

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

Filed 

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
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June 26, 2007 in Case No. U-14882.

INDEX
PART 1

SECTION A	<u>Sheet No.</u>
Title Page	A-1.00
Index	A-2.00
Standard Forms Filed	A-13.00
Table of Contents – Checklist	A-14.00
Map	A-20.00
Territory Served	A-21.00
Supplemental Utility Service Charges	A-22.00
Technical Terms and Abbreviations	A-24.00

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SECTION B
GENERAL RULES AND REGULATIONS
FOR ALL CUSTOMERS

		<u>Sheet No.</u>
B1.	TECHNICAL STANDARDS	
B1.1	General Provisions	B-1.00
B1.2	Records, Reports and Other Information	B-2.00
B1.3	Service Requirements	B-2.00
B1.4	Engineering	B-5.00
B1.5	Inspection of Meters	B-7.00
B1.6	Bill Adjustment; Meter Accuracy	B-16.00
B1.7	Shutoff of Service	B-18.00
B1.8	Gas Quality	B-20.00
B2.	CHARACTERISTICS OF SERVICE	
B2.1	Gas Supply and Company Liability	B-22.00
B2.2	Discontinuance of Supply or Service	B-22.00
B2.3	Heating Installations	B-23.00
B2.4	Unusual Cost	B-23.00
B2.5	Invalidity of Oral Agreements or Representations	B-23.00
B3.	CONTROLLED SERVICE – GAS ALLOCATION PROCEDURE	
B3.1	Scope	B-24.00
B3.2	Application for Service	B-24.00
B3.3	Approval of Application for Service	B-24.00
B3.4	Forfeiture	B-25.00
B3.5	Restricted Sales	B-25.00
B3.6	Priorities	B-26.00
B3.7	Definitions	B-27.00
B4.	CURTAILMENT OF GAS SERVICE FOR GAS SUPPLY DEFICIENCY	
B4.1	Definitions	B-29.00
B4.3	Curtailement of Service	B-31.00
B4.3	Curtailement Priorities	B-36.00

Continued On Sheet No. A-4.00

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Continued From Sheet No. A-3.00

SECTION B

	<u>Sheet No.</u>
B5. APPLICATION OF RATES	
B5.1 Rate Schedules	B-39.00
B5.2 Special Taxes	B-39.00
B5.3 Terms of Service	B-39.00
B5.4 Rate Schedule	B-39.00
B5.5 Centrally Metered Installation	B-40.00
B5.6 Determination of BTU Factor	B-41.00
B6. CUSTOMER RESPONSIBILITIES	
B6.1 Application for Service	B-42.00
B6.2 Credit, Deposits, and Guarantees	B-42.00
B6.3 Service on Customers' Premise	B-42.00
B6.4 Customer's Piping and Utilization Equipment	B-42.00
B6.5 Bills and Remittances	B-42.00
B6.6 Access to Customer's Premises	B-43.00
B6.7 Use of Service	B-43.00
B6.8 Equal Monthly Payments	B-43.00
B6.9 Nonpayment of Bills	B-44.00
B6.10 NSF Checks and On Premise Collections	B-44.00
B6.11 Discontinuance of Service	B-45.00
B6.12 Turn-On Charge	B-45.00
B7. METERING	
B9.1 Meters, metering Equipment and Regulators	B-52.00
B9.2 Meter Tests, Error and Adjustments	B-52.00
B8. GAS COST RECOVERY CLAUSE	
B10.1 Applicability of Clause	B-53.00
B10.2 Booked Cost of Gas Sold	B-53.00
B10.3 Billing	B-54.00
B10.4 General Conditions	B-54.00
B9. REFUNDING PROCEDURES	
B11.1 Receipt of Refunds	B-55.00
B11.2 GCR Customer Refunds	B-55.00
B11.3 Non-GCR Customer Refunds	B-55.10
B10. CUSTOMER ATTACHMENT PROGRAM	B-56.00

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SECTION C
RULES AND REGULATIONS FOR
RESIDENTIAL CUSTOMERS

Sheet No.

C1. - C7. RESIDENTIAL STANDARDS AND BILLING PRACTICES

C1. GENERAL PROVISIONS AND DEFINITIONS

C1.1	Application of Rules	C-1.00
C1.2	Definitions	C-1.00
C1.3	Discrimination Prohibited	C-3.00
C1.4	Form of Proceedings	C-3.00
C1.5	Additional Rules	C-3.00

C2. BILLING AND PAYMENT STANDARDS

C2.11	Billing Frequency	C-3.00
C2.12	Estimated Billing	C-4.00
C2.13	Customer Meter Reading	C-4.00
C2.14	Equal Monthly Billing	C-4.00

C2.14 EQUAL MONTHLY BILLING

C2.15	Cycle Billing	C-4.00
C2.16	Payment of Bill	C-5.00
C2.17	Payment Period	C-5.00
C2.18	Allowable Charges	C-5.00
C2.19	Bill Information	C-5.00
C2.20	Separate Bills	C-6.00
C2.21	Non-Tariff Services	C-6.00
C2.22	Listing of Energy Assistance Programs	C-7.00
C2.23	Notice of Energy Assistance Programs	C-7.00
C2.24	Additional Energy Assistance Programs	C-7.00
C2.25	Billing Error	C-7.00

Continued on Sheet No. A-6.00

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June 26, 2007 in Case No. U-14882.

Continued From Sheet No. A-5.00

SECTION C

	<u>Sheet No.</u>
C3. DEPOSITS AND GUARANTEES	
C3.31 Deposit for New Customer	C-8.00
C3.32 Deposit for Previous Customer or Continued Service	C-9.00
C3.33 Prohibited Practices	C-10.00
C3.34 General Deposit Conditions	C-11.00
C3.35 Uncollectibles Allowance Recovery Fund	C-13.00
C3.36 Guarantee Terms and Conditions	C-13.00
C4. UTILITY PROCEDURES	
C4.41 Applicability	C-14.00
C4.42 Complaint Procedures	C-14.00
C4.43 Personnel Procedures	C-14.00
C4.44 Utility Hearing Officers	C-15.00
C4.45 Publications of Procedures	C-15.00
C4.46 Access to Rules and Rates	C-16.00
C4.47 Reporting Requirements	C-17.00
C4.48 Inspection	C-18.00
C4.49 Customer Access to Consumption Data	C-18.00
C4.50 Application for Service	C-18.00

Continued on Sheet No. A-7.00

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Continued From Sheet No. A-6.00

SECTION C

	<u>Sheet No.</u>
C5. PHYSICAL SHUTOFF OF SERVICE	
C5.51 Time of Shutoff	C-18.00
C5.52 Manner of Shutoff	C-19.00
C5.53 Medical Emergency	C-20.00
C5.54 Restoration of Service	C-20.00
C5.55 Charges for Meter Relocation	C-21.00
C6. PROCEDURES FOR SHUTOFF OR TERMINATION OF SERVICE	
C6.61 Shutoff Permitted	C-21.00
C6.62 Shutoff Prohibited	C-22.00
C6.63 Notice of Shutoff	C-23.00
C6.64 Form of Notice	C-23.00
C6.65 Disputed Claim	C-24.00
C6.66 Hearing	C-25.00
C6.67 Payment of Amount Not in Dispute	C-25.00
C6.68 Notice of Hearing	C-26.00
C6.69 Hearing Procedures	C-26.00
C6.70 Settlement Agreement	C-28.00
C6.71 Default of Settlement Agreement	C-29.00
C6.72 Same Dispute	C-30.00
C6.73 Emergency Shutoff	C-30.00
C6.74 Winter Protection Plan	C-30.00

Continued on Sheet No. A-8.00

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Continued From Sheet No. A-7.00

SECTION C

	<u>Sheet No.</u>
C7. COMMISSION APPEAL PROCEDURE	
C7.81 Informal Appeal	C-33.00
C7.82 Filing Procedures	C-33.00
C7.83 Exhaustion of Remedies	C-33.00
C7.84 Informal Appeal Procedures	C-33.00
C7.85 Interim Determination	C-34.00
C7.86 Appeal Review	C-35.00
C7.87 Shutoff Pending Decision	C-35.00
C7.88 Informal Appeal Decision	C-35.00
C7.89 Failure to Comply with Informal Appeal Decision	C-35.00
C7.90 Same Dispute	C-36.00
C7.91 Formal Appeal	C-36.00
C7.92 Other Remedies	C-36.00
C8.00 Additional Billing Practices and Procedures	C-36.00

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SECTION D
RULES AND REGULATIONS
FOR NON-RESIDENTIAL CUSTOMERS

	<u>Sheet No.</u>
D1. COMMERCIAL AND INDUSTRIAL BILLING PRACTICES	
D1.1 Applicability	D-1.00
D1.2 Definitions	D-1.00
D1.3 Rescission	D-1.00
D1.4 Selection of Rate	D-2.00
D1.5 Meter Reading Interval	D-2.00
D1.6 Cycle Billing	D-2.00
D1.7 Billing Information	D-2.00
D1.8 Discounts and Delayed Payment Charges	D-3.00
D1.9 Delivery and Payment Bills	D-3.00
D1.10 Special Service	D-3.00
D1.11 Billing Errors	D-3.00
D1.12 Customer Complaints, Investigation; Records	D-4.00
D1.13 Customer Deposits	D-4.00
D1.14 Discontinuation, Termination or Denial of Service	D-5.00
D1.15 Settlement Agreement	D-6.00
D1.16 Default of Settlement Agreement	D-6.00

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Public Service Commission dated
June 26, 2007 in Case No. U-14882.

SECTION E
RATE SCHEDULES

	<u>Sheet No.</u>
General Terms And Conditions Of Gas Sales Service	E-1.00
Surcharges	E-2.00
Gas Cost Recovery Factors	E-3.00
Gas Cost Recovery Factors	E-3.10
Gas Cost Recovery Factors	E-3.11
Gas Cost Recovery Factors	E-3.20
Residential Service Rate	E-4.00
General Service Rate	E-5.00
Unmetered Service	E-6.00
Gas Light Service	E-7.00

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Public Service Commission dated
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SECTION F
RULES AND REGULATIONS FOR
GAS TRANSPORTATION CUSTOMERS

	<u>Sheet No.</u>
Surcharges	F-1.00
F1. Application	F-2.00
F2. Definitions	F-2.00
F3. Transportation Service	F-6.00
F3.A Balancing Tolerances	F-6.00
F3.B Receipt And Delivery Of Gas	F-6.00
F3.C Pressure	F-7.00
F3.D Measurement	F-7.00
F3.E Limitations Of Service	F-7.00
F3.F Commingling	F-7.00
F3.G Issuance Of Penalties	F-7.00
F4. Responsibility For Gas	F-7.00
F5. Transportation Standards Of Conduct	F-8.00
F6. Transportation Standards Of Conduct Complaint Procedures	F-9.10
Transportation Service -	F-10.00

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

	<u>Sheet No.</u>
Surcharges	G-1.00
G1 General Provisions	G-2.00
G1.A Participation and Solicitation	G-2.00
G1.B Term Compliance	G-2.00
G1.C Supplier Selection	G-2.00
G1.D Supplier Deposit or Surety Requirements	G-2.00
G1.E Supplier Pools	G-2.00
G1.F Daily Delivery Obligation	G-3.00
G1.G Proof of Capacity	G-4.00
G1.H Supplier Nominations	G-4.00
G1.I Customer Billing	G-4.00
G1.J Supply Remittance	G-4.00
G1.K Reconciliation	G-5.00
G1.L Supplier Compliance Failure	G-5.00
G1.M Mcf to MMBtu Conversion	G-5.00
G1.N Month Defined	G-5.00
G1.O Gas Rate Disclosure	G-6.00
G1.P Operational Flow Orders	G-6.00
G1.Q Supplier of Last Resort	G-6.00
G1.R Contract Language	G-6.00
G1.S Customer Complaints	G-6.00
G1.T Transportation Standards of Conduct	G-6.00
G1.U Reconciliation by Pool	G-6.00
G2. Residential Customer Protections	G-7.00
G3. Solicitation Requirements	G-8.00
G4. Supplier Registration and Code of Conduct	G-9.00
G5. Procedures for Complaints between Suppliers and the Company	G-11.00
G6. Gas Customer Choice Rate CC	G-12.00
G6.A Availability	G-12.00
G6.B Minimum Term	G-12.00
G6.C Nature of Service	G-13.00
G6.D Monthly Rate	G-13.00
G6.E Distribution Charge	G-13.00
G6.F Balancing Charge	G-13.00
G6.G Capacity Demand Charge	G-13.00
G6.H Gas Commodity Charge	G-13.00
G6.I General Terms and Surcharges	G-14.00
G6.J Minimum Charge	G-14.00
G6.K Due Date and Late Payment Charge	G-14.00
G6.L Term and Form of Contract	G-14.00

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June 26, 2007 in Case No. U-14882.

TABLE OF CONTENTS – CHECKLIST

Sheet No.	Effective Date
Original Sheet No. A-1.00	07/02/07
Original Sheet No. A-2.00	07/02/07
Original Sheet No. A-3.00	07/02/07
Original Sheet No. A-4.00	07/02/07
Original Sheet No. A-5.00	07/02/07
Original Sheet No. A-6.00	07/02/07
Original Sheet No. A-7.00	07/02/07
Original Sheet No. A-8.00	07/02/07
Original Sheet No. A-9.00	07/02/07
Original Sheet No. A-10.00	07/02/07
Original Sheet No. A-11.00	07/02/07
Original Sheet No. A-12.00	07/02/07
Original Sheet No. A-13.00	07/02/07
Original Sheet No. A-14.00	07/02/07
Original Sheet No. A-15.00	07/02/07
Original Sheet No. A-16.00	07/02/07
Original Sheet No. A-17.00	07/02/07
Original Sheet No. A-18.00	07/02/07
Original Sheet No. A-18.10	07/02/07
Original Sheet No. A-19.00	07/02/07
Original Sheet No. A-20.00	07/02/07
Original Sheet No. A-21.00	07/02/07
Original Sheet No. A-22.00	07/02/07
Original Sheet No. A-23.00	07/02/07
Original Sheet No. A-24.00	07/02/07
Original Sheet No. A-25.00	07/02/07
Original Sheet No. A-26.00	07/02/07
Original Sheet No. B-1.00	07/02/07
Original Sheet No. B-2.00	07/02/07
Original Sheet No. B-3.00	07/02/07
Original Sheet No. B-4.00	07/02/07
Original Sheet No. B-5.00	07/02/07
Original Sheet No. B-6.00	07/02/07
Original Sheet No. B-7.00	07/02/07
Original Sheet No. B-8.00	07/02/07
Original Sheet No. B-9.00	07/02/07

Continued on Sheet No. A-15.00

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Continued From Sheet No. A-14.00

TABLE OF CONTENTS – CHECKLIST (Continued)

<u>Sheet No.</u>	<u>Effective Date</u>
Original Sheet No. B-10.00	07/02/07
Original Sheet No. B-11.00	07/02/07
Original Sheet No. B-12.00	07/02/07
Original Sheet No. B-13.00	07/02/07
Original Sheet No. B-14.00	07/02/07
Original Sheet No. B-15.00	07/02/07
Original Sheet No. B-16.00	07/02/07
Original Sheet No. B-17.00	07/02/07
Original Sheet No. B-18.00	07/02/07
Original Sheet No. B-19.00	07/02/07
Original Sheet No. B-20.00	07/02/07
Original Sheet No. B-21.00	07/02/07
Original Sheet No. B-22.00	07/02/07
Original Sheet No. B-23.00	07/02/07
Original Sheet No. B-24.00	07/02/07
Original Sheet No. B-25.00	07/02/07
Original Sheet No. B-26.00	07/02/07
Original Sheet No. B-27.00	07/02/07
Original Sheet No. B-28.00	07/02/07
Original Sheet No. B-29.00	07/02/07
Original Sheet No. B-30.00	07/02/07
Original Sheet No. B-31.00	07/02/07
Original Sheet No. B-32.00	07/02/07
Original Sheet No. B-33.00	07/02/07
Original Sheet No. B-34.00	07/02/07
Original Sheet No. B-35.00	07/02/07
Original Sheet No. B-36.00	07/02/07
Original Sheet No. B-37.00	07/02/07
Original Sheet No. B-38.00	07/02/07
Original Sheet No. B-39.00	07/02/07
Original Sheet No. B-40.00	07/02/07
Original Sheet No. B-41.00	07/02/07
Original Sheet No. B-42.00	07/02/07
Original Sheet No. B-43.00	07/02/07
Original Sheet No. B-44.00	07/02/07
Original Sheet No. B-45.00	07/02/07
Original Sheet No. B-46.00	07/02/07

Continued on Sheet No. A-16.00

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Continued From Sheet No. A-15.00

TABLE OF CONTENTS – CHECKLIST (Continued)

<u>Sheet No.</u>	<u>Effective Date</u>
Original Sheet No. B-47.00	07/02/07
Original Sheet No. B-48.00	07/02/07
Original Sheet No. B-49.00	07/02/07
Original Sheet No. B-50.00	07/02/07
Original Sheet No. B-51.00	07/02/07
Original Sheet No. B-52.00	07/02/07
Original Sheet No. B-53.00	07/02/07
Original Sheet No. B-54.00	07/02/07
Original Sheet No. B-55.00	07/02/07
Original Sheet No. B-56.00	07/02/07
Original Sheet No. B-57.00	07/02/07
Original Sheet No. B-58.00	07/02/07
Original Sheet No. B-59.00	07/02/07

Continued on Sheet No. A-17.00

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Continued From Sheet No. A-16.00

TABLE OF CONTENTS – CHECKLIST (Continued)

<u>Sheet No.</u>	<u>Effective Date</u>
Original Sheet No. C-1.00	07/02/07
Original Sheet No. C-2.00	07/02/07
Original Sheet No. C-3.00	07/02/07
Original Sheet No. C-4.00	07/02/07
Original Sheet No. C-5.00	07/02/07
Original Sheet No. C-6.00	07/02/07
Original Sheet No. C-7.00	07/02/07
Original Sheet No. C-8.00	07/02/07
Original Sheet No. C-9.00	07/02/07
Original Sheet No. C-10.00	07/02/07
Original Sheet No. C-11.00	07/02/07
Original Sheet No. C-12.00	07/02/07
Original Sheet No. C-13.00	07/02/07
Original Sheet No. C-14.00	07/02/07
Original Sheet No. C-15.00	07/02/07
Original Sheet No. C-16.00	07/02/07
Original Sheet No. C-17.00	07/02/07
Original Sheet No. C-18.00	07/02/07
Original Sheet No. C-19.00	07/02/07
Original Sheet No. C-20.00	07/02/07
Original Sheet No. C-21.00	07/02/07
Original Sheet No. C-22.00	07/02/07
Original Sheet No. C-23.00	07/02/07
Original Sheet No. C-24.00	07/02/07
Original Sheet No. C-25.00	07/02/07
Original Sheet No. C-26.00	07/02/07
Original Sheet No. C-27.00	07/02/07
Original Sheet No. C-28.00	07/02/07
Original Sheet No. C-29.00	07/02/07
Original Sheet No. C-30.00	07/02/07
Original Sheet No. C-31.00	07/02/07

Continued on Sheet No. A-18.00

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Effective: See Above

Continued From Sheet No. A-17.00

TABLE OF CONTENTS – CHECKLIST (Continued)

<u>Sheet No.</u>	<u>Effective Date</u>
Original Sheet No. C-32.00	07/02/07
Original Sheet No. C-33.00	07/02/07
Original Sheet No. C-34.00	07/02/07
Original Sheet No. C-35.00	07/02/07
Original Sheet No. C-36.00	07/02/07
Original Sheet No. C-37.00	07/02/07
Original Sheet No. D-1.00	07/02/07
Original Sheet No. D-2.00	07/02/07
Original Sheet No. D-3.00	07/02/07
Original Sheet No. D-4.00	07/02/07
Original Sheet No. D-5.00	07/02/07
Original Sheet No. D-6.00	07/02/07
Original Sheet No. D-7.00	07/02/07
Original Sheet No. E-1.00	07/02/07
Original Sheet No. E-2.00	07/02/07
<u>Sheet No. E-3.00</u>	
Original Sheet No. E-3.10	July 2007 Billing Month
Original Sheet No. E-3.11	July 2007 Billing Month
Original Sheet No. E-3.20	July 2007 Billing Month
Original Sheet No. E-4.00	07/02/07
Original Sheet No. E-5.00	07/02/07
Original Sheet No. E-6.00	07/02/07
Original Sheet No. E-7.00	07/02/07

Continued on Sheet No. A-19.00

Michigan Public Service
Commission

July 25, 2007

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Continued From Sheet No. A-18.00

TABLE OF CONTENTS – CHECKLIST (Continued)

<u>Sheet No.</u>	<u>Effective Date</u>
Original Sheet No. F-1.00	07/02/07
Original Sheet No. F-2.00	07/02/07
Original Sheet No. F-3.00	07/02/07
Original Sheet No. F-4.00	07/02/07
Original Sheet No. F-5.00	07/02/07
Original Sheet No. F-6.00	07/02/07
Original Sheet No. F-7.00	07/02/07
Original Sheet No. F-8.00	07/02/07
Original Sheet No. F-9.00	07/02/07
Original Sheet No. F-9.10	07/02/07
Original Sheet No. F-10.00	07/02/07
Original Sheet No. F-11.00	07/02/07
Original Sheet No. F-12.00	07/02/07
Original Sheet No. F-13.00	07/02/07
Original Sheet No. F-14.00	07/02/07
Original Sheet No. F-14.10	07/02/07
Original Sheet No. F-15.00	07/02/07
Original Sheet No. F-16.00	07/02/07
Original Sheet No. F-17.00	07/02/07
Original Sheet No. F-18.00	07/02/07
Original Sheet No. F-19.00	07/02/07
Original Sheet No. F-19.10	07/02/07
Original Sheet No. F-20.00	07/02/07
Original Sheet No. F-21.00	07/02/07
Original Sheet No. F-22.00	07/02/07
Original Sheet No. F-23.00	07/02/07
Original Sheet No. F-24.00	07/02/07
Original Sheet No. F-24.10	07/02/07
Original Sheet No. F-25.00	07/02/07
Original Sheet No. F-26.00	07/02/07
Original Sheet No. F-27.00	07/02/07
Original Sheet No. F-28.00	07/02/07
Original Sheet No. F-29.00	07/02/07
Original Sheet No. F-30.00	07/02/07
Original Sheet No. F-31.00	07/02/07
Original Sheet No. F-32.00	07/02/07
Original Sheet No. F-33.00	07/02/07
Original Sheet No. F-34.00	07/02/07

Continued on Sheet No. A-19.10

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Commission

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Continued From Sheet No. A-19.00

TABLE OF CONTENTS – CHECKLIST (Continued)

<u>Sheet No.</u>	<u>Effective Date</u>
Original Sheet No. G-1.00	07/02/07
Original Sheet No. G-2.00	07/02/07
Original Sheet No. G-3.00	07/02/07
Original Sheet No. G-4.00	07/02/07
Original Sheet No. G-5.00	07/02/07
Original Sheet No. G-6.00	07/02/07
Original Sheet No. G-7.00	07/02/07
Original Sheet No. G-8.00	07/02/07
Original Sheet No. G-9.00	07/02/07
Original Sheet No. G-10.00	07/02/07
Original Sheet No. G-11.00	07/02/07
Original Sheet No. G-12.00	July 2007 Billing Month
Original Sheet No. G-13.00	07/02/07
Original Sheet No. G-14.00	07/02/07

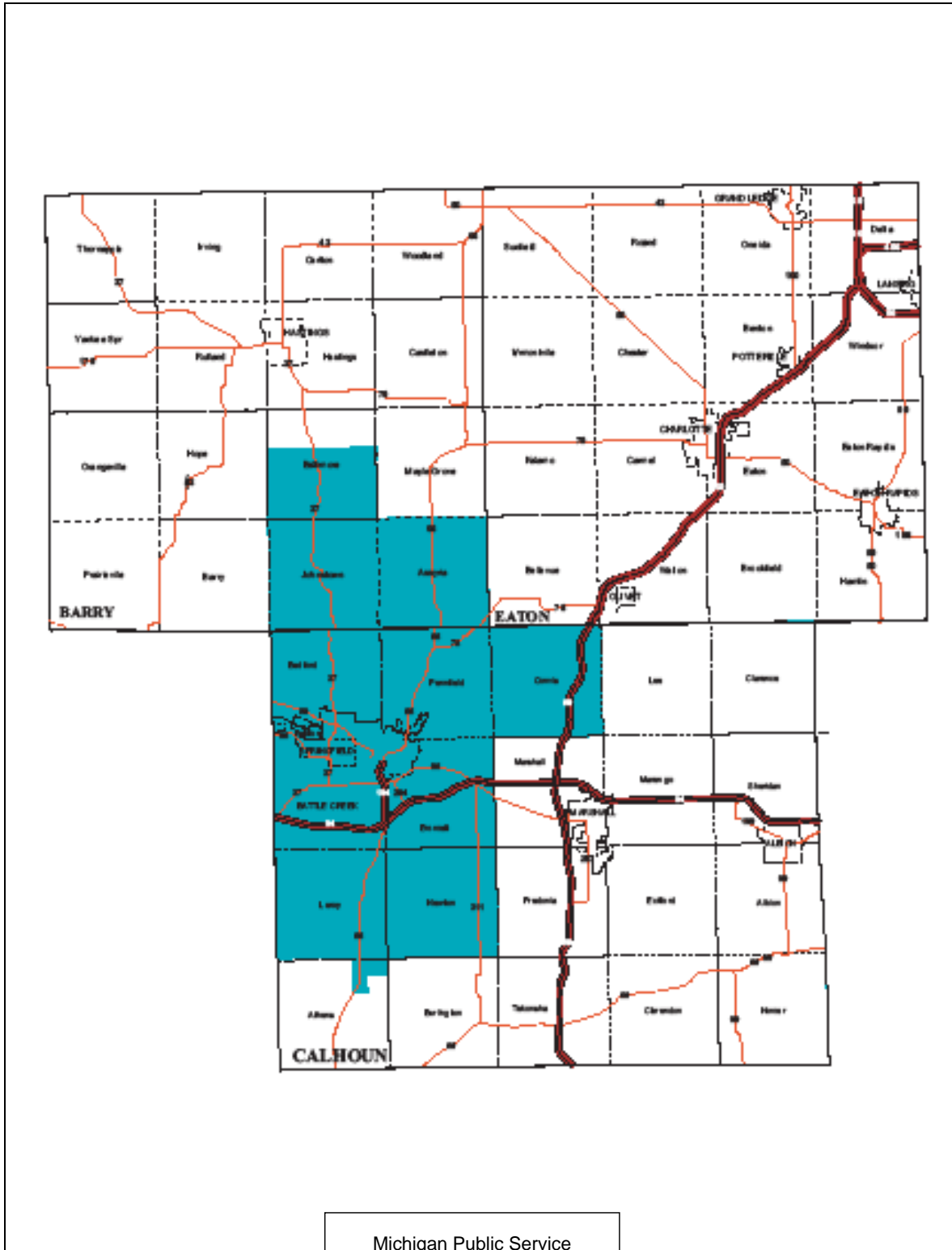
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Issued Under Authority of the Michigan
Public Service Commission dated
June 26, 2007 in Case No. U-14882.

Continued From Sheet No. A-20.00

TERRITORY SERVED

City:

Village of:

Township of:

CALHOUN COUNTY

Battle Creek
Springfield

Pennfield

Athens
Battle Creek
Bedford
Clarence

Emmett
Leroy
Newton

Convis

BARRY COUNTY

Johnstown

Assyria

Baltimore

EATON COUNTY

Bellevue
Walton

Continued on Sheet No. A-22.00

Michigan Public Service
Commission

July 25, 2007

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Public Service Commission dated
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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).

Continued on Sheet No. A-23.00

Michigan Public Service
Commission

July 25, 2007

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Public Service Commission dated
June 26, 2007 in Case No. U-14882.

Continued from Sheet No. A-22.00

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.

Continued on Sheet No. A-24.00

Michigan Public Service
Commission

July 25, 2007

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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.

Continued On Sheet No. A-25.00

Issued June 26, 2007 by
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Commission

July 25, 2007

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and After July 2, 2007.
Issued Under Authority of the Michigan
Public Service Commission dated
June 26, 2007 in Case No. U-14882.

Continued From Sheet No. A-24.00

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.

Continued On Sheet No. A-26.00

Michigan Public Service
Commission

July 25, 2007

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Public Service Commission dated
June 26, 2007 in Case No. U-14882.

Continued From Sheet No. A-25.00

(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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Public Service Commission dated
June 26, 2007 in Case No. U-14882.

**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.

Continued On Sheet No. B-2.00

Michigan Public Service
Commission

July 25, 2007

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Public Service Commission dated
June 26, 2007 in Case No. U-14882.

Continued From Sheet No. B-1.00

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.

Continued On Sheet No. B-3.00

Michigan Public Service
Commission

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Public Service Commission dated
June 26, 2007 in Case No. U-14882.

Continued From Sheet No. B-2.00

- (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.

Continued On Sheet B-4.00

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Michigan Public Service
Commission

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Issued Under Authority of the Michigan
Public Service Commission dated
June 26, 2007 in Case No. U-14882.

Continued From Sheet No. B-3.00

- (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.

Continued On Sheet No. B-5.00

Issued June 26, 2007 by
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Michigan Public Service
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Public Service Commission dated
June 26, 2007 in Case No. U-14882.

Continued From Sheet No. B-4.00

- (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).

Continued On Sheet No. B-6.00

Issued June 26, 2007 by
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Michigan Public Service
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Continued From Sheet No. B-5.00

- (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 No. X69220) \$20.00 from ANSI or \$20.00 from AGA (\$10.00 for AGA members).
 - (v) ANSI Z223.1 National Fuel Gas Code-1992 edition, which may also be purchased from the American Society of Mechanical Engineers, 345 East 47th Street, New York, NY 10017, (212) 705-7722, or from the National Fire Protection Association (NFPA), P.O. Box 9146, Quincy, MA 02269, (800) 344-3555 - \$24.50 (\$22.00 for NFPA 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).

Continued On Sheet No. B-7.00

Michigan Public Service
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Continued From Sheet No. B 6.00

- (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:

Continued On Sheet No. B-8.00

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Continued From Sheet No. B-7.00

- (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.

Continued On Sheet No. B-9.00

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Continued From Sheet No. B-8.00

- (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

Continued On Sheet No. B-10.00

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Continued From Sheet No. B-9.00

- (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.

Continued On Sheet No. B-11.00

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Continued From Sheet No. B-10.00

- (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

Continued On Sheet No. B-12.00

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Continued From Sheet No. B-11.00

- (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%.

Continued On Sheet No. B-13.00

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Continued From Sheet No. B-12.00

- (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.

Continued On Sheet No. B-14.00

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Continued From Sheet No. B-13.00

- (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.

Continued On Sheet No. B-15.00

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Continued From Sheet No. B-14.00

- (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.

Continued On Sheet No. B-16.00

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Continued From Sheet No. B-15.00

(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.

Continued On Sheet No. B-17.00

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Continued From Sheet No. B-16.00

(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.

Continued On Sheet No. B-18.00

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Continued From Sheet No. B-17.00

(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.

Continued On Sheet No. B-19.00

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Continued From Sheet No. B-18.00

- (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.

Continued On Sheet No. B-20.00

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Continued From Sheet No. B-19.00

- (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.

Continued On Sheet No. B-21.00

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Continued From Sheet B-20.00

- (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;

Continued On Sheet No. B-23.00

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Continued From Sheet No. B-22.00

- 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.

Continued On Sheet No. B-24.00

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Continued From Sheet B-23.00

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.

Continued On Sheet No. B-25.00

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Continued From Sheet No. B-24.00

- 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.

Continued On Sheet No. B-26.00

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Continued From Sheet No. B-25.00

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.

Continued On Sheet No. B-27.00

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Continued From Sheet No. B-26.00

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.

Continued On Sheet B-28.00

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Continued From Sheet No. B-27.00

- 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.

Continued On Sheet No. B-29.00

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Continued From Sheet No. B-28.00

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.

Continued On Sheet No. B-30.00

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Continued From Sheet No. B-29.00

- 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.

Continued On Sheet No. B-31.00

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Continued From Sheet No. B-30.00

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.

Continued On Sheet B-32.00

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Continued From Sheet No. B-31.00

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.

Continued On Sheet No. B-33.00

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Continued From Sheet B-32.00

- 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.

Continued On Sheet No. B-34.00

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June 26, 2007 in Case No. U-14882.

Continued From Sheet B-33.00

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:

Continued On Sheet No. B-35.00

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and After July 2, 2007.
Issued Under Authority of the Michigan
Public Service Commission dated
June 26, 2007 in Case No. U-14882.

Continued From Sheet B-34.00

- 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.

Continued On Sheet No. B-36.00

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Continued From Sheet No. B-35.00

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.

Continued On Sheet No. B-37.00

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Continued From Sheet No. B-36.00

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.

Continued On Sheet No. B-38.00

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Continued From Sheet No. B-37.00

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.

Continued On Sheet No. B-39.00

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June 26, 2007 in Case No. U-14882.

Continued From Sheet No. B-38.00

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.

Continued On Sheet No. B-40.00

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Continued From Sheet No. B-39.00

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.

Continued On Sheet No. B-41.00

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Continued From Sheet No. B-40.00

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).

Continued On Sheet No. B-42.00

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June 26, 2007 in Case No. U-14882.

Continued From Sheet No. B-41.00

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.

Continued On Sheet No. B-43.00

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Continued From Sheet No. B-42.00

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.

Continued On Sheet No. B-44.00

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Continued From Sheet No. B-43.00

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.

Continued On Sheet No. B-45.00

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Continued From Sheet No. B-44.00

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.

Continued On Sheet No. B-46.00

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Continued From Sheet No. B-45.00

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Continued On Sheet No. B-52.00

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Continued From Sheet No. B- 45.00

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.

Continued On Sheet No. B-53.00

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Continued From Sheet No. B- 52.00

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.

Continued On Sheet No. B-54.00

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Continued From Sheet No. B-53.00

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.

Continued On Sheet No. B-55.00

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Continued From Sheet No. B-54.00

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.

Continued On Sheet No. B-55.10

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Continued From Sheet No. B-55.00

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.

Continued On Sheet No. B-56.00

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Continued From Sheet No. B- 55.10

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.

Continued On Sheet No. B-57.00

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Continued From Sheet No. B-56.00

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.

Continued On Sheet No. B-58.00

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Continued From Sheet No. B-57.00

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.

Continued On Sheet No. B-59.00

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Continued From Sheet No. B-58.00

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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