of gas which when dry, at 60 degrees Fahrenheit and at absolute pressure of 14.73 pounds per square inch, occupies one cubic foot.

Customer -- Individual or business, excluding other gas utilities, that purchases gas or transportation services, or both, on the utility's system.

Hazardous Condition -- 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.

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Dth – Decatherm – 1,000,000 Btu or 10 Therms

Liquefied Petroleum Air Mixture -- A gas produced by mixing an appropriate quantity of air with propane vapor, butane vapor, or a mixture of such vapors.

LP - Air - Gas -- Liquefied Petroleum air gas.

LPG -- Liquefied petroleum gas.

Mcf -- 1,000 cubic feet.

Meter -- Unless otherwise qualified, a device of a utility used in measuring a quantity of gas.

Meter Accuracy -- 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.

Mixed Gas -- A gas that is produced by mixing natural gas with any of the following:

- (A) Air.
- (B) Inert gas.
- (C) Liquefied petroleum gas.
- (D) Liquefied petroleum gas-air mixture.
- (E) Other flammable gas.
- (F) Substitute natural gas.

Premises -- Land or real estate, including buildings and other appurtenances thereon.

Potentially hazardous condition -- Any condition that 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:

- (A) Customer failure to permit the utility to perform inspections and maintenance on the utility's facilities in or on the customer's premises.
- (B) Customer alterations or modifications of the utility's facilities located in or on the customer's premises.

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(C) 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.

(D) 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.

Rate Book -- The assembled rate schedules, rules, regulations, and standard forms of the utility as filed with the commission.

Required Access -- Access that is necessary to conduct any of the following:

(A) Routine inspections and maintenance.

(B) Meter readings of gas usage.

(C) Scheduled replacement, repairs, relocations, or disconnection of branch service lines or other changes with respect to service lines and meter assembly piping.

SNG -- Substitute natural gas.

Substitute Natural Gas -- Gas which is interchangeable and compatible with natural gas, and which is manufactured from carbon and hydrogen-bearing materials.

Therm -- 100,000 British thermal units.

Utility -- 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.

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**SECTION B - PART I
RULES AND REGULATIONS
TECHNICAL STANDARDS OF GAS SERVICE
FOR ALL CUSTOMERS**

B1. TECHNICAL STANDARDS (Except Definitions; See Section A)

The Company has adopted the following Rules from the Michigan Public Service Commission's Order in Case No. U-10002 which revises Order No. U-5395.

B1.1 General Provisions:

(A) Definitions

Definitions of terms used in this Technical Standards Rule are contained in Section A, "Technical Terms and Abbreviations."

- (B) R 460.2301 (2).** Gas volume corrections for temperature shall be made in accordance with Charles' Law. Gas volume corrections for super compressibility shall be made in accordance with the American Gas Association, "Manual for the Determination of Supercompressibility Factors for Natural Gas."

- (C) 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.

- (D) R 460.2303 Rescission**

Rule 3. R 460.891 to R 460.914, R 460.916, R 460.919, R 460.920, R 460.926, and R 460.927 of the Michigan Administrative Code, appearing on pages 6094 to 6102, and 6104 of the 1954 volume of the Code, and pages 1070 and 1071 of the 1958 Annual Supplement to the Code, are rescinded.

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B1.2 Records, Reports and Other Information:

(A) 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.

(B) 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.

(C) 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.
- (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:

(A) 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.

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- (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.
- (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.

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- (ii) "Compressibility and Supercompressibility for Natural Gas and Other Hydrocarbon Gases, Transmission Measurement Committee Report No. 8," (1992) (A.G.A. Catalog No. XQ9212) . . \$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.
 - (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.
- (B) 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.
- (C) 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.
- (D) R 460.2334 Temporary Service
- Rule 34. If a utility renders temporary service to a customer for a period not exceeding two 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 or 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.
- (E) 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.

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- (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 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:

(A) 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.

(B) R 470.2342 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:
 - (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).

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- (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 Empirical 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 N. 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:
 - (i) "NFPA Standard 58, Storage and Handling of Liquefied Petroleum Gases," (1992) \$24.50 (\$22.00 for NFPA members).

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- (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.

(C) R 460.2343 Rescinded.

B1.5 Inspection of Meters:

(A) 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:

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- (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 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 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 one 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 one of the following tests:
 - (A) Immersion Test.
 - (B) Soap Test.
 - (C) Pressure drop test of a type acceptable to the Commission.

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- (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:
- (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 CFH and under 10 years
 - (ii) Positive displacement diaphragm-type meters that have capacities over 500 CFH 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

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- (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 meter 10 years
 - (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 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
- (B) R 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 having a rated capacity as follows:
 - (a) Category 1 - 500 CFH or less
 - (b) Category 2 - 501 CFH to 1000 CFH
 - (c) Category 3 - 1001 CFH 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.

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- (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 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 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.
 - (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:

Percentage of Total Overall Average Test Points per Meter (Pt)	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 greater	15

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- (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.
- (5) Except for the non-registering 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 four 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%.

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- (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.

(C) 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.

(D) 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.

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- (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 four minutes in 24 hours, under laboratory conditions, as set forth in ANSI B-109.1, (which is adopted by reference in R 460.2342 (b) (ii), or by more than plus or minus ten minutes in 24 hours under field conditions.
- (E) 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.
- (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 prover 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.

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- (4) Meter-testing system (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 one 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.

(F) 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.

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(G) R 460.2357 Records; Meter Tests

Rule 57.

- (1) A utility shall maintain records of the last two 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 three 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.

(H) 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:

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

B1.6 Bill Adjustment; Meter Accuracy

(A) R 460.2361 Bill Adjustment; Meter Accuracy

Rule 61. If a meter is found to be non-registering 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 non-registration or under-registration and shall be made in the case of over-registration. 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.

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(B) 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 one-half 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.

(C) R 460.2363 Refunds

Rule 63.

- (1) Refunds shall be made to the two 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 three months, refund the amount.
- (2) If the amount of the refund due an existing or previous customer as the result of meter over-registration 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.

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(D) R 460.2364 Rebilling

Rule 64.

If the amount due the utility as the result of meter non-registration or under-registration 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 460.2362(2) shall be uniformly applied to all customers.

(E) 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:

(A) 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.

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- (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 of 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.

(B) 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.

(C) 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.

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- (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.
- (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.

(D) 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:

(A) 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 sulfides.
- (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.

(B) 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 one 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 Btu.

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- (2) The average monthly heating value of gas that is supplied by a utility shall be 1,025 Btu +/-75 Btu. 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 customer's appliances.
- (C) 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 AM and PM 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.
- (D) R 460.2384 Rescinded.

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

These General Rules and Regulations for all customers are not to supersede but are in addition to Rule B1., Technical Standards for Gas Service, Rules C1.- C7., Consumer Standards and Billing Practices for Residential Customers, and Rule D1., Commercial and Industrial Billing Practices.

B.2 CHARACTERISTICS OF SERVICE

B2.1 Gas Supply and Company Liability:

The Company does not guarantee, but will endeavor to furnish, a continuous supply of gas and to maintain pressure within reasonable limits. The Company shall not be liable for loss or damage which the customer may sustain by accidents, repairs or otherwise, or incurred by the use of gas or appliances or presence of the Company's property on the customer's premises. Nor shall the Company be held liable for loss or damage occurring under or by virtue of the exercise of authority or regulation by governmental, military or lawfully established civilian agencies, or due to conditions or causes beyond the Company's control.

If the supply of natural gas diminishes to the point where continuous service to other customers is threatened, the Company shall have the right to limit or discontinue the use of service for its industrial customers, irrespective of the contracts in force, as provided for in rule B4.

Before purchasing equipment or installing piping, the customer shall secure from the Company, in writing, the characteristics of the service available.

B2.2 Discontinuance of Supply or Service:

The Company shall have the right at any time to terminate its service contract for breach of any of the terms and conditions thereof. The Company shall also have the right to stop service of gas to be furnished thereunder, without notice, for any of the following reasons or purposes, without such action causing a termination of such agreement:

- A. For the purpose of making repairs or extensions;
- B. On account of or to prevent fraud or abuse;
- C. For violation of any of the Company's regulations;

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- D. For the reason that the customer's service is detrimental to the service in general or in his immediate locality;
- E. When made incompatible with order, ordinances, or laws of the United States of America, the State of Michigan or any political subdivision thereof;
- F. Upon proper notice for nonpayment of bill;
- G. If the customer's equipment is not approved by any local governmental agency in charge of such matters.

B2.3 Heating Installations:

The Company will have the right to refuse to connect and serve central heating installations in which gas is the only or the principle fuel used, where such installations are, in the opinion of the Company, unsafe or dangerous to operate. The safety of equipment shall be judged by, but not limited to, compliance with the following:

- A. All gas conversion burners to be installed shall either be A.G.A certified or approved by the Company and all gas designed heating plants shall either meet A.G.A. requirements or be approved by the Company.
- B. Conversion burners must be properly sized for safe operation in the heating plant being converted.
- C. No conversion burner shall be connected which is installed in a furnace in which its operation would be dangerous because of the condition of the furnace, chimney, or flue.
- D. No gas heating equipment shall be connected, the operation of which would be dangerous because of improper installation.
- E. No gas heating equipment shall be connected which does not have adequate shut-off controls for safe operation.

B2.4 Unusual Cost:

Any unusual cost incurred specifically for an individual customer, and not ordinarily necessary for the furnishing of gas service to the customer, shall be paid by the customer for whom such unusual cost is incurred. Such unusual cost shall be in addition to the charge for gas service provided in the applicable rate schedule, and such additional charge shall be subject to review by the Michigan Public Service Commission upon petition by such customer.

B2.5 Invalidity of Oral Agreements or Representations:

No employee or agent of the Company is authorized to modify or supplement the terms and conditions of this Schedule of Gas Rates Governing the Sale of Natural Gas Service or any contract by oral agreement or representation, and no such oral agreement or representation shall be binding upon the Company.

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B.3 CONTROLLED SALES SERVICE - GAS ALLOCATION PROCEDURE

B3.1 Scope

This rule provides the Company with the authorization to control the attachment of sales service load, consistent with changes in gas supply as they occur. The Company reserves the right to discontinue service to any customer who violates any of the provisions of this rule.

B3.2 Application for Service

- A. All customers requesting gas sales service shall make written application for such service on a form provided by the Company. Written application for residential service may be waived by the Company when warranted by gas supply conditions.
- B. Applications shall be maintained separately by priority of service and date received for prospective customers within each of the Company's gas supply areas.

B3.3 Approval of Application for Service

- A. As the Company is able to contract for gas supplies at reasonable and prudent prices, terms and conditions, applications for service shall be approved subject to the following:
 - 1. Approval shall be on a first-come, first-served basis within each Controlled Service Priority.
 - 2. The Company shall open the highest Priority first. If all the applicants within that Priority are granted service, and sufficient supply is available, the next highest Priority shall be opened.
 - 3. If the available supply is committed before granting all applicants service, then those applicants who do not receive service shall have their standing reserved within their Priority, but shall not receive preference over a later applicant who qualified for a higher Priority, when gas becomes available and Priorities are again opened.
 - 4. An applicant whose Priority is open at the time of application may be granted immediate approval through written notification by the Company, provided such applicant demonstrates to the satisfaction of the Company that the construction and installation of the necessary equipment will proceed in a timely manner.
 - 5. An applicant whose Priority is closed at the time of application, such that gas sales service is not initially granted, shall have that application for service kept on file by Priority and by the date the application was received.

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- B. The Company may not grant sales service to new customers or permit additional load by existing customers, if:
1. The Company is curtailing any customers in the affected service area due to a long term Capacity Deficiency under the provisions of Rule B4, Curtailment of Gas Service.
 2. The Company is curtailing any customers due to a long term Gas Supply Deficiency under the provisions of Rule B4, Curtailment of Gas Service; except that the Company may attach controlled service Priority One or Priority Two customers provided no customers in Curtailment Priority Three are being curtailed.
- C. The Company reserves the right to attach new interruptible loads.
- D. The written notification by the Company granting approval of the application shall specify the date gas sales service must commence.

B3.4 Forfeiture

- A. A customer shall install the necessary equipment and commence gas sales service by the date specified in the Company's notification of approval, otherwise the customer's reservation of gas supply is forfeited.
- B. When the Company grants approval in those cases where the Application for Gas Service was not initially granted, the customer shall notify the Company in writing within thirty days (from the date of the Company's written notification of approval) of the customer's intention to accept service. If the customer does not respond within thirty days, the customer's original application is void.

B3.5 Restricted Sales

As a result of warmer-than-normal weather, or other factors, the Company may have gas in excess of its immediate load. The Company may sell such excess gas subject to:

- A. The requirements of present and future system supply customers of the Company.
- B. The sale of such gas causes no detriment to its system supply.
- C. The Gas Supply Deficiency Curtailment Priority Five of Rule B4, Curtailment of Gas Service for all special contract sales of such gas.
- D. Commission approval of such sales on a special contract basis, limited as to time and volume.

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B3.6 Priorities

- A. Service shall be controlled under this rule in accordance with the following Priorities. Priority One constitutes the highest Priority. Priority Six constitutes the lowest Priority which will be the first Priority controlled. Within each Priority, sub-priority (1.) shall have the highest priority and sub-priority (3.) the lowest Priority.

PRIORITY 1

1. Residential gas requirements for any purpose, except-space-heating or air-conditioning.
2. Residential gas requirements for space-heating or air-conditioning.
3. Commercial gas requirements having a peak usage less than 50 Mcf per day.

PRIORITY 2

1. The use of natural gas for services essential for public health and safety.
2. The use of natural gas for essential agricultural requirements.

PRIORITY 3

1. Industrial gas requirements for process and feedstock needs or for gas-fired after burners to limit or abate obnoxious odors or air pollution.
2. Industrial gas requirements having a peak usage less than 50 Mcf per day and not otherwise classified.

PRIORITY 4

1. Commercial and Industrial gas requirements having a peak usage of 50 Mcf per day and greater and not otherwise classified.
2. Commercial and Industrial gas requirements for co-generation having alternate fuel capability and a peak usage of 50 Mcf per day, but less than 300 Mcf per day.
3. Commercial and Industrial gas requirements for co-generation having alternate fuel capability and a peak usage of 300 Mcf per day or greater.

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PRIORITY 5

1. Commercial and Industrial requirements for boilers or kilns having alternate fuel capability and a peak usage of 50 Mcf per day but less than 300 Mcf per day.
2. Commercial and Industrial requirements for boilers or kilns having alternate fuel capability and a peak usage of 300 Mcf per day or greater.

PRIORITY 6

The use of natural gas for the generation of steam or electricity by utilities.

- B. A customer who has a pollution problem which presents a threat to the public health and safety, where the use of natural gas offers the only feasible solution to the problem, may petition the Commission to assign a Priority of use higher than that to which the customer would otherwise be entitled. The matter will be considered by the Commission pursuant to its Rules of Practice relating to petitions or complaints.

B3.7 Definitions

- A. Alternate fuel capability means that an alternate fuel could have been used whether or not the facilities for use have actually been installed or the alternate fuel is available.
- B. Boilers shall mean all closed vessels in which a liquid is heated or vaporized by the combustion of fuel for the generation of steam or hot liquid.
- C. Co-generation shall mean the sequential production of both electrical (or mechanical) and thermal energy from the same fuel source.
- D. Commercial gas requirements shall refer to any usual commercial use of gas including but not limited to all gas purchased by a business which does not qualify for a manufacturing industry code under the Standard Industrial Classification, as listed in the current edition of the Standard Industrial classification Manual issued by the Executive Office of the President of the United States.
- E. Essential Agricultural Requirements means any use of natural gas for agricultural production, natural fiber production and processing, food processing, food quality maintenance, irrigation pumping crop drying, or a process fuel or feedstock in the production of fertilizer, agricultural chemicals, animal feed or food; provided, however, that boilers, gas turbines and engines which have alternate fuel capability shall not qualify as essential agricultural requirements without the express authorization of the Michigan Public Service Commission. The matter will be considered by the Commission pursuant to its Rules of Practice relating to petitions or complaints.

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- F. Feedstock gas is natural gas used as a raw material for its chemical properties in creating an end product.
- G. Industrial gas requirements shall refer to any usual industrial use of gas, including but not limited to all gas purchases under the Standard Industrial Classification, listed in the current edition of the Standard Industrial Classification Manual, issued by the Executive Office of the President of the United States.
- H. Process gas is natural gas used in appliances capable of burning a gaseous fuel so as to utilize those combustion characteristics of gaseous fuels such as complete combustion, safe combustion products flame geometry, ease of temperature control to precise levels, and optimum safety of heat application. Specifically excluded are boilers, gas turbines, space heating equipment (other than direct fired makeup air heaters for process purposes) and indirect air heaters.
- I. 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 are found qualified by the Michigan Public Service Commission as requirements of services essential for public health and safety; provided, however, that boilers, turbines and engines 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. The matter will be considered by the Commission pursuant to its Rules of Practice relating to petition or complaints.
- J. Residential gas requirements shall include all gas usage metered and consumed within an individual household, and reasonably appurtenant and related to and normally associated with such a household, for such applications as space conditioning, cooking, water heating, refrigeration, clothes drying, incineration, lighting and other similar household applications. The term "household" includes single-family homes, farm homes, seasonal dwellings, duplexes and individual living units within mobile home parks, condominiums, apartments and cooperatives; provided, however, to qualify for residential usage a household must have the normal household facilities such as bathroom, individual cooking and kitchen sink facilities.

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B4 CURTAILMENT OF GAS SERVICE

B4.1 Definitions

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

- A. Blanket certificate customer is a transportation customer who has contracted with the Company to transport gas in interstate commerce pursuant to a blanket certificate issued to the Company by the Federal Energy Regulatory Commission.
- B. Capacity deficiency shall mean emergency situations whereby anticipated load temporarily exceeds the capacity of the Company's pipeline system to deliver volumes commensurate with such load, but such that the full design capacity of the system is unaffected. See Section B4.3 D(3). of this rule.
- C. Capacity restriction shall mean restriction due to damage to the Company's facilities such that the full design capacity of the pipeline system is not available. See Section B4.3 D(1). of this rule.
- D. 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.
- E. Customers, unless otherwise specified, shall mean sales customers, transportation customers and storage customers.
- F. Deliveries shall mean both transportation and sales volumes.
- 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.
- 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 hurricane warnings), extreme cold weather, crevasses, floods, washouts, arrests and restraints of the government, either Federal or State, civil or military, civil disturbances. Force majeure shall also mean shutdowns for purposes of necessary repairs, relocation, or construction of facilities; failure of electronic data capability; breakage or accident to machinery or lines of pipe; 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 or permits, or labor to perform or comply with any obligation or condition of service, rights of way; 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 requirements 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.

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- I. Industrial gas requirements shall include all service to customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product including the generation of electric power.
- J. Requirements for plant protection shall mean such minimum volumes of gas required to prevent physical harm to the plant facilities or danger to plant personnel when such protections cannot be afforded through the use of 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.
- K. Requirements for services essential for public health and safety shall mean gas purchased for food processing and 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 requirements for services essential for public health and safety without the express authorization of the Michigan Public Service Commission.
- L. Residential gas requirements shall include 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 with 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, 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.
- M. Supply deficiency shall mean emergency situations whereby the company is unable to procure adequate gas supplies to meet the demand requirements of its firm system supply customers and firm balancing service to its Transportation customers and that required for the Company's system operations.
- N. System supply customer shall mean those customers who purchase natural gas requirements from the Company.

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B4.3 Curtailment of Gas Service

A. Company's Rights to Curtail

The Company recognizes its primary public service obligation is to maintain gas service to its customers. If, in the event of an emergency arising out of causes referred to as force majeure situations, the Company determines that its ability to deliver gas may become inadequate to support service to its customers on its system, the Company shall have the right to partially or completely curtail service to each of its customers in accordance with the order of curtailment set forth below, irrespective of the contracts in force.

1. This plan applies to all gas sales, transportation and storage service provided by the Company.
2. In implementing this curtailment plan, the Company will take into account the extent to which curtailment of customers in a specific portion of the Company's system may or may not remedy the emergency. Thus, curtailment may be limited to certain portions of the Company's system.
3. If a curtailment of firm gas deliveries becomes necessary, the Company shall provide notice to the Commission and all affected customers of the nature, probable duration and extent of such curtailment. Such notice will be given as far in advance as possible. The Company will curtail customers in a nondiscriminatory manner.

B. Steps Prior to Curtailment of Firm Gas Deliveries

In an emergency situation arising out of force majeure, the Company will attempt to minimize the extent of curtailment of firm gas deliveries, or if possible, eliminate the need to curtail firm gas deliveries, by taking the following preliminary steps.


1. Interrupt service provided under interruptible tariff provisions or contracts. Notification deadlines incorporated into interruptible tariffs or contracts are suspended pursuant to this Rule. Notice will be given as far in advance as possible;
2. Restrict deliveries to any customer in excess of the maximum daily quantity (MDQ) specified in the customer's contract. Volumes exceeding the MDQ during the period of curtailment are subject to the unauthorized use charge listed in B4.3 J.;
3. Implement contingency contracts for emergency gas supplies, such as contracts having been established in advance of any emergency. Seek to purchase additional gas supplies to the extent available at reasonable and prudent prices;
4. Make a public service announcement for voluntary dial-down actions by end-use customers;
5. Ask transportation customers and their authorized agents, including those agents managing transportation pools to voluntarily reduce use and/or increase deliveries.

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C. Operational Flow Order

1. Firm balancing services bundled with transportation services and firm balancing services contracted by FERC blanket customers are subject to curtailment by means of an OFO issued by the Company. An OFO provides the means for the Company to flex the level of firm balancing services it provides to any intermediate level, up to and including zero, as necessary to meet the exigencies of an emergency. An OFO will reduce the firm balancing tolerance in one direction, and will be designated as either a positive imbalance or a negative imbalance OFO.
2. Firm storage services may be curtailed by means of an OFO. The Company's gas storage injection or withdrawal obligations pursuant to any firm storage contracts with its customers are subject to an OFO limiting the level of service to any authorized daily level deemed necessary by the Company to meet the exigencies of an emergency.

3. Notice of an OFO

a. Preliminary notification of an OFO

The Company will notify all potentially affected customers, their authorized agents, and agents managing pools, via telephone and facsimile, as soon as it believes that an OFO may be required. Notice will indicate the nature of the potential emergency, the period it may be in effect, and the anticipated level of curtailment (authorized imbalance tolerance level or authorized storage injection/withdrawal levels).

b. Notification of an OFO

If the decision is made to issue an OFO, the Company will notify all affected customers, their authorized agents, and agents managing pools, via telephone and facsimile. The Company will attempt to 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, will specify whether the Company is curtailing the negative imbalance tolerance level or the positive imbalance level, and indicate the authorized tolerance level of each. Notice will indicate the need for intra-day nomination changes, if necessary, to balance usage with gas deliveries to the Company. OFOs curtailing storage services will indicate the authorized injection/withdrawal level.

4. 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 authorized imbalance tolerance specified by the OFO, and during the period in which the OFO is in effect, will be subject to unauthorized use charges, with such charges being in addition to those normal charges (excluding penalties) made under the applicable rate schedules. For customers grouped into transportation pools, penalties will be assessed by the Company to the authorized agent managing the pool and not to the individual customers of the pool.

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- a. Negative imbalances exceeding OFO daily balancing threshold; storage withdrawals exceeding curtailment allocation.
The charge for such unauthorized usage shall be the highest price reported for the Mich Con, Consumers Energy and Chicago LDC's during the period of curtailments as reported by Gas Daily or, to the extent that Gas Daily discontinues its reporting of such prices, any comparable reporting service, plus \$10 per Mcf. Failure to pay an unauthorized use charge shall subject the customer to termination of gas service.
- b. Positive imbalances exceeding OFO balancing threshold; gas storage injections exceeding curtailment allocation.
If the Company issues a positive daily imbalance OFO, positive imbalances exceeding such threshold will be subject to forfeiture (trespass gas).
- c. Unauthorized use charges will be credited to the Company's Booked Cost of Gas Sold as defined in Section B10.2 of the Company's Rules and Regulations. Trespass gas will be credited to the Company's Booked Cost of Gas Sold at zero cost.
- d. In instances where customer violation of curtailment causes the Company to incur imbalance penalties on up-stream pipelines, and where incurring of pipeline penalties cannot reasonably be avoided by acquisition of gas supplies at the Company's city gate stations, then the cost of such pipeline penalties will be passed through to the customer in violation. Pipeline penalties assessed to customers are in addition to the regular unauthorized usage charge.

D. Method of Curtailment of Firm Gas Deliveries

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

If system deliverability permits only delivery of gas to a given priority category of use, curtailment will be effected on the basis of a pro rata sharing using the base period deliveries to customers for that priority category. If a customer has entered into an arrangement for voluntary reduction of use and/or increase in deliveries pursuant to Paragraph B.5. above, the volumes associated with such voluntary reductions of use or increased deliveries shall be attributed to that customer's pro rata share.

Upon notice of a curtailment, the company shall give customers with multiple locations, the option to select which location will be subject to curtailment, consistent with the practical and physical constraints of the Company's system.

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1. Capacity restriction

If a curtailment of firm gas deliveries becomes necessary due to capacity restrictions, the Company shall determine the amount of firm service capacity that is available (residual firm capacity). The Company shall allocate that residual capacity between (i) firm transportation service provided pursuant to a FERC blanket certificate (Blanket Certificate Customers) and (ii) all other services (Other Customers), such allocation being made pro rata between such two classes of service, based upon the daily volumes scheduled for service by each class in the gas day immediately preceding curtailment.

- a. The residual firm capacity which is allocated to the Other Customers shall be allocated pro rata among the members of that class, based upon the most current daily nominations prior to curtailment.
- b. The residual firm capacity which is allocated to the Other Customers shall be curtailed in accordance with the curtailment priority categories set forth in Section F of this Rule, beginning with Curtailment Priority Five and proceeding to the next highest priority category.
- c. Firm imbalance services provided to transportation customers, including Blanket Certificate Customers, may be subject to an OFO. Daily nominations of transportation pools, or individual transportation customers, must be equal to or less than allocated capacity.

2. Capacity deficiency

If curtailment of firm deliveries becomes necessary due to an emergency situation resulting in a capacity deficiency, the Company shall curtail gas service in accordance with Section B4.3 D, subject to the following conditions:

- a. Firm imbalance services provided to Blanket Certificate Customers may be subject to an OFO. Firm deliveries within imbalance tolerance levels established by the OFO are exempt from curtailment.
- b. Firm imbalance services provided to transportation pools or individual transportation customers may be subject to an OFO. Daily nominations of transportation customers, or transportation pools, must be equal to or less than allocated capacity.

3. Supply deficiency

If curtailment of firm deliveries becomes necessary due to an emergency situation resulting in a supply deficiency, with no associated capacity restriction or capacity deficiency, the Company shall curtail gas service in accordance with Section B4.3 D, subject to the following conditions:

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- a. Firm imbalance services provided to Blanket Certificate Customers may be subject to an OFO. Firm deliveries within imbalance tolerance levels established by the OFO are exempt from curtailment.
- b. Firm imbalance services provided to intrastate transportation pools or individual transportation customers may be subject to an OFO. Firm deliveries within imbalance tolerance levels established by the OFO are exempt from curtailment.

E. Base Period

1. For Priorities Two through Five

- a. For the purpose of determining the customer's volumes within each curtailment priority category, a twelve month base period shall be established. Such base period shall be fixed for the term of the curtailment. The base period volumes shall consist of the twelve consecutive monthly deliveries ending June of each year. In those instances where the customer has encountered strikes, interruption of gas service or unavoidable abnormalities, the Company may make reasonable adjustments to normalize the customer's requirements. Base period volumes shall be adjusted for equipment added and new loads.
- b. In determining monthly deliveries, the Company shall determine the gas during each month of the period described above for all buildings, parts of buildings, and equipment associated with each customer's gas billing in accordance with the Company's Rules and Regulations. Volumes specified in Curtailment Priority Two through Five shall apply in the aggregate for all equipment of the same end use rather than on a unit of equipment basis.
- c. The monthly deliveries so determined, with such adjustments as provided above, shall then be used as the monthly requirements specified in the Curtailment Priority Categories. In determining a customer's Curtailment Priority Category, the applicable monthly requirements in the base period shall be used.

2. For Priority One

- a. The Company will use its best judgment in responding to exigencies demanding curtailment of Priority One residential customers, thus no base load period volume are established for this sub-class.
- b. Base period volumes for commercial gas requirements, plant protection, and services essential for public health and safety will be established concurrently with, and using the same procedures as the calculation of base period volumes for Priority Two through Five.

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F. Curtailment Priorities

1. For purposes of curtailment, firm end use sales and transportation customers (whose service is not provided pursuant to a blanket certificate by the FERC) will be treated equally in accordance with the curtailment priority categories set forth. Six categories are established with Priority Six being the first category to be curtailed and Priority One being the last.

PRIORITY SIX

Firm daily balancing services provided to transportation customers and transportation pools.

PRIORITY FIVE

All non-residential customers having alternate fuel capability for that portion of their load covered by the alternate fuel, and all firm sales of gas not provided to the Gas Cost Recovery (GCR) customers.

PRIORITY FOUR

Commercial and industrial gas requirements in excess of 10,000 Mcf per the base load period month being curtailed.

PRIORITY THREE

Commercial and industrial gas requirements of 2,573 Mcf to 10,000 Mcf per the base period month being curtailed.

PRIORITY TWO

Non-residential customers having commercial gas requirements of 834 Mcf to 2,573 Mcf per the base period month being curtailed and industrial gas requirements of 8,334 Mcf per the base period month being curtailed.

PRIORITY ONE

Residential gas requirements, commercial gas requirements of 834 Mcf or less per the base period month being curtailed, requirements for plant protection, and requirements for services essential for public health and safety not covered by an alternate fuel.

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2. The volumes of gas destined to end users of other local distribution companies (LDC) shall be classified into the same priority categories as the Company's on-system sales and transportation customers if the LDC provides the Company with the information necessary to make such a classification and an affidavit verifying the accuracy of such information. Such information shall be provided for each priority category in a manner similar to the information regarding the base period volumes of other customers as set forth in Paragraph E above. Any volumes for which the LDC fails to provide such information shall be presumed to be Priority Five.
3. During an emergency curtailment of gas service, public utilities that generate and distribute electricity shall be granted Priority One service for that portion of the gas requirements of owned or firm contracted generation necessary to the discharge of the utilities' obligation to provide essential services.
 - a. Such classification of volumes qualifying for Priority One 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:
 - i. Bring on line any non-gas reserve capacity.
 - ii. Switch gas fired dual-fuel generating plants to an alternate fuel.
 - iii. Attempt to procure incremental power.
 - iv. Curtail all non-firm off-system electric sales.
 - v. Interrupt service to controlled and/or interruptible electric loads.

G. 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 this Rule, the Company may, at its discretion, give end user 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 higher of (a) the customer's reasonable cost associated with using alternate fuels during the period of diversion, (b) the actual cost of the customer's diverted gas, or (c) the highest price reported for the Mich Con, Consumers Energy and Chicago LDCs during the period of curtailment as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service. 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.

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H. 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.

I. Enforcement

1. The Company reserves the right to take special daily or hourly meter reads during periods when an Operational Flow Order (OFO) and/or curtailment of firm gas service 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 curtailment until it is satisfied that the terms and conditions of this Rule will be observed.
2. There is nothing in this Rule that shall prevent a customer from challenging before the Commission the Company's administration of a curtailment or that shall abridge the customer's right to appeal any such determination to the Commission.

J. Penalty for violation of curtailment of firm gas deliveries

After the Company has provided actual oral or written notice of implementation of curtailment pursuant to Part B4.3 to the affected end use customer, any gas used by such customer in excess of the volumes authorized during the period of curtailment has been instituted pursuant to Part B4.3 of this Rule will be subject to unauthorized use charges, with such charges being in addition to those normal charges (excluding penalties) made under the applicable rate schedules.

1. The charge for such unauthorized usage shall be the highest price reported for the Mich Con, Consumers Energy and Chicago LDCs during the period of curtailment as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service, plus \$10 per Mcf. Failure to pay an unauthorized use charge when rendered shall subject the customer to termination of gas service.
2. Unauthorized use charges will be credited to the Company's Booked Cost of Gas Sold as defined in Section B10.2 of the Company's Rules and Regulations.
3. In instances where customer violation of curtailment causes the Company to incur imbalance penalties on up-stream pipelines, and where incurring of pipeline penalties cannot reasonably be avoided by acquisition of gas supplies at the Company's city gate stations, then the cost of such pipeline penalties will be passed through to the customer in violation. Pipeline penalties assessed to customers are in addition to the regular unauthorized usage charge.

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B5. APPLICATION OF RATES

B5.1 Rate Schedules:

Unless otherwise specifically provided for in the rate schedule applicable, service will be supplied to each installation through one meter. Gas consumed by the same person, firm or corporation, and delivered and measured at different locations, will be billed separately for each location and not as one customer.

In some cases the customer is eligible to take service under a choice of rates. Upon request, the Company will advise the customer in the selection of the rate which will give him the lowest cost of service, based on the information at hand, but the responsibility for the selection of the rate lies with the customer.

After the customer has selected the rate under which he elects to take service, the customer will not be permitted to change from that rate to another rate until at least twelve months have elapsed. Neither will the customer be permitted to evade this rule by temporarily terminating service. However, the Company may, at its option, waive the provisions of this paragraph where it appears that an earlier change is requested for permanent rather than for temporary or seasonal advantage. The intent of this rule is to prohibit frequent shifts from rate to rate.

No refund will be made of the difference in charges under different rates applicable to the same class of service.

B5.2 Special Taxes:

In any municipality or township in which special taxes, license fees or street rentals may be levied against the Company, and with respect to which the levy has been successfully maintained, the rate schedules applicable to service in such area shall be increased to offset such special charges which may be levied in order to prevent the customers in other localities from being compelled to share in any portion of such local increases. Rate schedules shall also be increased to offset any new or increased specific tax or excise imposed by any governmental authority upon the Company's production, purchase, distribution or sale of gas where the amount of such tax or excise is measured by the unit or units of gas produced, purchased, distributed or sold.

B5.3 Terms of Service:

A written agreement may be required from each customer before service will be commenced. A copy of the agreement will be furnished to the customer upon request.

Service agreements shall remain in force for the term stated, if any, and in any event for the full period during which service is taken and until three days after receipt by the Company at its office of written notice, from the customer, of his wish to discontinue service.

B5.4 Rate Schedule:

A. Apartment Buildings and Multiple Dwellings:

A customer receiving gas through a single meter to a building containing more than four apartments or dwelling units will be classified as a commercial customer, and will have one bill under the appropriate commercial service rate schedule.

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If the building has meters and services for each apartment, the apartment will be classified residential and service will be billed to each service under the Residential Service Rate schedule.

B. Combined Residence and Commercial or Industrial Service:

Where one building is used by a customer as a commercial or industrial establishment and also as a residence, the piping shall be so arranged that the business and residence parts may be metered separately and a bill rendered for each class of service. If, for reasons acceptable to the Company, separation is not effected, the combined service shall be classified as commercial service and shall be billed under the applicable rate.

B5.5 Centrally Metered Installation:

- A. A centrally metered installation serving multiple living units, such as apartments, multiple family units or mobile home courts, is one that meets the following conditions:
1. The Complex is served by a single meter installation; and
 2. The fuel lines are buried underground from the central meter installation to the location at which each fuel line enters each building or mobile home at its outside wall; and
 - a. where the complex consists of two or more separate buildings, such as apartments, multifamily dwellings, dormitories or similar type buildings are supplied with gas and at least two buildings so supplied contain four or more living units, or
 - b. where the complex consists of mobile homes, four or more living mobile homes used as living units are supplied with gas.
 3. A centrally metered installation may also be an individual building served by a single meter installation where gas is supplied to multiple units.
 4. Multiple living unit usage shall consist of the gas supplied for the individual dwelling units as well as all usage normally associated with buildings containing multiple living units.
 5. All buried fuel lines from the outlet side of the Company's meter, up to the outlet side of the above ground shutoff valve adjacent to the outside wall of each structure served, in addition to the pipe from the property line to the meter, shall be considered service lines.
 6. Penal and corrective institutions are not considered to be centrally metered installations.

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B. New Centrally Metered Installations

The cost of the gas main extension and all service lines (as defined above) shall be paid for in accordance with the Company's Rule B12, Customer Attachment Program. All service lines shall be installed, owned, operated and maintained by the Company.

C. Additions to an Existing Centrally Metered Installation

At the customer's request, the Company shall extend gas service to an addition to an existing centrally metered installation. Additional service lines shall be installed in accordance with the Company's Rule B12, Customer Attachment Program.

D. Customer Owned Centrally Metered Installation

Where the customer owns the service lines in a centrally metered installation, the customer must inspect, operate and maintain the installation in accordance with applicable code requirements or must enter into a contract with a person who is qualified to inspect, operate and maintain the installation in accordance with applicable code requirements. The company shall offer the customer a contract which provides for the operation and maintenance in accordance with applicable code requirements. Under the terms of the contract, the Company shall be permitted to recover the direct cost for service performed plus an appropriate administrative overhead.

B 5.6 Determination of BTU Factor

The system gas shall have a total heating value per standard cubic foot of not less than 950 Btu nor more than 1,100 Btu. When necessary, gas metered volumetrically (Ccf or Mcf) will be converted to energy billing units (in therms or Dth). The BTU Factor shall be converted to a billing basis of 14.65 dry before application to a customer's metered volume. The BTU Factor for the gas delivered through the Company's city-gates shall be determined daily, by the Company, for the most recently expired Gas Day (Day A). Day A's weighted average BTU Factor shall be determined as the quotient of the total energy (therm or Dth) and the total volume (Ccf or Mcf) delivered through all of the Company's city-gates. Day A's weighted average Btu shall be posted by Noon, Eastern Clock Time (ECT), of the first (1st) succeeding Gas Day (Day B). For purposes of converting a customer's metered volumes to an energy (therm or Dth) basis, the result of Day A's Btu Factor calculation shall then be applied and utilized as the accepted Btu Factor for the second (2nd) succeeding Gas Day (Day C).

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B6. CUSTOMER RESPONSIBILITIES

B6.1 Application for Service:

A written application, accepted by the Company, or a written contract may be required from each prospective customer requesting gas service before such service is supplied, whether or not a new installation by the Company is involved. This rule shall also apply in cases involving (a) the unsealing of a meter where service has previously been supplied, (b) a change in the class or service, and/or (c) a change in the name of the customer.

B6.2 Credit, Deposits and Guarantees:

The Company may require, as a guarantee of payment of current bills, a reasonable cash deposit from a customer or prospective customer in accordance with the Company's Billing Standards. The Company may waive this requirement with respect to any customer whose credit is established as being satisfactory to the Company, or whose account may be guaranteed by a responsible party in lieu of a deposit. Any deposit shall be handled in accordance with the Company's Billing Standards rules.

B6.3 Service on Customers' Premise:

When requested, designated employees of the Company will investigate gas leaks on customer owned piping, whereupon, if a hazardous condition should be detected, the employee will terminate service until such condition has been repaired. This service will be performed free of charge.

If requested by the customer, the employee may furnish repair services with a charge to the customer at the Company's time and materials rate.

B6.4 Customer's Piping and Utilization Equipment:

The Company reserves the right to deny or terminate service to any customer whose piping or equipment shall constitute a hazard. However, it disclaims any responsibility to inspect the customer's piping or equipment and shall not be held liable for any injury or damage resulting from the condition thereof.

B6.5 Bills and Remittances:


Bills for gas service shall be rendered once each month, as nearly as is possible on a normal monthly period, and shall be due and payable on or before the due date shown on each bill. The Company will schedule meters to be read at least bimonthly on or about the same day of such meter-reading month. In monthly periods intervening between actual meter readings, the bills will, under ordinary conditions, be based on past service records, except the bills for space heating service, which will be on a basis of average outside temperatures in degree days. If, in any instance, the past service records are not available or practicable for use, then such billing will be based upon such service data as are available. All accounts shall be adjusted as necessary each time the actual meter readings are obtained.

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Bills rendered for gas service in months in which meters are not read shall have the same force and effect as those based upon actual meter readings. Any customer considering himself aggrieved by the application of this rule may read his meter and send the readings to the Company on appropriate forms which will be provided by the Company. The information shown in the bills will include the beginning and closing dates of the period for which the bill is rendered, the meter readings, actual or estimated, the number of units, the net and gross amounts payable, the due date, the statement that any tax which the utility is authorized to collect from its customers is included in the amount billed, a statement that the bill is based on estimated meter readings, if such is the case, and the name and address of the customer. A printed rate schedule will be available to any customer upon request.

The Company shall assess a late payment charge as authorized by the Company's Gas Rate Schedule.

B6.6 Access to Customer's Premises:

The Company's authorized agents shall have access to the customers premises at all reasonable times to install, inspect, test, read, repair or remove meters and other property of the Company situated on said premises, and to inspect and determine the load characteristics of appliances installed on said premises.

B6.7 Use of Service:

Customers shall not resell, share, or distribute to others any gas supplied by the Company without the written consent of the Company. The Company does not hold itself out as ready to supply gas to any customer for resale, and due to the wide variety of conditions encountered in serving customers on such a basis, separate arrangements will be made in each case. When the resale of gas is consented to by the Company, the Company may require that such resale be made at its established rates then effective for the same class of service in that specific community or area.

B6.8 Equal Monthly Payments:

Bills will be rendered by the Company to the customer monthly in accordance with the tariff selected which is applicable to the customer's service, with the following exceptions:

Year-round residential gas space heating customers shall have the option to paying bills under the Company's Equal Payment Plan (Budget Plan), whereby the total service for the succeeding 12-month period is estimated in advance and bills are rendered monthly on the basis of one-twelfth of the 12-month estimate. The Company may at any time during the 12-month period adjust the estimate so made, and the bills rendered in accordance with such estimate, to conform more nearly with the actual use of service being experienced. The normal equal payment period will be 12-months.

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In case the actual service used during any equal payment period exceeds the bills as rendered on the Equal Payment Plan, the amount of such excess shall be paid not later than the third billing month following such equal payment period, except that if the customer discontinues service with the Company under the Equal Payment Plan, any such excess not yet paid shall become payable immediately. In case the actual service used during the equal payment period is less than the amount paid under the Equal Payment Plan during such period, the amount of such overpayment shall, at the option of the Company, be either refunded or credited to the customer at the end of the period.

If a customer fails to pay bills as rendered on the Equal Payment Plan, the Company shall have the right to withdraw the plan with respect to such customer and to restore the customer to billing as provided for in the applicable tariffs, in addition to any other rights which the Company may have under such tariffs in case of arrearage in payment of bills.

B6.9 Nonpayment of Bills:

All bills are due and payable by the customer as specified in the tariff applicable to his service. The word "month" as used herein and in the tariffs is hereby defined to be the elapsed time between two successive meter readings approximately 30 days apart.

B6.10 NSF Checks and Charge for Shut-Off Notification or On Premise Collection:

A Charge for Nonsufficient Funds (NSF) Check

A charge of \$18.00 will be levied upon a customer for each check the customer issues the Company in payment for a gas bill when the check is returned to the Company marked NSF or closed account by the financial institution upon which the check is drawn. This charge will become part of the customer's arrears and will be subject to the same requirements applicable thereto. If the check was written to avoid shutoff, the Company may shutoff after one final contact is attempted.

B Charge for Shut-Off Notification or On-Premises Collection

A charge of \$11.50 will be levied upon a customer if an employee of the utility is sent to the premise to either serve the customer with a shut off notification or to shut off service, unless the customer presents evidence that reasonably indicates the claim has been satisfied or is currently in dispute. The utility shall not assess this fee twice for the same premise visit. The customer may elect to make payment at that time; however, the charge for sending an employee to the premise will still apply. This charge will become part of the customer's arrears and will be subject to the same requirements applicable thereto.

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B6.11 Discontinuance of Service:

The customer is responsible for the payment of bills until service is ordered discontinued and the Company has had reasonable time for securing a final reading. If any bill for gas service rendered by the Company to a customer remains unpaid for a period of five (5) days after the due date, the Company shall have the right to issue a notice in writing of its intent to discontinue service and to discontinue such service ten (10) days after such notice has been given. If the bill in question is paid under protest, in order to secure continuity of service, and it is later shown the bill was in error, the customer shall be entitled to a refund.

The Company may discontinue service without notice other than personal notice at the time of discontinuance, in case the meter or piping on the customer's premises is tampered with in any manner to allow unmetered gas to be used.

The Company will discontinue service to any customer upon request by the customer. However, if reconnection is requested by the same customer on the same premises within one (1) year after discontinuance, the customer shall be charged a turn-on charge.

B6.12 Turn-On Charges:

Transfers of service, where service at a premise is transferred from one customer to a subsequent customer, and where the transfer does not require the dispatch of a Company employee to the premise, shall be made with a charge of \$5.00 to the customer moving in (transferee). A premise with a Landlord Agreements shall be exempt from this charge. Where a service turn-on requires the dispatch of a Company employee to the premise, the following turn-on charges shall apply:

- A. In the case of the same customer requesting turn-off and turn-on on the same premise within one year, the customer shall be charged \$75.00.
- B. In all other circumstances where a service turn-on requires the dispatch of a Company employee, a single service turn-on charge of \$50.00 will be collected. This charge will become part of the customer's arrears and will be subject to the same requirements applicable thereto.
- C. If customer requests turn-on after normal business hours and the request can be accommodated, after hour charges may be applied.

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B9. METERING

B9.1 Meters, Metering Equipment and Regulators:

The Company will furnish and maintain one meter or one set of metering equipment, and, when required, one regulator for each service contract. The customer shall provide, free of expense to the Company, at the point of service termination, located outside, suitable space for the installation of the necessary meter, metering equipment and/or regulator. Such a location shall be in accordance with all applicable codes and standards.

For customers with large or unusual facility requirements the Company may require the customer, at the customer's cost, to allow the Company to install a concrete foundation of appropriate size and thickness suitable for the installation of metering and pressure control equipment. Those customers may also be required to make special contractual arrangements with the Company for the large or unusual facilities.

Customers requesting delivery pressure above seven inches water column may be charged a fee for the additional metering and pressure control equipment necessary to provide elevated delivery pressure.

The customer shall permit only authorized agents of the Company, or other persons lawfully authorized to do so, to inspect, test, repair, or remove such equipment. If meters, regulators or other equipment are damaged or destroyed through neglect on the part of the customer, the cost of necessary repairs or replacements shall be paid by the customer.

B9.2 Meter Tests, Errors and Adjustments:

The Company shall test meter accuracy upon request of a customer, provided such customer does not make requests for tests more frequently than once a year, and provided further that the customer will agree to accept the results of such tests as the basis for determining any adjustment which may be required. No charge will be made to the customer for the first such test in any five-year period, but if ensuing tests during the same period for the same customer show the meter to be within the allowable limits of accuracy, the Company may charge the customer, at its time and materials cost, for each such test. If such test reveals the meter registration to be outside the accuracy limits prescribed in these rules, any charge for meter testing shall be refunded and a billing adjustment made. The customer shall be entitled to be present at such test, if he makes a request to this effect in writing at the time of filing the request for testing. A report in writing shall be made to the customer by the Company, giving the results of such test. The Company shall retain a record of such test.

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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 the Company to recover the booked costs of gas sold by the Company if incurred under reasonable and prudent policies and practices.

B10.2 Booked Cost of Gas Sold:

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

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B10.3 Billing:

- A. In applying the Gas Cost Recovery Factor, per therm, any fraction of 0.1 cent shall be rounded to the nearest 0.1 cent.
- B. 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. E3.00. 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 Factor in its rates if authorized by law to do so.
- C. The Gas Cost Recovery Factor shall be the same per therm for each customer metered using a pressure base of 14.65 PSIA. Customers metered at pressures other than 14.65 PSIA shall be billed the appropriate monthly Gas Cost Recovery Factor adjusted by the ratio that the metered pressure bears to 14.65 PSIA. 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.
- D. The Gas Cost Recovery Factor shall appear on all customer bills.

B10.4 General Conditions:

- A. 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.

If the factor or factors are subject to change after this date due to a contingency mechanism, the company will notify the Public Service Commission Staff as to the actual factor or factors to be billed to its Customers as soon as practical after the rate has been determined. The company will also submit the revised tariff sheet E-3.00 showing the new factor or factors at that time.

- B. 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. REFUNDING PROCEDURES

B11.1 Receipt of Refunds

A. Supplier Refunds

By April 15th of each year the Company shall notify the Michigan Public Service Commission Staff of any pipeline or other supplier refunds (other than a routine bill adjustment) received during the prior twelve months ended March 31st. During the period that the GCR clause is suspended, the notification shall include an indication of which amounts may be refundable to customers for periods prior to the April 1999 Billing Cycle and allocations to non GCR customers shall include deductions for Company Use and Lost and Unaccounted for Gas in accordance with B 11.3A. This notification shall be in the form of a letter and shall include:

1. The amount of the refund, including interest.
2. Date each refund was received.
3. Source and reason for each refund.
4. Period covered by each refund (historical refund period).

Failure of the Company to report a refund to the Michigan Public Service Commission Staff by the April 15th deadline shall result in an interest penalty of 50% over the normal authorized rate of return on common equity for the period of time that the utility fails to comply with the notification requirement.

B11.2 GCR Customer Refunds:

A. 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.

B. 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 disallowance's 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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C. 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

- A. 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 percentages for Company Use and Lost and Unaccounted For during the historical refund period.
- B. Portions of the refunds allocable to non-GCR customers shall be credited to a refund liability account to accrue interest until distributed. The Company shall include an application to refund these moneys in its next GCR Reconciliation filing.
- C. 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.
- D. 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

A. Purpose

The Company proposes to make extension of its gas mains and/or service lines from time to time, at its own cost, 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 revenue obtainable therefrom.

The Company reserves the right to delay or deny a request for service under this rule, 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 Rule are in addition to the existing rules and tariffs for customer gas service.

B. Customer Contribution

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

C. Payment of Customer Contribution

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

The Connection Fee and the Excessive Service Line Fee are payable in lump sum at the time the service agreement is executed by the customer. The Connection Fee is non-refundable. 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 non-refundable.

The Fixed Monthly Surcharge shall be payable monthly throughout the surcharge period. The Fixed Monthly Surcharge will commence 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. The customer may at any time elect to pay off the remaining Fixed Monthly Surcharge balance with a lump sum payment equal to 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.

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For land developers and builders, the customer contribution shall be required in a lump sum in advance of the facility expansion.

D. Connection Fee

The Connection Fee is equal to \$200.00 per meter. The Connection Fee for a multiple metered installation that is served from a single service line is equal to \$100.00 per meter.

E. Excessive Service Line Fee

The Excessive Service Line Fee will be assessed to a customer whose service line requirements are in excess of the Service Line Limit. The Service Line Limit is equal to the greater of 400 feet or 150% of the average length of all service lines within the Project. The Excessive Service Line Fee will equal the cost of the service line footage in excess of Service Line Limit.

F. Fixed Monthly Surcharge

A Fixed Monthly Surcharge (Surcharge) will be calculated for each Customer Attachment Project (Project). The Surcharge will recover the Revenue Deficiency anticipated from the proposed Project. The Surcharge is calculated such that the present value of the anticipated Surcharges collected from the Project will equal the net present value Revenue Deficiency. 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.

G. Customer Attachment Project

A Project may consist of a single customer, requiring only the installation of a service line and meter, 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.

H. Revenue Deficiency

A discounted Cost of Service Model (Model) will be used to calculate the Net Present Value (NPV) Revenue Deficiency anticipated from a Project. The Model will use the expected incremental revenues and incremental costs associated with the project for each year of a twenty year period. From this information an annual net revenue excess or deficiency will be calculated. The annual net revenue excess or deficiency will be discounted and summed to determine the NPV revenue deficiency of the Project. If the NPV revenue deficiency is negative, the discounted revenues exceed the discounted costs, then an NPV revenue deficiency of zero will be used.

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I. Model Assumptions

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.

Incremental Costs:

1. Carrying Cost Rate

The carrying cost rate will be based on the weighted rate of debt, preferred stock, equity and associated taxes. The cost will be equal to and weighted in proportion to those authorized in the Company's most recent rate order. The carrying cost rate is equal to 11.44%.

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 projected timing of the customer attachments.

The facility investment for an individual customer service line will be limited to the greater of 400 feet or 150 % of the average length of all service lines within the Project.

3. Carrying Costs

The Carrying Costs will be the product of the average of beginning and end-of-year net plant. Plant in Service minus accumulated depreciation minus deferred taxes, multiplied by the Carrying Cost Rate, noted in paragraph 1 above.

4. Depreciation

Depreciation expense will be the product of Plant in Service multiplied by the appropriate prescribed depreciation rates approved for the Company.

5. 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 proportional cost for monthly meter reading, billing and mailing.

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6. Discount Rate

The Discount rate will be a weighted rate of long-term debt, preferred stock, and common equity. The cost will be equal to and weighted in proportion to those authorized in the Company's most recent rate order. The Discount Rate is equal to 9.25%.

J. Customer Attachment Project Areas

All gas sold in any area specifically listed below is subject to the following Customer Attachment Project (CAP) charges. CAP areas and charges shall be added to or removed from the list from time to time by the Company.

	<u>CAP Area</u>	<u>CAP Charge Per Month</u>	<u>Billing Month Surcharge Expires</u>
1367	8748 Baseline Rd	27.80	October 2007
1370	Laredo Av	12.80	February 2008
1490	23 Oak Grove	22.51	December 2010
1705	116-142 Alden Ln	35.80	December 2011
1706	134 Berrien Ave	81.96	December 2012
9174	10325 Union City Rd	110.77	December 2008
9201	9535 Verona Rd	56.89	June 2009
9202	20392 Mcallister Rd	149.06	September 2009
9205	9773 Gorsline Rd	164.31	November 2010
9207	97 Shadow Bend Ln	73.56	May 2010
9208	3130 Meachem Rd	34.23	September 2007
9237	12087 S M 37 Hwy	108.58	February 2008
9238	1421 S Bristol	157.84	February 2008

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**SECTION C
RULES AND REGULATIONS
FOR RESIDENTIAL CUSTOMERS**

C1.-C7. RESIDENTIAL STANDARDS AND BILLING PRACTICES

C1. GENERAL PROVISIONS AND DEFINITIONS

C1.1 R 460.2101 Application of Rules:

Rule 1. These rules apply to residential utility service that is provided by electric and natural gas utilities that are subject to the jurisdiction of the public service commission.

C1.2 R 460.2102 Definitions:

Rule 2. As used in these rules:

- (A) "Billing error" means an undercharge or overcharge that is caused by an incorrect actual meter read, an incorrect remote meter read, an incorrect calculation of the applicable rate, an incorrect connection of the meter, an incorrect application of the rate schedule, or another similar act or omission by the utility in determining the amount of a customer's bill. An undercharge or overcharge that is caused by a non-registering meter, a meter error, or the use of an estimated meter read or a customer read is not a billing error.
- (B) "Billing month" means a utility service consumption period of not less than 26, nor more than 35 days.
- (C) "Charges for tariff service" means the rates for tariff service and other charges authorized by the commission as an integral part of utility service.
- (D) "Commission" means the Michigan Public Service Commission.
- (E) "Complaint" means a matter that requires follow-up action or investigation by the utility or the commission to resolve the matter.
- (F) "Complaint and information officer" means a member of the commission staff who is designated to perform responsibilities in accordance with these rules.
- (G) "Complaint determination" means the written decision of a utility hearing officer with respect to an informal hearing.
- (H) "Customer" means a purchaser of electricity or natural gas that is supplied by a utility for residential purposes.
- (I) "Cycle billing" means a system that renders bills for utility service to various customers on different days of a calendar month.

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- (J) "Delinquent account" means any charges for utility service that remains unpaid at least 5 days after the due date.
- (K) "Energy usage" means the consumption of electricity or natural gas.
- (L) "Estimated bill" means a bill for energy usage that is not calculated by employing an actual reading of a meter or other measuring device.
- (M) "Gas Cost Recovery" means the adjustment in rates that is approved by the commission to recognize variations in the cost of purchased gas from a base level.
- (N) "In dispute" means that a matter is the subject of an unresolved disagreement, claim, or complaint.
- (O) "Informal appeal" means an appeal of a complaint determination of a utility hearing officer to the Commission Staff
- (P) "Informal appeal decision" means the written decision of the complaint and information officer with respect to an informal appeal.
- (Q) "Inquiry" means a matter that is resolved upon the initial contact between the customer and the utility or the customer and the commission.
- (R) "Late payment charge" means a finance, service, carrying, or penalty charge that is assessed by a utility because a balance due on a bill is delinquent.
- (S) "New customer" means a customer who has not received the utility's service within the previous 6 years.
- (T) "Positive identification information" means a social security number and an identification containing a photograph
- (U) "Power supply cost recovery" means the adjustment in rates that is approved by the commission to recognize variations in the cost of purchased power and fuel for electric generation.
- (V) "Previous customer" means a customer who has received the utility's service within the previous 6 years.
- (W) "Residential service or use" means the provision of or use of electricity or natural gas for residential purposes.
- (X) "Seasonally billed customer" means a customer who is billed on a seasonal basis in accordance with a utility tariff that is approved by the commission.

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(Y) "Settlement agreement" means a written agreement that is entered into by a customer and a utility and that resolves any matter in dispute or provides for the payment of amounts not in dispute over a reasonable period of time.

(Z) "Shutoff of service" means a discontinuance of utility service that is not voluntarily requested by a customer.

(AA) "Space heating season" means the period between December 1 and March 31.

(BB) "Termination of service" means a cessation of utility service that is voluntarily requested by a customer.

(CC) "Transmit" means to convey or dispatch.

(DD) "Utility" means a person, firm, corporation, cooperative, association, or other agency that is subject to the jurisdiction of the commission and that distributes and sells electricity or natural gas for residential use

C1.3 R 460.2103 Discrimination Prohibited:

Rule 3. A utility shall not discriminate against or penalize a customer for exercising any right granted by these rules.

C1.4 R 460.2104 Form of Proceedings:

Rule 4. The informal procedures required by these rules shall not constitute a contested case as defined by Section 3 of Act No. 306 of the Public Acts of 1969, as amended, being Section 24.203 of the Michigan Compiled Laws.

C1.5 R 460.2105 Additional Rules:

Rule 5. A utility may adopt additional rules governing relations with its customers that are reasonable and necessary and that are not inconsistent with these rules. The utility's rules shall be an integral part of its tariffs and shall be subject to approval by the commission. If there is a conflict between these rules and a utility's rules or tariffs, these rules govern.

C2. BILLING AND PAYMENT STANDARDS

C2.11 R 460.2111 Billing Frequency, Method of Delivery:

Rule 11. A utility shall transmit a bill each billing month to its customers in accordance with approved rate schedules. A utility shall transmit a bill to customers by mail unless the utility and the customer agree in writing to another method of delivery. A utility that is authorized to seasonally bill customers or to use a customer read system shall render/transmit a bill in accordance with the tariffs approved by the commission.

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C2.12 R 460.2112 Estimated Billing:

Rule 12.

- (1) A utility may estimate the bill of a residential customer every other billing month. A utility may estimate the bills more or less often upon a finding by the commission that those procedures assure reasonable billing accuracy. A bill that is rendered on an estimated basis shall be clearly and conspicuously identified as such. A utility shall not render an estimated bill unless the estimating procedures employed by the utility and any substantive changes to those procedures have been approved by the commission.
- (2) A utility may render estimated bills to seasonally billed customers in accordance with the tariffs approved by the commission.
- (3) Notwithstanding the provisions of subrule (1) of this rule, a utility may estimate the bill of a customer if extreme weather conditions, emergencies, work stoppages or other circumstances beyond the control of the utility prevent an actual meter reading.
- (4) If a utility is unable to gain access to read a meter, the utility shall use reasonable alternative measures to obtain an actual reading, including mailing or leaving postage-paid, pre-addressed postcards upon which the customer may note the reading. If the customer fails to comply with those alternative measures or makes reading the meter unnecessarily difficult, the utility may transmit an estimated bill notwithstanding the provisions of subrule (1) of this rule. When a utility cannot obtain an actual reading under this subrule, the utility shall maintain records of the reasons and its efforts to secure an actual reading.

C2.13 R 460.2113 Customer Meter Reading:

Rule 13. A utility shall provide each customer with the opportunity to read and report energy usage as long as the customer reports energy usage on a regular and accurate basis. A utility shall provide postage-paid, pre-addressed postcards for this purpose upon request. At least once every 12 months, a utility shall obtain an actual meter reading of energy usage to verify the accuracy of readings reported in this manner. Notwithstanding the provisions of this rule, a utility may read meters on a regular basis.

C2.14 R 460.2114 Equal Monthly Billing:

Rule 14. A utility may bill a customer under an equal monthly billing program, at the choice of the customer, upon a finding by the commission that the program assures reasonable billing accuracy. If a customer has a credit balance of more than \$2 at the end of the program year, upon the request of the customer, the utility shall return the credit balance.

C2.15 R 460.2115 Cycle Billing:

Rule 15. A utility may use cycle billing if each customer receives a bill on or about the same day of each billing month. If a utility changes meter reading routes or schedules, it may change billing cycles upon 10 days' written notice to the affected customers.

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C2.16 R 460.2116 Payment of Bill:

Rule 16. A utility shall permit each customer a period of not less than 17 days from the date the bill was transmitted to pay in full, unless the customer agrees in writing to a different period.

C2.17 R 460.2117 Payment Period:

Rule 17. The date of transmitting a bill is the date the utility mails the bill. For bills that are delivered other than by mail, the date of transmitting a bill is the date that the utility conveys or dispatches the billing information to the customer in accordance with the method of delivery that the customer and the utility agreed to use. If the last day for payments falls on a Sunday, legal holiday, or other day when the offices of the utility regularly used for the payment of customers' bills are not open to the general public, the payment date shall be extended through the next business day.

C2.18 R 460.2118 Allowable Charges:

Rule 18.

- (1) Except as otherwise provided by statute, a utility shall bill each customer for the amount of natural gas or electricity consumed and any other approved charges in accordance with the rates and tariffs approved by the commission.
- (2) A utility may assess a late payment charge that is not more than 2%, not compounded, of the portion of the bill, net of taxes, that is delinquent. A utility shall not assess a late payment charge against a customer who is participating in the winter protection plan described in R 460.2174.

C2.19 R 460.2119 Bill Information:

Rule 19. A bill that is transmitted by a utility shall state clearly all of the following information:

- (A) The beginning and ending meter readings and dates for the billing period. A utility that is authorized to use a customer read system need not provide this information.
- (B) The units of energy consumed during the billing period and the units of energy consumed during the comparable period the prior year. A utility may comply with the provisions of this subrule by providing a comparison of energy consumed based on average daily use for the billing period. The commission may exempt a utility from this requirement by order upon a showing by the utility that compliance would be excessively costly or administratively impractical.

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- (C) A designation of the rate.
- (D) The due date.
- (E) Any previous balance.
- (F) The amount due for energy usage.
- (G) The amount due for other authorized charges.
- (H) The amount of tax.
- (I) The total amount due.
- (J) That rate schedules, an explanation of rate schedules, an explanation of how to verify the accuracy of the bill, will be provided upon request.
- (K) That the customer should make any inquiry or complaint about the bill before the due date.
- (L) The address and telephone number of the utility at which the customer may initiate any inquiry or complaint regarding the bill or the service provided by the utility.
- (M) That the utility is regulated by the Michigan Public Service Commission, Lansing, Michigan.

C2.20 R 460.2120 Separate Bills:

Rule 20.

- (1) A utility shall transmit a separate bill in conformity with the provisions of R 460.2119 for service provided at each location and shall not combine 2 or more accounts without written authorization of the customer.
- (2) Notwithstanding the provisions of subrule (1) of this rule, if there is shutoff or termination of service at a separate residential metering point, residence, or location in accordance with these rules, then a utility may transfer an unpaid balance to any other residential service account of the customer.

C2.21 R 460.2121 Billing for Non-Tariff Services:

Rule 21. A utility may include charges for non-tariff services together with charges for tariff service on the same monthly bill if the charges for non-tariff services are designated clearly and separately from the charges for tariff service. If partial payment is made, the utility shall first credit payment to the balance outstanding for tariff service.

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C2.22 R 460.2122 Listing of Energy Assistance Programs:

Rule 22. The commission shall provide to all utilities, a listing of all federal and state energy assistance programs and the eligibility requirements.

C2.23 R 460.2123 Notice of Energy Assistance Programs:

Rule 23.

(1) A utility shall, annually, inform each customer of the following information:

- (A) The federal and state energy assistance programs that are available and the eligibility requirements of those programs, as provided to the utility by the commission.
- (B) The winter protection plan described in the provisions of R 460.2174.
- (C) The medical emergency provisions of R 460.2153.

(2) The utility shall provide the information required by the provisions of subrule (1) of this rule as an explanation on the customer's bill, a bill insert, or other transmittal. If the utility does not print an explanation on the customer's bill, then the utility shall, on the customer's bill, direct the customer to the bill insert or other transmittal.

C2.24 R 460.2124 Additional Energy Assistance Programs:

Rule 24. As further information regarding energy assistance programs becomes available, the commission shall provide that information to all utilities. Within 60 days of receiving the information, the utility shall:

- (1) Provide further information regarding new eligibility requirements for energy assistance programs to all of its customers.
- (2) Provide further information regarding new benefit levels for energy assistance programs to customers currently enrolled in the programs.

C2.25 R 460.2125 Billing Error:

Rule 25.

- (1) If a utility overcharges a customer due to a billing error, the utility shall refund or credit the amount of the overcharge. A utility is not required to adjust, refund, or credit an overcharge for more than the 3 years immediately preceding discovery of the billing error, unless the customer is able to establish an earlier date for commencement of the error.

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- (2) If a utility undercharges a customer, the following provisions apply:
 - (A) In cases that involve meter tampering or fraud, the utility may backbill the customer for the amount of the undercharge.
 - (B) In cases that do not involve meter tampering or fraud, the utility may backbill the customer for the amount of the undercharge during the 12-month period immediately preceding discovery of the error, and the utility shall offer the customer reasonable payment arrangements for the amount of the backbill, taking into account the period of the undercharge.
- (3) Overcharges and undercharges due to gas meter errors and electric meter errors shall be reconciled in accordance with the provisions of R 460.2364 of the technical standards for gas service and the provisions R 460.3403 of the regulations governing service supplied by electric utilities, respectively.

C3. DEPOSITS AND GUARANTEES

C3.31 R 460.2131 Deposit for New Customer:

Rule 31.

- (1) A utility may require a deposit as a condition of providing service to a new customer due to any of the following:
 - (A) The applicant has a delinquent bill with any electric or gas provider, that accrued within the last 6 years, and that, at the time of the request for service, remains unpaid and is not in dispute.
 - (B) The applicant misrepresents his or her identity or credit standing.
 - (C) The applicant fails to provide complete positive identification information upon request at the time of applying for new service, to the extent a request for such information is not barred by R 460.2133(3).
 - (D) The applicant, in an unauthorized manner, used, diverted, or interfered with the service of the utility situated or delivered on or about the applicant's premises within the last 6 years, if the finding of unauthorized use, diversion, or interference is made after notice and an opportunity for a hearing pursuant to these rules.
 - (E) The applicant requests service for a location at which he or she does not reside.
 - (F) The applicant was a household member during a period in which all or part of a delinquent service account was accrued by another household member who currently resides with the applicant, if, at the time of the request for service, the account remains unpaid and is not in dispute.

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- (G) The applicant is unable to provide prior utility service history information with any regulated or unregulated utility in Michigan or elsewhere during the last 6 years and has an unfavorable commercial credit rating caused by 3 or more delinquent payments of more than 60 days in the last 2 years.
- (H) A receiver has been appointed in a court proceeding within the last 6 years.
- (I) As allowed by federal bankruptcy law, the applicant has sought relief under federal bankruptcy laws within the last 6 years.
- (2) A utility shall not require a deposit as a condition of providing service to a new customer if either of the following provisions apply:
 - (A) The family independence agency is responsible for making monthly payments to a utility on behalf of the applicant.
 - (B) The applicant secures a guarantor who is a customer in good standing with the utility.
 - (C) None of the conditions described in subrule 1 of this rule applies to the applicant.
 - (D) The applicant is over 65 years of age and has no negative credit history with any gas or electric provider.

C3.32 R 460.2132 Deposit for Previous Customer or Continued Service:

Rule 32.

- (1) A utility may require a deposit as a condition of providing or restoring service to a previous customer or continuing service to a current customer if the customer has an unsatisfactory credit standing with the utility due to any of the following:
 - (A) The customer or applicant has a prior service account that is delinquent, that accrued within the last 6 years, and that, at the time of the request for service, remains unpaid and is not in dispute, or if litigation was required to obtain full payment of a utility account that was not in dispute.
 - (B) The customer or applicant misrepresents his or her identity or credit standing.
 - (C) The customer or applicant fails to provide complete positive identification information upon request at the time of applying for service, to the extent that a request for such information is not barred by R460.2133(3).

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- (D) The customer or applicant, in an unauthorized manner, used, diverted, or interfered with the service of the utility situated or delivered on or about the customer's or applicant's premises within the last 6 years, if the finding of unauthorized use, diversion, or interference is made after notice and an opportunity for a hearing pursuant to these rules and is not in dispute.
 - (E) The utility has shut off service to the customer for nonpayment of a delinquent account that is not in dispute.
 - (F) The utility has had 1 or more checks for the customer's account returned from a bank within the last 12 months for insufficient funds or no account, excluding bank error.
 - (G) A receiver has been appointed in a court proceeding within the last 6 years.
 - (H) As allowed by federal bankruptcy law, the applicant has sought relief under federal bankruptcy laws within the last 6 years.
- (2) A utility shall not require a deposit as a condition of providing service to a previous customer or continuing service to a current customer if one of the following provisions apply:
- (A) The family independence agency is responsible for making monthly payments to a utility on behalf of the applicant.
 - (B) The customer or applicant secures a guarantor who is a customer in good standing with the utility.
 - (C) The customer or applicant has none of the conditions described in subrule (1) of this rule.
 - (D) The applicant is over 65 years of age and has no negative credit history with any gas or electric provider.

C3.33 R 460.2133 Prohibited Practices:

Rule 33.

- (1) A utility shall not require a deposit or other guarantee as a condition of new or continued utility service based upon any of the following:
- (A) Commercial credit standards, if the customer or applicant has prior utility service credit history with any electric or gas provider in Michigan or elsewhere during the previous 6 years.
 - (B) Income.
 - (C) Home ownership.

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- (D) Residential Location.
 - (E) Race.
 - (F) Color.
 - (G) Creed.
 - (H) Sex.
 - (I) Age.
 - (J) National origin.
 - (K) Any other criteria not authorized by these rules.
- (2) A utility shall not attempt to recover from any person any outstanding bills or other charges due upon the account of any other person, unless that other person has entered into a lawful guarantee or other agreement to pay those bills and charges.
- (3) A utility shall not require a customer or applicant who has prior utility service history with any electric or gas provider in Michigan or elsewhere during the previous 6 years to provide the utility with his or her social security number as a condition of obtaining or continuing a utility service.

C3.34 R 460.2134 General Deposit Conditions:

Rule 34.

- (1) (A) A deposit that is required pursuant to these rules due to a prior outstanding account that is not in dispute or a shutoff for nonpayment shall not be more than twice the average peak season monthly bill for the premises or twice the utility's system average peak season monthly bill for residential service if consumption history for the premises is unavailable. The utility may also require payment of the delinquent account as a condition of providing or continuing service if the prior account is in the customer's or applicant's name, is delinquent and owed to the utility, and accrued within the last 6 years.
- (B) A deposit that is required as a condition of providing, restoring, or continuing service due to unauthorized use, diversion, or interference shall not be more than 4 times the average peak season monthly bill for the premise or 4 times the utility's system average peak season monthly bill for residential service if consumption history for the premises is unavailable. The utility may also require payment of the delinquent account and approved charges as a condition of providing, restoring, or continuing service if the prior account is in the customer's or applicant's name, is delinquent and owed to the utility, and accrued within the last 6 years.

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- (2) Unless the applicant misrepresents his or her identity or credit standing or fails to provide positive identification, if requested, at the time of applying for service, the utility shall, within 30 days after the applicant applies, decide whether to require a deposit.
- (3) Except in the case of unauthorized use, diversion, or interference, if the utility shut off service for nonpayment, the utility shall not require a deposit as a condition of resorting service unless the utility offered the customer, prior to shutoff for nonpayment, the opportunity to enter into a settlement agreement as provided in part 6 of these rules
- (4) A utility shall pay interest at the rate of 9% per annum on all deposits. A utility shall credit interest semiannually to the service account of the customer or pay it upon the return of the deposit, whichever occurs first.
- (5) The customer's credit shall be established and the utility shall return the deposit and accrued interest upon satisfactory payment by the customer of all proper charges for utility service for a period of 12 consecutive months. A utility may retain a deposit because of unauthorized use, diversion, or interference for a period of 24 months and shall refund the deposit upon satisfactory payment of the final 12 months' charges.
- (6) For purpose of this rule, payment is satisfactory if it is made before the issuance of the notice of shutoff of service for nonpayment that is not in dispute or within 3 days after the issuance of the next succeeding monthly bill, whichever is sooner.
- (7) If the utility has not already returned the deposit, the utility shall credit the deposit, with accrued interest, to the final bill. A utility may apply a deposit against an existing arrearage that is not in dispute. The utility shall promptly return the balance to the customer.
- (8) A utility shall maintain a detailed record of all deposits received from customers. The record shall show all of the following information:
 - (A) The name of the residential customer.
 - (B) The location of the premises occupied by the customer at the time of making the deposit and each successive location while the deposit is retained.
 - (C) The date the customer made the deposit and the amount.
 - (D) The dates the utility paid interest and the amounts.
- (9) When the customer makes a deposit, the utility shall provide, in writing, a receipt that contains all of the following information:
 - (A) Name of the customer.
 - (B) Place of payment.
 - (C) Date of payment.
 - (D) Amount of payment.
 - (E) Identifiable name and signature of the utility employee who receives the deposit.
 - (F) The terms and conditions governing the receipt, retention, and return of the deposit.

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- (10) A utility shall provide a means by which a customer who is entitled to the return of his or her deposit is not deprived of the deposit even though he or she may be unable to produce the original receipt for the deposit.
- (11) A utility shall apply deposit standards uniformly to all customers.
- (12) For purposes of this rule, both of the following provisions apply:
 - (A) The premise's average peak season monthly bill is defined as the highest 5 consecutive month period of consumption at the premises within the previous 12 month period, divided by 5 priced at current rates.
 - (B) The utility's system average peak season monthly bill is defined as the average peak season monthly bill computed for all residential premises on the utility's system.

C3.35 R 460.2135 Uncollectibles Allowance Recovery Fund.

Rule 35.

- (1) A utility shall establish and administer an uncollectibles allowance recovery fund.
- (2) A utility shall annually deposit into its uncollectibles allowance recovery fund the difference between the uncollectibles provision as recorded on the utility's financial records for 1999 less the provision as recorded on the utility's financial records in each subsequent fiscal year.
- (3) A utility shall annually disburse the funds placed into its uncollectibles allowance recovery fund according to the following formula:
 - (A) Twenty-five percent (25%) shall be retained by the utility.
 - (B) Seventy-five (75%) shall be contributed to the Michigan Clean Air Fund of the Department of Environmental Quality for use in programs or projects established to reduce oxides of nitrogen and volatile organic compounds.

C3.36 R 460.2136 Guarantee Terms and Conditions:

Rule 36.

- (1) A guarantee that is accepted in accordance with these rules shall be in writing and shall be in effect for not more than 12 months. The written guarantee shall state all of the terms of the guarantee and the maximum amount guaranteed. The utility shall not hold the guarantor liable for a greater amount, unless agreed to in a separate written guarantee.

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- (2) The customer's credit shall be established and the utility shall release the guarantor upon satisfactory payment by the customer of all proper charges for utility service for a period of 12 consecutive months, unless the guarantee was required due to unauthorized use, diversion, or interference.
- (3) A utility may retain a guarantee resulting from unauthorized use, diversion, or interference for 24 months and shall release the guarantor upon satisfactory payment of the final 12 months' charges.
- (4) For purposes of this rule, payment is satisfactory if it is made before the issuance of a notice of shutoff of service for nonpayment that is not in dispute or within 3 days after the issuance of the next succeeding monthly bill, whichever is sooner.
- (5) A utility may withhold the release of a guarantor pending the resolution of a shutoff for nonpayment that is in dispute in accordance with these rules.

C4. UTILITY PROCEDURES

C4.41 R 460.2141 Applicability:

Rule 41. These procedures apply to all customer inquiries, service requests, and complaints that are made to a utility regarding residential utility service and charges.

C4.42 R 460.2142 Complaint Procedures:

Rule 42.

- (1) A utility shall establish procedures that will ensure the prompt, efficient and thorough receipt, investigation, and, where possible, resolution of all customer inquiries, service requests, and complaints.
- (2) A utility shall obtain Commission approval of any substantive changes in its procedures.

C4.43 R 460.2143 Personnel Procedures:

Rule 43. A utility shall establish personnel procedures that, at a minimum, ensure all of the following:

- (1) That qualified personnel are available and prepared at all times during normal business hours to receive and respond to all customer inquiries, service requests, and complaints. A utility shall make the necessary arrangements to ensure that customers who are unable to communicate in the English language receive prompt and effective assistance.

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- (2) That qualified personnel who are responsible for, and authorized to enter into, written settlement agreements on behalf of the utility are available at all times during normal business hours to respond to customer inquiries and complaints.
- (3) That qualified personnel are available at all times to receive and respond to customer contacts regarding any shutoff of service and emergency conditions that occur within the utility's service area.
- (4) That the names, addresses, and telephone numbers of personnel who are designated and authorized to receive and respond to the requests and directives of the Commission regarding customer inquiries, service requests, and complaints are current and on file with the Commission.

C4.44 R 460.2144 Utility Hearing Officers:

Rule 44.

- (1) A utility shall employ or contract with competent utility hearing officers, who shall be notaries public and qualified to administer oaths, and other supporting personnel as necessary to comply with the provisions of part 6 of these rules.
- (2) Utility hearing officers who are employed or contracted to comply with the provisions of part 6 of these rules shall not engage in any other activities for or on behalf of the utility.
- (3) Utility hearing officers and utility hearing procedures shall be subject to investigation and review by the Commission to ensure the impartiality and integrity of the hearing process.

C4.45 R 460.2145 Publication of Procedures:

Rule 45.

- (1) A utility shall prepare a pamphlet that, in easily understood terms, summarizes the rights and responsibilities of its customers in accordance with these rules and other applicable provisions of statutes, rules, and tariffs.
- (2) A utility shall display the pamphlet prominently and make it available at all utility office locations open to the general public. A utility shall transmit the pamphlet to each new customer upon the commencement of service and shall make it available at all times upon request. Where substantial revisions to or new information required by the provisions of subrule (3) of this rule occur, the utility shall provide the changes to all current customers by a bill insert, revised pamphlet, or a publication that is transmitted to all customers, with a copy to the commission. The form of this transmittal shall be at the discretion of the utility.

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- (3) The pamphlet shall contain all of the following information:
- (A) Billing procedures and estimation standards.
 - (B) Methods for customers to verify billing accuracy.
 - (C) An explanation of the power supply cost recovery or gas cost recovery program.
 - (D) Customer payment standards and procedures.
 - (E) Security deposit and guarantee standards.
 - (F) Shutoff and restoration of service.
 - (G) Inquiry, service and complaint procedures.
- (4) Each pamphlet shall indicate conspicuously that the pamphlet is provided in accordance with the rules of the commission.

C4.46 R 460.2146 Access to Rules and Rates:

Rule 46.

- (1) A utility, except for a rural electric cooperative, shall provide to each customer, within 60 days of commencing service, within 60 days after issuance of a new rate case order, and at least once each year, a clear and concise explanation of all rates for which that customer may be eligible, a notice that complete rate schedules are available upon request, and a notice of the availability of company assistance in determining the most appropriate rate if the customer is eligible to receive service under more than 1 rate.
- (2) A rural electric cooperative shall provide to each customer, at least annually, a notice that complete rate schedules are available upon request, a notice that a clear and concise explanation of all rates for which that customer may be eligible is available upon request, and a notice of the availability of company assistance in determining the most appropriate rate if the customer is eligible to receive service under more than 1 rate.
- (3) A utility, except for a rural electric cooperative, shall provide to each customer, within 60 days after the utility has filed a general rate case application with the commission, a notice that the utility has requested that the commission change its rates, a notice that copies of the utility's application are available for inspection at all offices of the utility, and a notice that an explanation of the proposed changes to the utility's rates is available from the utility upon request.

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- (4) A rural electric cooperative shall provide to each customer, within a reasonable time after it has filed a general rate case application or a times interest earned ratio ratemaking application, a notice that the cooperative has requested that the commission change its rates, a notice that copies of the cooperative's application are available for inspection at all offices of the cooperative, and a notice that an explanation of the proposed changes to the cooperative's rates is available from the cooperative upon request.
- (5) A utility, including a rural electric cooperative, shall provide the notice required by the provisions of this rule either through a publication that is transmitted to each of its customers or by a bill insert.
- (6) A utility shall keep on file, at all offices of the utility, and shall provide public access to, all of the following documents:
 - (A) A copy of these rules.
 - (B) A copy of all other rules of the utility as filed with the commission regarding customer service.
 - (C) Schedules of all residential rates and charges.
 - (D) Proposed rate schedules.
 - (E) Clear and concise explanations of both existing and proposed rate schedules.
 - (F) An explanation of its power supply cost recovery or gas cost recovery program.
- (7) A utility shall post suitable signs in conspicuous locations at all bill payment offices that are operated by the utility calling attention to the fact that the rules, regulations, rate schedules, proposed rate schedules, explanation of rate schedules, and explanations of proposed rate schedules are on file and available for inspection. Upon request, a utility shall provide 1 copy of these rules, explanations, or schedules to a customer without charge.

C4.47 R 460.2147 Reporting Requirements:

Rule 47. Upon request utility shall file, with the commission, a report that contains detailed information concerning all of the following:

- (A) The payment performance of its customers in relation to established due and payable periods.
- (B) The number and general description of all complaints registered with the utility.
- (C) The number of shutoff notices issued by the utility and the reasons for the notices.

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- (D) The number of hearings held by the utility, the types of disputes involved and the number of complaint determinations issued.
- (E) The number of written settlement agreements entered into by the utility.
- (F) The number of shutoffs of service and the number of reconnections.

C4.48 R 460.2148 Inspection:

Rule 48. A utility shall permit authorized staff of the Commission to inspect all of the utility's operations that relate to customer service.

C4.49 R 460.2149 Customer Access to Consumption Data:

Rule 49. A utility shall provide to each customer, upon request, a clear and concise statement of the customer's actual energy usage, or degree-day adjusted energy usage, for each billing period during the last 12 months unless that data is not reasonably ascertainable by the utility

C4.50 R 460.2150 Application for Service:

Rule 50.

- (1) Unless the applicant has had one or more shutoffs, a utility shall not require other adults who will be residing at the premises for which service is requested to sign an application for service. A utility shall permit more than 1 name on the application if requested by the customer.
- (2) If the applicant is renting the premises for which service is requested, a utility may require proof that the applicant is a tenant. Written or oral confirmation by the manager, landlord, or owner of the property or a copy of the lease submitted by the manager, landlord, or owner of the property is sufficient proof.

C5. PHYSICAL SHUTOFF OF SERVICE

C5.51 R 460.2151 Time of Shutoff:

Rule 51.

- (1) Subject to the requirements of these Rules, a utility may shut off service to a customer on the date specified in the notice of shutoff or at a reasonable time following that date. If a utility does not shut off service and mails a subsequent notice, then the utility shall not shut off service before the date specified in the subsequent notice. Shutoff shall occur only between the hours of 8 a.m. and 4 p.m.

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- (2) A utility shall not shut off service on a day, or a day immediately preceding a day, when the services of the utility are not available to the general public for the purpose of restoring service and shall not shut off service on a Friday during the space heating season to a customer who has defaulted on the winter protection plan as defined in these rules.
- (3) A utility shall not shut off service for an amount that is in dispute while a customer is awaiting the resolution of a complaint with the commission or the utility in accordance with these rules.

C5.52 R 460.2152 Manner of Shutoff:

Rule 52.

- (1) At least 1 day preceding shutoff of service, the utility shall make not less than 2 attempts to contact the customer by telephone if a telephone number is accessible to the utility to advise the customer of the pending action and what steps the customer must take to avoid shutoff. The utility shall either document all attempts to contact the customer or shall document that automated procedures are in place that will make at least 2 attempts to contact the customer by telephone.
- (2) Immediately preceding the shutoff of service, an employee of the utility who is designated to perform that function shall identify himself or herself to the customer or another responsible person at the premises and shall announce the purpose of his or her presence.
- (3) The employee shall have in his or her possession a copy of the delinquent account of the customer and request any available verification that the outstanding claims have been satisfied or are currently in dispute. Unless the customer presents evidence that reasonably indicates that the claim has been satisfied or is currently in dispute, the employee may shut off service.
- (4) The employee may be authorized to accept payment and shall not shut off service if the customer offers payment in full, together with a reasonable charge for sending the employee to the premises, if provided in the utility's schedule of rates and tariffs.
- (5) The customer may pay in any reasonable manner, including personal check. Payment by personal check is not reasonable if the customer has paid with a personal check within the last 12 months and the check has been returned for insufficient funds or no account, excluding bank error.
- (6) If the customer or another responsible person is not at the premises and the utility has not made the prior telephone contact provided in subrule (1) of this rule, the employee shall leave notice, in a manner conspicuous to the customer, that service will be shut off on or after the next business day unless the customer satisfies the outstanding claims. If the customer or another responsible person is not at the premises and the utility has made prior telephone contact with the customer or another responsible person, the employee may shut off service immediately.

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- (7) If the customer or another responsible person is not at the premises upon the return of the employee, or upon the first visit if the customer or another responsible person does not respond when it reasonably appears that he or she is at the premises, the employee may shut off service.
- (8) When the employee shuts off service, the employee shall leave a notice in a conspicuous place upon the premises. The notice shall state that service has been shut off, the address and telephone number of the utility where the customer may arrange to have service restored, and, for all forms printed after the effective date of these rules, that efforts by the customer to restore his or her own service are unlawful and dangerous.

C5.53 R 460.2153 Medical Emergency:

Rule 53. Notwithstanding any other provision of these Rules, a utility shall postpone the shutoff of service for a reasonable time, but not for more than 21 days, if the customer produces a physician's certificate or notice from a public health or social services official stating that the shutoff of service will aggravate an existing medical emergency of the customer, a member of his or her family, or another permanent resident of the premises. The certificate shall identify the medical emergency and specify the period of time during which shutoff will aggravate the emergency. The utility shall extend the postponement for further periods of not more than 21 days, not to exceed a total postponement of shutoff of service of 63 days, only if the customer produces a physician's certificate. If shutoff of service has occurred without any postponement being obtained, the utility shall restore service for a reasonable time, but not for more than 21 days, and shall continue the restoration for further periods of not more than 21 days, not to exceed a total restoration of service of 63 days, only upon the customer providing a physician's certificate.

C5.54 R 460.2154 Restoration of Service

Rule 54.

- (1) After a utility has shut off service, it shall restore service promptly upon the customer's request when the cause has been cured or credit arrangements satisfactory to the utility have been made.
- (2) When a utility shuts off service at the customer's meter, the utility shall make every effort to restore service on the day the customer requests restoration. Except for reasons beyond its control, the utility shall restore service no later than the first working day after the customer's request.
- (3) The utility may assess the customer a charge, including reasonable costs, for restoring service and relocating the customer's meter as specified in the utility's approved schedule of rates and tariffs.

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C5.55 R 460.2155 Charges for Meter Relocation:

Rule 55. A utility may assess a meter relocation charge pursuant to the provision of R 460.2154(3) in any of the following situations:

- (A) The utility shut off service by disconnection at the street or pole because the utility could not obtain access to the meter.
- (B) The utility shut off service for nonpayment of 2 prior occasions.
- (C) The customer or another responsible adult refused to permit the utility access to the meter on 5 separate occasions and all of the following provisions apply:
 - (i.) The utility can produce documentation of written requests for access.
 - (ii.) The utility determines that the account is 3 or more months in arrears and is not in dispute.
 - (iii.) The utility has employed reasonable efforts to secure access to the meter.
- (D) The utility shut off service due to unauthorized use, diversion or interference, or the customer acknowledges personal responsibility and the utility bills him or her for unauthorized use, diversion or interference.

C6. PROCEDURES FOR SHUTOFF OR TERMINATION OF SERVICE

C6.61 R 460.2161 Shutoff Permitted:

Rule 61. Subject to the requirements of these Rules, a utility may shut off or terminate service to a residential customer for any of the following reasons:

- (A) The customer has not paid a delinquent account that accrued within the last 6 years.
- (B) The customer has failed to provide a deposit or guarantee permitted by these rules.
- (C) The customer or others have caused unauthorized use, diversion, or interference with the utility service situated or delivered on or about the customer's premises.
- (D) The customer has failed to comply with the terms and conditions of a settlement agreement.
- (E) The customer has refused to arrange access at reasonable times for purpose of inspection, meter reading, maintenance or the replacement of equipment that is installed upon the premises

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- (F) The customer has misrepresented his or her identity for the purpose of obtaining utility service.
- (G) The customer has violated any rules of the utility approved by the Commission so as to adversely affect the safety of the customer or other persons or the integrity of the utility system.
- (H) A current member of the customer's household has not paid a delinquent account for service that is not in dispute and that is owed by that person, if the customer lived at the same residence served by the utility at the time that all or part of the debt was incurred by the current member of the customer's household. This subdivision shall not apply if the utility holds a deposit pursuant to the provisions of to R 460.2131(1) (E).
- (I) The customer has requested the termination of service. The utility shall make reasonable efforts to determine that the customer of record has authorized the termination of service.

C6.62 R 460.2162 Shutoff Prohibited:

Rule 62. A utility shall not shut off service for any of the following reasons:

- (A) The customer has not paid for items, such as merchandise, appliances, or services, that are not approved by the commission as an integral part of the utility service that is provided by the utility.
- (B) The customer has not paid for concurrent service received at a separate metering point, residence, or location.
- (C) The customer has not paid for a different class of service received at the same or a different location. The placing of more than 1 meter at the same location for the purpose of billing the usage of specific residential energy using devices under optional rate schedules or provisions is not a different class of service for the purpose of this Rule.
- (D) The customer, such as a landlord, has not paid for service used by another person, such as a tenant. A utility may shut off service, however, in any of the following circumstances:
 - (i.) If the customer supplies a written statement under oath that the premises are unoccupied.
 - (ii.) If the premises are occupied, and the occupant agrees, in writing to the shutoff of service.
 - (iii.) If it is not feasible to provide service to the occupant as a customer without a major revision of existing distribution facilities. Where it is feasible to provide service, the utility, after providing notice as required in these rules, shall offer the occupant the opportunity to subscribe for service in his or her own name. If the occupant refuses, the utility may shut off service pursuant to these rules.

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C6.63 R 460.2163 Notice of Shutoff:

Rule 63.

- (1) A utility shall not shut off service pursuant to the provisions of R 460.2161 unless it transmits a notice, by first-class mail, to the customer or personally serves the notice not less than 10 days before the date of the proposed shutoff. The utility shall send notice to the account name and address and to the address where service is provided if the service address is different and the transmittal can be delivered at that address. A utility shall maintain a record of the date of transmittal.
- (2) A utility shall permit a customer to designate a consenting individual or agency to receive a copy of a notice of shutoff.
- (3) Not less than 30 days before the proposed shutoff of service to a single-metered dwelling that is used as a residence for 5 or more families, a utility shall transmit a notice to each dwelling unit that indicates that the customer of record, the landlord, has failed to pay an outstanding bill and is subject to shutoff of service on or after a specified date.

C6.64 R 460.2164 Form of Notice:

Rule 64. A notice of shutoff of service shall contain the following information:

- (A) The name and address of the customer and, if available, the address at which service is provided, if different.
- (B) A clear and concise reason for the proposed shutoff of service.
- (C) The date on or after which the utility may shut off service, unless the customer takes appropriate action.
- (D) That the customer has the right to enter into a settlement agreement with the utility if the claim is for an amount that is not in dispute and the customer is presently unable to pay in full.
- (E) That the customer has the right to file a complaint disputing the claim of the utility before the proposed date of the shutoff of service.
- (F) That the customer has the right to request a hearing before a utility hearing officer if the complaint cannot be otherwise resolved and that the customer must pay to the utility that portion of the bill that is not in dispute within 3 days of the date that the customer requested a hearing.

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- (G) That the customer has the right to represent himself or herself, to be represented by counsel, or to be assisted by other persons of his or her choice in the complaint process.
- (H) That the utility will not shut off service pending the resolution of a complaint that is filed with the utility in accordance with these Rules.
- (I) The telephone number and address of the utility where the customer may make inquiry, enter into a settlement agreement, or file a complaint.
- (J) That the customer should contact a social services agency immediately if the customer believes he or she might be eligible for emergency economic assistance.
- (K) That the utility will postpone the shutoff of service if a medical emergency exists at the customer's residence.
- (L) That the utility may require a deposit and restoration charge if the utility shuts off service for nonpayment of a delinquent account.
- (M) That the customer should contact the utility for information about the winter protection plan if the date on or after which shutoff of service may occur is between November 15 and March 31.

C6.65 R 460.2165 Disputed Claim:

Rule 65.

- (1) If a customer advises a utility, before the date of the proposed shutoff of service, that all or part of a bill is in dispute, the utility shall do all of the following:
 - (A) Immediately record the date, time and place the customer made the complaint and transmit verification to the customer.
 - (B) Investigate the dispute promptly and completely.
 - (C) Advise the customer of the results of the investigation.
 - (D) Attempt to resolve the dispute informally in a manner that is satisfactory to both parties.
 - (E) Provide the opportunity for the customer to settle the disputed claim or to satisfy any liability that is not in dispute.

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- (2) A customer may advise a utility that a claim is in dispute in any reasonable manner, such as by written notice, in person or by a telephone call directed to the utility.
- (3) A utility, in attempting to resolve the dispute may employ telephone communication, personal meetings, on-site visits, or any other technique that is reasonably conducive to dispute settlement.

C6.66 R 460.2166 Hearing:

Rule 66. If the parties are unable to resolve the dispute, the utility shall offer the customer the opportunity for a hearing before a utility hearing officer. If the customer fails to request a hearing within 3 days of the date that the opportunity for hearing is offered, or if the customer fails to pay the part of the bill that is not in dispute within 3 days of the date that he or she requests the hearing, the utility may exercise its right to shut off service pursuant to these Rules.

C6.67 R 460.2167 Payment of Amount Not in Dispute:

Rule 67.

- (1) If a customer requests a hearing before a utility hearing officer, the customer shall cooperate in the utility's investigation of the complaint and shall pay to the utility the part of the bill that is not in dispute.
- (2) The amount that is not in dispute shall be mutually determined by the parties. The parties shall consider the customer's prior consumption history, weather variations, the nature of the dispute, and any other pertinent factors.
- (3) If the parties are unable to mutually determine the amount that is not in dispute, the customer shall pay, to the utility, 50% of the bill in dispute, but not more than \$100.00 per billing period. If the bill in dispute includes usage that has not been previously billed, such as a backbilling, the customer shall pay, to the utility, the amount that is not in dispute for usage not previously billed or 50% of the amount in dispute for usage not previously billed, but not more than \$100.00 for the amount not previously billed.
- (4) The amount that is not in dispute shall be subject to review at the hearing before the utility hearing officer in accordance with the provisions of R 460.2169.
- (5) If the customer fails to pay the amount that is not in dispute within 3 days of the date that he or she requests a hearing, the customer waives the right to the hearing and the utility may shut off service as provided in Part 5 of these rules.
- (6) If the dispute is ultimately resolved in favor of the customer, in whole or in part, the utility shall return promptly any excess amount paid by the customer, with interest at the rate specified pursuant to the provisions of R 460.2134(4).

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C6.68 R 460.2168 Notice of Hearing:

Rule 68.

- (1) The utility shall transmit or personally serve the customer with written notice of the time, date and place of the hearing not less than 10 days before the hearing.
- (2) The notice shall describe the hearing procedures as contained in these Rules.
- (3) Failure of the customer or the utility to attend the hearing without a good reason or without having requested an adjournment constitutes a waiver of the right of that party to the hearing.

C6.69 R 460.2169 Hearing Procedures:

Rule 69.

- (1) A utility shall establish hearing procedures that, at a minimum, provide the customer and the utility with all of the following rights:
 - (A) The right to represent themselves, to be represented by counsel, or to be assisted by persons of their choice.
 - (B) The right to examine, not less than 2 days before a scheduled hearing, a list of all witnesses who will testify and all documents, records, files, account data, and similar material that may be relevant to the issues to be raised at the hearing
 - (C) The right to present evidence, testimony, and oral and written argument.
 - (D) The right to confront and question witnesses appearing on behalf of the other party.
- (2) A hearing shall be held during normal business hours. A utility shall take reasonable steps to ensure that a customer who is unable to attend a hearing due to physical incapacity is not denied the right to a hearing.
- (3) The utility has the burden of proof by a preponderance of the evidence.
- (4) All witnesses who appear for either party shall testify under oath.
- (5) A hearing shall be informal and the proceedings need not be recorded or transcribed. All relevant evidence shall be received and the formal rules of evidence shall not apply.

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- (6) For each hearing, the utility hearing officer shall compile a record that contains all of the following:
 - (A) A concise statement, in writing, of the position of the utility.
 - (B) A concise statement, in writing, of the position of the customer. If the customer has not put his or her position in writing, the hearing process shall provide a method for accomplishing this with the opportunity for proper acknowledgment by the customer.
 - (C) Copies of all evidence submitted by the parties.
- (7) At the conclusion of the hearing, the utility hearing officer may orally state his or her findings and the decision or adjourn the hearing and inform the parties that the decision will be transmitted within 7 days. At the request of the customer, the utility hearing officer shall adjourn the hearing and transmit the decision within 7 days. In all cases, the utility hearing officer shall issue a complaint determination in a form that is approved by the commission. The compliant determination shall contain both of the following:
 - (A) A concise summary of the evidence and arguments presented by the parties.
 - (B) The decision and the reasons for the decision, of the utility hearing officer based solely upon the evidence received.
- (8) At the conclusion of the hearing and again upon the issuance of the complaint determination, the utility hearing officer shall advise the customer and the utility of all of the following:
 - (A) That each party has a right to make an informal appeal to the Commission Staff, by mail, telephone, or in person within 7 days of the issuance of the complaint determination.
 - (B) That, if appealed, the decision of the utility hearing officer, including a finding that service may be shut off, cannot be implemented pending review by the Commission Staff.
 - (C) The address and telephone number where the customer or the utility may make an informal appeal to the Commission Staff.
- (9) Before issuance of a complaint determination, the utility hearing officer may propose a settlement to the parties. If both parties accept the settlement, it shall be reduced to writing and signed by both parties.

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- (10) Within 7 days of the conclusion of the hearing, the utility hearing officer shall serve the parties with all of the following:
 - (A) A copy of the compliant determination.
 - (B) Appeal information as provided in subrule (8) of this rule.
 - (C) If applicable, a copy of the signed settlement agreement.
- (11) The complaint determination and a copy of the signed settlement agreement, if any, shall be made part of the hearing record. The utility hearing officer shall certify the hearing record.
- (12) The complaint determination is binding upon the parties unless appealed as provided in these rules.

C6.70 R 460.2170 Settlement Agreement:

Rule 70.

- (1) If the utility and the customer arrive at a mutually satisfactory settlement of a claim in dispute or if the customer does not dispute liability to the utility, but claims the inability to pay the outstanding bill in full, a utility shall offer the customer the opportunity to enter into a settlement agreement.
- (2) A settlement agreement shall be in writing and signed by the customer or his or her authorized representative and an authorized representative of the utility. The utility shall confirm, in writing, a settlement reached by telephone and shall transmit the settlement to the customer with instructions to sign a confirming copy and return it in a postage-paid, self-addressed envelope. The utility shall retain the original settlement agreement for 2 years.
- (3) In negotiating a settlement agreement due to the customer's inability to pay an outstanding bill in full, the utility shall not require the customer to pay more than a reasonable amount of the outstanding bill upon signing the agreement and not more than reasonable installments until the remaining balance is paid.
- (4) For purposes of determining reasonableness, the parties shall consider all of the following factors:
 - (A) The size of the delinquent account.
 - (B) The customer's ability to pay.
 - (C) The time that the debt has been outstanding.

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- (D) The reasons that the customer has not paid the bill.
 - (E) The customer's payment history.
 - (F) Any other relevant factors concerning the circumstances of the customer.
- (5) A settlement agreement that is offered by a utility shall state, immediately preceding the space provided for the customer's signature and in bold print that is not less than 2 sizes larger than any other print that is used on the form,: "IF YOU ARE NOT SATISFIED WITH THIS AGREEMENT, DO NOT SIGN. YOU MAY FILE AN INFORMAL COMPLAINT AND HAVE A HEARING BEFORE A UTILITY HEARING OFFICER BEFORE YOUR SERVICE MAY BE SHUT OFF. IF YOU DO SIGN THIS AGREEMENT, YOU GIVE UP YOUR RIGHT TO AN INFORMAL HEARING BEFORE A UTILITY HEARING OFFICER ON ANY MATTER INVOLVED IN THIS DISPUTE EXCEPT THE UTILITY'S FAILURE OR REFUSAL TO FOLLOW THE TERMS OF THIS AGREEMENT".

C6.71 R 460.2171 Default of Settlement Agreement:

Rule 71.

- (1) If a customer fails to comply with the terms and conditions of a settlement agreement, a utility may shut off service after giving the customer a notice, by personal service or first-class mail, that contains of all the following information:
- (A) That the customer is in default of the settlement agreement.
 - (B) The nature of the default.
 - (C) That unless the customer pays in full within 10 days of the date of mailing, the utility may shut off service.
 - (D) The date on or after which the utility may shut off service.
 - (E) That the customer has a right to request a hearing before a utility hearing officer only if the customer alleges that the utility has failed or refused to follow the terms of the settlement agreement.
 - (F) The address and telephone number where the customer may file the request for a hearing with the utility.
- (2) A utility is not required to enter into a subsequent settlement agreement with a customer until he or she has complied fully with the terms of a previous settlement agreement.

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- (3) A utility is not required to enter into a subsequent settlement agreement with a customer who defaulted on the terms and conditions of an agreement within the last 2 years.
- (4) If the customer and utility reach a settlement agreement following a notice of shut off, the failure of the customer to abide by the terms of the settlement agreement during the first 60 days of the agreement constitutes a waiver of the notice required by subrule (1) of this rule. The utility may shutoff service after notice as described in the provisions of R 460.2152.

C6.72 R 460.2172 Same Dispute:

Rule 72. A utility may disregard a customer complaint or dispute that involves the same question or issue based upon the same facts, and is not required to comply with these Rules more than once before shutoff of service.

C6.73 R 460.2173 Emergency Shutoff:

Rule 73. Notwithstanding any other provision of these rules, a utility may shut off service temporarily for reasons of health or safety or in a state or national emergency. When a utility shuts off service for reasons of health or safety, the utility shall leave a notice in accordance with the provisions of R 460.2152(8).

C6.74 R 460.2174 Winter Protection Plan:

Rule 74.

(1) As used in this rule:

- (A) "Eligible customer" means either an eligible low-income customer or an eligible senior citizen customer.
- (B) "Eligible low-income customer" means a utility customer whose household income does not exceed 150% of the poverty level, as published by the United States department of health and human services, or who receives any of the following:
 - (i.) Supplemental security income, aid to families with dependent children, or general assistance.
 - (ii.) Food stamps.
 - (iii.) Medicaid.
- (C) "Eligible senior citizen customer" means a utility customer who is 65 years of age or older and who advises the utility of his or her eligibility.

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- (2) A utility shall not shut off service to an eligible customer during the space heating season for nonpayment of a delinquent account if the customer is an eligible senior citizen customer or if the customer pays to the utility a monthly amount equal to 7% of the estimated annual bill for the eligible customer and the eligible customer demonstrates, within 14 days of requesting shutoff protection, that he or she has made application for state or federal heating assistance. If an arrearage exists at the time an eligible customer applies for protection from shutoff of service during the space heating season, the utility shall permit the customer to pay the arrearage in equal monthly installments between the date of application and the start of the subsequent space heating season.
- (3) A utility may shut off service to an eligible low-income customer who does not pay the monthly amounts referred to in subrule (2) of this rule after giving notice in the manner required by these rules. The utility is not required to offer a settlement agreement to an eligible low-income customer who fails to make the monthly payments referred to in subrule (2) of this rule.
- (4) If a customer fails to comply with the terms and conditions of this rule, a utility may shut off service after giving the customer a notice, by personal service or first-class mail, that contains all of the following information:
 - (A) That the customer has defaulted on the winter protection plan.
 - (B) The nature of the default.
 - (C) That unless the customer makes the payments that are past due under this rule within 10 days of the date of mailing, the utility may shut off service.
 - (D) The date on or after which the utility may shut off service, unless the customer takes appropriate action.
 - (E) That the customer has the right to file a complaint disputing the claim of the utility before the date of the proposed shutoff of service.
 - (F) That the customer has the right to request a hearing before a utility hearing officer if the complaint cannot be otherwise resolved and that the customer must pay to the utility that portion of the bill that is not in dispute within 3 days of the date that the customer requests a hearing.
 - (G) That the customer has the right to represent himself or herself, to be represented by counsel, or to be assisted by other persons of his or her choice in the complaint process.
 - (H) That the utility will not shut off service pending the resolution of a complaint that is filed with the utility in accordance with these rules.

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- (I) The telephone number and address of the utility where the customer may make inquiry, enter into a settlement agreement, or file a compliant.
 - (J) That the customer should contact a social services agency immediately if the customer believes he or she might be eligible for emergency economic assistance.
 - (K) That the utility will postpone shutoff of service if a medical emergency exists at the customer's residence.
 - (L) That the utility may require a deposit and restoration charge if the utility shuts off service for nonpayment of a delinquent account.
- (5) At the conclusion of the space heating season, the utility shall reconcile the accounts of eligible customers and permit customers to pay any amounts owing in equal monthly installments between April 1 and December 1. A utility may shut off service to eligible customers who fail to make installment payments on a timely basis in the manner required by these rules. At the option of the customer, between April 1 and November 30, the customer may choose to pay 9% of the estimated annual bill each month together with the monthly installment for any pre-enrollment arrearage instead of the amount otherwise owing for actual and reconciled past due amounts. After November 30, the utility shall reconcile the account of any customer who has chosen and fulfilled the obligations of the 9% option by refunding any net overcollection or adding any net undercollection to the customer's arrearage for the upcoming space heating season. If a customer fails to make all payments that are required pursuant to the 9% option, the utility may immediately reconcile his or her account by refunding any net overcollection or by adding any net undercollection to the customer's current bill.
- (6) A utility shall not require an eligible low-income customer whose utility service has been shut off before applying for protection under this rule to pay a fee for restoring service or a security deposit pursuant to the provisions of R 460.2132 during the space hearing season. A utility may not require an amount greater than one twelfth of an arrearage owing in order to restore service or initiate participation in the winter protection plan. The 7% payment shall be billed according to normal billing procedures for the utility.
- (7) An eligible low-income customer may pre-enroll in the winter protection plan between November 15 and November 30 by paying the current usage plus 1/12 of any arrearage and agreeing to the terms of the winter protection plan for the upcoming space heating season. An eligible senior citizen customer may pre-enroll by advising the utility of his or her eligibility. A pre-enrolled customer shall not have his or her service terminated before the commencement of the winter protection plan. A customer who is off service as of November 15 shall be eligible to pre-enroll in the winter protection plan and have service restored immediately after fulfilling the requirements for pre-enrollment. Further, an off service low-income customer who applies during the pre-enrollment period shall be entitled to have all deposits and reconnection fees waived.

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C7. COMMISSION APPEAL PROCEDURES

C7.81 R 460.2181 Informal Appeal:

Rule 81. Within 7 days after a utility hearing officer issues a written complaint determination, either party may make an informal appeal to the Commission Staff.

C7.82 R 460.2182 Filing Procedures:

Rule 82.

- (1) A party may make an informal appeal in any reasonable manner. The informal appeal need not be in writing and may be initiated by telephone or in person at the offices of the Commission.
- (2) A written appeal need not be verified.
- (3) The appealing party shall provide all of the following information:
 - (A) Name and address of the customer.
 - (B) Name of the utility involved.
 - (C) The nature of the original complaint in a clear and concise manner.
 - (D) The relief requested.

C7.83 R 460.2183 Exhaustion of Remedies:

Rule 83. The Commission Staff may require the customer to pursue remedies directly with the utility as provided in these rules before accepting an informal appeal. The Commission may waive this rule when circumstances require.

C7.84 R 460.2184 Informal Appeal Procedures:

Rule 84.

- (1) The Commission Staff shall assign the informal appeal to a complaint and information officer or another employee of the Commission as the Commission may designate. The officer or designated employee shall reduce the appeal to writing and shall have all of the following responsibilities:

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- (A) Advising the appealing party of the procedures of the Commission by telephone or in writing.
 - (B) Advising the other party that an informal appeal has been filed.
 - (C) Issuing interim determination as necessary.
 - (D) Reviewing or investigating the appeal as provided in these rules.
 - (E) Issuing an informal appeal decision.
- (2) Upon notification by the Commission Staff that an informal appeal has been made, the utility shall promptly file, with the Commission Staff, the certified hearing record. The parties shall be bound by the evidence presented at the hearing and contained in the hearing record. In arriving at the informal appeal decision, the complaint and information officer or designated employee shall not be required to receive or consider any additional evidence or information.
- (3) In all informal appeals, the utility has the burden of proof by a preponderance of the evidence.

C7.85 R 460.2185 Interim Determination:

Rule 85.

- (1) After receiving the hearing record and pending the final resolution of an informal appeal, the complaint and information officer or designated employee may issue an interim determination with appropriate terms and conditions. In the case of an appeal regarding a bill or deposit, the complaint and information officer or designated employee may require a customer to pay the undisputed portion of a claim in order to continue the prohibition against the shutoff of service as provided in these rules. The complaint and information officer or designated employee may consider the amounts that reasonably appear to reflect the cost of utility service in determining the undisputed portion of a claim.
- (2) If a customer fails to abide by the terms and conditions of an interim determination within 10 days of the date of personal service or mailing of the interim determination by first-class mail, the utility may shut off service as provided in these rules.

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C7.86 R 460.2186 Appeal Review:

Rule 86. The complaint and information officer or designated employee shall review the informal appeal thoroughly and, when necessary, conduct further investigation. A party may offer new evidence if the complaint and information officer or designated employee determines that it is relevant and could not have been offered at the hearing before the utility hearing officer through the exercise of due diligence by the offering party. When further investigation is necessary, the complaint and information officer or designated employee may request additional evidence or, at his or her own initiative, may hold an informal conference with the parties or their representatives at a time and place designated by the officer or employee. If either party fails to appear at the informal conference without a good reason or without having requested an adjournment, the right of the absent party to appear at the conference shall be waived. At any informal conference, the parties shall have the right to do all of the following:

- (A) Represent themselves, to be represented by counsel, or to be assisted by other persons of their choice.
- (B) Present oral and documentary evidence.
- (C) Refute, in a reasonable manner, the evidence of the other party.
- (D) Submit an oral or written statement of position.

C7.87 R 460.2187 Shutoff Pending Decision:

Rule 87. A utility shall not shut off service or issue a notice of shutoff related to the matter in dispute pending the decision of the Commission Staff, except pursuant to the terms of an interim determination.

C7.88 R 460.2188 Informal Appeal Decision:

Rule 88. The complaint and information officer or other employee so designated by the Commission shall, within 30 days after the utility files the certified record, issue a written informal appeal decision affirming, modifying, or reversing the complaint determination. In reversing or modifying the complaint determination, the decision shall set forth the terms and conditions for continued service, shutoff, or a proposed settlement agreement as required by the facts and circumstances. The decision shall state the relevant findings of fact and the reasons for the decision.

C7.89 R 460.2189 Failure to Comply with Informal Appeal Decision:

Rule 89. A copy of the informal appeal decision shall be served personally or by first-class mail on the parties. Failure of either party to comply with the decision within 10 days from the date of service of mailing shall permit implementation of the action or remedy provided by the decision.

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C7.90 R 460.2190 Same Dispute:

Rule 90. The Commission Staff may dismiss a subsequent informal appeal that involves the same question or issue based upon the same facts without following every procedure set forth in these rules.

C7.91 R 460.2191 Formal Appeal:

Rule 91. Either party may appeal the decision of the complaint and information officer or designated employee by filing a formal complaint in accordance with the Rules of practice and procedure before the Commission. A party may proceed in accordance with the terms of the informal appeal decision unless otherwise ordered by the Commission or the presiding officer who is assigned to the formal complaint.

C7.92 R 460.2192 Other Remedies:

Rule 92. Nothing in these provisions shall be construed to prevent a party from pursuing appropriate legal and equitable remedies at any time before or after the issuance of any informal appeal decision.

C8. ADDITIONAL BILLING PRACTICES AND PROCEDURES

This section is allocated to Company additions and changes to the standard billing practices and procedures

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**SECTION D
RULES AND REGULATIONS
FOR COMMERCIAL AND INDUSTRIAL CUSTOMERS**

D1. COMMERCIAL AND INDUSTRIAL BILLING PRACTICES

D1.1 R 460.2071 Applicability; Purpose:

Rule 1.

- (1) These Rules apply to gas companies which operate within the State of Michigan under the jurisdiction of the Commission and which sell or transport gas to retail customers.
- (2) These Rules are intended to provide standards for uniform and reasonable practices by utilities in dealing with commercial and industrial customers.

D1.2 R 460.2072 Definitions:

Rule 2. As used in these rules:

- (A) "Billing error" means an undercharge or overcharge caused by the use of an incorrect actual meter read, incorrect pressure factor, incorrect calculation of the applicable rate, or other similar act or omission by the utility in determining the proper amount of a customer's bill. A bill based on an estimated meter read or a customer read does not constitute a billing error.
- (B) "Commission" means the Michigan Public Service Commission.
- (C) "Customer" means any person, firm, association, corporation, or government agency that is supplied with gas service by a utility for commercial and industrial purposes, including service to schools and centrally metered apartment buildings.
- (D) "Meter" means a device that measures the quantity of gas used by a customer, including a device that measures the heat content of gas.
- (E) "Utility" means a gas distribution company that operates under the jurisdiction of the Commission and sells or transports gas to retail customers.

D1.3 R 460.2073 Rescission:

Rule 3. R 460.915, R 460.917, R 460.918, and R 460.921 to R 460.925 of the Michigan Administrative Code, appearing on pages 4742 to 4744 of the 1979 Michigan Administrative Code, are rescinded.

Continued on Sheet No. D-2.00

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D1.4 R 460.2074 Selection of Rate:

Rule 4. The utility shall assist the customer or prospective customer in selecting the most economical rate schedule based on information supplied by the customer; however, selection of the appropriate rate is the responsibility of the customer. Once the selection is made, the customer shall stay on that rate not less than 12 months unless the customer demonstrates that an earlier change is requested for a permanent rather than a temporary or seasonal advantage.

D1.5 R 460.2075 Meter Reading Interval:

Rule 5. The utility shall schedule customer meters to be read monthly, except that authority may be obtained from the commission for reading the meters at other than monthly intervals. To the extent practicable, utilities shall not send a customer 2 successive estimated bills. The utility may permit a customer to supply meter readings on a form furnished by the utility if an employee of the utility reads the meter at least once each 12 months.

D1.6 R 460.2076 Cycle Billing:

Rule 6. A utility may bill its customers on a cyclical basis if the individual customer receives each billing on or about the same day of each billing month. If a utility changes meter reading routes or schedules, billing cycles may be altered upon 10 days' written notice to the affected customer.

D1.7 R 460.2077 Billing Information:

Rule 7. The utility shall bill each customer promptly after reading the meter. The bill shall show all of the following information:

- (A) The beginning and ending meter readings of the billing period and the dates thereof.
- (B) The due date.
- (C) The number of units metered.
- (D) The actual rates charged.
- (E) The amount due.
- (F) A distinct marking to identify an estimated bill.
- (G) The address and telephone number of the utility designating where the customer may initiate an inquiry or complaint regarding the bill as rendered or the service provided by the utility.

Continued on Sheet No. D-3.00

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D1.8 R 460.2078 Discounts and Delayed Payment Charges:

Rule 8. Where provided in an approved rate schedule, a utility may grant a discount for prompt payment of a bill or may make a delayed payment charge for failure to make prompt payment. A delayed payment charge shall be applied to the unpaid balance outstanding, net of taxes, if the bill is not paid in full on or before the date on which the bill is due.

D1.9 R 460.2079 Delivery and Payment of Bills:

Rule 9. A bill shall be mailed or delivered to the customer not less than 21 days before the due date. Failure to receive a bill properly mailed or delivered by the utility does not extend the due date. If the day on which the bill is due falls on Saturday, Sunday or a holiday, the bill shall be due on the next business day. Customers who mail remittances before midnight on the due date shall be considered to have timely paid. In the case of an illegible postmark, the date of mailing shall be considered to be 2 days before receipt by the utility.

D1.10 R 460.2080 Special Service:

Rule 10. A utility may include charges for special services together with charges for utility service on the same monthly bill if the charges for special services are designated clearly and separately from the utility service account. If partial payment is made, and if no designation of the payment is given by the customer, the utility shall first credit all payments to the balance outstanding for utility service.

D1.11 R 460.2081 Billing Errors:

Rule 11.

- (1) If a customer has been overcharged, the amount of the overcharge shall be refunded or credited to the customer. The refund or credit shall include interest computed at the same rate as that provided for in the utility's standard refund policy. The application of interest shall commence on the sixtieth day following the overcharge. A utility is not required to adjust, refund, or credit an overcharge beyond the 3-year period immediately preceding discovery of the billing error, unless the customer is able to present a record establishing an earlier date of occurrence or commencement of the error.
- (2) In cases of meter tampering or fraud, the customer may be backbilled for the amount of the undercharge. The backbill may include interest at the same rate as that provided for in the utility's standard refund policy.
- (3) In cases not involving meter tampering or fraud, the customer may be backbilled for the amount of the undercharge during the 12-month period immediately preceding discovery of the error. The utility shall offer the customer reasonable payment arrangements for the amount of the backbill, taking into account the period of the undercharge. The backbill shall not include interest.

Continued on Sheet No. D-4.00

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D1.12 R 460.2082 Customer Complaints; Investigation; Records:

Rule 12. The utility shall promptly and thoroughly investigate customer complaints concerning the charges, practices, facilities, or services of the utility. The utility shall keep records of customer complaints that will enable the utility to review and analyze its procedures and actions.

D1.13 R 460.2083 Customer Deposits:


Rule 13.

- (1) A utility may require a deposit from a new customer if service will be rendered for less than 12 months, the customer has an existing bad debt with any company regulated by the Commission, or the customer has no established credit rating or an unfavorable credit rating with a credit reporting agency.
- (2) A utility may, with proper notification, require a deposit from a new customer if the customer exhibits an unsatisfactory record of bill payment within the first 6 months after service has commenced. Payment of bills on or before the due date shall constitute a satisfactory record of bill payment.
- (3) An existing customer shall be classified as one who has received service for more than a 6-month period. A utility may require a deposit from an existing customer if 2 or more final disconnect notices have been issued within the most recent 12-month period, service has been discontinued for nonpayment, or the customer has tampered with the meter or converted company gas to the customer's use.
- (4) A deposit shall not be more than 25% of the customer's annual bill. The utility shall provide reasonable terms for the payment of the deposit.
- (5) A deposit may be retained by the utility until the customer compiles a record of 12 continuous months of bill payment on or before the due date.
- (6) Interest shall be paid on deposits at a rate of 9% per annum pursuant to the provisions of Act No. 347 of the Public Acts of 1921, as amended, being §460.651 et seq. of the Michigan Compiled Laws or as otherwise provided by law.
- (7) If service is terminated, the utility may apply the deposit, plus accrued interest, to the customer's unpaid balance. If the deposit plus accrued interest is more than the unpaid balance, the excess shall be returned to the customer.
- (8) Each utility shall keep records that show all of the following information:
 - (a) The name and address of each depositor.

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- (b) The amount and date of the deposit.
- (c) Each transaction concerning the deposit.
- (9) Each utility shall issue a receipt of deposit to each customer from whom a deposit is received and shall provide means whereby a depositor may establish a claim if the receipt is lost.
- (10) A record of each unclaimed deposit shall be maintained for not less than 3 years, during which time the utility shall make a reasonable effort to return the deposit.
- (11) Each utility shall, within 60 days of the effective date of this Rule, send a notice explaining the conditions under which a deposit may be required to all existing customers. This notice shall also be provided to new customers within 30 days after service has commenced or, at the utility's option, with the first bill rendered.

D1.14 R 460.2084 Discontinuation, Termination or Denial of Service

Rule 14.

- (1) Service to customers may be discontinued for nonpayment of a delinquent account for gas service or for failure of the customer to provide the utility with a deposit as authorized in R 460.2083. Service shall not be discontinued for failure to pay for merchandise or non-utility service purchased from the utility. In the event of discontinuation or termination of service at a separate commercial or industrial metering point or location, a utility may transfer any unpaid balance to any other commercial or industrial service account of the customer.
- (2) The utility shall give the customer written notice that the customer has 10 days to settle the account or provide the required deposit or service will be discontinued at the end of the 10-day period.
- (3) At least 1 day before a scheduled discontinuation of service, an attempt shall be made to contact the customer by telephone or in person. If contact is not made, a notice shall be left at the premises in a conspicuous location indicating that service may be disconnected the next business day if the bill or deposit is not paid.
- (4) Service shall not be discontinued on a day, or a day immediately preceding a day, when the utility does not provide for receiving payments and restoring service.
- (5) Service to centrally metered apartment buildings shall not be discontinued unless the provisions of R 460.2162(1)(d) have been complied with.

Continued on Sheet No. D-6.00

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Continued From Sheet No. D-5.00

- (6) Service may be denied or discontinued for nonpayment of unpaid balances of any other commercial or industrial account incurred by the customer under a different account name, by the customer's predecessor in interest, or by any other entity, the debt of which the customer is legally obligated to assume.

D1.15 R 460.2085 Settlement Agreement:

Rule 15.

- (1) If the utility and the customer arrive at a mutually satisfactory settlement of any claim in dispute or the customer does not dispute liability to the utility but claims inability to pay the outstanding bill in full, a utility shall offer the customer an opportunity to enter into a settlement agreement.
- (2) A settlement agreement shall be in writing and signed by representatives of the customer and the utility who are authorized to enter into the agreement. The original settlement agreement shall be maintained on file by the utility for 2 years.
- (3) Every settlement agreement entered into due to the customer's inability to pay the outstanding bill in full shall provide that service will not be discontinued if the customer pays a reasonable amount of the outstanding bill and agrees to pay a reasonable portion of the remaining outstanding balance in installments until the bill is paid.

D1.16 R 460.2086 Default of Settlement Agreement

Rule 16.

- (1) If a customer fails to comply with the terms and conditions of a settlement agreement, a utility may discontinue service after notifying the customer, in writing, by personal service or first-class mail, of all of the following:
- (a) That the customer is in default of the settlement agreement.
- (b) The nature of the default.
- (c) That unless full payment of the claim is made within 10 days of mailing, the utility will discontinue service.
- (d) The date upon which service is scheduled to be discontinued.

Continued on Sheet No. D-7.00

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- (2) A utility is not required to enter into any subsequent settlement agreement with a customer until the terms of any previous settlement agreement have been fully complied with.
- (3) A utility is not required to enter into any subsequent settlement agreement with a customer who defaults upon the terms and conditions of a previous agreement.
- (4) If a settlement agreement is reached following a notice of discontinuance, the failure of the customer to abide by the terms of the settlement agreement during the first 60 days after the agreement is made constitutes a waiver of the notice required by subrule (1) of this rule. However, prior to discontinuance, a utility shall comply with the notice requirements of R 460.2084(3).

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**SECTION E
GAS SALES SERVICE**

General Terms and Conditions:

A. Terms of Payment:

All bills are due and payable on or before the due date shown thereon.

B. Special Taxes:

1. In municipalities which levy special taxes, license fees, or street rentals against the Company, and which levy has been successfully maintained, customers bills shall be increased within the limits of such municipalities so as to offset such special charges and thereby prevent the customers in other localities from being compelled to share any portion of such local increase.
2. Bills shall be increased to offset any new or increased specific tax or excise imposed by any governmental authority upon the Company's production, transmission or sale of gas.

C. Rules Applicable:

Service under all Rate Schedules shall be subject to the Rules and Regulations of the Company.

D. Controlled Service:

All Rates are subject to all provisions in Rule B3 of the Rules and Regulations of the Company which are applicable to priority of service hereunder.

E. Territory Served:

All Rates apply in the territory served by the Company, comprising the cities, villages and townships in all Districts in the applicable Rules and Regulations of the Company except where specifically noted.

F. Rules and Regulations:

Service supplied under these rate schedules shall be governed by the Rules and Regulations of the Company as approved by the Michigan Public Service Commission.

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SECTION E
GAS SALES SERVICE
SURCHARGES

Surcharge
\$ / Dth
\$0.00

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The Gas Cost Recovery Factors

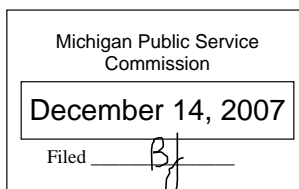
The following maximum Gas Cost Recovery Factors are authorized pursuant to the Gas Cost Recovery Clause:

Billing Months	Maximum Authorized Factor \$/Dth	Actual Factor Billed \$/Dth
July, 2007	\$9.0123/ Dth	\$9.0123/ Dth
August, 2007	\$9.0123/ Dth	\$8.9949/ Dth
September, 2007	\$9.0123/ Dth	\$8.7500/ Dth
October, 2007	\$9.0123/ Dth	\$7.8500/ Dth
November, 2007	\$9.0123/ Dth	\$7.8500/ Dth
December, 2007	\$9.0123/ Dth	\$7.9200/ Dth
January, 2008	\$9.0123/ Dth	\$7.6300/ Dth
February, 2008	\$9.0123/ Dth	
March, 2008	\$9.0123/ Dth	

The current month's Gas Cost Recovery factor is composed of the following cost components:

Balancing Charge	\$0.2500 per Dth
Capacity Demand Charge	\$0.4668 per Dth
Gas Commodity Charge	\$6.9132 per Dth

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Effective for Bills Rendered for the
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Contingency Factor Matrix

		April-June 1st Q		July-Sept 2nd Q		Oct-Dec 3rd Q		Jan-Mar 4th Q	
		Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter
		April- Oct	Nov- Mar	April- Oct	Nov- Mar	April- Oct	Nov- Mar	April- Oct	Jan- Mar
Fractional Mult. F_m		0.755	0.288	0.699	0.308	0.675	0.291	0.664	0.300
Plan NYMEX (X_{plan})		\$7.8891	\$9.1631	\$7.8891	\$9.1631	\$7.8891	\$9.1631	\$7.8891	\$9.3432
Base GCR Factor		\$9.0123	\$9.0123	\$9.0123	\$9.0123	\$9.0123	\$9.0123	\$9.0123	\$9.0123
NYMEX Increase Greater than Or Equal to But Less than		Incremental Contingent GCR Factor							
		\$/Dth							
\$0.00	\$0.05	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
\$0.05	\$0.10	\$0.0378	\$0.0144	\$0.0350	\$0.0154	\$0.0338	\$0.0146	\$0.0332	\$0.0150
\$0.10	\$0.15	\$0.0755	\$0.0288	\$0.0699	\$0.0308	\$0.0675	\$0.0291	\$0.0664	\$0.0300
\$0.15	\$0.20	\$0.1133	\$0.0432	\$0.1049	\$0.0462	\$0.1013	\$0.0437	\$0.0995	\$0.0450
\$0.20	\$0.25	\$0.1511	\$0.0576	\$0.1399	\$0.0616	\$0.1350	\$0.0582	\$0.1327	\$0.0600
\$0.25	\$0.30	\$0.1889	\$0.0720	\$0.1748	\$0.0770	\$0.1688	\$0.0728	\$0.1659	\$0.0750
\$0.30	\$0.35	\$0.2266	\$0.0864	\$0.2098	\$0.0924	\$0.2025	\$0.0873	\$0.1991	\$0.0901
\$0.35	\$0.40	\$0.2644	\$0.1008	\$0.2448	\$0.1078	\$0.2363	\$0.1019	\$0.2323	\$0.1051
\$0.40	\$0.45	\$0.3022	\$0.1152	\$0.2797	\$0.1232	\$0.2700	\$0.1165	\$0.2654	\$0.1201
\$0.45	\$0.50	\$0.3400	\$0.1296	\$0.3147	\$0.1386	\$0.3038	\$0.1310	\$0.2986	\$0.1351
\$0.50	\$0.55	\$0.3777	\$0.1440	\$0.3497	\$0.1540	\$0.3375	\$0.1456	\$0.3318	\$0.1501
\$0.55	\$0.60	\$0.4155	\$0.1584	\$0.3847	\$0.1694	\$0.3713	\$0.1601	\$0.3650	\$0.1651
\$0.60	\$0.65	\$0.4533	\$0.1728	\$0.4196	\$0.1848	\$0.4050	\$0.1747	\$0.3982	\$0.1801
\$0.65	\$0.70	\$0.4910	\$0.1872	\$0.4546	\$0.2002	\$0.4388	\$0.1893	\$0.4313	\$0.1951
\$0.70	\$0.75	\$0.5288	\$0.2016	\$0.4896	\$0.2156	\$0.4725	\$0.2038	\$0.4645	\$0.2101
\$0.75	\$0.80	\$0.5666	\$0.2160	\$0.5245	\$0.2310	\$0.5063	\$0.2184	\$0.4977	\$0.2251
\$0.80	\$0.85	\$0.6044	\$0.2304	\$0.5595	\$0.2464	\$0.5400	\$0.2329	\$0.5309	\$0.2401
\$0.85	\$0.90	\$0.6421	\$0.2448	\$0.5945	\$0.2618	\$0.5738	\$0.2475	\$0.5641	\$0.2552
\$0.90	\$0.95	\$0.6799	\$0.2592	\$0.6294	\$0.2772	\$0.6075	\$0.2620	\$0.5972	\$0.2702
\$0.95	\$1.00	\$0.7177	\$0.2736	\$0.6644	\$0.2926	\$0.6413	\$0.2766	\$0.6304	\$0.2852
\$1.00	\$1.05	\$0.7554	\$0.2880	\$0.6994	\$0.3080	\$0.6750	\$0.2912	\$0.6636	\$0.3002
\$1.05	\$1.10	\$0.7932	\$0.3024	\$0.7343	\$0.3234	\$0.7088	\$0.3057	\$0.6968	\$0.3152
\$1.10	\$1.15	\$0.8310	\$0.3168	\$0.7693	\$0.3388	\$0.7425	\$0.3203	\$0.7300	\$0.3302
\$1.15	\$1.20	\$0.8688	\$0.3312	\$0.8043	\$0.3542	\$0.7763	\$0.3348	\$0.7631	\$0.3452
\$1.20	\$1.25	\$0.9065	\$0.3456	\$0.8392	\$0.3696	\$0.8100	\$0.3494	\$0.7963	\$0.3602
\$1.25	\$1.30	\$0.9443	\$0.3600	\$0.8742	\$0.3850	\$0.8438	\$0.3639	\$0.8295	\$0.3752
\$1.30	\$1.35	\$0.9821	\$0.3745	\$0.9092	\$0.4004	\$0.8775	\$0.3785	\$0.8627	\$0.3902
\$1.35	\$1.40	\$1.0199	\$0.3889	\$0.9442	\$0.4158	\$0.9113	\$0.3931	\$0.8958	\$0.4052
\$1.40	\$1.45	\$1.0576	\$0.4033	\$0.9791	\$0.4312	\$0.9450	\$0.4076	\$0.9290	\$0.4202
\$1.45	\$1.50	\$1.0954	\$0.4177	\$1.0141	\$0.4466	\$0.9788	\$0.4222	\$0.9622	\$0.4353

Continued on Sheet E-3.11

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Contingency Factor Matrix

		April-June 1st Q		July-Sept 2nd Q		Oct-Dec 3rd Q		Jan-Mar 4th Q	
		Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter
		April- Oct	Nov- Mar	April- Oct	Nov- Mar	April- Oct	Nov- Mar	April- Oct	Jan- Mar
Fractional Mult. F_m		0.755	0.288	0.699	0.308	0.675	0.291	0.664	0.300
Plan NYMEX (X_{plan})		\$7.8891	\$9.1631	\$7.8891	\$9.1631	\$7.8891	\$9.1631	\$7.8891	\$9.3432
Base GCR Factor		\$9.0123	\$9.0123	\$9.0123	\$9.0123	\$9.0123	\$9.0123	\$9.0123	\$9.0123
NYMEX Increase Greater than Or Equal to		Incremental Contingent GCR Factor							
		\$/Dth							
\$1.50	\$1.55	\$1.1332	\$0.4321	\$1.0491	\$0.4620	\$1.0125	\$0.4367	\$0.9954	\$0.4503
\$1.55	\$1.60	\$1.1709	\$0.4465	\$1.0840	\$0.4774	\$1.0463	\$0.4513	\$1.0286	\$0.4653
\$1.60	\$1.65	\$1.2087	\$0.4609	\$1.1190	\$0.4928	\$1.0800	\$0.4658	\$1.0617	\$0.4803
\$1.65	\$1.70	\$1.2465	\$0.4753	\$1.1540	\$0.5082	\$1.1138	\$0.4804	\$1.0949	\$0.4953
\$1.70	\$1.75	\$1.2843	\$0.4897	\$1.1889	\$0.5236	\$1.1475	\$0.4950	\$1.1281	\$0.5103
\$1.75	\$1.80	\$1.3220	\$0.5041	\$1.2239	\$0.5390	\$1.1813	\$0.5095	\$1.1613	\$0.5253
\$1.80	\$1.85	\$1.3598	\$0.5185	\$1.2589	\$0.5544	\$1.2150	\$0.5241	\$1.1945	\$0.5403
\$1.85	\$1.90	\$1.3976	\$0.5329	\$1.2938	\$0.5698	\$1.2488	\$0.5386	\$1.2276	\$0.5553
\$1.90	\$1.95	\$1.4354	\$0.5473	\$1.3288	\$0.5852	\$1.2825	\$0.5532	\$1.2608	\$0.5703
\$1.95	\$2.00	\$1.4731	\$0.5617	\$1.3638	\$0.6006	\$1.3163	\$0.5678	\$1.2940	\$0.5853
\$2.00	\$2.05	\$1.5109	\$0.5761	\$1.3987	\$0.6160	\$1.3500	\$0.5823	\$1.3272	\$0.6004
\$2.05	\$2.10	\$1.5487	\$0.5905	\$1.4337	\$0.6314	\$1.3838	\$0.5969	\$1.3604	\$0.6154
\$2.10	\$2.15	\$1.5864	\$0.6049	\$1.4687	\$0.6468	\$1.4175	\$0.6114	\$1.3935	\$0.6304
\$2.15	\$2.20	\$1.6242	\$0.6193	\$1.5036	\$0.6622	\$1.4513	\$0.6260	\$1.4267	\$0.6454
\$2.20	\$2.25	\$1.6620	\$0.6337	\$1.5386	\$0.6776	\$1.4850	\$0.6405	\$1.4599	\$0.6604
\$2.25	\$2.30	\$1.6998	\$0.6481	\$1.5736	\$0.6930	\$1.5188	\$0.6551	\$1.4931	\$0.6754
\$2.30	\$2.35	\$1.7375	\$0.6625	\$1.6086	\$0.7084	\$1.5525	\$0.6697	\$1.5263	\$0.6904
\$2.35	\$2.40	\$1.7753	\$0.6769	\$1.6435	\$0.7238	\$1.5863	\$0.6842	\$1.5594	\$0.7054
\$2.40	\$2.45	\$1.8131	\$0.6913	\$1.6785	\$0.7392	\$1.6200	\$0.6988	\$1.5926	\$0.7204
\$2.45	\$2.50	\$1.8508	\$0.7057	\$1.7135	\$0.7546	\$1.6538	\$0.7133	\$1.6258	\$0.7354
\$2.50	\$2.55	\$1.8886	\$0.7201	\$1.7484	\$0.7700	\$1.6875	\$0.7279	\$1.6590	\$0.7504
\$2.55	\$2.60	\$1.9264	\$0.7345	\$1.7834	\$0.7854	\$1.7213	\$0.7424	\$1.6922	\$0.7655
\$2.60	\$2.65	\$1.9642	\$0.7489	\$1.8184	\$0.8008	\$1.7550	\$0.7570	\$1.7253	\$0.7805
\$2.65	\$2.70	\$2.0019	\$0.7633	\$1.8533	\$0.8162	\$1.7888	\$0.7716	\$1.7585	\$0.7955
\$2.70	\$2.75	\$2.0397	\$0.7777	\$1.8883	\$0.8316	\$1.8225	\$0.7861	\$1.7917	\$0.8105
\$2.75	\$2.80	\$2.0775	\$0.7921	\$1.9233	\$0.8470	\$1.8563	\$0.8007	\$1.8249	\$0.8255
\$2.80	\$2.85	\$2.1153	\$0.8065	\$1.9582	\$0.8624	\$1.8900	\$0.8152	\$1.8581	\$0.8405
\$2.85	\$2.90	\$2.1530	\$0.8209	\$1.9932	\$0.8778	\$1.9238	\$0.8298	\$1.8912	\$0.8555
\$2.90	\$2.95	\$2.1908	\$0.8353	\$2.0282	\$0.8932	\$1.9575	\$0.8443	\$1.9244	\$0.8705
\$2.95	\$3.00	\$2.2286	\$0.8497	\$2.0631	\$0.9086	\$1.9913	\$0.8589	\$1.9576	\$0.8855
\$3.00		\$2.2663	\$0.8641	\$2.0981	\$0.9240	\$2.0250	\$0.8735	\$1.9908	\$0.9005

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Continued From Sheet No. E-3.11

$$\text{NYMEX Increase} = (\underline{X} - \underline{X}_{\text{plan}})$$

\underline{X} = the simple average of the actual NYMEX monthly natural gas futures contract prices, (\$/MMbtu), for the summer strip (Apr-Oct) and the remaining months of the winter strip (Nov-Mar), (averaged over first five trading days of the month prior to implementation).

$\underline{X}_{\text{plan}}$ = the NYMEX average summer and winter strips incorporated in the calculation of the base GCR factor, as delineated in the above chart.

At least fifteen days before the beginning of each period, the company shall file with the Michigan Public Service Commission an updated Tariff Sheet No. E-3.00, a new GCR ceiling price calculated using the matrix, without regard to whether the new ceiling factor is higher or lower than the prior period's ceiling factor. In no event will the ceiling price decrease below the Base GCR Factor. The informational filing shall include all supporting documents necessary to verify the new price ceiling, including a copy of the calculation of the five-day average of the NYMEX strip for the remaining months of the GCR period, and a copy of the NYMEX futures prices sheets for the first five trading days of the month, such sheets being an authoritative source used by the gas industry. The filing shall be incorporated into the GCR Plan docket U-15130 with notice of filing provided to all interveners.

Gas Cost Recovery Factor Adjustment Process

Step 1) Using the first five trading days of the month prior to implementation determine two NYMEX five day averages. One for the seven month summer strip X_s (Apr-Oct), one for the remaining months of the five month winter strip X_w (Nov-Mar). Closing prices should be used for the summer months that are no longer trading. Only the remaining months should be used to calculate the winter strip.

Step 2) Determine the NYMEX increase for the summer and winter strips by subtracting the NYMEX plan $\underline{X}_{\text{plan}}$ for that strip from \underline{X} calculated above for that same strip.

Step 3) Locate the two incremental contingent GCR factors, which correspond with the two NYMEX increases calculated in the previous steps (Summer and Winter), in the table for the desired period.

Step 4) Add the two incremental contingent GCR factors to the base GCR factor. The new GCR ceiling factor will be the greater of the Base GCR Factor or the resulting factor from the matrix.

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RESIDENTIAL SERVICE RATE

Availability:

Subject to restrictions contained in the Rules and Regulations of the Company, service is available under this Rate Schedule to any customer in the Company's Service Territory to meet residential gas requirements, as defined in Rule B3.7.

Characteristics of Service:

Continuous service, except as may be limited by the effective Rules and Regulations of the Company.

Non-Gas Charges:

Customer Charge per meter:	\$11.00	per month
SEMCO Fixed Charge:	\$1.24	per month
Distribution Charge:	\$1.6389	per Dth

Gas Cost Recovery Charges:

This rate is subject to the Gas Cost Recovery charges set forth on Sheet No. E-3.00.

Surcharges and Credits:

Gas service under this rate may be subject to surcharges and/or credits as indicated on Sheet No. E-2.00.

Terms of Payment:

A late payment charge of two percent (2%) of the delinquent balance shall be added to any bill which is not paid on or before the due date shown thereon. The late payment charge is not applicable to customers participating in the Winter Protection Plan set forth in Order U-4240.

Continued On Sheet No. E-5.00

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GENERAL SERVICE (GS) RATE

Availability:

Subject to restrictions contained in the Rules and Regulations of the Company, service is available under this Rate Schedule to any commercial or industrial customer in the Company's Service Territory, for any purpose, including multiple family dwellings.

Characteristics of Service:

Continuous service, except as may be limited by the effective Rules and Regulations of the Company.

Non-Gas Charges:

Service Category	Customer Charge per Meter	SEMCO Fixed Charge	Distribution Charge
GS-1	\$18.00 per month	\$3.54 per month	\$2.0764 per Dth
GS-2	\$25.00 per month	\$13.08 per month	\$1.9497 per Dth
GS-3	\$100.00 per month	\$59.01 per month	\$1.6225 per Dth

Customers may choose the Service Category under which they take service, consistent with the restrictions of Rule B5.1. When customers are selecting their initial service category, the Company must advise them of the economic break even point. After the initial selection has been made, then it is the customer's responsibility to determine when it is appropriate to switch rates, as permitted by Rule B5.1.

Gas Cost Recovery Charges

This rate is subject to the Gas Cost Recovery charges set forth on Sheet No. E-3.00.

Customer Charge Billing Option:

At the customer's option, the customer may contract with the Company to be billed the annual sum of the 12 monthly Customer Charges, evenly divided, over whichever billing months during the year shall be mutually agreeable between the Company and the customer.

Surcharges and Credits:

Gas service under this rate may be subject to surcharges and/or credits as indicated on Sheet No. E-2.00.

Continued on Sheet No. E-6.00

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Unmetered Service:

When service is rendered under a contract with the Company, where the entire gas usage is a fixed hourly volume such that no meter is required, such service shall be treated as a GS-1 Service Category for billing purposes, except that no Customer Charge shall be applied.

Terms of Payment:

A late payment charge of three percent (3%) of the delinquent balance shall be added to any bill which is not paid on or before the due date shown thereon.

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Gas Light Service

Availability:

Service is available to any customer using gas operated lights twelve (12) months of the year and who elects to take service under this rate schedule in preference to the other rates which are available.

Characteristics of Service:

Continuous service twenty-four (24) hours per day.

Rate:

For each gas light of three (3) cu. Ft. per hour or less consumption \$7.00 per month

Minimum Charge:

Monthly Minimum \$7.00 per month
(Michigan State Sales Tax will be added where applicable)

Payment Terms:

All bills shall be due and payable within twenty-one (21) days of rendition.

Contract:

Standard Application for service, no time limit.

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SECTION F

TRANSPORTATION SERVICE

SURCHARGES

Transportation Service (TR-1, TR-2, TR-3): \$ 0.0000 Per Dth

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**SECTION F
RULES AND REGULATIONS
FOR TRANSPORTATION SERVICE**

F1. APPLICATION

Unless otherwise provided for within these Transportation Service Rules and Regulations, all Shippers taking Transportation Service are subject to all the rules and regulations contained within Section B of the Company's Rules and Regulations for all customers.

F2. DEFINITIONS

"Authorized Agent" shall mean the person or entity whom a Shipper has authorized to send or receive all necessary communications between the Company and Shipper and whom the Shipper has authorized to take actions and make decisions on Shipper's behalf with regard to Gas service.

"Automated Meter Reading System" (AMR) shall mean a system of radio controlled devices installed on meters such that the metering data may be retrieved by radio van or through a fixed network.

"British Thermal Unit" (BTU) shall mean the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit at sixty degrees Fahrenheit.

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Continued From Sheet No. F-2.00

"Balancing Recovery Cost" (BRC) shall be defined as all charges billed for Firm Balancing, Interruptible Balancing, Excess Balancing, Imbalance Penalties and pipeline penalty pass-through costs which are billed as a result of either daily or monthly balancing provisions within the Transportation Service rules and regulations of this tariff.

"BTU Factor" shall mean the factor applied to a Shipper's volumetric (MCF) consumption to determine the Shipper's energy (DTH) consumption.

"Company" shall mean SEMCO ENERGY GAS COMPANY– BATTLE CREEK Division

"Customer" shall mean the end user of the gas.

"Day" shall mean a period of twenty-four (24) consecutive hours as defined by the Gas Industry Standards Board (GISB).

"Daily Balancing Tolerance" (DBT) shall mean a daily imbalance percentage, positive or negative, within which a Shipper will incur no Excess Balancing Charge or Imbalance Penalty. The DBT for Positive and Negative Imbalances is the sum of the Firm Balancing Tolerance (FBT) plus the Interruptible Balancing Tolerance (IBT) in effect for the Day.

"Daily Imbalances" shall mean the difference between the amount of Gas received by the Company on any given Day on behalf of a Shipper, less Gas In Kind, and the amount of Gas delivered to the Shipper that same day.

"Dekatherm" (Dth) shall mean the quantity of heat energy which is equivalent to one million BTU.

"Designated Sales Service Rate" shall mean the Company's existing gas sales rate designated in a Transportation Service Agreement pursuant to the Aggregation of Accounts Option.

"Equivalent Quantities" shall mean a quantity of gas containing an amount of Dths equal to the amount of Dths received by the Company for the account of Shipper at the Point(s) of Receipt.

"Excess Balancing" shall mean all daily imbalances (under Rate Schedule TR-1, TR-2 or TR-3) that exceed the DBT, but do not exceed twenty percent (20%) of MDQ, and shall apply to positive and negative imbalances that are not subject to an IBR Notice. During periods when an IBR Notice is in effect, Excess Balancing is eliminated in the direction restricted by the IBR Notice. Excess Balancing is subject to the Excess Balancing Charge.

"Firm Balancing Tolerance" (FBT) shall be a Dth quantity of daily balancing service that the Company is obligated to provide to the Shipper on a firm basis. The FBT shall be stated in Shipper's Transportation Service Agreement. Shippers provided an FBT by the Company are subject to the Firm Balancing Charge.

Continued On Sheet No. F-4.00

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Continued From Sheet No. F-3.00

"Gas" shall mean natural gas, manufactured gas or a combination of the two.

"Gas In Kind" shall mean the amount of Gas the Company shall retain of gas received at the Point(s) of Receipt to compensate for Company use and lost and unaccounted-for-gas on the Company's system. This volume shall not be included in the quantity available for delivery to the Shipper.

"Imbalance Penalty" shall mean all daily imbalances that exceed twenty percent (20%) of MDQ under Rate Schedule TR-1, TR-2 or TR-3. Where an IBR is in effect that reduces the DBT in one direction, the Imbalance Penalty shall also mean that gas received by the Company on Shipper's behalf or gas delivered by the Company to Shipper, where applicable, in excess of the reduced DBT.

"Interruptible Balancing Restriction Notice" (IBR Notice) shall mean a directive Issued by the Company to Shippers which shall restrict the Shippers' daily IBT on either positive or negative imbalances by reducing the tolerance in one direction to the level deemed necessary by the Company when the Company's ability to accommodate imbalances is restricted or impaired due to capacity constraints. Capacity constraints shall be considered valid for reasons of limited supply due to actions or circumstances beyond the Company's control, distribution system restrictions, or upstream firm transportation capacity limitations. The IBR Notice will indicate at its issuance the portions of the Company's system affected by the IBR Notice, the imbalance, either positive or negative, that the IBR Notice restricts, the amount that is restricted and the time period the IBR Notice is in effect.

"Interruptible Balancing Tolerance" (IBT) shall be a Dth quantity calculated as the lesser of twenty percent (20%) of Shipper's contract MDQ (in Dth) less the FBT volume or twenty percent (20%) of the daily nominated delivery to the Company on the Shipper's behalf less the FBT Volume but not less than zero. All or part of the IBT may be reduced pursuant to the issuance of an IBR Notice.

"Marketer" shall mean the seller or supplier of natural gas.

"Maximum Daily Quantity" (MDQ) shall mean the maximum quantity of gas, as measured in Mcf, converted to Dth, and listed in a Shipper's Transportation Service Agreement, that the Company is obligated to deliver to a Shipper on any given Day.

"Mcf" shall mean one thousand cubic feet of Gas at 14.65 psia.

"Month" shall mean the period beginning on the first Day of a calendar month and ending at the same hour on the first Day of the next succeeding calendar month, or at such time as may be mutually agreed upon.

Continued On Sheet No. F-5.00

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Continued From Sheet No. F-4.00

"Monthly Imbalances" shall mean the cumulative difference between the amounts of Gas received by the Company in any given Month on behalf of a Shipper, less Gas In Kind, and the amount delivered to the Shipper that same Month.

"Negative Imbalance" shall mean an imbalance, whether Daily or Monthly, where the Company has delivered more Gas to a Shipper than the Company has received, less Gas in Kind, on that Shipper's behalf. When expressed as a percentage, the imbalance is divided by gas received by the Company, less Gas in Kind, on the Shipper's behalf.

"Nominations" shall mean the process by which the Shipper notifies the Company of expected Transportation volumes.

"Operational District" shall mean those service territories located in segmented geographical areas of the Company's distribution/transmission system as stated on Sheet A-21.00.

"Point of Delivery" shall mean any point on the Company's Gas distribution system at which an interconnect exists with a Shipper's facility to enable the Company to deliver Shipper's gas.

"Point of Receipt" shall mean any point on the Company's gas distribution system at which an interconnection exists with Shipper's Transporter to enable the Company to receive Shipper's gas for redelivery to the Shipper.

"Pool" or "Pooling" shall mean the grouping together of Transportation Service Shippers for the purpose of netting daily and monthly imbalances.

"Pooling Agent" shall mean the person or entity whom a Shipper (or Shipper's Authorized Agent) has authorized to take actions and make decisions on Shipper's (or Agent's) behalf with regard to operation of a Pool.

"Positive Imbalance" shall mean an imbalance, whether Daily or Monthly, where the Company has received more gas, less Gas in Kind, on a Shipper's behalf than the Company has delivered to that Shipper. When expressed as a percentage, the imbalance is divided by gas received by the Company, less Gas in Kind, on the Shipper's behalf.

"Rate Schedule" shall mean the particular schedule listing applicable rates for service found in the Company's Schedule of Rules, Regulations and Rates.

"Remote Metering Device" shall mean metering instruments capable of providing a record of instantaneous gas usage on demand from a remote location.

"Request for Transportation Service" shall mean a written request by the Shipper for Transportation Service.

"Service Territory" shall mean the geographical area defined in the Company's Schedule of Rules, Regulations and Rates in which the Company is responsible for Gas service.

Continued On Sheet No. F-6.00

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"Shipper" shall mean any person, corporation, partnership or any other party requesting Transportation Service from the Company. A Shipper may also include an Authorized Agent where the context requires. The Shipper may also be referred to as the "Customer."

"Shipper's Transporter" shall mean the intrastate pipeline, interstate pipeline, or local distribution company transporting Gas to the Point(s) of Receipt.

"Shipper's Up-stream Capacity" shall mean the secured availability and rights of a Shipper to transport Gas on the intrastate pipeline, interstate pipeline, or local distribution company necessary for transporting Gas to the Point(s) of Receipt. (See "Shipper's Transporter")

"Transportation" shall mean the movement of gas from the Point(s) of Receipt to the Point(s) of Delivery. "Transportation" in a more generic form can also mean the movement of gas within the interconnected systems of interstate pipelines, intrastate pipelines and local distribution companies.

"Transportation Service Agreement" shall mean all written contracts executed by the Shipper and Company and any exhibits, attachments and/or amendments thereto for Transportation Service (TR-1, TR-2, and TR-3).

F3. TRANSPORTATION SERVICE

A. Balancing Tolerances

Shippers taking Transportation Service are expected to take delivery of the Gas received by the Company on their behalf on the Day it is received. It is recognized that Shippers may be unable to control exactly the quantities of Gas delivered by the Company hereunder on any Day, and that the actual quantities received by the Company on the Shipper's behalf may vary above or below the actual quantities delivered on any given Day. Such variations shall be considered imbalances and shall be kept to the minimum permitted by operating conditions in accordance with the Daily Balancing Tolerance and the Monthly Cash-Out provision.

B. Receipt and Delivery of Gas

The Company may require Shippers to deliver gas from a specific upstream transporter. Such requirement shall be designated on the Shipper's Transportation Agreement.

The Company, at its discretion and subject to the other provisions hereof, shall allow alternate Points of Receipt when operationally feasible given distribution system constraints. Any restriction in Receipt Point(s) shall be Issued in a non-discriminatory manner.

The Company, subject to the other provisions of this tariff, shall deliver to the Shipper each day Equivalent Quantities of Gas less Gas in Kind at the Point(s) of Delivery up to the Maximum Daily Quantity (MDQ) agreed to in the Transportation Service Agreement with Shipper.

Continued On Sheet No. F-7.00

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C. Pressure

The Company shall not be required to alter its prevailing line pressure at the Point(s) of Receipt into its system or at the Point(s) of Delivery to Shipper.

D. Measurement

All Gas delivered to the Shipper shall be measured by the Company. The accuracy of meters used for such purpose shall be evaluated and maintained in accordance with the Michigan Public Service Commission's Technical Standards For Gas Service (Technical Standards).

E. Limitations of Service

The Company shall not be required to perform service under a Transportation Service Agreement on behalf of any Shipper failing to comply with any and all terms of the Service Agreement, Transportation Service Schedules and/or the Company's Rules and Regulations for Transportation Service.

F. Commingling

The Company shall have the unqualified right to commingle Gas transported hereunder with Gas from other sources. It is recognized that Gas redelivered at the Point(s) of Delivery may not be the same molecules as those received at the Point(s) of Receipt but shall be of comparable quality.

G. Issuance of Penalties

The Company may, at its option, waive enforcement of provisions which carry penalty fees, so long as such waiver is done in a non-discriminatory manner. The Company may, at its option, reduce all or a portion of the amount of a penalty so long as such reduction is warranted and is done in a non-discriminatory manner. Any such waiver of penalty enforcement by the Company, in any particular instance or circumstance, shall not prevent the Company's enforcement in subsequent instances or circumstances, whether similar in nature or different.

F4. RESPONSIBILITY FOR GAS

A. Shipper's Up-stream Capacity

Shipper shall be responsible for making all necessary arrangements for the delivery of Gas to the Point(s) of Receipt including securing all necessary Up-stream Capacity.

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B. POSSESSION of GAS

The Company and Shipper shall each be responsible for their own equipment, facilities and Gas on their own side of a delivery point. The Company and Shipper shall each have good title or good right to make such a delivery and further, shall warrant for itself, its personal representatives, successors and assigns that such Gas shall be free and clear of all liens, encumbrances and claims whatsoever. With respect to any such adverse claim that may arise to said Gas or to royalties, taxes, license fees or charges thereon, the party delivering or causing the delivery of the Gas shall indemnify and save the receiving party harmless from all suits, actions, debt, accounts, damages, costs, losses and expenses arising from or out of same, provided that the receiving party gives the other prompt notice of any such adverse claim.

C. Limitations of Liability

The Company shall not be deemed to be in control and possession of the Shipper's Gas until such Gas has been delivered to the Company by the Shipper's Transporter at the Point(s) of Receipt. Thereafter, the Company shall be deemed to be in control or possession of the Gas until the Gas is delivered to the Shipper's Point(s) of Delivery, after which the Shipper shall be deemed to be in control and possession thereof. Gas shall be and remain the property of the Shipper while in the possession of the Company. The Shipper shall be responsible for maintaining all insurance deemed necessary to protect any property interests in such Gas, during and after receipt by the Company.

F5. TRANSPORTATION STANDARDS OF CONDUCT

This rule is intended to promote fair competition and a level playing field among all participants involved in transportation within the Company's regulated gas service territory. The Company will conduct its business to conform to the following Transportation Standards of Conduct:

- A. The Company will apply any tariff provision relating to transportation service in the same manner without discrimination to all similarly situated persons.
- B. The Company will not give its marketing affiliate or customers of its affiliate preference over any other non-affiliated gas marketers or their customers in matters relating to transportation service including, but not limited to, nominating, balancing, metering, billing, storage, standby service, curtailment policy or price discounts.
- C. The Company will not communicate to any customer, Supplier or third parties that any advantage may accrue to such customer, Supplier or other third party in the use of the Company's services as a result of that customer, Supplier or other third party dealing with its marketing affiliate and shall refrain from giving any appearance that it speaks on behalf of its affiliate.

Continued On Sheet No. F-9.00

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- D. The Company will process all similar requests for transportation service in the same manner and within the same period of time.
- E. The Company will not provide leads or provide market sensitive information regarding a current or potential customer or marketer to its marketing affiliate. If a customer requests information about marketers, the Company will provide a list of all marketers operating on its system, including its affiliate, but will not promote its affiliate.
- F. If a customer makes a request in writing that its historic volumetric sales and transportation data be provided to a particular marketer or marketers in general, that request will be honored by the Company until revoked by the customer. To the extent the Company provides to its marketing affiliate a discount or information related to the transportation, sales or marketing of natural gas, including but not limited to the Company's customer lists, that is not readily available or generally known to any other marketer or Supplier or has not been authorized by a customer, it will provide details of such discount or provide the information contemporaneously to all potential marketers on its system that have requested such information.
- G. The Company will not condition or tie its agreement to release interstate pipeline capacity to any agreement by a gas marketer, customer, Supplier or pipeline transporter relating to any service in which its marketing affiliate is involved.
- H. The Company will not condition or tie an agreement to provide a transportation discount to any agreement by a marketer, customer, Supplier or pipeline transporter relating to any service in which its marketing affiliate is involved.
- I. The Company's operating employees and the operating employees of its marketing affiliate will function independently of each other, be employed by separate business entities, and reside in separate offices.
- J. The Company will keep separate books of accounts and records from those of its marketing affiliate.

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F6. TRANSPORTATION STANDARDS OF CONDUCT COMPLAINT PROCEDURES

If the Company receives a verbal complaint related to its Rules, Regulations and Rate Schedules Governing the Sale or Transportation of Natural Gas, Section F5, Transportation Standards of Conduct, the Company will attempt to resolve the complaint on an informal basis.

In case of a formal complaint, the procedures outlined below will be followed:

- A. Complainant will route all formal complaints in writing to:

SEMCO Energy Gas Company
1411 Third Street, Suite A
Port Huron, MI 48060
Attention: Executive Customer Assistance Center

- B. The Company will acknowledge the receipt of the formal written complaint, in writing, within five working days of receipt by the Company.
- C. The Company will confirm and amend the prepared written statement of the complainant to ensure the complaint includes the name of the complainant, relevant dates and specific claims.
- D. The Company will prepare a written statement communicating to the complainant the results of the Company's preliminary investigation within 30 days of the initial receipt of the complaint by the Company with a description of the action taken or proposed to be taken.
- E. 1) If the complainant is satisfied with the action taken or proposed to be taken, complainant will acknowledge its agreement by signing and returning a copy of the Company's written statement addressing the action taken or proposed to be taken.
- 2) If the complainant is not satisfied with the Company's response, then the complainant may address the complaint to the Michigan Public Service Commission.

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TRANSPORTATION SERVICE - (TR-1, TR-2, and TR-3)

Availability

This Rate Schedule is available to any person, corporation, partnership or any other party (hereinafter referred to as "Shipper") for the transportation of gas within the Company's Service Territory, when:

- A. Shipper desires Transportation Service; and
- B. Shipper has met the conditions specified in Section F of the Company's Rules and Regulations for Transportation Service; and
- C. Shipper has agreed to provide a dedicated active telephone line, a 110 volt electrical outlet at the meter site and such other facilities as may be required for the specialized metering equipment needed to be installed by the Company. Failure to maintain the telephone line, electrical outlet and other facilities may result in discontinuation of transportation service, or the Company may dispatch service personnel to obtain physical meter reads at the Shipper's expense, for each occurrence.
- D. Shipper has also agreed to provide 24 hour per day access to the specialized metering equipment located on the Shipper's premises, and Shipper has agreed, at all times, to allow the Company to perform the work required to maintain the specialized metering equipment. Failure to provide such access may result in discontinuation of transport service. Upon request, the Company will make available to the Shipper the daily volumetric data collected from the specialized metering equipment within two hours following the end of the Gas Day. Upon request, and at Shipper's expense, the Company will permit the Shipper or an Authorized Agent to install such additional equipment as may be necessary to allow remote monitoring of gas flow by Shipper or the Authorized Agent.
- E. Shipper and Company have executed a Transportation Service Agreement for service under this Rate Schedule.

Shipper must contract for delivery of Gas to a specific Point(s) of Receipt where Shipper's Transporter will deliver Shipper's Gas to the Company and a specific Point(s) of Delivery where the Gas will be consumed. Gas delivered under the terms of this rate may not be resold.

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Characteristics of Service

This Rate Schedule shall apply to all Transportation Service rendered by the Company for Shipper pursuant to the executed Transportation Service Agreement for service under this Rate Schedule.

Service under this Rate Schedule shall consist of:

- A. The receipt of Gas on behalf of Shipper at the Point(s) of Receipt specified in the executed Transportation Service Agreement.
- B. The transportation of Equivalent Quantities of Gas less volumes retained for Gas in Kind through the Company's system; and
- C. The delivery of Gas by the Company to Shipper at the Point(s) of Delivery specified in the executed Transportation Service Agreement.

All gas received by the Company at its Point(s) of Receipt on behalf of Shipper, less Gas in Kind, shall be delivered to Shipper on a firm basis, subject to curtailment, up to Shipper's Maximum Daily Quantity (MDQ) on any Day.

Maximum Daily Quantity (MDQ)

An MDQ constitutes the maximum quantity of gas that the Company is obligated to deliver to a Shipper on a daily basis. The MDQ shall be specified in the Transportation Service Agreement between the Shipper and the Company and shall be based on the Shipper's historical peak daily volume, less any Coal Displacement Volumes and adjusted for known or expected changes. If actual historical peak day volumes cannot be determined, the Company will utilize an estimate based on the Shipper's facilities and the Company's distribution system capabilities.

The Company may, at its discretion, deliver to a Shipper volumes in excess of its MDQ, subject to restrictions under Rule B4.3 curtailment provisions.

A Shipper may request an adjustment of its contractual MDQ. However, if the Company does not have adequate facilities in place to deliver greater volumes to a Shipper than Shipper's current MDQ, the Company may deny such adjustment until the Company determines that it has adequate facilities to meet the increased demand.

The Company will determine MDQs in a non-discriminatory manner.

Shipper's Up-Stream Capacity

Customers taking Transportation Service are responsible for arranging for their own up-stream transportation of Gas to the Company.

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From time to time the Company may have excess up stream pipeline capacity available for pre-arranged release but does not guarantee such availability. The Company shall release such capacity in a non-discriminatory manner.

Nominations

Not later than 12:30 p.m. ECT, Shipper or Shipper's Authorized Agent shall, by telephone or other electronic means designated by the Company, provide the Company with the daily nomination quantity requested for receipt or delivery. The Company may waive the nomination deadline upon request by Shipper or Shipper's Authorized Agent, if, in its judgment, operating conditions permit such waiver.

Balancing Requirements

Daily Balancing Tolerance - Shippers taking Transportation Service are expected to take delivery of the Gas received by the Company on their behalf on the Day it is received. It is recognized that Shippers may be unable to control exactly the quantities of Gas received by the Company hereunder on any Day, and that the actual quantities delivered by the Company may vary above or below the actual quantities received on any given Day. Shippers will be allowed a Daily Balancing Tolerance Limit (DBT) which consists of the Shipper's contract FBT plus their entitlement of IBT.

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Firm Balancing – (Optional Service) -- The Company shall attempt to secure a sufficient quantity of firm balancing assets (on system or off system storage and/or up stream firm capacity or no notice services) to provide an optional Firm Balancing Tolerance (FBT) of fourteen percent (14%) of the Shipper's normalized average daily usage, less any coal displacement volumes, to all Shippers in all portions of its service territory. On those portions of the Company's system where the Company is able to secure firm balancing assets, the Shipper shall pay a Firm Balancing Charge on all Dth of delivery by the Company to the Shipper during the month. On those portions of the Company's system where the Company has not yet been able to secure firm balancing assets, the Company will not provide an FBT and Shipper will not pay a Firm Balancing Charge until such assets are secured by the Company.

A Shipper's FBT shall be specified in the Shipper's Transportation Service Agreement and the Shipper's normalized average daily use for determining the FBT shall be reviewed and up dated once each year. Shippers may elect to have, or not have, such service once each year.

Supplemental Firm Balancing - On those portions of the Company's system where the Company is able to secure additional firm balancing services, Shippers with Points of Receipt on those system portions may request firm balancing services greater than fourteen percent (14%) of Shipper's normalized average daily use. Shipper shall pay a rate for such additional service equal to the Company's incremental cost to secure such services and will be obligated to contract for such services for a duration of time not less than the minimum length of time for which the Company must contract to secure such services. When Supplemental Firm Balancing services are subscribed to by a Shipper such that its total FBT exceeds twenty percent (20%) of its MDQ, that Shipper's DBT shall be increased to equal its FBT and no IBT shall be available to that Shipper.

Interruptible Balancing - The Shipper shall pay an Interruptible Balancing Charge, per Dth of Daily Imbalance within the Shipper's IBT, on all Dth of Daily Imbalance Gas that is greater than the FBT but within the DBT.

Excess Balancing - Except during periods an IBR Notice is in effect, the Excess Balancing Charge shall be applied to every Dth of imbalance, either positive or negative, which exceeds the DBT, but is within twenty percent (20%) of contract MDQ, for every Day of the Month in which the DBT is exceeded. During periods when an IBR Notice is in effect, Excess Balancing is eliminated for imbalances in the direction restricted by the IBR Notice.

Imbalance Penalty - All Dth of daily imbalance, either positive or negative, which exceed twenty percent (20 %) of the Shipper's contract MDQ, are subject to an Imbalance Penalty. The Imbalance Penalty is also applied to all Dth of imbalance that exceed the DBT in the direction, either positive or negative, that has been restricted by an effective IBR Notice.

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A Shipper, balancing as an individual, shall be deemed to be in balance for each day that the meter or its associated devices at the Shipper's location has malfunctioned such that actual daily use for that day is unavailable. Upon completion of a meter adjustment and agreement of the imbalance that occurred during that period, Shipper shall have sixty (60) days to make up such imbalances without penalty. Scheduling of the volumetric imbalance will be on a best efforts basis for the Company to receive or deliver such quantities on a daily basis. The sixty (60) day make-up period may be adjusted, at the discretion of the Company, if requested by the Shipper. Scheduling of adjustment volumes shall be done in a non-discriminatory manner. Shipper and the Company, in lieu of volumetric makeup of the imbalance, may agree to resolve the imbalance using the Monthly Cashout provision set forth in this tariff. The cashout pricing used shall be the monthly cashout price(s) billed during the months for which the adjustment is applicable.

A Shipper in a balancing pool shall not be deemed to be in balance for each day that the meter or its associated devices at the Shipper's location has malfunctioned such that actual daily use is unavailable. Upon completion of a meter adjustment and agreement of the imbalance that occurred during that period, the Pool Manager shall have sixty (60) days to make up such imbalances without penalty. Scheduling of the volumetric imbalance will be on a best efforts basis for the Company to receive or deliver such quantities on a daily basis. The sixty (60) day makeup period may be adjusted, at the discretion of the Company, if requested by Shipper. Scheduling of adjustment volumes shall be done in a non-discriminatory manner. The Pool Manager and the Company, in lieu of volumetric makeup of the imbalance, may agree to resolve the imbalance using the Monthly Cashout provision set forth in this tariff. The cashout pricing used shall be the monthly cashout price(s) billed during the months for which the adjustment is applicable. If during the time for which the meter adjustment is applicable, Shipper was a member of different balancing pools, the imbalance and subsequent volumetric makeup shall be prorated to each balancing pool.

Metering malfunctions which require more than seven (7) days to resolve, and/or the failure of Shipper to allow the Company to perform necessary maintenance on measurement equipment, may require removal of Shipper from their balancing pool for billing purposes. Upon resolution of the meter problem, Shipper may be returned to their balancing pool on the first of the next calendar month.

Telephone communication failures shall not be deemed a metering malfunction and may not result in waiver of daily balancing charges. During the period in which the telephone line is unavailable, Company may remove Shipper from the balancing pool for billing purposes, and, at the Company's request, Shipper will provide the Company with weekly meter reads. Consumption shall be calculated as the difference between the current meter read and the previous meter read. The consumption for the period shall be allocated evenly for each day. If Shipper fails to provide requested meter reads, the Company may dispatch Company personnel, at Shipper's expense, for each occurrence, to provide the meter reads required. Shipper shall be charged time and materials based on the Company's tariff rates.

Payment of any Balancing Recovery Cost (BRC) charges or penalties by Shippers, Authorized Agents or Pooling Agents does not eliminate the imbalance, constitute a sale of gas, entitle Shipper or Shipper's Authorized Agent(s) to maintain an imbalance, nor allow Shipper or Shipper's Authorized Agent(s) to store gas on the Company's system. Accumulated imbalances are resolved at the end of the month under the Monthly Cash Out provision.

All revenues collected by the Company for BRCs shall be credited to the Cost of Gas Sold under Rule B10.2. It shall be the responsibility of the Shipper or Shipper's Authorized Agent(s) to adjust receipts of Gas to and deliveries of Gas from the Company to balance their accounts.

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The general balancing requirements are summarized as:

A. Daily Balancing

1. Shippers shall balance receipts by the Company on Shippers' behalf, less Gas In Kind, with their deliveries from the Company each Day within 0% to plus or minus their Daily Balancing Tolerance (DBT). The total DBT shall be the total of the Firm Balancing Tolerance (FBT) and the Interruptible Balancing Tolerance (IBT). The IBT may be restricted down to zero through issuance of an Interruptible Balancing Restriction (IBR) during periods of capacity constraint. The FBT shall only be reduced during periods of curtailment through issuance of an Operational Flow Order (OFO) by the Company.
2. On those portions of the Company's system where the Company has the ability to provide an FBT of fourteen percent (14%) of the Shipper's normalized average daily usage, the Shipper shall pay a Firm Balancing Charge on all Dth of delivery by the Company to the Shipper during the month. Where the company is unable to provide an FBT, Shippers are not subject to the Firm Balancing Charge.
3. Shippers shall pay the Interruptible Balancing Charge on all Dth of Daily Imbalance created by the Shipper which is greater than their FBT but within their DBT.
4. Shippers shall pay the Excess Balancing Charge on every Dth which exceeds the DBT but is within twenty percent (20%) of contract MDQ on any given Day, except that no Excess Balancing is available during the period an IBR Notice is in effect in the direction restricted.
5. All imbalance Dth that exceed twenty percent (20%) of contract MDQ or that exceed DBT in the direction restricted by an effective IBR Notice are subject to an Imbalance Penalty.
6. When the Company's ability to accommodate imbalances is restricted or impaired due to capacity constraints, the Company may issue an IBR Notice to reduce the IBT for either positive or negative imbalances for the Gas Day(s) and the portion of the Company's system that the IBR is effective. If it is necessary for the Company to curtail firm service, the Company may issue an Operational Flow Order (OFO) in accordance with Rule B4.3 to curtail the FBT.
7. Shippers may join into pre-arranged Pools, as provided for under the Pooling provisions of this Rate Schedule, for the purpose of netting daily imbalances.
8. Any applicable BRCs will be billed monthly.

B. Monthly Balancing (Cash-Out)

Monthly imbalances are subject to the Monthly Cash-Out provision set forth in this tariff. Shippers may join pre-arranged Pools, as provided for under the Pooling provisions of this Rate Schedule, for the purpose of netting monthly imbalances.

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Interruptible Balancing Restriction Notice (IBR Notice)

During any period in which the Company's ability to accommodate imbalances is restricted or impaired due to capacity constraints, the Company may issue an IBR Notice to restrict the Shipper's IBT for either Positive or Negative Imbalances. The Company shall issue the IBR for all customers in its Battle Creek Division. The IBR Notice will restrict the percentage level of DBT available in either the positive or negative direction. The DBT in the direction opposite of the restriction will increase by the same percentage.

The Company may issue an IBR Notice for the portion of its system so affected by notifying affected Shipper's or Shipper's Authorized Agents by telephone or other electronic means as soon as possible, but no later than two (2) hours before nominations are due to Shipper's Transporter for the Day(s) during which it will be in effect. The Company will issue an IBR Notice in a non-discriminatory manner.

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Each IBR Notice will indicate, when it is Issued:

- A. The portions of the Company's system affected,
- B. The direction and amount that the DBT is restricted, either positive or negative and as a percent of the lesser of nominations or MDQ, and
- C. The direction and amount that the DBT is increased, in the opposite direction of the restriction, either positive or negative as a percent of the lesser of nominations or MDQ and
- D. The time period when the IBR Notice is in effect.

During the period of an IBR Notice, the DBT shall be the greater of:

- A. The Shipper's FBT, or
- B. The restricted DBT percentage times the lesser of nomination or MDQ.

Imbalances that are restricted by an IBR Notice are subject to the Imbalance Penalty, applied to all Dth of imbalance that exceed the DBT for each day that the IBR Notice is in effect, in lieu of the Excess Balancing Charge when:

- A. An IBR Notice is Issued to restrict Positive Imbalances and the actual Dths received by the Company on Shipper's behalf, less Gas in Kind, exceed Shipper's deliveries by more than the DBT.
- B. An IBR Notice is Issued to restrict Negative Imbalances and amounts delivered to the Shipper exceed the Company's receipts on Shipper's behalf, less Gas in Kind by more than the DBT.

In instances where Shipper violation of IBR Notice restrictions causes the Company to incur imbalance penalties on up-stream pipelines, and where incurring of pipeline penalties cannot reasonably be avoided by acquisition of gas supplies at the Company's city gate stations, then the cost of such pipeline penalties will be passed through to the customer in violation. Pipeline penalties assessed to customers are in addition to the Imbalance Penalty.

Continued On Sheet No F-17.00

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All Imbalance Penalty recoveries will be credited to the Cost of Gas Sold under Rule B10.2.

Monthly Cash-Out

When monthly receipts of Gas by the Company on behalf of a Shipper, less Gas In Kind, exceed monthly deliveries of Gas to the Shipper, a Positive Monthly Imbalance exists. If the Shipper has a Positive Monthly Imbalance, then the Company will credit the Shipper's account for the purchase of the imbalance Gas, in accordance with the schedule below. The cash-out provisions shall be applied by imbalance layer where the Positive Monthly Imbalance exceeds the first imbalance layer.

<u>Imbalance Layer #</u>	<u>Monthly Positive Imbalance</u>	<u>Action Taken By the Company</u>
1	0 % - 5 %	Rollover to the following month
2	> 5 % - 20 %	Purchase at the Least MIP less Applicable Transportation
3	> 20 %	Purchase at 50% of the Least MIP less Applicable Transportation

When monthly receipts of Gas by the Company on behalf of a Shipper, less Gas In Kind, are less than monthly deliveries of Gas to the Shipper, a Negative Monthly Imbalance exists. If the Shipper has a Negative Monthly Imbalance, then the Company will bill the Shipper's account for the sale of the imbalance Gas, in accordance with the schedule below. The cash-out provisions shall be applied by imbalance layer where the Negative Monthly Imbalance exceeds the first imbalance layer.

<u>Imbalance Layer #</u>	<u>Monthly Negative Imbalance</u>	<u>Action Taken By the Company</u>
1	0 % - 5 %	Rollover to the following month
2	> 5 % - 20 %	Sell at the Greatest MIP plus Applicable Transportation
3	> 20 %	Sell at 200% of Greatest MIP plus Applicable Transportation

The Monthly Imbalance, Positive or Negative, is the amount of Shipper's Monthly Imbalance divided by the amount of Gas received by the Company on the Shipper's behalf, net of Gas In Kind, during the Month.

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The Monthly Index Price (MIP) is defined as the spot gas price as listed in Gas Daily, City Gate, Pooling point prices among the Mich Con, Consumers Energy and Chicago LDCs. The Least MIP is the lowest price that appears in for the MIP index for any date of the month in which the imbalance occurred. The Greatest MIP is the highest price that appears for the MIP index for any date of the month in which the imbalance occurred.

"Applicable Transportation" is defined as the maximum transportation rate on Consumers Energy's system in accordance with their filed tariff as approved by proper regulatory authority.

If Gas Daily ceases publication of the indicated index, then the Company may substitute a replacement index that is representative of the Company's market throughout the month, preferably a daily index. The Company will provide notice to its customers and to the MPSC Staff of a replacement index and seek agreement from MPSC Staff for use of the replacement index.

All monthly cash-out transactions shall be charged or credited to the Cost of Gas Sold under Rule B10.2.

In order to minimize outstanding imbalances and to expedite the cash-out process, it may be necessary from time to time to utilize estimated or preliminary imbalance reports when cashing-out the current month. Where subsequent corrections for final imbalance reports become available after a month has been cashed-out based upon estimates, the corrected Dth imbalances will be priced out at the applicable MIP from the month incurred.

Pooling

Pooling permits a Shipper's Pooling Agent to combine the usage of a group of Transportation Service Shippers for the purpose of netting the imbalances of the members of the pool on both a daily and monthly basis.

An individual Pool may group Transportation Service Shippers which utilize a common Up-Stream transportation provider. Where an Up-Stream transportation provider segments portions of the Company's service territory into separate balancing groups, an individual pool may only group Shippers common to that specific balancing group unless the Company allows such. Any or all Shippers common to an Up-Stream Transporter, which does not restrict balancing groups, may form single or multiple Pools. A Shipper is entitled to one pool per account or Aggregation for any given month.

Continued On Sheet F-19.00

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To create a Pool, Pooling Agents must obtain the signatures of the Pool members on a Pooling Agreement which shall set out the rules under which the Pool will operate, including the method for allocating balancing charges and penalties incurred by the Pool to the Pool members. Each Month that the membership in the Pool changes, the Pooling Agent must provide a copy of the Pooling Agreement, with the signatures of the current Pool members, to the Company at least fifteen (15) days prior to the first day of the Month. Submission may be by fax or other electronic means as approved by the Company.

When Shippers have joined in a Pool, the Pooling Agent shall become responsible for all Balancing Recovery Costs, as well as penalties as a result of curtailment in accordance with Rule B4.3 incorporated in the Company's tariffs, as allocable to the Pool or an individual Shipper within the Pool. The Company shall determine the net daily imbalance of the Pool, apply the appropriate charges (based on conditions in effect for the pool on that day) and render a bill for such charges to the Pooling Agent. The Pooling Agent may assess or allocate charges to members of the Pool in accordance with any terms of the Pooling Agreement. The Company will not assess individual Shippers within a pool any charges that are assessed to their Pooling Agent except in cases of nonpayment by the Shipper's Pooling Agent. The Company shall continue to render monthly billings to the individual Shippers in a Pool for services rendered excluding the items billed to the Pooling Agent.

A Pooling Agent shall be subject to the tariff provisions under Section B6 and Due Date and Late Payment Charge provisions of this tariff for charges and penalties allocated to the pool. In the event of non-payment by a Pooling Agent, Shippers in the Agent's pool may be held responsible for payments in lieu of suspending service, and the Pooling Agent may be immediately suspended from pooling on the Company's system. All Shippers will be pro-rated the Pool Agent's incurred charges less late fees based on each Shipper's individual usage for each month during the applicable time period(s) for which the Pool Agent has defaulted on payment(s).

A Pool may consist of no less than two Shippers. Shippers may change Pools each Month if the Company is provided with fifteen (15) days notice. In the event that a Shipper declares bankruptcy, the Pooling Agent may request, and the Company may grant, a waiver of the 15 day notice requirement. The Company will verify the reported bankruptcy of the Shipper prior to granting a waiver. If such waiver is granted, Pooling Agent must then provide seven (7) days notice to remove a Shipper from the pool. The Pooling Agent will be held responsible for all penalties and balancing charges for the Shipper until the Shipper is removed from the balancing pool.

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Aggregation of Accounts Option

A customer receiving gas service at multiple facilities under common ownership may elect to aggregate the quantities of gas supplied to such facilities if the following conditions are met:

- A. The customer must designate one of the facilities as the master account. The master account must be a Transportation Service account (TR-1, TR-2 or TR-3).
- B. Only the subsidiary accounts will be eligible for aggregation with the master account. To qualify as a subsidiary account a facility must be served under the General Service Rate (GS-1, GS-2 or GS-3). The customer, or the customer's agent, must specify which of the other facilities will be designated as the subsidiary account(s). The customer may designate some or all of its other facilities as subsidiary accounts.
- C. The facility designated as the master account shall be subject to and billed the provisions of its transportation tariff. The FBT for the aggregation shall be based on fourteen percent (14%) of the master account normalized average daily usage. Facilities designated as subsidiary accounts shall be subject to all the terms and conditions of the master account tariff, including remote metering, except that the subsidiary accounts will pay the customer charge and distribution charge in effect for its designated sales rate rather than the customer charge and transportation charge in effect for the master account.

Continued On Sheet No. F-20.00

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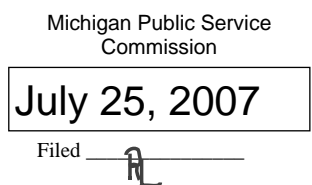
Rates

Subject to such modifications as may be imposed and/or authorized by the Michigan Public Service Commission (MPSC), each Month Shipper shall, where applicable, pay the Company the following amounts:

Monthly Charges:	<u>Service Category</u>		
	<u>TR-1</u>	<u>TR-2</u>	<u>TR-3</u>
Customer Charge	\$ 275.00 per meter	\$ 1400.00 per meter	\$ 3,900.00 per meter
Remote Meter Charge	\$ 75.00 per meter	\$ 75.00 per meter	\$ 75.00 per meter
Transportation Rates:			
Peak (November to March)	\$ 1.6251 per Dth	\$ 1.3614 per Dth	\$ 1.0618 per Dth
Off-Peak (April to October)	\$ 1.4751 per Dth	\$ 1.2114 per Dth	\$ 0.9118 per Dth

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Selection of Service Category

Customers may choose the Service Category under which they take service, consistent with the restrictions of Rule B5.1. When Customers are selecting their initial Service Category, the Company must advise them of their economic break even point. After the initial selection has been made, then it is the customer's responsibility to determine when it is appropriate to switch rates, as permitted by Rule B5.1.

Customer Charge and Remote Meter Charge

Shipper shall pay the designated Customer Charge and Remote Meter Charge per Month for each meter through which Shipper's deliveries of Gas are designated as a Point(s) of Delivery on Shipper's Transportation Service Agreement, regardless of whether Gas was delivered through such meter during the Month, except as provided for in Rule B4.3 of the Company's Rules and Regulations.

Transportation Rate

Shipper shall pay the appropriate Transportation Rate multiplied by the quantity of Gas in Dth which the Company delivered to the Shipper at the Point(s) of Delivery during the Month. Peak Transportation Rates are applicable during the billing months of November through March and Off-Peak Transportation Rates are applicable during the billing months of April through October. For purposes of applying the Transportation Rates, the "billing month" shall correspond as close as practicable to the calendar month.

If the Gas to be transported is an incremental load which will be used to displace coal or coal derived fuels and will be delivered during a time when the Company has sufficient capacity, then the Transportation Rate for such incremental load shall be a rate, as negotiated between the Company and the Shipper, between a floor of \$0.05 per Dth and a ceiling price equal to the full rate shown on the applicable rate schedule. The Shipper shall also pay all applicable surcharges for all gas delivered and all applicable BRCs for all Dth of Daily Imbalance created by the shipper. The minimum charge for such coal displacement service shall be the monthly Customer Charge and Remote Meter Charge. All coal displacement volumes are interruptible by the Company. Coal displacement volumes are excluded for purposes of determining a Shipper's MDQ and FBT.

Gas in Kind

The Company shall retain 1.12% of all gas received at the Point(s) of Receipt to compensate for Company use and lost and unaccounted for gas on the Company's system. This volume shall not be included in the quantity available for delivery to the Shipper.

Continued On Sheet No. F-22.00

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Balancing Charges

Firm Balancing Charge

All Shippers, for whom the Company has an available FBT, shall pay \$ 0.03440 per Dth of Gas delivered by the Company to the Shipper during the month.

Interruptible Balancing Charge

Shippers shall pay an Interruptible Balancing Charge of \$ 0.1000 per Dth of Daily Imbalance Gas that is greater than the FBT but within the DBT.

Excess Balancing Charge

For each Day of the Month that Shipper's imbalance exceeds the DBT, Positive or Negative and is not subject to an IBR Notice, Shipper shall pay the Excess Balancing Charge on all Dth which exceed the DBT but are less than twenty percent (20%) of the contract MDQ. No Excess Balancing is available, and consequently no Excess Balancing charges are applicable, during the period an IBR Notice is in effect in the direction restricted.

Positive Imbalance: \$ 0.4691 per Dth

Negative Imbalance: \$ 1.0000 per Dth

Imbalance Penalty

All Dths which exceed twenty percent (20%) of contract MDQ are subject to an Imbalance Penalty of the higher of \$10.00 per Dth of imbalance or the highest price reported for Mich Con, Michigan Consumers Energy and Chicago LDCs, during the applicable period, as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service.

During periods when the DBT is reduced (in one direction) by an IBR Notice, all Dths which exceed the DBT (in that direction) are subject to an Imbalance Penalty of the higher of \$10.00 per Dth of imbalance, or the highest price reported for Mich Con, Michigan Consumers Energy and Chicago LDCs, during the applicable period, as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service.

Surcharges and Credits

Gas service under this rate may be subject to surcharges and/or credits as shown on Sheet No. F-1.00

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Gas Cost Recovery Charge

This rate is not subject to the Gas Cost Recovery Charge shown on Sheet No. E-3.00 of the Company's Rules and Regulations.

Emergency Gas Usage Charge

The Company will provide emergency, short-term Gas on a First Come-First Served, best efforts basis to all Shippers desiring such service, subject to the provisions of this Charge. The Company will only approve emergency service when it anticipates in advance of the gas day that it will have gas available.

In addition to all the applicable charges of this Rate Schedule, Shipper shall pay an Emergency Gas Usage Charge of \$2.00 per Dth plus the highest cost of delivered Gas experienced by the Company on that Day per Dth for all emergency Gas purchases.

Continued On Sheet No. F-24.00

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Shippers requesting emergency service must obtain prior approval from the company by telephone or other electronic means approved by the Company, each Day Shipper requests emergency service, before actually taking emergency short term Gas. Shippers not requesting or obtaining approval from the Company will be charged in accordance with all Balancing Charges, Penalties, Monthly Cash-Out and any other applicable pricing provisions in this rate schedule.

Emergency Gas Usage Charges will be credited to the Company's Booked Cost of Gas Sold as defined in Section B10.2 of the Company's Rules and Regulations for all Shippers.

Discontinuation of Service

In addition to the other provisions of this tariff, if a Shipper, balancing as an individual shipper, consumes gas but fails to provide gas supply to the Company's Point of Receipt for transportation to Shipper's Point of Delivery for two (2) consecutive days, the Company shall attempt to contact the Shipper by telephone or in person. If contact attempts are unsuccessful, a notice shall be left at the premises in a conspicuous location indicating that transportation service may be discontinued within two (2) business days of the notification if Shipper fails to arrange for gas supply, or contact the Company to make alternative arrangements.

If a Marketer or Pooling Agent wishes to discontinue delivery of supply to a Shipper, balancing as part of a pool, the Marketer or Pooling Agent must notify the Company, in writing, at least 10 business days prior to the date deliveries will cease. The Company will notify Pooling Agent of the date the Shipper may be removed from the pool. The Company shall attempt to contact the Shipper by telephone or in person to notify the Shipper that service may be discontinued within two (2) business days if shipper fails to arrange for supply. If contact attempts are unsuccessful, a notice shall be left at the premises in a conspicuous location. Until such time that Shipper is removed from the Pooling Agent's balancing pool, the Pooling Agent shall continue to be responsible for all Balancing Recovery Costs, as well as penalties, as a result of curtailment in accordance with Rule B4.3 incorporated in the Company's tariffs as allocable to the Pool or an individual Shipper within the pool. If during the 10-day period the Marketer or Pooling Agent wishes to reinstate the Shipper to the pool, the Marketer or Pooling Agent shall inform the Company, in writing, of such request and the Company may grant such request. Once a Shipper has been reinstated to the balancing pool, another full 10-day notification period will be required to remove the Shipper from the pool.

Shippers under this rate schedule who request a turn-off and turn-on of gas service at the same premises within a twelve month period shall be subject to a \$75.00 turn-on charge, and the associated monthly charges under this rate schedule for the period during which gas service was turned off.

Continued On Sheet No. F-24.10

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Due Date and Late Payment Charge

A bill shall be mailed or delivered to the customer not less than 21 days before the due date. A late payment charge of three percent (3%) of the delinquent balance outstanding shall be applied to any bill which is not paid on or before the due date shown thereon. If such failure to pay continues for thirty (30) days after payment is due, then, in addition to any other remedy it may have, the Company may suspend further receipt and/or delivery of Gas until such amount is paid, provided however, that the Company provides at least five days notice before service is suspended for non-payment.

Billing may be based upon estimated quantities if actual quantities are unavailable at the time of billing. In that event, the Company shall provide in the succeeding month's billing an adjustment based on any difference between actual and estimated quantities.

Contract Form and Term

All service under this rate will require the Shipper and the Company to execute a Transportation Service Agreement. All Service under this Rate Schedule must be contracted for a term of at least one year. The Company may require that a Customer, who is eligible to return to sales service, file a written application giving a minimum of 12 months notice of intent to return to sales service. The Company reserves the right to approve an application for the return to sales service subject to the Company's Controlled Service Rule B3.

Continued On Sheet No. F-25.00

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BILLING, RECORDS, ACCOUNTING AND PAYMENT

A. Issuance, Payment and Inquiry of Billings

The Company shall furnish, or cause to be furnished, to Shipper, on or before the fifteenth (15th) Day of each Month, a billing of charges for service during the prior Month. Such charges may be based on estimated quantities if actual quantities are unavailable in time to prepare the billing. In that event, the Company shall provide, in the succeeding month's billing, an adjustment based on any difference between actual quantities and estimated quantities.

The Company will issue a separate billing for service under each of Shipper's Service Agreements which will be due 15 days from the date of rendition.

Each party to a Transportation Service Agreement shall have the right at all reasonable times to examine the books, records and charges of the other party, to the extent necessary to verify the accuracy of any statement, charge or computation made under or pursuant to any provision of the Agreement.

B. Mailing of Notices, Bills and Payments

All notices, bills and payments required or permitted to be given in connection with Transportation Service shall be sent to the address specified in the Transportation Service Agreement unless otherwise indicated therein, shall be in writing and shall be valid and sufficient if delivered in person, by first class mail, via Western Union telegram, express mail, courier, fax or other electronic means provided by the Company

Rules and Regulations

Service supplied under this rate schedule shall be governed by the Rules and Regulations of the Company.

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M.P.S.C. No. 2-Gas
SEMCO ENERGY GAS COMPANY – BATTLE CREEK DIVISION

Original Sheet No. F-26.00
Original Sheet No. F-27.00
Original Sheet No. F-28.00
Original Sheet No. F-29.00
Original Sheet No. F-30.00
Original Sheet No. F-31.00
Original Sheet No. F-32.00

Continued From Sheet No. F-25.00

These sheets are cancelled and are reserved for future use

Continued On Sheet No. F-33.00

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OFF SYSTEM TRANSPORTATION SERVICE - (OST)

Availability

This Rate Schedule is available to any person, corporation, partnership or any other party (hereinafter referred to as "Shipper") for the transportation of gas within the Company's Service Territory, when:

- A. Shipper desires to move gas through the Company's system to an Off System location and
- B. Shipper has met the conditions specified in Section F of the Company's Rules and Regulations for Transportation Service; and
- C. Shipper has agreed to provide a dedicated telephone line, a 110 volt electrical outlet at the meter site and such other facilities as may be required for the specialized metering equipment needed to be installed by the Company. Shipper has also agreed to provide 24 hour per day access to the specialized metering equipment located on the Shipper's premises. Upon request, the Company will make available to the Shipper the daily volumetric data collected from the specialized metering equipment within two hours following the end of the Gas Day. Upon request, and at Shipper's expense, the Company will permit the Shipper or an Authorized Agent to install such additional equipment as may be necessary to allow remote monitoring of gas flow by Shipper or the Authorized Agent.
- D. Shipper and Company have executed an Off System Transportation Service Agreement for service under this Rate Schedule.

Shipper must contract for a specific Point(s) of Receipt where Shipper deliver Gas to the Company and a specific Point(s) of Delivery where the Gas will exit the Company's system.

Definitions

As used in this rate schedule:

"Off System" means gas which is transported from a Point(s) of Receipt into the Company's system to a Point(s) of Delivery which is interconnected to a pipeline or other local gas distribution company.

"Operational District" shall mean those service territories located in segmented geographical areas of the Company's distribution/transmission system as stated on Sheet A-21.00.

Characteristics of Service

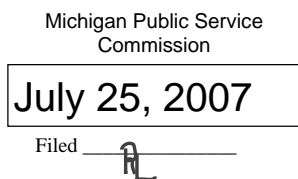
The Company, in its sole judgment, shall have the right to determine if capacity, including adequate pressure differentials at the desired Point(s) of Receipt and Delivery, is available for transportation under this tariff.

Service under this Rate Schedule shall consist of:

- A. The Company shall receive Gas for the account of the Shipper at the Point(s) of Receipt and redeliver equivalent quantities, less gas in kind reimbursement retained by the Company, to the Shipper for the account of the Shipper at the Point(s) of Delivery;
- B. Any rates, terms and conditions not covered by this tariff shall be as contained in the Company's Off System Transportation Agreement.

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All gas received by the Company at its Point(s) of Receipt on behalf of Shipper, less Gas in Kind, shall be delivered to Shipper on a firm basis, subject to curtailment, up to Shipper's Maximum Daily Quantity (MDQ) on any Day.

Maximum Daily Quantity (MDQ)

An MDQ constitutes the maximum quantity of gas that the Company is obligated to deliver to a Shipper on a daily basis. The MDQ shall be specified in the Off System Transportation Service Agreement between the Shipper and the Company as determined by the Company.

The Company may, at its discretion, deliver to a Shipper volumes in excess of its MDQ, subject to restrictions under Rule B4.3 curtailment provisions.

Nominations

At the Company's discretion, the Company may require the daily nomination of all transported gas.

Balancing Requirements

The Company and Shipper shall work to keep the gas flow in balance at all times. If at any time the volumes of gas received by the Company at the Point(s) of Receipt are greater or lesser than the gas delivered at the Point(s) of Delivery, the Company may refuse, increase or decrease deliveries to correct the imbalances. If, upon termination of a contract between a Shipper and the Company, the Shipper has not delivered to the Company quantities of gas that are equal to those the Shipper has taken at the Point(s) of Delivery, the Shipper must deliver deficient volumes to the Company, within 60 days of the termination of the contract, at a mutually agreeable rate of delivery. If, then, the Shipper fails to correct the imbalance within the 60 days period, then the Shipper shall pay an unauthorized usage charge to the Company at a rate of \$10.00 per Mcf, plus the currently effective Gas Cost Recovery Factor at that time for all such deficient volumes.

Rates

A Shipper shall pay to the Company a monthly fee comprised of the sum of:

- A. a Monthly Administrative Fee of \$300; and
- B. a Remote Meter Charge of \$75 per meter per month, and
- C. a charge, not to exceed \$0.300 per Dth, consisting of a demand portion and commodity portion.

The demand rate and the commodity rate shall be negotiated between the Shipper and the Company in the Off System Transportation Agreement entered into between the Shipper and the Company.

Gas in Kind

The Company shall retain 1.12% of all gas received at the Point(s) of Receipt to compensate for Company use and lost and unaccounted for gas on the Company's system. This volume shall not be included in the quantity available for delivery to the Shipper.

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Issued Under Authority of the Michigan
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Jun 26, 2007 in Case No. U-14882.

SECTION G
GAS CUSTOMER CHOICE SERVICE
SURCHARGES

Surcharge \$ / Dth
\$0.000

Michigan Public Service
Commission

July 25, 2007

Filed 

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Sr. Vice President and C.O.O.
Port Huron, MI 48060

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**SECTION G
RULES AND REGULATIONS
FOR GAS CUSTOMER CHOICE PROGRAM**

G1. GENERAL PROVISIONS

A Supplier desiring to supply gas to customers under Gas Customer Choice (GCC) Rate CC must register with the Staff of the Michigan Public Service Commission and execute an "Authorized Gas Supplier Agreement" with the Company prior to any solicitation of the Company's customers. Such agreement shall require compliance with all of the terms of this Rule.

A. Participation and Solicitation

Customers may elect to participate in the GCC program and Suppliers may solicit customer participation at any time.

B. Term Compliance

A customer who is a transportation or sales customer of the Company must comply with any minimum term requirements of those tariffs before being permitted to switch to Rate CC.

C. Supplier Selection

The customer's selection of a Supplier shall remain in effect until (i) terminated by the customer or the Supplier, or (ii) the Supplier becomes disqualified from participating in the GCC program, or (iii) the Company receives an enrollment for that customer from another Supplier. The Company shall incur no liability for relying on information from a customer or a Supplier, which the Company believes to be genuine.

D. Supplier Deposit or Surety Requirements

A Supplier shall provide the Company, by the last day of the calendar month prior to the month in which the Supplier's customer commences service, a cash deposit in the amount of \$10.00 per Dth for 10/365ths of the Company-estimated total annual load for those customers selecting that Supplier. The cash deposit shall be adjusted if the Company-estimated total annual load for those customers changes. As an alternative to a cash deposit, the Supplier may provide an irrevocable letter of credit from a financial institution, a surety bond, or a parental guarantee satisfactory to the Company in not less than the amount of the cash deposit. Any such letter of credit, surety bond or parental guarantee shall be in a form acceptable to the Company. The amount of cash deposit plus any accrued interest, letter of credit, surety bond or parental guarantee shall be applied against any unpaid charges and/or fees, as well as any price reconciliation liabilities, or liabilities associated with Supplier default. Cash deposit amounts not so applied shall be refunded to the Supplier if the Supplier ceases to serve customers under the program.

Continued On Sheet No. G-3.00

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The Company shall pay simple interest to each Supplier who makes a cash deposit for the time the deposit is held. The interest rate shall be the average monthly short-term borrowing rate available to the Company for each month, or months in which the deposit is held. Payment of the interest to the Supplier shall be made at least semi-annually. The deposit shall cease to draw interest on the date the deposit is returned, on the date service is terminated, on the date the deposit is applied against any unpaid charges, fees or liabilities or the date that notice that the deposit is no longer required is sent to the Supplier's last known address.

E. Supplier Pools

A Supplier may have as many pricing pools as desired. Each month, all customers within a pricing pool shall be billed the same price, as designated by the Supplier. A Supplier shall pay a monthly Administrative Fee of \$100.00 per Supplier-designated pricing category. The Company reserves the right to require additional pools to meet operational requirements.

F. Daily Delivery Obligation

The Company will provide each Supplier with a monthly schedule of quantities for delivery of gas into the Company system on behalf of the Supplier's customers. The Company will issue a Daily Delivery Obligation (DDO) monthly, prior to the closing bid day of futures trading for the month. The DDO will establish the anticipated daily quantity of gas to be delivered to the Company at the Point(s) of Receipt designated by the DDO. The DDO will generally be based upon the pooled customers' historical use for the prior year, adjusted for the prior year's weather. The schedule may be updated by the Company on a monthly basis. The DDO is subject to intra-month changes as operational conditions dictate. If the Company requires an increase or decrease in flow requirements within any month, the Company shall issue a DDO Change Notice to the Supplier as soon as possible but no later than twenty-four (24) hours prior to the start of the Gas Day. The Company shall issue such notices in a non-discriminatory manner. Scheduled daily volumes for Gas Customer Choice customers for electric peakers, greenhouses, grain dryers, asphalt plants and large loads without consistent or historical load information may be determined by the Company on a different basis than set forth above.

If the Supplier fails to deliver the required DDO quantity on any day, the Supplier shall pay a per MMBtu Failure Fee for the difference between the required DDO and the actual amount delivered. The Failure Fee shall be \$6/MMBtu (\$10.00/MMBtu during periods of Company-declared supply emergency in accordance with Rule B4, Curtailment of Gas Service) plus the higher of (a) the cost of gas billed to sales customers pursuant to the Company's Rule B10 or (b) the current highest spot price paid for gas delivered to ANR Pipeline Company, Panhandle Eastern Pipe Line Company or at Chicago city gate for the corresponding date as published in Gas Daily, plus associated firm pipeline delivery costs. In addition, the Company may assess up-stream penalties to the Supplier to the extent that the Company has identified the Supplier as the cause of the penalty.

Continued On Sheet No. G- 4.00

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A Supplier who fails to deliver gas on successive days such that its Failure Fee liability exceeds its cash deposit, letter of credit or surety bond, shall be subject to having its Authorized Supplier status revoked.

G. Proof of Capacity

The Supplier shall be responsible for obtaining sufficient pipeline capacity to meet its delivery obligation.

H. Supplier Nominations

Each Supplier shall notify the Company's Gas Transportation Services Department of the daily quantity of gas (in MMBtu) that the Supplier is nominating for delivery on behalf of each Supplier-designated monthly pricing category. Such nominations shall be submitted by 12:30 PM Eastern time prior to the effective day of the proposed delivery.

I. Customer Billing

All customer billing and remittance processing functions for services provided under Rate CC will be performed by the Company. The Supplier will be charged a monthly fee of \$.30 per customer account. The Company will be responsible for credit and collection activities for the amounts billed directly to the customer by the Company. The Supplier must, at least three business days before the end of the prior billing month, furnish to the Company, in a format acceptable to the Company, the price per Mcf to be billed to each Supplier-designated pricing category on its behalf or the most recently supplied price will be used.

When a Supplier has more than one pool and delivers a monthly cumulative amount of gas to the Company that differs from the total Daily Delivery Obligations issued by the Company to the Supplier, the Company shall allocate any gas shortages to the highest priced pools first, when making remittances. For any monthly cumulative amounts of gas delivered to the Company in excess of the total Daily Delivery Obligations issued by the Company to the Supplier, the Company shall allocate such gas excess to the lowest priced pools first, when making remittances.

J. Supply Remittance

The Company shall remit to the Supplier, approximately 21 days from the end of each calendar month, an amount for the cost of gas equal to the MMBtu quantities that the Supplier has delivered onto the Company's system, multiplied by the price per Mcf converted to MMBtu, billed to the Supplier's customers that month. The amount to be remitted shall be reduced for any applicable Administrative Fees, Billing Fees, Failure Fees, and/or amounts owed to the Company pursuant to the Company's tariff.

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K. Reconciliation

Except as set forth below, within 60 working days after the end of the March billing cycle, or upon revocation of a Supplier's Authorized Supplier status, the Company will reconcile the cost per MMBtu remitted to the Supplier per Paragraph J, before reductions for Administrative Fees, Billing Fees, Failure Fees, and any other authorized credits or charges, with the price per Dth billed to customers over the course of the program year on the Supplier's behalf. Any difference multiplied by the smaller of the Dth delivered by the Supplier or the billed customer consumption for the year being reconciled, will be reflected in an adjustment on the next monthly remittance to the Supplier.

In those instances where both (i) the price per MMBtu billed to customers over the course of the program year on the Supplier's behalf is higher than the cost of gas billed to sales customers by the Company pursuant to the Company's Rule B10, and (ii) the MMBtu delivered by the Supplier exceeds the billed customer consumption for the year being reconciled, then the following procedure will be used. In such instances, (i) within 60 working days after the end of the March billing cycle, or upon revocation of a Supplier's Authorized Supplier status, the Company will reconcile the amount billed to customers on the Supplier's behalf with the Company's remittance to the Supplier for the gas delivered, and any difference will be reflected in an adjustment on the next monthly remittance to the Supplier, and (ii) gas delivered by the Supplier in excess of the actual customer consumption will be returned to the Supplier in kind unless the Company and the Supplier mutually agree on a price for the Company to purchase the excess gas.

L. Supplier Compliance Failure

A Supplier that fails to comply with the terms and conditions of the GCC program shall have its Authorized Supplier status suspended and/or terminated and subject to Rule B3, Controlled Service, its customers shall become sales rate customers of the Company.

M. Mcf to MMBtu Conversion

The Company will convert customer consumption from Mcf to MMBtu using daily system-average Btu content by billing cycle.

N. Month Defined

Where used in this rule, the term "month," unless otherwise indicated, means billing month when referring to customer consumption and calendar month when referring to deliveries by Suppliers.

Continued on Sheet No. G-6.00

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O. Gas Rate Disclosure

The Company may disclose, at such times as requested by the Commission or its staff, the gas rates charged to Rate CC customers.

P. Operational Flow Orders

The Company shall have the authority to issue operational flow orders, or take other action which it deems necessary, to ensure system reliability, even if such action may be inconsistent with other provisions of these program rules.

Q. Supplier of Last Resort

The Company will act as Supplier of last resort under the GCC program.

R. Contract Language

A Supplier must include the Company's required tariff language in all of its contracts.

S. Customer Complaints

If a customer has a complaint against a Supplier, the customer should try to resolve it first with the Supplier. If it is appropriate, the customer or Supplier should involve the Company. If the complaint is unresolved, the customer should involve the Michigan Public Service Commission Staff, and ultimately the Commission.

T. Transportation Standards of Conduct

The Transportation Standards of Conduct, Rules F5 and F6, shall apply to the GCC program.

U. Reconciliation by Pool

The annual load requirement, delivery schedules, delivery shortfalls, Failure Fees, other authorized credits or charges and annual reconciliations shall apply separately to each Supplier designated pricing pool.

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G2. RESIDENTIAL CUSTOMER PROTECTIONS

- A. A Supplier must provide a 30-day unconditional cancellation period following the agreement date with a customer. The first day of the 30-day period is the day after the contract is entered into by the customer. The exercise of this right by the customer may occur through a verbal or written communication with the Supplier. The Supplier shall promptly submit a de-enrollment file to the Company after receiving notice that a customer has cancelled the contract. A customer who cancels within the specified period will be treated as not having exercised their customer choice option with respect to the enrollment which is cancelled. The Company is not required to de-enroll a customer until after it receives a de-enrollment file from the Supplier or a new enrollment file from a different Supplier.
- B. A customer has the right to terminate participation with a Supplier at any time if the initial contract period has ended. The exercise of this right by the customer may occur through a verbal or written communication with the Supplier. The Supplier shall promptly submit a de-enrollment file to the Company after receiving notice that a customer has cancelled the contract. The Company is not required to de-enroll a customer until after it receives a de-enrollment file from the Supplier or a new enrollment file from a different Supplier.
- C. A Supplier using face-to-face solicitation methods shall not represent itself as an employee or agent of the Company. A Supplier's sales representatives or agents must prominently display identification on the front of their outer clothing that identifies them as employees or agents working on behalf of a Supplier and includes the name of the Supplier and the name and identification number of the person representing the supplier.
- D. A Supplier must use a font size of at least 12 point for its contract with a customer.
- E. The following information must be included in the Supplier's contract with a customer:
- 1) The Suppliers name
 - 2) The Suppliers address
 - 3) The Supplier's toll-free telephone number
 - 4) Cancellation rights
 - 5) Any customer fees or penalties related to the contract
 - 6) The contract pricing provisions in unit rates the customer is typically billed for
 - 7) The terms regarding contract length
 - 8) Provision of a 30-day advance notice of any price change at the expiration of a fixed price contract or termination of a month-to-month contract

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- 9) In bold 14 point type above the place for the customer's signature, the statement: I acknowledge that I am the account holder, a person legally authorized to execute a contract on behalf of the account holder, or the spouse of the account holder. I understand that by signing this agreement, I am switching the gas Supplier for this account to (new Supplier name). I understand that gas purchased for this account by (new Supplier name) will be delivered through SEMCO Energy's delivery system. The account holder, or the person who signed this contract on behalf of the account holder, has 30 days after today to cancel this contract for any reason through written or verbal notification to (new Supplier name).
- F. A Supplier must allow the Staff of the Michigan Public Service Commission an opportunity to review and comment on its contract(s) at least five business days before the Supplier intends to use the contract(s) in the marketplace.
- G. A Supplier that does not comply with the requirements of the program will have its participation in the program suspended until the Company has determined that necessary changes have been made to comply with the requirements. Any continuing or further non-compliance or use of materials that the Company determines do not meet all of the program requirements may result in the Supplier's termination from the program.
- H. A Supplier must send a confirmation letter to a customer within seven (7) days of the customer entering into an agreement with the Supplier. The confirmation letter must include any safety-related messages required by the Company. The Company is not required to send letters to customers confirming a customer's choice of an alternative Supplier.

G3. SOLICITATION REQUIREMENTS

- A. For each customer, a Supplier must be able to demonstrate that a customer has made a knowing selection of the Supplier by at least one of the following verification records:
- 1) An original signature
 - 2) Independent third party verification
 - 3) Voice recording
 - 4) An e-mail address if signed up through the Internet
 - 5) Another form of verification record approved by the Commission

The Company or the Commission may request a reasonable number of records from a Supplier to verify compliance with this customer verification provision and, in addition, may request records for any customer due to a dispute.

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- B. Suppliers who are soliciting customers must:
- 1) Clearly identify the Supplier on whose behalf they are soliciting
 - 2) Not represent themselves as an employee or agent of the Company
 - 3) Affirmatively indicate if they are a marketing affiliate of the Company that the affiliate is a separate entity and is not regulated by the Michigan Public Service Commission
 - 4) Submit marketing materials to the Commission Staff for review at least five (5) business days prior to using the materials
- C. A Supplier must provide a copy of the contract to the customer, including all terms and conditions. The contract must contain all provisions as set forth in Section G2.E. However, nonresidential customer contracts with a 12-month historical usage exceeding 200 Dth (including contracts containing aggregated volumes exceeding 200 Dth), as determined by the Supplier, do not need to include a 30 day cancellation provision as provided in subsection 9 of Section G2.E.

G4. SUPPLIER REGISTRATION AND CODE OF CONDUCT

- A. A Supplier is required to register with the Michigan Public Service Commission and provide the following information prior to any solicitation:
- 1) The name of the Supplier's company/corporation or owner's name and type of organization
 - 2) The Supplier's mailing address
 - 3) The Supplier's principal place of business address
 - 4) The name and address of the registered agent in Michigan and a working phone number during normal business hours
 - 5) The Supplier's toll-free number available for customer inquiries and concerns
 - 6) Prices and associated terms and conditions for commodity sales to residential customers updated on a monthly basis
 - 7) Name, address and phone number of person designated to receive and respond to Commission requests
- B. As a condition of registration as a Supplier, a Supplier must agree to abide by a code of conduct that provides:
- 1) The Supplier will issue accurate and understandable marketing materials. The Supplier will refrain from engaging in communications or practices that are fraudulent, deceptive or misleading. The Supplier will maintain sufficient documentation to support any claims made to customers in advertising, marketing, promoting or representing the sale of gas supply or related services. The Supplier will provide this documentation to the Commission, upon request. Marketing materials for residential customers must contain the average price per ccf, the period of time over which the price is valid, the term of the contract, the Supplier's name and telephone number, the area which the Supplier serves and the types of customers that the Supplier serves. If the Supplier does not offer a fixed price, the marketing materials must contain a clear explanation of the mechanism used to determine the price and an example of how the mechanism would be implemented over a relevant time period and for relevant usages. Marketing materials will clearly identify optional services.

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- 2) The Supplier will commit to truth in advertising. The Supplier will provide gas supply and related services at advertised terms and conditions.
- 3) The Supplier will comply with all Company program rules and tariffs as they are contained in the Company's "Schedule of Rates Governing the Sale of Natural Gas Service".
- 4) The Supplier will provide accurate and sufficient customer service information. The Supplier will advise customers of the marketer's name, address, toll free telephone number and other service information, including dispute resolution procedures. The Supplier will give customers accurate and complete information on the customer's rights and responsibilities. The Supplier will have regular hours during which customers can make inquiries and complaints.
- 5) The Supplier will not switch a customer to the Supplier's service without the express authorization of the customer. The Supplier will use appropriate marketing and verification methods for switching customers. The Supplier will agree not to charge the customer for services that the customer has not expressly authorized. The Supplier will apply appropriate verification methods for any charges applied to the customer's account. The Supplier will maintain verification records for 3 years. Suppliers who switch or charge customers without the proper authorization must refund the supply or other charges to the customer and pay any administrative fees, such as switching fees, necessary to reverse the actions.
- 6) The Supplier will make a good faith effort to resolve customer disputes. The Supplier will have an internal customer dispute procedure which allows for complete, fair and timely responses to customer disputes and inquiries. The Supplier will investigate each complaint, report the results to the customer and attempt to resolve the complaint. If the complaint cannot be resolved, the Supplier will refer the customer to the Company, or if appropriate, to the Commission. The Supplier will appoint at least one employee to be a contact person between the Supplier and the Commission. The Supplier will cooperate with the Commission in trying to resolve disputes, including the provision of informational materials, contracts and verification records. The Supplier will keep a record of all customer disputes. Dispute records will be made available to the Commission, upon request.
- 7) The Supplier will retain pipeline capacity sufficient to meet its customer requirements.

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G5. PROCEDURES FOR COMPLAINTS BETWEEN SUPPLIERS AND THE COMPANY

If the Company receives a verbal complaint from a Supplier related to the GCC program rules and operational features, the Company will attempt to resolve the complaint on an informal basis. If the Company and the complainant are unable to resolve the complaint on an informal basis, the procedures outlined below will be followed:


- A. Complainant will route all formal complaints in writing to:
- SEMCO Energy Gas Company Headquarters
1411 Third Street, Suite A
Port Huron, Michigan 48060
- Attention: Executive Customer Assistance Center
- B. The Company will acknowledge the receipt of the formal written complaint, in writing, within five business days of receipt by the Company.
- C. The Company will confirm and amend the prepared written statement of the complainant to ensure the complaint includes the name of the complainant, relevant dates and specific claims.
- D. The Company will prepare a written statement communicating to the complainant the results of the Company's preliminary investigation within 15 working days of the initial receipt of the complaint by the Company with a description of the action taken or proposed to be taken.
- E. 1) If the complainant is satisfied with the action taken or proposed to be taken, complainant will acknowledge its agreement by signing and returning a copy of the Company's written statement addressing the action taken or proposed to be taken.
- 2) If the complainant is not satisfied with the Company's response, then the complainant may address the complaint to the Commission.

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G6. GAS CUSTOMER CHOICE RATE CC

A. Availability

Subject to any restrictions, this rate is available to any customer desiring gas service where the customer's gas is provided by an Authorized Gas Supplier under Rule G1. A customer will take service under this rate commencing with the customer's first full billing month following enrollment.

Service is available to all non-residential customers plus a maximum of 4,000 residential customers beginning with the May 2002 billing cycle; 5,000 residential customers beginning with the April 2003 billing cycle; and 6,000 residential customers beginning with the April 2004 billing cycle.

A Rate CC customer may switch Suppliers at the end of any billing month provided the Company receives sufficient notice in a form acceptable to the Company. A customer may change Suppliers one time in any 12-month period beginning April 1 at no cost to the customer. A fee of \$10 will be required for each additional change of Supplier within the same 12-month period. If a Supplier's actions force a Customer to the Company's sales service, the Customer may choose another Supplier within 60 days, without incurring a switching fee, regardless of the length of time that has elapsed since the Customer left the Company's sales service. Except as set forth in the preceding sentence, a Customer returning to the Company's sales service rates from Rate CC is subject to the Rule B5.1, Rate Schedules, provisions of those sales rates and except as otherwise provided, must remain on the sales rate for 12 months.

B. Minimum Term

Subject to the following provisions of this paragraph, a customer who has elected to take service under Rate CC shall not be permitted to change from Rate CC to another rate until at least 12 months have elapsed. A customer who has elected to take service under Rate CC may, however, switch Suppliers during the 12-month period. During the 12-month period, a customer may only change from Rate CC to another rate if:

- A. a residential customer exercises an unconditional right of cancellation pursuant to Section G with the initial Supplier selected by the customer,
- B. the customer establishes that the customer was enrolled by a Supplier without the customer's knowing consent,
- C. the Supplier's action forces the customer to the Company's sales service,
- D. the Supplier selected by the customer defaults under its Supplier Agreement, or
- E. the Supplier selected by the customer has its Authorized Supplier status revoked or terminated.

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C. Nature of Service

The customer will remain a customer of the Company. The Company will read the meter and render a bill to the customer for the monthly customer charge, distribution charge, other authorized charges or surcharges, penalties and taxes. The authorized Supplier's Gas Commodity Charges will be billed as part of the Company's bill. Service is subject to all of the Company's "Schedule of Rates Governing the Sale of Natural Gas Service." By requesting service on this rate, the customer gives consent to the Company to furnish to the customer's authorized Supplier pertinent customer sales or transportation data.

A Rate CC customer's return to sales service is subject to Rule B3, Controlled Service.

D. Monthly Rate

Customer Charge

As shown on the customer's applicable sales rate schedule.

E. Distribution Charge

As shown on the customer's applicable sales rate schedule.

F. Balancing Charge

The customer shall pay a Balancing Charge as listed on Sheet No. E-3.00.

G. Capacity Demand Charge

The customer shall pay a Capacity Demand Charge as listed on Sheet No. E-3.00.

H. Gas Commodity Charge

The customer's cost of gas will be as communicated to the Company each month by the customer's Authorized Supplier. If a participating customer wishes to obtain gas supply from the Company after 12 months or more on a choice tariff, the customer shall be subject to the GCR rate. If a participating customer obtains gas supply from the Company as a result of its chosen Supplier becoming disqualified, or the customer otherwise returns to Company sales supply prior to the end of the 12 months period, subject to Rule B3, Controlled Service, the customer shall become subject to the higher of a market-based rate or the GCR rate for a period of up to three months.

The market-based rate shall consist of either the average (most recent 30 days that are available) of the MichCon city gate price or the average (most recent 30 days that are available) of the Consumers Energy city gate price as published in the Platts Gas Daily.

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I. General Terms and Surcharges

This rate is subject to all general terms and conditions shown on Sheet No. E-1.00 and surcharges shown on Sheet No. G-1.00 and is also subject to charges, terms and conditions set forth in Section G.

J. Minimum Charge

The minimum charge shall be the customer charge included in the rate.

K. Due Date and Late Payment Charge

The due date of a residential customer's bill shall be 17 days from the date of transmittal. The due date of a nonresidential customer's bill shall be 21 days from the date of mailing. A 2% residential or 3% nonresidential late payment charge, not compounded, of the unpaid portion of the bill, net of taxes, shall be assessed to any bill that is delinquent.

L. Term and Form of Contract

Service under this rate shall require authorization in a manner specified by the Company.

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