

MICHIGAN GAS UTILITIES CORPORATION

RATE BOOK FOR NATURAL GAS SERVICE

These Standard Rules and Regulations and Rate Schedules contained herein have been adopted by the company to govern its relations with customers and have been approved by the Michigan Public Service Commission as an integral part of its Rate Book for natural Gas Service.

Copies of the Company's Rate Book for Natural Gas Service are available on Michigan Gas Utilities Corporation's website at the following website address,

<http://www.michigangasutilities.com/news/ratebook.aspx>

Or at the Michigan Public Service Commission's website at the following website address,

<http://www.dleg.state.mi.us/mpsc/gas/ratebooks/mgu/mgu1cur.pdf>

Territory

This Rate Book for Natural Gas Service applies to the entire territory served with Natural Gas by the Company.

THIS RATE BOOK SUPERSEDED AND CANCELS RATE BOOK

M.P.S.C. No. 1 -GAS

Issued: January 2, 2008

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Green Bay, Wisconsin

Michigan Public Service Commission
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INDEX

SECTION A

	<u>Sheet No.</u>
Title Page	A-1.00
Index	A-2.00
Table of Contents - Checklist	A-8.00
Gas Service or Franchise Area	A-12.00
Territory Served	A-13.00
Technical Terms and Abbreviations	A-15.00
Supplemental Utility Service Charges	A-18.00

SECTION B ADMINISTRATIVE RULES INDEX

http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Department&Dpt=LG&Level_1=Public+Service+Commission

	<u>Sheet No.</u>
B1. Technical Standards for Gas Service (R 460.2301 - R 460.2383) (For All Customers) http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46002301&Dpt=CI&RngHigh=	B-1.00
B2. Consumer Standards and Billing Practices for Electric and Gas Residential Service (R 460.101 - R 460.169) http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46000101&Dpt=&RngHigh=48702110	B-3.00
B3. Uncollectibles Allowance Recovery Fund (R 460.2601 - R 460.2625) (Residential Customers) http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46002601&Dpt=&RngHigh=48702110	B-5.00
B4. <u>Billing Practices Applicable to Non-Residential Electric and Gas Customers (R 460.1601 - R 460.1640) (Applicable to Non Residential and Multifamily Dwelling Service Rate A-1)</u> http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46001601&Dpt=LG&RngHigh=	B-6.00

Continued on Sheet No. A-3.00

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Commission

May 28, 2008

Filed _____



Continued From Sheet No. A-2.00

INDEX

**SECTION B
ADMINISTRATIVE RULES INDEX (Contd.)**

	<u>Sheet No.</u>
B5. Practice and Procedure Before the Commission (R 460.17101 - R 460.17701) http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46017101&Dpt=CI&RngHigh=	B-7.00
B6. Filing Procedures for Electric, Water, Steam and Gas Utilities (R 460.2011 - R 460.2031) http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46002011&Dpt=CI&RngHigh=	B-7.00
B7. Residential Conservation Program Standards (R 460.2401 - R 460.2414) http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46002401&Dpt=CI&RngHigh=	B-7.00
B8. Preservation of Records of Electric, Gas and Water Utilities (R 460.2501 - R 460.2582) http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46002501&Dpt=&RngHigh=48702110	B-7.00
B9. Michigan Gas Safety Standards (R 460.20101 - R 460.20606) http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=460020101&Dpt=&RngHigh=48702110	B-7.00
B10. Production and Transmission of Natural Gas (R 460.851 - R 460.875) http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46000851&Dpt=CI&RngHigh=	B-7.00
B11. Uniform System of Accounts for Major and Nonmajor Gas Utilities (R 460.9021, R 460.9039) http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46009021&Dpt=CI&RngHigh=	B-7.00
B12. Rate Case Filing Requirements for Major Gas Utilities http://www.cis.state.mi.us/mpsc/orders/archive/pdfs/U-10039_01-17-1992.PDF	B-7.00

Continued on Sheet No. A-4.00

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Green Bay, Wisconsin



Continued From Sheet No. A-3.00

INDEX

**SECTION C
COMPANY RULES AND REGULATIONS**

	<u>Sheet No.</u>
C1. CHARACTERISTICS OF SERVICE	
C1.1 Character of Service	C-1.00
C1.2 Provisions Hereof Subject to Termination, Change or Modification	C-1.00
C1.3 Inauguration of Service	C-1.00
C1.4 Permits	C-2.00
C2. CONTROLLED SERVICE	
C2.1 Scope	C-2.00
C2.2 Application	C-2.00
C2.3 Approval	C-2.00
C2.4 Forfeiture	C-3.00
C2.5 Impact on Existing Customers	C-4.00
C2.6 Restricted Sales	C-4.00
C2.7 Priorities	C-5.00
C3. CURTAILMENT OF GAS SERVICE	
C3.1 Definitions	C-7.00
C3.2 Curtailment of Gas Service	C-9.00
C3.3 Limitation of Liability	C-18.00
C4. APPLICATION OF RATES	
C4.1 Service to Non-Permanent Structures	C-19.00
C4.2 Limitations Upon Service	C-19.00
C4.3 Centrally Metered Installations	C-20.00
C4.4 Redistribution of Gas Service	C-21.00
C4.5 Notice of Change in Ownership of Occupancy of Premises	C-21.00
C5. CUSTOMER RESPONSIBILITIES	
C5.1 Access to Premises	C-21.00
C5.2 Discontinuance or Withholding of Service	C-22.00
C5.3 Liability	C-22.00
C5.4 Service Charge for Reconnection of Discontinued Service for Non-Payment of Bills	C-23.00
C5.5 Deposits	C-23.00
C5.6 Meter Reading and Billing Periods	C-24.00
C5.7 Payment of Bills	C-24.00
C5.8 Delinquent Bills	C-24.00
C5.9 Charge for NonSufficient Funds (NSF) Check	C-24.00
C5.10 Charge for On-Premises Collection	C-25.00

Continued on Sheet No. A-5.00

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Michigan Public Service
Commission

January 3, 2008

Filed AL

Continued From Sheet No. A-4.00

INDEX

**SECTION C
COMPANY RULES AND REGULATIONS (Contd)**

	<u>Sheet No.</u>
C6. EXTENSION POLICY	C-25.00
C7. SERVICE LINES	
C7.1 General Provisions	C-25.00
C7.2 Service Lines Less Than 2 Inches in Diameter	C-25.00
C7.3 Service Lines 2 Inches or Larger in Diameter	C-27.00
C7.4 Change in Location of Existing Service Facilities	C-27.00
C7.5 Company's Installation	C-27.00
C7.6 Customer's Responsibility	C-28.00
C7.7 Seals	C-28.00
C8. METERING CUSTOMER EQUIPMENT AND BILLING	
C8.1 General Provisions	C-28.00
C8.2 Adequacy and Safety of Installation	C-28.00
C8.3 Repairs - Leakage of Gas	C-28.00
C8.4 Back Pressure and Suction	C-28.00
C8.5 Inspection of Installation	C-29.00
C8.6 Changes in Customer's Requirements	C-29.00
C8.7 Measurement of Gas Service	C-30.00
C9. GAS COST RECOVERY CLAUSE	
C9.1 Applicability Of Clause	C-30.00
C9.2 Booked Cost of Gas Sold	C-30.00
C9.3 Billing	C-31.00
C9.4 General Conditions	C-31.00
C10. REFUND PROCEDURES	
C10.1 Identification of Supplier Refunds	C-32.00
C10.2 GCR Customer Refunds	C-32.00
C10.3 Non-GCR Customer Refunds	C-33.00
C11. CUSTOMER ATTACHMENT PROGRAM	C-34.00

Continued on Sheet No. A-6.00

Issued: January 2, 2008
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin

Michigan Public Service Commission
January 3, 2008
Filed _____ <u>RL</u>

Continued From Sheet No. A-5.00

INDEX

**SECTION D
RATE SCHEDULES**

	<u>Sheet No.</u>
D1. GENERAL TERMS AND CONDITIONS OF THE TARIFF	D-1.00
D2. SUPPLEMENTAL CHARGES	D-1.00
D3. GAS COST RECOVERY FACTORS	D-2.00
D4. RESIDENTIAL RATE	D-5.00
D5. RESIDENTIAL MULTIPLE FAMILY DWELLING RATE	D-7.00
D6. SMALL GENERAL SERVICE RATE	D-11.00
D7. LARGE GENERAL SERVICE RATE	D-13.00
D8. GAS LIGHTING RATE	D-15.00

**SECTION E
GAS TRANSPORTATION SERVICE**

	<u>Sheet No.</u>
E1. GAS TRANSPORTATION SERVICE RULES	
E1.1 General Provisions and Definitions	E-1.00
E1.2 Application of Rules	E-4.00
E1.3 Possession of Gas	E-4.00
E2. RECORDS, ACCOUNTING AND CONTROL	E-5.00
E3. GAS QUALITY	E-6.00
E4. SERVICE REQUIREMENTS	E-7.00
E4.1 Billing	E-8.00
E4.2 Transportation Standards of Conduct	E-9.00
E4.3 Transportation Standards of Conduct Complaint Procedures	E-11.00
E5. TRANSPORTATION SERVICE AND RATES	E-12.00

Continued on Sheet No. A-7.00

Issued: January 2, 2008
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VP Regulatory Affairs
Green Bay, Wisconsin



Continued From Sheet No. A-6.00

INDEX

**SECTION F
GAS CUSTOMER CHOICE**

	<u>Sheet No.</u>
F1. GENERAL PROVISIONS	F-1.00
F2. RESIDENTIAL CUSTOMER PROTECTIONS	F-6.00
F3. SOLICITATION REQUIREMENTS	F-7.00
F4. SUPPLIER REGISTRATION AND CODE OF CONDUCT	F-8.00
F5. PROCEDURES FOR COMPLAINTS BETWEEN SUPPLIERS AND THE COMPANY	F-10.00
 GAS CUSTOMER CHOICE (RATE CC)	 F-11.00

**SECTION G
STANDARD CUSTOMER FORMS INDEX**

	<u>Sheet No.</u>
 STANDARD FORMS	 G-1.00

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Green Bay, Wisconsin

Michigan Public Service Commission
January 3, 2008
Filed _____ RL

TABLE OF CONTENTS - CHECKLIST

<u>Sheet No.</u>	<u>Sheet Effective Date</u>
Original Sheet No. A-1.00	October 10, 2007
<u>1st Revised Sheet No. A-2.00</u>	<u>May 21, 2008</u>
Original Sheet No. A-3.00	October 10, 2007
Original Sheet No. A-4.00	October 10, 2007
Original Sheet No. A-5.00	October 10, 2007
Original Sheet No. A-6.00	October 10, 2007
Original Sheet No. A-7.00	October 10, 2007
<u>1st Revised Sheet No. A-8.00</u>	<u>May 21, 2008</u>
Original Sheet No. A-9.00	October 10, 2007
Original Sheet No. A-10.00	October 10, 2007
Original Sheet No. A-11.00	October 10, 2007
Original Sheet No. A-12.00	October 10, 2007
Original Sheet No. A-13.00	October 10, 2007
Original Sheet No. A-14.00	October 10, 2007
Original Sheet No. A-15.00	October 10, 2007
Original Sheet No. A-16.00	October 10, 2007
Original Sheet No. A-17.00	October 10, 2007
Original Sheet No. A-18.00	October 10, 2007
Original Sheet No. B-1.00	October 10, 2007
Original Sheet No. B-2.00	October 10, 2007
Original Sheet No. B-3.00	October 10, 2007
Original Sheet No. B-4.00	October 10, 2007
Original Sheet No. B-5.00	October 10, 2007
<u>1st Revised Sheet No. B-6.00</u>	<u>May 21, 2008</u>
<u>Original Sheet No. B-6.01</u>	<u>May 21, 2008</u>
Original Sheet No. B-7.00	October 10, 2007

Continued on Sheet No. A-9.00

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Commission

May 28, 2008

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Continued From Sheet No. A-8.00

TABLE OF CONTENTS - CHECKLIST (Contd)

<u>Sheet No.</u>	<u>Sheet Effective Date</u>
Original Sheet No. C-1.00	October 10, 2007
Original Sheet No. C-2.00	October 10, 2007
Original Sheet No. C-3.00	October 10, 2007
Original Sheet No. C-4.00	October 10, 2007
Original Sheet No. C-5.00	October 10, 2007
Original Sheet No. C-6.00	October 10, 2007
Original Sheet No. C-7.00	October 10, 2007
Original Sheet No. C-8.00	October 10, 2007
Original Sheet No. C-9.00	October 10, 2007
Original Sheet No. C-10.00	October 10, 2007
Original Sheet No. C-11.00	October 10, 2007
Original Sheet No. C-12.00	October 10, 2007
Original Sheet No. C-13.00	October 10, 2007
Original Sheet No. C-14.00	October 10, 2007
Original Sheet No. C-15.00	October 10, 2007
Original Sheet No. C-16.00	October 10, 2007
Original Sheet No. C-17.00	October 10, 2007
Original Sheet No. C-18.00	October 10, 2007
Original Sheet No. C-19.00	October 10, 2007
Original Sheet No. C-20.00	October 10, 2007
Original Sheet No. C-21.00	October 10, 2007
Original Sheet No. C-22.00	October 10, 2007
Original Sheet No. C-23.00	October 10, 2007
Original Sheet No. C-24.00	October 10, 2007
Original Sheet No. C-25.00	October 10, 2007
Original Sheet No. C-26.00	October 10, 2007
Original Sheet No. C-27.00	October 10, 2007
Original Sheet No. C-28.00	October 10, 2007
Original Sheet No. C-29.00	October 10, 2007
Original Sheet No. C-30.00	October 10, 2007
Original Sheet No. C-31.00	October 10, 2007
Original Sheet No. C-32.00	October 10, 2007
Original Sheet No. C-33.00	October 10, 2007
Original Sheet No. C-34.00	October 10, 2007
Original Sheet No. C-35.00	October 10, 2007
Original Sheet No. C-36.00	October 10, 2007
Original Sheet No. C-37.00	October 10, 2007
Original Sheet No. C-38.00	October 10, 2007

Continued on Sheet No. A-10.00

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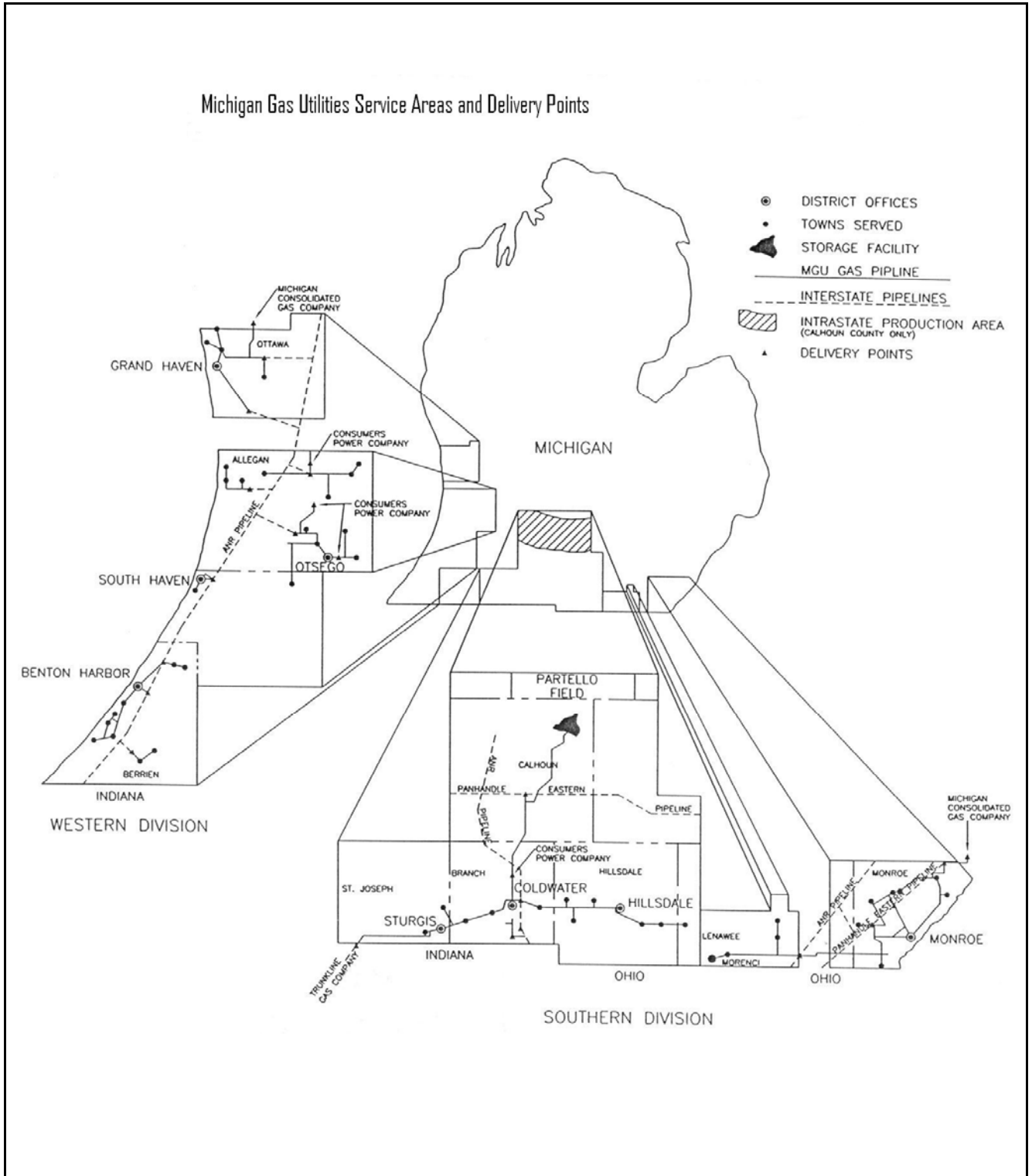
Continued From Sheet No. A-10.00

TABLE OF CONTENTS - CHECKLIST (Contd)

<u>Sheet No.</u>	<u>Sheet Effective Date</u>
Original Sheet No. F-1.00	October 10, 2007
Original Sheet No. F-2.00	October 10, 2007
Original Sheet No. F-3.00	October 10, 2007
Original Sheet No. F-4.00	October 10, 2007
Original Sheet No. F-5.00	October 10, 2007
Original Sheet No. F-6.00	October 10, 2007
Original Sheet No. F-7.00	October 10, 2007
Original Sheet No. F-8.00	October 10, 2007
Original Sheet No. F-9.00	October 10, 2007
Original Sheet No. F-10.00	October 10, 2007
Original Sheet No. F-11.00	October 10, 2007
Original Sheet No. F-12.00	October 10, 2007
Original Sheet No. F-13.00	October 10, 2007
Original Sheet No. G-1.00	October 10, 2007

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Michigan Public Service
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TERRITORY SERVED

City or Village of:

Township of:

ALLEGAN COUNTY

Allegan	Otsego
Douglas	Plainwell
Fennville	Saugatuck
Hopkins	Wayland
Martin	

Allegan	Martin
Casco	Monterey
Clyde	Otsego
Dorr	Overisel
Fillmore	Salem
Ganges	Saugatuck
Gun Plain	Trowbridge
Heath	Valley
Hopkins	Watson
Leighton	Wayland
Manlius	

BARRY COUNTY

Prairieville

BERRIEN COUNTY

Baroda	Eau Claire
Benton Harbor	Shoreham
Berrien Springs	St. Joseph
Bridgman	Stevensville
Coloma	Watervliet

Bainbridge	Lincoln
Baroda	Oronoko
Benton	Pipestone
Berrien	Royalton
Coloma	St. Joseph
Hagar	Sodus
Lake	Watervliet

BRANCH COUNTY

Bronson	Quincy
Coldwater	Union City

Alganssee	Girard
Batavia	Kinderhook
Bethel	Ovid
Bronson	Quincy
Coldwater	Union

CALHOUN COUNTY

Tekonsha

Burlington	Tekonsha
Fredonia	

Continued on Sheet No. A-14.00

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Green Bay, Wisconsin

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January 3, 2008
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Continued From Sheet No. A-13.00

TERRITORY SERVED (Contd)

City or Village of:

Township of:

HILLSDALE COUNTY

Allen	Montgomery	Adams	Hillsdale
Camden	North Adams	Allen	Jefferson
Hillsdale	Reading	Cambria	Pittsford
Jonesville		Camden	Reading
		Fayette	

LENAWEE COUNTY

Hudson	Morenci	Fairfield	Ogden
		Hudson	Seneca

MONROE COUNTY

Carleton	Maybee	Ash	Ida
Dundee	Monroe	Bedford	LaSalle
Luna Pier	Petersburg	Berlin	London
		Dundee	Monroe
		Erie	Raisinville
		Exeter	Summerfield
		Frenchtown	Whiteford

MUSKEGON COUNTY

Fruitport	Fruitport
-----------	-----------

OTTAWA COUNTY

Coopersville	Spring Lake	Crockery	Port Sheldon
Ferrysburg		Grand Haven	Robinson
Grand Haven		Polkton	Spring Lake

ST. JOSEPH COUNTY

Burr Oak	Burr Oak	Sherman
Colon	Colon	Sturgis
Sturgis	Fawn River	White Pigeon
	Nottawa	

VAN BUREN COUNTY

Bloomington	Almena	Geneva
Gobles	Bloomington	Pine Grove
South Haven	Covert	South Haven

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TECHNICAL TERMS AND ABBREVIATIONS FOR ALL CUSTOMERS

(The following technical terms are from Rule 1 of the Commission's order in Case No. U-5395, Gas Technical Standards.)

British Thermal Unit -- The average amount of heat necessary to increase the temperature of one pound of water by 1 degree Fahrenheit in the temperature ranging between 32 degrees Fahrenheit and 212 degrees Fahrenheit at 14.70 pounds-per-square-inch-absolute pressure.

Btu -- British thermal unit.

Ccf -- 100 cubic feet.

Cfh -- Cubic feet per hour.

Commission -- The Michigan Public Service Commission.

Company -- Michigan Gas Utilities

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) If gas is supplied to a customer at other than standard delivery pressure, a cubic foot of gas means that volume of gas which, at 60 degrees Fahrenheit and at absolute pressure of 14.65 pounds per square inch, occupies one cubic foot, except in cases where a different absolute pressure base is approved by the Commission.
- (C) The standard cubic foot of gas for testing the gas for heating value, or for other testing purposes, is that volume of gas which, when saturated with water vapor at a temperature of 60 degrees Fahrenheit and under an absolute pressure of 14.70 pounds per square inch, occupies one cubic foot.

Continued on Sheet No. A-16.00

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Continued From Sheet No. A-15.00

**TECHNICAL TERMS AND ABBREVIATIONS
FOR ALL CUSTOMERS**

(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 -- Any purchaser of gas supplied by the Company.

Liquefied Petroleum Air Gas -- 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.

Mixed Gas -- A gas produced by mixing natural gas with substitute natural gas, liquefied petroleum gas, or liquefied petroleum air gas.

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.

Continued on Sheet No. A-17.00

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Continued from Sheet No. A-16.00

**STANDARD TERMS AND ABBREVIATIONS
FOR ALL CUSTOMERS**

(These standard terms and abbreviations are applicable to and made a part of all agreements for gas service furnished by the Company.)

Authorities -- The Michigan Public Service Commission and any governmental authorities legally authorized to regulate or inspect the customer's installation or equipment.

Billing Period -- A period of 25 to 35 days when applied to gas sales.

Cu. Ft. -- Cubic Feet.

Michigan Gas Safety Standards -- Order No. U-6300 of the Michigan Public Service Commission as from time to time amended.

Payment Station -- Any location authorized by Michigan Gas Utilities to accept payment on billed accounts.

Point of Service Termination -- The first fitting on the outlet side of the meter which is the beginning of the customer's piping.

Service Pipe -- Pipes and equipment for delivering gas from the Company's distribution main to the piping system of a building or premise.

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Supplemental Utility Service Charges

INSTALLATION OF EXCESS FLOW VALVE (WHEN SERVICE LINE IS RUN)

Effective February 3, 1999, the charge for the installation of an excess flow valve, when requested by the customer at the time a new service is installed or a replacement service is scheduled by the company, shall be \$30.00.

INSTALLATION OF EXCESS FLOW VALVE (SUBSEQUENT TO SERVICE LINE INSTALLATION)

Effective February 3, 1999, the charge for the installation of an excess flow valve, when requested by the customer after the installation of the original service that is not scheduled for replacement or for future maintenance, shall be the cost of labor, equipment and materials for the removal and/or repair of asphalt, concrete, sod, landscaping and piping (whichever are applicable), plus the installation charge.

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**SECTION B
ADMINISTRATIVE RULES INDEX**

B1. TECHNICAL STANDARDS FOR GAS SERVICE (R 460.2301 – R 460.2383) (FOR ALL CUSTOMERS)

http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46002301&Dpt=CI&Rnghigh=

PART 1. GENERAL PROVISIONS

- R 460.2301 Definitions
- R 460.2302 Application, Intention, and Interpretation of Rules; Utility Rules and Regulations

PART 2 RECORDS, REPORTS, AND OTHER INFORMATION

- R 460.2321 Retention of Records
- R 460.2322 Location of Records
- R 460.2323 Reports and Records Generally

PART 3 SERVICE REQUIREMENTS

- R 460.2331 Sale of Gas
- R 460.2332 Permanent Service Line Rules
- R 460.2333 Main Extension Rules
- R 460.2334 Temporary Service
- R 460.2335 Interruptions of Service

PART 4 ENGINEERING

- R 460.2341 Gas Facilities; Construction and Installation
- R 460.2342 Standards of Accepted Engineering Practice

PART 5 INSPECTION OF METERS

- R 460.2351 Meters and Associated Metering Devices; Inspections and Tests
- R 460.2352 Diaphragm-Type Meters; Meter Tests; Reports
- R 460.2353 Retirement of Meters
- R 460.2354 Accuracy of Metering Equipment; Tests; Standards
- R 460.2355 Meter Shop; Design; Meter Testing System; Standards; Handling; Calibration Cards; Calibrated Orifices
- R 460.2356 Pressure Measurement Standards
- R 460.2357 Records; Meter Tests
- R 460.2358 Records; Meter and Associated Metering Device Data

Continued on Sheet No. B-2.00

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In Case No: U-15152

Continued From Sheet No. B-1.00

B1. TECHNICAL STANDARDS FOR GAS SERVICE (R 460.2301 – R 460.2383) (FOR ALL CUSTOMERS) (Condt.)

http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46002301&Dpt=CI&RngHigh=

PART 6 BILL ADJUSTMENT; METER ACCURACY

- R 460.2361 Bill Adjustment; Meter Accuracy
- R 460.2362 Determination of Adjustment;
- R 460.2363 Refunds
- R 460.2364 Rebilling
- R 460.2365 Consumption Data Records

PART 7 SHUTOFF OF SERVICE

- 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
- R 460.2372 Gas Facilities Hazard
- R 460.2373 Shutoff of Service
- R 460.2374 Customer Notification of Shutoff of Service

PART 8 GAS QUALITY

- R 460.2381 Gas Purity
- R 460.2382 Heating Value; Authorized Variations
- R 460.2383 Heating Value Records; Location and Accuracy of Measuring Equipment; Frequency of Heating Value Determination

Continued on Sheet No. B-3.00

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Continued From Sheet No. B-2.00

B2. CONSUMERS STANDARDS AND BILLING PRACTICES FOR ELECTRIC AND GAS RESIDENTIAL SERVICE (R 460.101 – R 460.169)

http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46000101&Dpt=&RngH_gh=48702110

PART 1 GENERAL PROVISIONS AND DEFINITIONS

- R 460.101 Application of Rules
- R 460.102 Definitions
- R 460.103 Discrimination Prohibited
- R 460.104 Conduct of Proceedings
- R 460.105 Additional Rules

PART 2. APPLICATION FOR SERVICE

- R 460.106 Service Requests for New or Previous Customers
- R 460.107 Applicant Information

PART 3. DEPOSITS AND GUARANTEE TERMS AND CONDITIONS

- R 460.108 Prohibited Practices
- R 460.109 Deposit for New Customers
- R 460.110 Deposit for a Previous Customer or for Continued Service
- R 460.111 General Deposit Conditions
- R 460.112 Guarantee Terms and Conditions

PART 4. METER READING PROCEDURES, METER ACCURACY, METER ERRORS AND RELOCATION

- R 460.113 Actual and Estimated Meter Reading
- R 460.114 Company Representative Identification
- R 460.115 Customer Meter Reading
- R 460.116 Meter Accuracy, Meter Errors, Meter Relocation

PART 5. BILLING AND PAYMENT STANDARDS

- R 460.117 Billing Frequency; Methods of Delivery
- R 460.118 Equal Monthly Billing
- R 460.119 Cycle Billing
- R 460.120 Payment of Bills
- R 460.121 Payment Period
- R 460.122 Allowable Charges
- R 460.123 Bill Information
- R 460.124 Separate Bills
- R 460.125 Billing For Non-tariff Services
- R 460.126 Billing Error

Continued on Sheet No. B-4.00

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Continued From Sheet No. B-3.00

B2. CONSUMERS STANDARDS AND BILLING PRACTICES FOR ELECTRIC AND GAS RESIDENTIAL SERVICE (R 460.101 – R 460.169) (Condt.)

http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46000101&Dpt=&RngH_gh=48702110

PART 6. VOLUNTARY TERMINATION

R 460.127 Voluntary Termination

PART 7. UTILITY PROCEDURES

R 460.128 Applicability
R 460.129 Complaint Procedures
R 460.130 Personnel Procedures
R 460.131 Publication of Procedures
R 460.132 Access to Rules And Rates
R 460.133 Reporting Requirements
R 460.134 Inspection
R 460.135 Customer Access to Consumption Data

PART 8. PROCEDURES FOR SHUTOFF AND RESTORATION OF SERVICE

R 460.136 Emergency Shutoff
R 460.137 Shutoff Permitted
R 460.138 Notice Of Shutoff
R 460.139 Form of Notice
R 460.140 Time Of Shutoff
R 460.141 Manner of Shutoff
R 460.142 Manner of Shutoff for Service Provided With Remote Shutoff and Restoration Capability
R 460.143 Shutoff Prohibited
R 460.144 Restoration of Service

PART 9. ENERGY ASSISTANCE AND SHUTOFF PROTECTION PROGRAMS

R 460.145 Listing of Energy Assistance Programs
R 460.146 Notice of Energy Assistance Programs
R 460.147 Medical Emergency
R 460.148 Winter Protection Plan for Low-Income Customers
R 460.149 Winter Protection Plan for Senior Citizens
R 460.150 Military Protections

Continued on Sheet No. B-5.00

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B2. CONSUMERS STANDARDS AND BILLING PRACTICES FOR ELECTRIC AND GAS RESIDENTIAL SERVICE (R 460.101 – R 460.169) (Condt.)

http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46000101&Dpt=&RngHigh=48702110

PART 10. DISPUTED CLAIM, HEARING AND SETTLEMENT AGREEMENT

- R 460.151 Disputed Claim
- R 460.152 Utility Hearing and Hearing Officers
- R 460.153 Notice of Hearing
- R 460.154 Hearing Procedures
- R 460.155 Settlement Agreement
- R 460.156 Default of Settlement Agreement
- R 460.157 Same Dispute

PART 11. COMMISSION APPEAL PROCEDURES

- R 460.158 Informal Appeal
- R 460.159 Filing Procedures
- R 460.160 Informal Appeal Procedures
- R 460.161 Interim Determination
- R 460.162 Appeal Review
- R 460.163 Shutoff Pending Decision
- R 460.164 Informal Appeal Decision
- R 460.165 Failure to Comply With Informal Appeal Decision
- R 460.166 Same Dispute
- R 460.167 Formal Appeal
- R 460.168 Other Remedies
- R 460.169 Scope of Rules

B3. Uncollectibles Allowance Recovery Fund (R 460.2601 - R 460.2625)

http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46002601&Dpt=&RngHigh=48702110

PART 1 GENERAL PROVISIONS AND DEFINITIONS

- R 460.2601 Application of Rules
- R 460.2602 Definitions

Continued on Sheet No. B-6.00

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Continued From Sheet No. B-5.00

B3 Uncollectibles Allowance Recovery Fund (R 460.2601 - R 460.2625) (Condt.)

http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46002601&Dpt=&RngHigh=48702110

PART 2. UNCOLLECTIBLES ALLOWANCE RECOVERY FUND

R 460.2621 Uncollectibles Allowance Recovery Fund
R 460.2622 Annual Deposits
R 460.2623 Notice of Deposit
R 460.2624 Disputes; Procedure for Resolution
R 460.2625 Disbursement of Funds

**B4 Billing Practices Applicable to Non-Residential Electric and Gas Customers
(R 460.1601 – R 460.1640) (Applicable to Non-Residential and Multifamily Dwelling
Service Rate A-1 Customers)**

http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46001601&Dpt=LG&RngHigh=

R 460.1601 Applicability; Purpose
R 460.1602 Definitions
R 460.1603 Discrimination Prohibited
R 460.1604 Form of Proceedings
R 460.1605 Additional Rules
R 460.1606 Application for New Service
R 460.1607 Customer Deposits
R 460.1608 Meter Reading Interval and Estimated Bills
R 460.1609 Meter Inaccuracies; Billing Adjustments
R 460.1610 Voluntary Termination
R 460.1611 Meter or Facilities Relocation Charge
R 460.1612 Cycle Billing
R 460.1613 Billing Information
R 460.1614 Discounts and Late Payment Charges
R 460.1615 Delivery and Payment of Bills
R 460.1616 Billing for Unregulated Service
R 460.1617 Billing Errors
R 460.1618 Selection of Rate, Customer Information and Service
R 460.1619 Inspection
R 460.1620 Customer Access To Consumption Data
R 460.1621 Servicing Utility Equipment on Customer's Premises
R 460.1622 Customer Complaints; Investigation; Records
R 460.1623 Records and Reports
R 460.1624 Notice of Shutoff

Continued on Sheet No. B-6.01

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Continued From Sheet No. B-6.00

B4 Billing Practices Applicable to Non-Residential Electric and Gas Customers
(R 460.1601 – R 460.1640) (Applicable to Non-Residential and Multifamily Dwelling
Service Rate A-1 Customers) Contd.

http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46001601&Dpt=LG&RngHigh=

<u>R 460.1625</u>	<u>Denial or Shutoff of Service to Customers</u>
<u>R 460.1626</u>	<u>Manner of Shutoff for Service Provided With Remote Shutoff and Restoration Capability</u>
<u>R 460.1628</u>	<u>Disputed Claim</u>
<u>R 460.1629</u>	<u>Settlement Agreement</u>
<u>R 460.1630</u>	<u>Default of Settlement Agreement</u>
<u>R 460.1631</u>	<u>Informal Hearing and Hearing Officers</u>
<u>R 460.1632</u>	<u>Notice of Hearing</u>
<u>R 460.1633</u>	<u>Hearing Procedures</u>
<u>R 460.1634</u>	<u>Informal Appeal Procedures</u>
<u>R 460.1635</u>	<u>Interim Determination</u>
<u>R 460.1636</u>	<u>Appeal Review</u>
<u>R 460.1637</u>	<u>Shutoff Pending Decision</u>
<u>R 460.1638</u>	<u>Informal Appeal Decision</u>
<u>R 460.1639</u>	<u>Failure to Comply With Informal Appeal Decision</u>
<u>R 460.1640</u>	<u>Scope of Rules</u>

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Continued From Sheet No. B-6.00

ADDITIONAL ADMINISTRATIVE RULES

*Waivers may have been granted by the Commission to the Company for certain portions of the administrative rules below.

- B5. Practice and Procedure Before the Commission (R 460.17101 - R 460.17701)**
http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46017101&Dpt=CI&RngHigh=
- B6. Filing Procedures for Electric, Water, Steam and Gas Utilities (R 460.2011 - R 460.2031)**
http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46002011&Dpt=CI&RngHigh=
- B7. Residential Conservation Program Standards (R 460.2401 - R 460.2414)**
http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46002401&Dpt=CI&RngHigh=
- B8. Preservation of Records of Electric, Gas and Water Utilities (R 460.2501 - R 460.2582)**
http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46002501&Dpt=&RngHigh=48702110
- B9. Michigan Gas Safety Standards (R 460.20101 - R 460.20606)**
http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46020101&Dpt=&RngHigh=48702110
- B10. Production and Transmission of Natural Gas (R 460.851 - R 460.875)**
http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46000851&Dpt=CI&RngHigh=
- B11. Uniform System of Accounts for Major and Nonmajor Gas Utilities (R 460.9021, R 460.9039)**
http://www.state.mi.us/orr/emi/admincode.asp?AdminCode=Single&Admin_Num=46009021&Dpt=CI&RngHigh=
- B12. Rate Case Filing Requirements for Major Gas Utilities**
http://www.cis.state.mi.us/mpsc/orders/archive/pdfs/U-10039_01-17-1992.PDF

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**SECTION C PART I
COMPANY RULES AND REGULATIONS FOR ALL CUSTOMERS**

INTENT OF SECTION C – PART 1

These General Rules and Regulations for all customers are not to supersede but are in addition to Rule B1, Technical Standards for Gas Service, Rule B2, Consumer Standards and Billing Practices for Electric and Gas Residential Service, and Rule B4, Commercial and Industrial Billing Practices.

C1. CHARACTERISTICS OF SERVICE

C1.1 Character of Service.

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

C1.2 Provisions Hereof Subject to Termination, Change or Modification.

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

C1.3 Inauguration of Service.

An application for gas service by the owner or occupant of a building or premise may be made at any District Office of the Company or to a duly authorized representative of the Company. Written application will be required when an extension of gas mains or connections thereto is required. Application forms will be furnished by the Company on request. An application or agreement for service or for extension of gas mains or connections thereto shall not be modified or affected by any promise, agreement or representation, orally or in writing, by any agent or employee of the Company, except as expressly provided in these Rules, Regulations and Rate Schedules.

Continued on Sheet No. C-2.00

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Continued From Sheet No. C-1.00

C1. CHARACTERISTICS OF SERVICE (Contd.)

C1.4 Permits.

The Company will make, or cause to be made, application for any necessary street permits for installing its facilities and shall not be required to furnish gas service until a reasonable time after such permits are granted. The customer shall obtain, or cause to be obtained by his contractor or representative, and present to the Company for registration, and easements, rights of way, permits (except street permits), consents and certificates necessary to give the Company or its representatives access to his installation and equipment and to enable its service pipe to be connected therewith, or for other purposes in connection with the supply of gas service. No application will be deemed to be complete until all permits (except street permits), easements, rights of way, consents and certificates have been obtained by the customer and presented to the Company for registration.

C2. CONTROLLED SERVICE

C2.1 Scope.

This Controlled Service Rule provides the Company with the authorization to control the attachment of additional firm system supply load and non-system supply load, consistent with changes in gas supply as they occur.

C2.2 Application.

- (a) All customers requesting firm gas service, except those seeking gas for residential use or for single family space heating use, must make written application for such service on a form provided by the utility.
- (b) Existing firm sales customers requesting to attach additional gas burning equipment, or existing transportation customers seeking firm sales service, shall not be given preferential treatment over new customers but shall be considered the same as new customers in accordance with this Controlled Service Rule.

C2.3 Approval.

- (a) As the Company is able to contract for new gas supplies at reasonable and prudent prices, terms, and conditions, applications for firm sales service will be approved.
 - (i) Approval will be on a first-come, first-served basis within each Controlled Service Priority.

Continued on Sheet No. C-3.00

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Continued From Sheet No. C-2.00

C2. CONTROLLED SERVICE (Contd.)

C2.3 Approval. (Condt.)

- (ii) The Company will open the highest priority first. If all the applicants within that priority are granted firm gas service, and sufficient supply is available, the next highest priority will be opened.
- (iii) If the available supply is committed before granting all applicants firm gas service, then those applicants who do not receive firm gas service shall have their standing reserved within their priority, but will not receive preference over a later applicant who qualifies for a higher priority, when gas again becomes available and priorities are again opened.
- (b) An applicant whose Controlled Service Priority is open at the time of application may be granted immediate approval 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.
- (c) An applicant whose Controlled Service Priority is closed at the time of application, such that gas service is not initially granted, shall have his application for firm gas service kept on file by Controlled Service Priority and date application is received.
- (d) Notification of approval shall specify the date within which service must be commenced.

C2.4 Forfeiture.

- (a) An applicant who is not initially granted firm gas service, shall notify the Company in writing, within 30 days of date of notification of approval, of his intention to accept firm gas service, otherwise approved application is void.
- (b) A customer shall install the necessary equipment and commence gas service by the date specified in the company's notification of approval, otherwise the customer forfeits his reservation of firm supply.
- (c) If any time after commencing firm gas service, a customer switches to transportation service, that customer shall pay a System-Supply Entitlement Charge applied to transported volumes, otherwise such customer forfeits firm sales customer status.
- (d) The Company reserves the right to discontinue service to any customer who violates any of the provisions of this Rule.

Continued on Sheet No. C-4.00

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Continued From Sheet No. C-3.00

C2. CONTROLLED SERVICE (Contd.)

C2.5 Impact on Existing Customers.

- (a) The Company may grant firm sales service to new customers, or permit the attachment of additional gas burning equipment by existing customers, when:
 - (i) Current system supplies are sufficient to provide reliable long term service to both the Company's existing firm sales customers and the new firm sales load being attached.
 - (ii) The acquisition of additional long term supplies allows the attachment of new firm sales load. The Company will be held responsible to justify the reasonableness and prudence of such additional gas acquisitions at its GCR Plan and Reconciliation proceedings.
- (b) The Company may not grant firm sales service to new customers or permit the attachment of additional gas burning equipment by existing customers, if:
 - (i) The Company is curtailing any firm customers under the capacity curtailment provisions of Rule C3.
 - (ii) The Company is curtailing any firm customers under the Gas Supply Deficiency provisions of Rule C3; except that the Company may attach new residential customers provided no customers in curtailment Priority Two are being curtailed.

C2.6 Restricted Sales.

- (a) As a result of warmer-than-normal weather, or other factors, the Company may have system-supply volumes in excess of its immediate firm sales load. The Company may sell such excess gas to other than system supply customers. However, the availability of system supply gas to non-system supply customers is conditioned on and subject to:
 - (i) The requirements of present and future firm system supply customers of the utility;
 - (ii) The provision of a net economic benefit to the utility's system supply customers as a result of the sale of excess system supply gas;
 - (iii) Demonstration by the Company at its GCR Reconciliation proceeding that the sale of excess system supply caused no detriment to its system supply.

Continued on Sheet No. C-5.00

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Continued From Sheet No. C-4.00

C2. CONTROLLED SERVICE (Contd.)

C2.6 Restricted Sales. (Contd)

- (iv) The designation of all sales of excess system supply as super-interruptible load subject to curtailment Category Five of Rule C3.
- (v) Commission approval of such sales on a special contract basis, limited as to time and volume.
- (b) From time to time the Company may have gas supplies available to it on a short term or best efforts basis, that are not required for, and are incremental to system supply. Such supply may be sold on a special contract basis, limited as to time and volumes, and subject to Commission approval. At its GCR Reconciliation proceeding, the Company must demonstrate that such incremental supplies sold on a special contract basis caused no detriment to its system supply.

C2.7 Priorities.

- (a) For purposes of controlling which new customers seeking firm sales status, if any, may be granted such status, the following categories are hereby established, of which Priority Six constitutes the lowest priority and Priority One the highest priority:

PRIORITY ONE

The use of natural gas by any residential or commercial customer for any purpose except space heating or air conditioning.

PRIORITY TWO

The use of natural gas by any residential customer for space heating or air conditioning and the use of natural gas for services essential for public health and safety.

PRIORITY THREE

The use of natural gas by any industrial customer for industrial processing or in gas fired after burners to limit or abate obnoxious odors or air pollution.

Continued on Sheet No. C-6.00

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Continued From Sheet No. C-5.00

C2. CONTROLLED SERVICE (Contd.)

C2.7 Priorities. (Contd)

PRIORITY FOUR

The use of natural gas by any non-residential customer for space heating or air conditioning.

PRIORITY FIVE

The use of natural gas for all other purposes not listed in Priority One through Four or Priority Six.

PRIORITY SIX

The use of natural gas for the generation of steam or electricity by utilities, or the firing of kilns which can be fired by other fuels.

- (b) A customer who has a pollution problem which presents a threat to the public health and welfare, 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.
- (c) The use of natural gas in boilers which have alternate fuel capability shall not qualify as requirements for services essential for public health and safety without the express authorization of the Michigan Public Service Commission. The matter will be considered by the Commission pursuant to its Rules of Practice relating to petitions or complaints.

Continued on Sheet No. C-7.00

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Continued From Sheet No. C-6.00

C3. CURTAILMENT OF GAS SERVICE

C3.1 Definitions.

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

- (a) **Authorized Tolerance Level (ATL) balance** is defined as the cumulative balance of excess deliveries from month to month, up to 5% of the transportation customer's annual contract quantity. Excess deliveries are defined as gas delivered to the Company, on behalf of the customer, less gas in kind and gas redelivered to the customer, on a monthly basis.
- (b) **Capacity deficiency** shall mean emergency situations whereby anticipated load may temporarily exceed 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 C3.2(d)(iii) of this rule.
- (c) **Capacity restriction** shall mean restriction due to force majeure or other damage to the Company's facilities such that the full design capacity of the pipeline system is not available. See Section C3.2(d)(i) 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 hurricanes or hurricane warnings), crevasses, floods, washouts, actions of the government restricting use of the Company's facilities or operations, either Federal or State, civil or military disturbances. Force majeure shall also mean shutdowns for purposes of necessary repairs, relocation, or construction of facilities; inability to maintain sufficient

Continued on Sheet No. C-8.00

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C3. CURTAILMENT OF GAS SERVICE (Condt.)

C3.1 Definitions. (Contd)

- (h) **Force majeure (contd)** pressure; failure of electronic data capability; breakage or accident to machinery or lines of pipeline; the necessity of testing (as required by governmental authority or as deemed necessary by the Company for the safe operation thereof), the necessity of making repairs or alterations to machinery or lines of pipe; failure of surface equipment or pipelines; accidents, breakdowns, inability to obtain necessary materials, supplies, rights of way or permits, or labor to perform or comply with any obligation or condition of service; and any other causes, whether of the kind herein enumerated or otherwise which are not reasonably within the control of the Company. It is understood that the settlement of strikes and lockouts or controversies with landowners involving rights of way shall be entirely within the Company's discretion and that the above requirement that any force majeure be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts or controversies with landowners involving rights of way by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the Company.
- (i). **Industrial gas requirements** shall include all service to customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product including the generation of electric power.
- (j) **Pipeline system constraint condition** shall mean any situation where a pipeline serving the Company reduces its daily balancing tolerance for transporters (including the Company) delivering gas into the Company's system or increases its imbalance or unauthorized overrun charges temporarily because of capacity limitations or for other reasons.
- (k) **Requirements for plant protection** shall mean such minimum volumes of gas as required to prevent physical harm to the plant facilities or danger to plant personnel when such protection cannot be afforded through the use of an alternate fuel. This includes the protection of such material in process as would otherwise be destroyed, but shall not include deliveries required to maintain plant production.
- (l) **Requirements for services essential for public health and safety** shall mean gas purchased for use by or in connection with hospitals, convalescent homes, nursing homes, medical centers and clinics; water and sewage treatment and waste disposal facilities; civil defense centers and public utility buildings; newspapers, radio and television stations; fire stations, police stations, jails and penal institutions; and such other uses of gas as are found qualified by the Michigan Public Service Commission as requirements for services essential for public health and safety; provided, however, that requirements for boilers which have alternate fuel capability shall not qualify as requirements for services essential for public health and safety without the express authorization of the Michigan Public Service Commission.

Continued on Sheet No. C-9.00

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Issued Under Authority of
Michigan Public Service Commission
Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-8.00

B3. CURTAILMENT OF GAS SERVICE (Condt.)

C3.1 Definitions. (Contd)

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

C3.2 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, for example, out of extreme cold weather, a pipeline system constraint condition, a supply deficiency, a capacity deficiency, a capacity restriction or other causes referred to as force majeure situations, the Company determines that its ability to deliver gas may become inadequate to support continuous service to its customers on its system, the Company shall have the right to partially or completely curtail service to its customers in accordance with the curtailment procedures set forth below, irrespective of the contracts in force. This plan applies to all gas sales, transportation and storage service provided by the Company. The Company will implement this curtailment plan throughout its system to the extent necessary and possible, consistent with its practical operation, considering such factors as system capacity and the extent to which curtailment of customers in a specific portion of the Company's system may remedy the emergency.

Continued on Sheet No. C-10.00

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On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-9.00

C3.2 Curtailment of Gas Service. (Contd)

(b) Steps Prior to Curtailment

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

- (i) Implement contingency contracts for emergency gas supply purchases established in advance. Seek to purchase additional gas supplies at prices which shall be regarded as reasonable and prudent under the conditions then existing;
- (ii) Curtail deliveries to any customer in excess of volumes allowed under contracts;
- (iii) Implement an Operational Flow Order (OFO). An OFO, as further described in Section C3.2(c), invokes daily balancing upon transportation customers and allows the Company to limit transportation customers' use of their ATL balances and storage customers' daily storage injection/withdrawal volumes to that level authorized by the Company;
- (iv) Make a public service announcement for voluntarily dial-down actions by system supply customers;
- (v) Ask transportation customers to voluntarily reduce use and/or increase deliveries.

(c) Implementation of an Operational Flow Order (OFO)

(i) Purpose of an OFO

An OFO may limit the availability of daily balancing services for transportation customers, the use of ATL balances by transportation customers, and the use of daily storage injections/withdrawals by storage customers.

(ii) Conditions for Implementation of an OFO

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

Continued on Sheet No. C-11.00

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Green Bay, Wisconsin



Effective for Service
On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-10.00

C3.2 Curtailment of Gas Service. (Contd)

(ii) Conditions for Implementation of an OFO (Contd)

- a) The forecast calls for a 65 Corrected Degree Day Deficiency (CDDD) or more.
- b) One or more of the pipelines serving the Company restricts the availability of authorized overrun service.
- c) One or more of the pipelines serving the Company curtails interruptible deliveries and/or firm transportation via primary or secondary delivery points.
- d) One or more of the pipelines serving the Company declares some form of system constraint condition.
- e) One or more of the pipelines serving the Company issues its own OFO or its equivalent to the Company.
- f) As a preemptive action on the part of the Company to obviate the need to curtail firm gas deliveries due to an emergency on the Company's system.

(iii) Scope of an OFO

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

(iv) Notice of an OFO

- a) Preliminary notification of a possible OFO

To the extent possible or practical, the Company will notify all potentially affected transportation or storage service customers via telephone, facsimile or other electronic means as soon as it believes that an OFO may be required. Notice will indicate the period the OFO may be in effect and the anticipated level of restricted daily tolerance or authorized storage injection/withdrawal levels.

- b) Notification of an OFO

If the decision is made to implement an OFO, the Company will notify all affected transportation customers via telephone, facsimile or other electronic means. It is the customers' responsibility to inform the Company of the correct telephone and facsimile numbers and, if appropriate and available, to monitor the Company's

Continued on Sheet No. C-12.00

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Effective for Service
On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-11.00

C3.2 Curtailment of Gas Service. (Contd)

b) Notification of an OFO (contd)

electronic communication system for notice of an OFO. A facsimile confirmation sheet to the last facsimile number provided by the customer will be conclusive evidence that the Company provided appropriate notice. The Company will issue notice as soon as possible in advance of the deadline for nominations on the upstream pipelines and in advance of the Company's Gas Track Online nomination deadline as specified on Sheet No. E-5.00. Notice will indicate the period the OFO will be in effect, the restricted daily tolerance level and the need for nomination changes, if necessary, to balance usage with gas deliveries to the Company. OFOs restricting storage service will indicate the authorized injection/withdrawal level. As soon as the Company determines that it is in a position to cancel the OFO, it will notify all affected transportation customers via telephone or facsimile as to when the OFO is canceled.

(v) Penalties for Violation of an OFO

After the Company has provided actual notice of implementation of an OFO, any gas usage in excess of the volumes authorized (confirmed nomination volume plus authorized ATL balance) during the period when the OFO has been instituted will be subject to unauthorized use charges, with such charges being in addition to those normal charges made under the applicable rate schedules. The charge for any unauthorized usage shall be the highest index price reported during the period of OFO for MichCon, Consumers Energy or Chicago LDCs as reported by Gas Daily plus \$10 per Mcf or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service plus \$10 per Mcf. In the event that the Company receives a resulting pipeline penalty, the charge for any unauthorized usage by a transportation customer required to operate under the OFO shall be the higher of the penalty assessed by the pipeline (the largest penalty if multiple pipelines) or the index price plus \$10 per Mcf. The Company will make reasonable efforts to avoid or minimize pipeline penalties by attempting to incur the lower of pipeline penalties or the cost of purchasing additional gas. Unauthorized use charges will be billed separately from any cash-outs of month-end ATL imbalances and will be considered a sale of gas. Unauthorized usage volumes and the applicable days' indexes will not be included in the computation of the month-end cash-out of ATL imbalances for the OFO days during which the customer was assessed the unauthorized use charge. Likewise, the confirmed nomination volumes applicable to these days will not be used to determine the % monthly imbalance tiers for the month-end ATL imbalance cash-out.

Continued on Sheet No. C-13.00

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Effective for Service
On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-12.00

C3.2 Curtailment of Gas Service. (Contd)

(v) Penalties for Violation of an OFO (Contd)

The Company reserves the right to reject any nomination on a particular pipeline that does not meet its operational requirements. Failure to pay an unauthorized use charge when due shall subject the customer to termination of gas service. The Company reserves the right to waive, on a non-discriminatory basis, any unauthorized use charge if such charge is the result of actions beyond the customer's control. Unauthorized use charges collected by the Company will be credited to the Company's booked GCR cost of gas sold.

(d) Notice and Method of Curtailment

If a curtailment 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.

(i) If a curtailment becomes necessary due to capacity restrictions, the Company shall determine the amount of firm service capacity that is available (residual firm capacity). The residual firm capacity shall be curtailed in accordance with the curtailment priority categories set forth in subparagraph (f) of this Rule, beginning with Curtailment Priority Five and proceeding to the next highest priority category.

- a) Curtailments may be simultaneously instituted in more than one curtailment priority category provided that gas usage falling within a lower priority category is being completely curtailed.
- b) If system deliverability permits only partial delivery of gas to a given priority category of use, curtailment will be effected on 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)(v) above, the volumes associated with such voluntary reductions of use or increase in deliveries shall be attributed to that customer's pro rata share.
- c) Upon notice of a curtailment, the Company shall give customers with multiple locations the option to select which location will be subject to the curtailment, consistent with the practical and physical operational constraints of the Company's system.

Continued on Sheet No. C-14.00

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Effective for Service
On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-13.00

C3.2 Curtailment of Gas Service. (Contd)

- (ii) If a curtailment becomes necessary due to an emergency situation resulting in a supply deficiency, with no associated capacity deficiency, the Company shall curtail gas service in accordance with Section C3.2(d)(i), subject to the following condition.

For transportation customers, negative daily imbalances incurred shall be curtailed pursuant to priorities determined as in Section E - Base Period and any usage in excess of deliveries (flowing pipeline supplies) will be subject to penalty as described in C3.2(j). Usage in balance with deliveries on a daily basis is exempt from curtailment under this paragraph.

- (iii) If curtailment becomes necessary due to an emergency situation resulting in a capacity deficiency, the Company shall curtail gas service in accordance with Section C3.2(d)(i).

Any usage above the curtailed volume shall be considered unauthorized and is subject to penalty as described in C3.2(j).

(e) Base Period

- (i) 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 December of each year. In those instances where the customer has encountered strikes, interruption of gas service or unavoidable operational abnormalities, the Company may make reasonable adjustments to normalize the customer's requirements. Base period volumes shall be adjusted for equipment added or deleted and new loads.
- (ii) In determining monthly deliveries, the Company shall determine the gas used 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 One through Five shall apply in the aggregate for all equipment of the same end-use rather than on a unit of equipment basis.
- (iii) The monthly deliveries so determined, with such adjustments as provided above, shall then be used as the monthly requirement specified in the Curtailment Priority Categories. In determining a customer's Curtailment Priority Category, the applicable monthly requirement in the base period shall be used.

Continued on Sheet No. C-15.00

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Effective for Service
On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-14.00

C3.2 Curtailment of Gas Service. (Contd)

(f) Curtailment Priorities

- (i) For the purpose of Curtailment, firm end use sales and transportation customers will be treated equally in accordance with the curtailment priority categories set forth. Five categories are established with Priority Five being the first category to be curtailed and Priority One being the last. The Company will implement this curtailment plan throughout its system to the extent necessary and possible, consistent with its practical operation, considering such factors as system capacity and the extent to which curtailment of customers in a specific portion of the Company's system may remedy the emergency. Specifically, if curtailment of gas deliveries to a customer does not provide any relief to the Company, then the Company may continue to provide gas service for the customer.

PRIORITY FIVE

All non-residential customers having alternate fuel capability for that portion of their load covered by the alternate fuel and all sales of system supply gas to non-system supply customers.

PRIORITY FOUR

Commercial and industrial gas requirements in excess of 20,000 Mcf per the base period month being curtailed.

PRIORITY THREE

Commercial and industrial gas requirements of 8,334 to 20,000 Mcf per the base period month being curtailed.

PRIORITY TWO

Non-residential customers having commercial gas requirements of 1,250 Mcf to 8,333 Mcf per the base period month being curtailed and industrial gas requirements of 8,333 Mcf or less per the base period month being curtailed.

PRIORITY ONE

Residential gas requirements, commercial gas requirements less than 1,250 Mcf 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. C-16.00

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On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-15.00

C3.2 Curtailment of Gas Service. (Contd)

(f) Curtailment Priorities (Contd)

- (ii) 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 Section E above. Any volumes for which the LDC fails to provide such information shall be presumed to be in Priority Five.
- (iii) 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 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 purchased power
 - iv) Curtail all non-firm off-system electric sales.
 - b) If, after having exhausted all available options to minimize the use of natural gas, conditions are such that curtailment of any portion of the remaining gas service to the electric utility will induce the implementation of the Emergency Electrical Procedures, then Priority One capacity shall be allocated to the electric utility:
 - i) Sufficient to obviate the need to implement short-term Emergency Electrical Procedures during the first week of the gas emergency provided that the company has not invoked curtailment of Priority One customers. If, however, the emergency is of such a severe nature that Priority One customers must be curtailed, then the Company shall provide sufficient gas service to the electric utility to allow it to maintain its system integrity as it implements, to the fullest extent required by the emergency, both its short-term and long-term Emergency Electrical Procedures.

Continued on Sheet No. C-17.00

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Green Bay, Wisconsin



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On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-16.00

C3.2 Curtailment of Gas Service. (Contd)

(f) Curtailment Priorities (Contd)

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

(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 the Rule, the Company shall give end use transportation customers the option to 1) have their curtailed deliveries injected into storage with the suspension of any penalties and with no other additional charges; or 2) sell to the Company their flowing pipeline supplies that have been curtailed. The price of the purchased gas will be negotiated between the transportation customer and the Company but be limited to the highest of a) the customer's reasonable costs associated with using alternate fuels during the period of diversion, b) the actual cost of the customer's diverted gas, or c) the highest city gate price of gas for the Company's end users contained in the publication "Gas Daily", delivered into the Company's system during the period of diversion. The Company shall not divert gas from transportation customers who do not have title to the gas being transported unless the owner of such gas voluntarily agrees that its gas may be purchased, borrowed or otherwise diverted by the Company pursuant to Option 1 or 2 above. Nothing in these Rules relieves the Company from its obligation, under Act 304, of demonstrating the reasonableness and prudence of its gas purchases.

(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.

Continued on Sheet No. C-18.00

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Green Bay, Wisconsin



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On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-17.00

C3.2 Curtailment of Gas Service. (Contd)

(i) Enforcement

(i) The Company reserves the right to take special daily meter reads during periods when a curtailment has been instituted pursuant to Part C3.2 of this Rule. The Company reserves the right to inspect the customer's equipment, to install special metering, and to immediately physically interrupt gas service for violations of this Rule. Once gas service is terminated, the Company may withhold such service during the period of the curtailment until it is satisfied that the terms and conditions of this Rule will be observed.

(ii) There is nothing in this Rule that shall prevent a customer from challenging before the Commission the continuation 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 Gas Service

After the Company has provided actual oral or written notice of implementation of a curtailment pursuant to Part C3.2 to the affected end use customer, any gas used by such customer in excess of the volumes authorized pursuant to Part C3.2(d) during the period when a curtailment has been instituted will be subject to unauthorized use charges, with such charges being in addition to those normal charges made under the applicable rate schedules. The charge for such unauthorized usage shall be the highest price reported during the period of curtailment for MichCon, Consumers Energy or Chicago LDCs as reported by Gas Daily plus \$10 per Mcf or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service plus \$10 per Mcf. Gas subject to unauthorized usage charges will be considered a sale of gas. In the event that the Company receives a resulting pipeline penalty because of unauthorized usage, the charge for any unauthorized usage shall be the higher of the penalty assessed by the pipeline (the largest penalty if multiple pipelines) or the index price plus \$10 per Mcf. Failure to pay an unauthorized use charge when due shall subject the customer to termination of gas service. Unauthorized use charges collected by the Company will be credited to the Company's booked GCR cost of gas sold.

C3.3 Limitation of Liability.

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

Continued on Sheet No. C-19.00

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Issued Under Authority of
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In Case No: U-15152

Continued From Sheet No. C-18.00

C4. APPLICATION OF RATES

C4.1 Service to non-permanent structures.

When service is to be used at construction sites, or in other non-permanent structures where the facilities installed to provide service will not be used for permanent supply, the customer will be required to pay in advance to the Company a sum of money, which shall be the estimated non-recoverable cost of furnishing and installing all facilities of the Company necessary to provide such service, and the removal thereof. The customer shall not be relieved from his obligation to fulfill the term and minimum charge provisions of his agreement for service.

C4.2 Limitations Upon Service.

The Company's offer to supply gas service, including extensions of mains and service pipes are subject to the provisions, conditions and limitations from time to time imposed by orders, rules and regulations of governmental agencies having jurisdiction over the Company and are also contingent upon the Company's ability to obtain and use the necessary equipment, materials, facilities and labor.

During those periods of time when the Company is not able to obtain a sufficient supply of natural gas to meet the requirements of its existing customers, and/or to meet requests for natural gas service by new residential, commercial or industrial customers, it will be compelled to decline to attach new customers in order to avoid jeopardizing service to existing customers. In addition, the Company may be compelled, due to an insufficient supply of natural gas, to decline to make available additional loads to existing customers. Also, during a period of insufficient gas supply, the Company shall have the right to institute and maintain curtailments of gas service in accordance with the provisions of Rule B4 of these Rules, Regulations and Rate Schedules.

The Company may restrict existing industrial and commercial customers to that quantity of natural gas used during a twelve (12) month period determined by the Company and may enforce any such restriction by discontinuance of natural gas service to any industrial or commercial customer which violates such restriction until the Company is satisfied that any such industrial or commercial customer will abide by the restriction imposed.

During any such periods as described above, the Company will maintain priority lists which will be utilized to the extent practicable in the allocation of any additional gas supply received by the Company.

Continued on Sheet No. C-20.00

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Issued Under Authority of
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In Case No: U-15152

Continued From Sheet No. C-19.00

C4. APPLICATION OF RATES (Condt.)

C4.3 Centrally Metered Installations.

A centrally metered installation is one that meets all of the following definitions:

- (i) Serves multiple living units (containing four or more living units) such as apartments, multiple family units, mobile home courts or institutions, such as schools or churches, and industrial complexes.
- (ii) The complex is served by a single meter installation located out of doors or in a separate building.
- (iii) More than one building is to be supplied with gas.
- (iv) The fuel lines are buried underground from the outlet of the meter to the location at which each fuel line enters the customer's building.

The customer served with a centrally metered installation must enter into an inspection and maintenance contract with the Company covering such customer-owned underground gas distribution system(s). The underground gas distribution system(s) downstream of the meter shall be paid for and owned by the customer.

The installation of the underground gas distribution system(s) from the central metering point to the location at which the gas line(s) enter(s) the customer's building or any extensions or modifications thereto, including the initiation of gas service to each building, will be the responsibility of the Company in accordance with the Company's design, installation, operation and maintenance procedures for underground pipe system(s) and in accordance with the Standards of the Michigan Gas Safety Standards.

The charge to the customer for the installation of the underground gas distribution system(s), or any extensions or modifications thereto, will be at the Company's cost plus appropriate overheads.

With respect to customer-owned underground gas distribution system(s), the customer will pay for the cost of inspection and maintenance of such underground gas distribution system(s) downstream of the meter at costs to be determined by the Company under terms agreed to in the Contract for Maintenance of Customer-Owned Underground Gas Distribution Systems as filed with the Michigan Public Service Commission. Extensions or modifications to customer-owned underground gas distribution system(s) shall be made only in accordance with the Contract for Maintenance of Customer-Owned Underground Gas Distribution Systems and shall be made by the Company.

Continued on Sheet No. C-21.00

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Effective for Service
On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-20.00

C4.3 Centrally metered installations. (Contd)

Failure of a centrally metered customer to enter into and comply with the Contract for Maintenance of Customer-Owned Underground Gas Distribution Systems, as above described, shall be cause for cessation of gas service which will not be reinstated or installed until such contract has been executed and complied with.

C4.4 Redistribution of gas service.

Gas will not be supplied to any customer except for the customer's own use or for the use of the customer's tenants in the building or premise supplied with gas under the service agreement between the Company and the customer. Gas will not be supplied under a filed rate of this rate schedule for submetering or resale by or to any owner, tenant or occupant of any premises. A customer shall not submeter, resell or otherwise dispose of any gas supplied to him under any filed rate; except that a customer of the Company may redistribute such gas to his tenants in the premises supplied when the customer is supplied under a filed rate which does not prohibit such redistribution, and provided that no specific charge is made therein.

C4.5 Notice of change in ownership of occupancy of premises.

Immediately upon sale, lease or any other change in occupancy of the premises or any portion thereof supplied under an agreement for service, the customer shall give written notice to the Company of such change.

C5. CUSTOMER RESPONSIBILITIES

C5.1 Access to premises.

The Company shall have the right of access to its meter or appurtenances upon the customer's premises at all reasonable times for the purpose of reading meters, of inspecting or repairing its meters and appurtenances, or of removing its property, or for any other proper purpose. All authorized employees of the Company are provided with proper identification.

Continued on Sheet No. C-22.00

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Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-21.00

C5. CUSTOMER RESPONSIBILITIES (Condt)

C5.2 Discontinuance or withholding 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 meter reading.

The Company may disconnect service subject to the notification requirements of Rule 38 (R460.138) and Rule 14 (R460.2084) for those reasons set forth in Rule 37 (R460.137) or Rule 14 (R460.2084). If a hazardous condition exists, pursuant to Rule 36 (R460.136), service may be discontinued without notice. If service is terminated due to meter tampering or theft of gas, the customer may be required to bear all associated costs incurred by Michigan Gas Utilities, including, but not limited to, all materials charges, labor charges, investigation and prosecution costs, and such protective equipment as is deemed necessary.

A charge of forty-five dollars (\$45.00) will be made to cover the cost of restoring service when it has been discontinued because of theft or meter tampering.

C5.3 Liability.

(a) Continuity of supply.

Except for gas supplied under certain transportation rates and Interruptible sales service, the Company will endeavor at all times to provide a regular and uninterrupted supply of service, but the Company shall not be liable for loss or damage which the customer may sustain by reason of the failure of the service, whether caused 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 condition or causes beyond the Company's control.

(b) Customer's equipment.

Neither by inspection or non-rejection, nor in any other way does the Company give any warranty expressed or implied as to the adequacy, safety or other characteristics of any structures, equipment, wires, pipes, appliances or devices owned, installed or maintained by the customer or leased by the customer from third parties.

Continued on Sheet No. C-23.00

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On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-22.00

C5.3 Liability. (Contd)

(c) Selection of rate.

The Company will endeavor to assist a customer in the selection of the filed rate which may be most favorable to his requirements, but the responsibility for the selection of the rate lies with the customer and the Company makes no warranty, expressed or implied, as to the rates, classifications or provisions favorable to the future service requirements of the customer.

After the customer has selected the rate under which the customer elects to take service, the customer shall not be permitted to change from that rate to another rate until at least 12 months have elapsed. The customer shall not 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 effective date of a rate change under this rule shall be the beginning read date of the next bill issued. The intent of this rule is to prohibit frequent shifts from rate to rate.

C5.4 Service charge for reconnection of discontinued service For Non-Payment of Bills (other than theft or tampering).

A charge of \$35.00 will be collected by the Company to offset the cost of restoring service during regular working hours to any customer whose previous service has been discontinued for nonpayment of bills or for any other breach by the customer of the Company's Rates, Rules and Regulations. If the customer specifically requests restoration of service after regular working hours and the customer is advised of the increased charge, a restoration charge of \$45.00 shall be collected. This charge shall become part of the customer's arrears and will be subject to the same payment requirements applicable thereto.

C5.5 Deposits.

A reasonable cash deposit may be required of Residential customers according to Rules 9 and 10 (R460.109 and R460.110) and of Commercial customers according to Rule 13 (R460.2083), unless waived by the Company upon evidence of satisfactory credit in the opinion of the Company or if the account is guaranteed by a responsible party in lieu of deposit. Such guarantee must be in writing and specify maximum amount guaranteed by guarantor. If the customer refuses or fails to pay the required deposit or furnish a guarantor, the Company may withhold its service or discontinue its service. Interest on deposits from Residential customers shall accrue at the rate of nine percent (9%) per annum and shall be credited semi-annually or upon return of the deposit, whichever occurs first. Interest on deposits for Commercial customers shall accrue at the rate of nine percent (9%) per annum and shall be credited semi-annually or upon return of the deposit, provided that such deposit is held at least six (6) months.

Continued on Sheet No. C-24.00

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Continued From Sheet No. C-23.00

C5.6 Meter reading and billing periods.

Bills shall be rendered once each month as nearly as is possible on a normal monthly period. Reasonable efforts will be made to read the customer's meter at least once in two months on or about the same day of such meter reading month. When, for any reason, an actual meter reading is not obtained, the bill will be estimated on the basis of past service records, adjusted for seasonal variations. When past records are not available, billing will be based upon whatever other data are available. Each account shall be adjusted as necessary each time an actual meter reading is obtained. Bills rendered for gas service for periods when actual meter readings were not obtained, shall have the same force and effect as those based on actual meter readings.

Where the Company renders a bill for an elapsed period other than a regular billing period, the rates and charges will be prorated except that a customer who terminates service less than 28 days after the commencement of service will be billed for a month.

C5.7 Payment of Bills.

Bills for gas service furnished by the Company are due 21 days for residential customers and 21 days for non-residential customers from the date the bill is mailed (unless otherwise specified). Bills of the Company for service are payable at any District Customer Service Office or to a duly authorized "Payment Station" of the Company. Payment Stations are authorized to collect a fee from the customer for accepting payments.

C5.8 Delinquent bills.

If any bill for gas service remains unpaid for a period of 26 days after it is rendered the Company shall have the right to discontinue such service upon ten days notice in writing of its intentions to so discontinue, and such discontinuance of service may be in effect until such bill has been paid.

C5.9 Charge for nonsufficient funds (NSF) check.

A charge of \$15.00 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.

Continued on Sheet No. C-25.00

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Continued From Sheet No. C-24.00

C5.10 Charge for on-premises collection.

A charge of \$10.00 will be levied upon a customer where it is necessary for the Company to send an employee to the premises of the customer in order to collect that customer's bill. This charge will become part of the customer's arrears and will be subject to the same requirements applicable thereto.

C6. EXTENSION POLICY

[Rule C6 has been superseded by Rule C11.]

C7. SERVICE LINES

Rule 7 has been superseded by Rule C11, however customers taking service under main and/or service line extension projects initiated pursuant to Michigan Gas Utilities' Rules C6 and/or C7 will be grandfathered and will pay the charges applicable under those rules.

C7.1 General provisions.

To avoid misunderstanding, the customer should consult with the Company before starting work as to the exact location of the point of service termination. The Company reserves the right to determine the location of any service pipe.

Gas service shall be supplied to each building or premise through a single service pipe. If conditions are such that the customer requests service through more than one service pipe, such service shall constitute an additional sales point and shall require separate billing by the Company.

The Company shall own and maintain all service pipe.

C7.2 Service lines less than 2 inches in diameter.

The charge to the prospective customer shall be determined by measuring the horizontal distance over the service line, as installed, from the lot line (or main in the case of mobile home parks) to the meter location established by the Company and applying the applicable flat and unit charges. A sum of money equal to the estimated charge may be required from the customer at the time the application is accepted by the Company.

Continued on Sheet No. C-26.00

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On and After: October 10, 2007

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In Case No: U-15152

Continued From Sheet No. C-25.00

C7.2 Service lines less than 2 inches in diameter (Condt.)

- (a) (i) All applicants requiring a service line less than or equal to 175 feet in length (except mobile home park applicants) shall pay a \$250.00 flat charge for the first 50 feet or less, and \$5.00 per foot for each foot in excess of 50 feet to 175 feet.
- (ii) Applicants requiring a service line greater than 175 feet in length shall pay the lesser of:
 - a) the charges set forth under paragraph C7.2(a)(i) plus \$3.50 per foot for each foot in excess of 175 feet or
 - b) the cost of time and materials, with the total charges never to be less than \$875.00.
- (b) Additional charges for all applicants.
\$6.00 additional charge per foot for each foot from lot line (or main in the case of mobile homes) to meter location to cover additional costs incurred during winter construction from December 15 to March 15.
- (c) All mobile home park applicants shall pay a flat charge of \$250.00 per service line.

The customer shall pay for any permits and inspection fees required by state statutes or local ordinances for cutting streets or highways for converting or connecting any gas utilization equipment.

- (d) The charges to the prospective customer shall be equal to the Company's estimated total cost for all facilities to provide a tap on a main or pipeline operating at a pressure of more than 60 pounds per square inch gauge and any required upstream regulators, pressure relief and limiting devices, whether installed on public or private property.

Continued on Sheet No. C-27.00

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On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-26.00

C7.3 Service lines 2 inches or larger in diameter.

The charges to the prospective customer shall be equal to the Company's estimated total cost for all facilities between the prospective customer's property line and the meter location, as well as the estimated cost of a curb valve and curb box, a tap on a main or pipeline operating at a pressure of more than 60 psig, and any required upstream regulators, pressure relief and limiting devices, whether installed on public or private property.

A sum of money equal to the estimated charge for the service line installation may be required from the customer at the time the application is accepted by the Company.

C7.4 Change in location of existing service facilities.

Any change requested by the existing customer in the point of service termination or location of the service pipe, provided such change is approved by the Company, shall be made at the expense of the owner or occupant of the premises, who shall pay in advance the Company's estimated cost of such change.

C7.5 Company's installation.

Gas will be supplied to each building through a single meter, except where for reasons of Company economy, conditions on the Company's distribution system, situations calling for service under multiple rates, improvements of service conditions, or volume of the customer's requirements, the Company elects to install more than one meter. The Company will furnish, install, connect and maintain such meter or meters as are necessary for metering gas for Company billing purposes.

The Company will furnish, install and maintain one or more gas pressure regulators and/or other devices when they are required by the Michigan Gas Safety Standards for the supply of gas at proper pressure.

The customer shall furnish and maintain a suitable space for the service and metering equipment. Such space shall be readily accessible to authorized Company employees and shall otherwise conform to the Michigan Gas Safety Standards for such space and to the requirements of the authorities having jurisdiction.

Continued on Sheet No. C-28.00

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In Case No: U-15152

Continued From Sheet No. C-27.00

C7.6 Customer's responsibility.

Customers shall not permit any unauthorized person to disconnect or interfere or adjust the Company's meters or other appurtenances, they shall protect the same from injury, be responsible for their safe keeping and reimburse the Company for any damage thereto. The customer should notify the Company immediately of any interruption in the supply of gas.

C7.7 Seals.

Meter equipment may be locked or sealed when service is shut off. No person, except a duly authorized employee of the Company, shall be permitted to break or replace a seal or lock, or to alter or change a meter or its connections or location or to alter a gas pressure regulator.

C8. METERING CUSTOMER EQUIPMENT AND BILLING

C8.1 General provisions.

The customer shall furnish and maintain all piping and equipment beyond the point of service termination at his own expense, except as expressly provided under Rule C4.3, "Centrally metered installations".

C8.2 Adequacy and safety of installation.

The Company shall not be required to supply gas service until the customer's installation shall have been approved by the authorities having jurisdiction over the same; and the Company further reserves the right to withhold its service, or discontinue service, whenever such installation or part thereof is deemed by the Company to be unsafe, inadequate or unsuitable for receiving the Company's service.

C8.3 Repairs - leakage of gas.

All repairs to the customer's piping and equipment shall be made by the customer, and he shall maintain the piping and equipment in the condition required by the authorities having jurisdiction and by the Company. The customer shall give immediate notice to the Company of the indication of any gas leakage.

C8.4 Back pressure and suction.

When the nature of the customer's utilization equipment is such that it may induce back-pressure or suction in the piping system carrying the Company's gas, suitable protective devices, subject to inspection and approval by the Company, shall be furnished, installed and maintained by the customer to protect the customer and the Company's facilities therefrom.

Continued on Sheet No. C-29.00

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On and After: October 10, 2007



Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-28.00

C8. METERING CUSTOMER EQUIPMENT AND BILLING (Condt.)

C8.5 Inspection of installation.

The Company will not establish gas service to any customer until a representative of the Company has made a test of all gas appliances by observing the meter(s) when all appliances are shut off and gas pressure is on such piping and appliances and finds that no gas passes the meter(s) under such conditions.

If all appliances are shut off and gas passes through the meter(s), the Company will notify the customer of that fact and gas service will not be established until such defect is repaired or corrected.

The Company may require an authorized representative of the customer to perform an "Air Test" on the meter in accordance with the National Fuel Gas Code Rule 4.1.4 - "Air Testing of Customer Lines".

Nothing in this rule shall be construed to make the Company liable for the installation, maintenance or use of piping or appliances owned by the customer beyond the making of the test above required; nor shall the Company be held liable for any continuing duty of inspection of piping or appliances, except as expressly provided under Rule C4.3, "Centrally metered installations".

C8.6 Changes in customer's requirements.

The customer shall give the Company reasonable advance notice in writing of intention to increase materially his load so that adequate facilities may be provided.

When there is a change in the customer's requirements for gas supply or a change by the customer from one filed rate to another, or when the customer includes in his requirements any service theretofore supplied to him or to others under another agreement or agreements for service, the customer shall make such changes and alterations in the piping, service equipment, meter equipment and appurtenances and other parts of the customer's installation as may be necessary to enable the Company to furnish safe and adequate service and to measure the gas thereafter to be supplied through a single meter or through the number of meters which the Company may elect to install as provided under Rule C7.5, "Company's Installation".

Such changes and alterations shall be governed by the requirements applying to new installations.

Continued on Sheet No. C-30.00

Issued: January 2, 2008
By J F Schott
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On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-29.00

C8.7 Measurement of gas service.

Bills will be based upon the registration of the Company's meters except as otherwise provided in these Rules, Regulations and Rate Schedules.

The rates contained in these Rules, Regulations and Rate Schedules apply to the quantities of gas registered by each individual meter for the billing period for which the meter may be read. A single meter shall not supply more than one customer. When the Company, pursuant to provisions of Rule C7.5, installs two or more meters on the same premises to serve a single customer, the consumption registered by such meters shall be consolidated and the rates under which service is taken applied to the total consumption.

C9. GAS COST RECOVERY CLAUSE

C9.1 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 practice.

C9.2 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:
- (i) Interstate Purchases: Cost for gas service.
 - (ii) Intrastate Purchases: Costs for gas service incurred pursuant to all contracts on file with the Michigan Public Service Commission.
 - (iii) Company Produced Natural Gas: Costs which vary with volume produced.
 - (iv) Company Produced Substitute Natural Gas: Costs for feedstock used to produce substitute natural gas.
 - (v) Liquefied Petroleum Air Gas: Costs for propane used to produce a propane-air gas mixture.
 - (vi) Storage Gas: Net costs of gas injected and withdrawn from underground storage facilities.
 - (vii) Purchases From Other Michigan Utilities: Costs for gas service pursuant to contracts approved by the appropriate regulatory body.
 - (viii) Supplier Refunds and Credits: Refunds and credits from suppliers in the period realized.

Continued on Sheet No. C-31.00

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By J F Schott
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Green Bay, Wisconsin



Effective for Service
On and After: October 10, 2007

Issued Under Authority of
Michigan Public Service Commission
Dated: October 9, 2007
In Case No: U-15152

Continued From Sheet No. C-30.00

C9. GAS COST RECOVERY CLAUSE (Contd)

C9.2 Booked cost of gas sold. (Contd)

- (b) Booked cost of gas sold as used in this rule specifically excludes the following items:
- (i) Gas used by the Company, at the annual average booked cost of gas sold.
 - (ii) Lost and unaccounted for gas, at the annual average booked cost of gas sold.
 - (iii) Gas sold at a price which does not include a gas cost recovery factor, at the incremental cost from the Company's suppliers.
 - (iv) Contract, tariff and other penalties, unless the customers of the Company benefit as a result of payment of such penalties.

C9.3 Billing.

- (a) In applying the Gas Cost Recovery Factor, per Mcf or dekatherm, any fraction of \$0.01 cent shall be rounded to the nearest \$0.01 cent.
- (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. D-2.00. 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 Mcf or Ccf for each billed customer. The factor shall be placed into effect in the first billing cycle of each monthly billing period and shall continue in effect throughout all cycles in each monthly billing period.
- (d) The Gas Cost Recovery Factor shall appear on all customer bills.

C9.4 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.
- (b) This Gas Cost Recovery Clause is authorized by the provisions of 1982 PA 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. C-32.00

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Green Bay, Wisconsin



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On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued from Sheet No. C-31.00

C10. REFUND PROCEDURES

C10.1 Identification of Supplier Refunds.

Contained within Michigan Gas Utilities' annual GCR reconciliation shall be a standard exhibit which identifies all pipeline or other supplier refunds received (in the form of a check, bill credit, or wire transfer) during the year covered in the GCR reconciliation. The exhibit shall include:

- (i) The amount of each refund, including interest.
- (ii) Date received.
- (iii) Explanation of the reason for each refund.
- (iv) Period covered by each refund (historical refund period).

Additionally, if any portion of the refund is properly allocable to non-GCR customers, this allocation and amount, along with calculations of deductions therefrom for company use and lost-and-unaccounted-for volumes, shall also be included in the exhibit.

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

C10.2 GCR Customer Refunds.

- (a) Supplier refunds.

A supplier refunds allocable to GCR customers shall be reflected as reductions to the GCR cost of Gas Sold in the month received, included in the Cost of Purchased and Produced Gas. No deductions will be necessary for Company Use and Lost and Unaccounted For Gas.

- (b) GCR Reconciliation.

Prior year GCR over/under-recoveries due to reconciliation provisions of Michigan Gas Utilities' GCR Clause shall be computed annually according to provisions of 1982 PA 304. Such over/under-recoveries and any Commission-ordered adjustments 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. C-33.00

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Effective for Service
On and After: October 10, 2007



Issued Under Authority of
Michigan Public Service Commission
Dated: October 9, 2007
In Case No: U-15152

Continued from Sheet No. C-32.00

C10. REFUND PROCEDURES (Contd)

C10.2 GCR Customer Refunds (Contd)

- (c) Other Refunds.

All other gas cost-related refunds shall be reflected in the month the refund is received and shall be included on a separate line so that such refunds are readily identifiable.

C10.3 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) Refunds may be implemented as soon as practicable by including a bill credit on the on-system non-GCR customers' bills and by issuing checks to the last known address of all past non-GCR customers which had consumption during the historical refund period. Refunds made to non-GCR customers pursuant to these procedures will be applied against any past due amounts owing to Michigan Gas Utilities. The amount, if any, in excess of the amount owed will be refunded in accordance with these procedures. Michigan Gas Utilities is not required to issue checks to customers for whom checks were returned as undeliverable in previous refunds nor to issue checks for less than \$5.00. After 90 days, any returned or uncashed checks shall be transferred to the refund liability account. Rights to any portion of a refund shall not vest until a refund check has been negotiated.
- (c) Refund completion reports for non-GCR refunds shall be submitted to the Michigan Public Service Commission Staff six months following completion of a non-GCR customer refund. Reports should, at a minimum, include the amount authorized for refund compared to the amount actually refunded and the date the refund was completed. Any undistributed amounts shall be recorded in a non-GCR refund liability account and distributed with interest to non-GCR customers in the next refund.

Continued on Sheet No. C-34.00

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In Case No: U-15152

Continued from Sheet No. C-33.00

C11. CUSTOMER ATTACHMENT PROGRAM

(1) 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.

(2) 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.

(3) 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

Continued on Sheet No. C-35.00

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In Case No: U-15152

Continued from Sheet No. C-34.00

C11. Customer Attachment Program (Contd)

(3) Payment of Customer Contribution (Contd)

customer's obligation to pay the Fixed Monthly Surcharge. Failure by the customer to timely pay the Fixed Monthly Surcharge shall result in the discontinuation, termination or denial of natural gas service.

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

(4) Connection Fee

The Connection Fee is equal to \$200.00.

For customers requesting a multiple metered installation, the Connection Fee shall be \$100 per account.

(5) Excessive Service Line Fee

The Excessive Service Line Fee will be assessed to a customer whose service line requirement is in excess of the Service Line Limit. The Service Line Limit is equal to 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.

(6) 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.

Continued on Sheet No. C-36.00

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On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued from Sheet No. C-35.00

C11. Customer Attachment Program (Contd)

(7) Customer Attachment Project

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

(8) 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 a NPV revenue deficiency of zero will be used.

(9) 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:

(i) Carrying Cost Rate

The Carrying Cost Rate will be based on the weighted rate of debt, 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 10.89%.

Continued on Sheet No. C-37.00

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Effective for Service
On and After: October 10, 2007

Issued Under Authority of
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Dated: October 9, 2007
In Case No: U-15152

Continued from Sheet No. C-36.00

C11. Customer Attachment Program (Contd)

(ii) 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.

(iii) 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.

(iv) Depreciation

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

(v) Property Taxes and Other Operating Expenses

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

(vi) Discount Rate

The Discount Rate will be a weighted rate of long-term debt and common equity. The cost will be equal to and weighted in proportion to those authorized in the Company's most recent rate order. Based on the Company's rate order in Case No. U-13470 dated March 12, 2003, the Discount Rate is equal to 9.74%.

Continued on Sheet No. C-38.00

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Continued from Sheet No. C-37.00

C11. Customer Attachment Program (Contd)

(10) 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 No.</u>	<u>CAP Area</u>	<u>CAP Charge Per Month</u>	<u>Last Billing Month For Surcharge</u>
246	Indian Channel	\$25.74	October 2009
250	Green Lake	\$31.13	March 2012
251	E. Labo Road/Lazy Oaks	\$19.53	December 2008

Issued: January 2, 2008
By J F Schott
VP Regulatory Affairs
Green Bay, Wisconsin



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