

PRESQUE ISLE ELECTRIC & GAS CO-OP

RATE BOOK FOR NATURAL GAS SERVICE

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

Copies of the Cooperative's Rate Book for Natural Gas Service are available on Presque Isle Electric & Gas Co-op's website at the following website address <https://www.pieg.com/RateInformation.cfm?p=78> or at the Michigan Public Service Commission's website at the following website address, <http://www.michigan.gov/mpsc/0,1607,7-159-16385-124197--,00.html>.

Territory

This Rate Book for Natural Gas Service applies to the regulated territory served with Natural Gas by the Cooperative.

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By: Brian Burns
President and CEO
Onaway, Michigan

Michigan Public Service Commission
August 25, 2009
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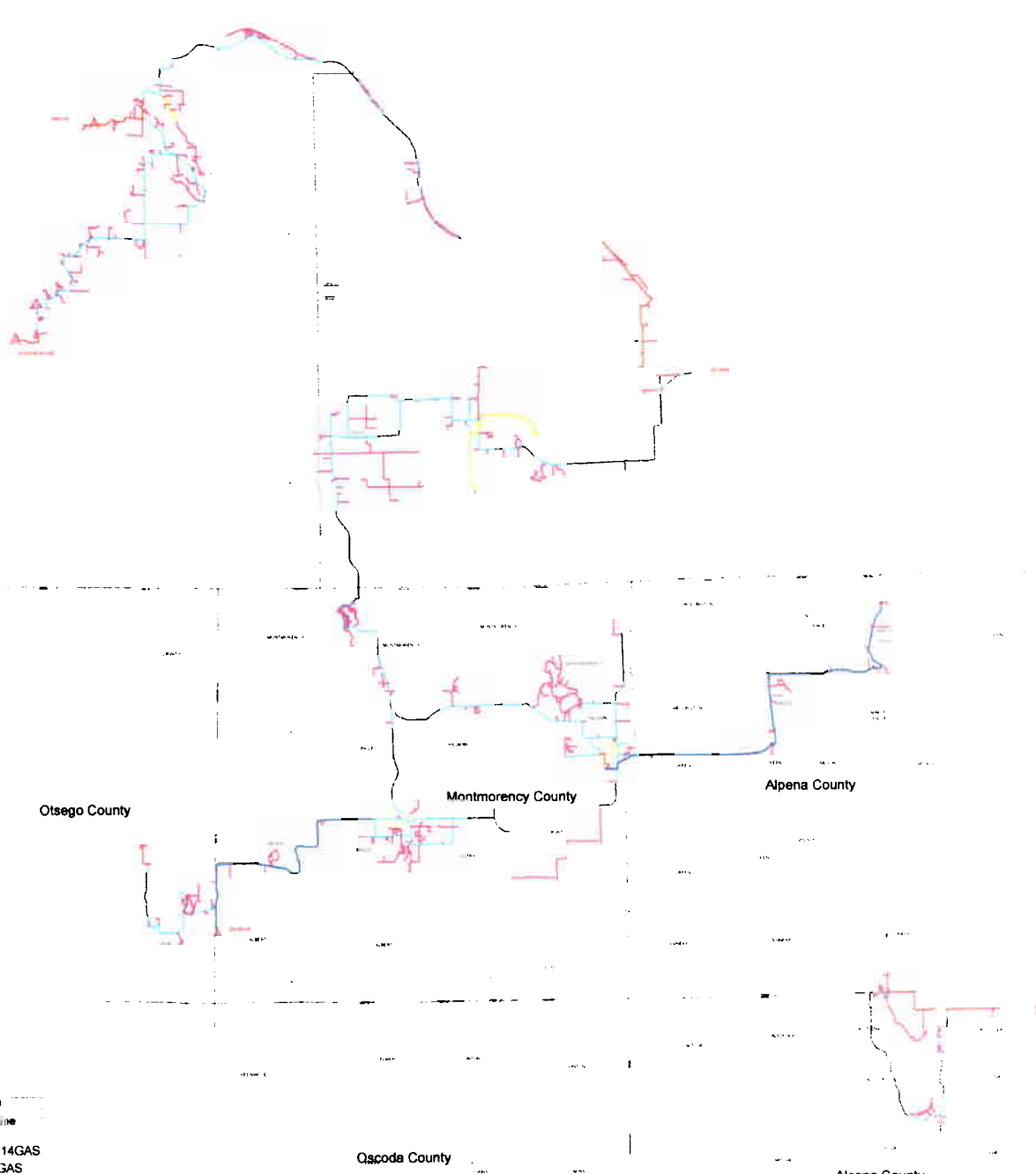
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FRANCHISE AREA MAP



- Legend
Gas Line
- 1-14GAS
 - 1GAS
 - 2GAS
 - 3GAS
 - 4GAS
 - 6GAS
 - 8GAS

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FRANCHISE AGREEMENTS

The rates of the Cooperative within all of the territory serviced by the Cooperative are governed by franchise agreements.

The franchise agreements of the Cooperative are identified as follows:

NAME OF MUNICIPALITY	DATE OF ADOPTION OF ORDINANCE
Township of Alcona	December 14, 1999
Township of Allis	March 27, 1996
Township of Aloha	April 29, 1996
Township of Avery	July 5, 1994
Township of Bagley	February 10, 2003
Township of Bearinger	February 2, 1998
Township of Belknap	April 17, 1995
Township of Benton	August 19, 1996
Township of Bismarck	December 5, 1994
Township of Briley	July 7, 1994
Township of Caledonia	December 8, 1999
Township of Case	December 5, 1994
Township of Charlton	October 12, 1998
Township of Chester	March 13, 2001
Township of Green	August 17, 1994
Township of Hawes	December 14, 1999
Township of Hillman	August 2, 1994
Township of Inverness	March 11, 1997
Township of Koehler	April 22, 1996
Township of Krakow	July 9, 1996
Township of Long Rapids	June 17, 1998
Township of Loud	May 18, 1995
Township of Maple Ridge	September 2, 1998
Township of Metz	March 9, 1995
Township of Moltke	November 7, 2000
Township of Montmorency	August 3, 1994
Township of Mullett	April 26, 1996
Township of Ocqueoc	August 10, 1995
Township of Ossineke	March 25, 2000
Township of Presque Isle	August 5, 1996
Township of Pulawski	August 26, 1996
Township of Rogers	October 21, 1996
Township of Rust	July 5, 1994
Township of Vienna	June 18, 1998
Village of Hillman	August 2, 1994
Village of Millersburg	December 12, 1994

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**TECHNICAL TERMS AND ABBREVIATIONS
(FOR ALL CUSTOMERS)**

The definitions of the following technical terms and abbreviations are applicable to the Cooperative's Gas Rate Book and are not contained in the other sections thereof.

A. FOR ALL UTILITIES

1. "Commission" means the Michigan public service commission.
2. "Effective Date" means the date when the tariff sheet must be followed.
3. "Issue Date" means the date the Cooperative files a tariff sheet with the Commission.
4. "Rate Book" means the complete set of Cooperative filings submitted in accordance with the "Filing Procedures for Electric, Wastewater, Steam and Gas Utilities".
5. "Rate Schedule" or "Rider" means the rate or charge for a particular classification of service , including all special terms and conditions under which that service is furnished at the prescribed rate or charge .
6. "Rate Sheet" or "Tariff Sheet" means any of the documents filed in accordance with the "Filing Procedures for Electric, Wastewater, Steam and Gas Utilities".
7. "Rules and Regulations" means the rules, regulations, practices, classifications, exceptions, and conditions that the Cooperative must observe when providing service.
8. "Standard Customer Forms Index" means a listing showing the number, title, and revision date for all standard forms, in any format (preprinted or electronically preformatted) that the Cooperative uses to document contracts or other agreements that create or alter a customer's rights or responsibilities in dealings with the Cooperative. Standard customer forms require a customer signature or are specifically referenced within the Rate Book for execution between the Cooperative and customers.

B. COOPERATIVE

1. Ccf - 100 cubic feet
2. Cooperative - Presque Isle Electric & Gas Co-op
3. Dekatherm - 10 therms or 1,000,000 British thermal units
4. Mcf - 1,000 cubic feet

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**SECTION B
ADMINISTRATIVE RULES INDEX**

B1. TECHNICAL STANDARDS FOR GAS SERVICE (R 460.2301 - R 460.2383) (FOR ALL CUSTOMERS)
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PART 1. GENERAL PROVISIONS

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

- B5. PRACTICE AND PROCEDURES 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**
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- B8. PRESERVATION OF RECORDS OF ELECTRIC, GAS AND WATER UTILITIES R 460.2501 - R 460.2582**
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- 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. 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
COOPERATIVE RULES AND REGULATIONS
(FOR ALL MEMBER-CONSUMERS)**

INTENT OF SECTION C

These General Rules and Regulations for all Member-Consumers 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, Billing Practices Applicable to Non-Residential Electric and Gas Member-Consumers.

C1. CHARACTERISTICS OF SERVICE

C1.1. Character of Service

The Cooperative shall endeavor, but does not guarantee, to furnish a continuous supply of gas and to maintain pressure in its lines within reasonable limits.

The Cooperative shall not be liable for interruptions in the service, variations in the pressure, or variations in the service characteristics, or for any loss or damage of any kind or character occasioned thereby, due to causes or conditions beyond the Cooperative's reasonable control, and such causes or conditions shall be deemed to specifically include, but not be limited to the following: acts or omissions of Member-Consumers or third parties; operation of safety devices except when such operation is caused by the negligence of the Cooperative; absence of an alternate supply of service; failure, malfunction, breakage, necessary repairs or inspection of machinery, facilities or equipment when the Cooperative has carried on a program of maintenance consistent with the general standards prevailing in the industry; act of God; war; action of the elements; storm or flood; fire; riot; labor dispute or disturbances; or the exercise of authority or regulation by governmental or military authorities.

Regardless of contracts in force, the Cooperative shall have the right (a) to institute and maintain curtailments of gas service in accordance with the provisions of Rule C3, Curtailment of Gas Service, of this Gas Rate Book, and (b) in the event of an emergency causing a short-term shortage of gas supply, to grant preference to that service, which in the Cooperative's judgment, is most essential to the public health, safety and welfare.

Before purchasing equipment or installing piping, the Member-Consumer shall secure from the Cooperative information regarding whether new or additional gas loads are being accepted and the characteristics of the service available.

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C1. CHARACTERISTICS OF SERVICE (Contd)

No ownership rights in facilities provided by the Cooperative shall pass to any person as a result of any deposit or contribution made under these rules. Deposits or contributions made by Member-Consumers shall not be refundable unless expressly provided in these rules.

The Cooperative will make a leakage test prior to the establishment of gas service. The Cooperative shall not be liable for the installation, maintenance or use of fuel lines, piping or appliances owned by the Member-Consumer or installed beyond the Cooperative's meter nor shall the Cooperative be liable for any continuing duty of inspection of such equipment or facilities.

C1.2. Hours of Service

Gas shall be supplied 24 hours per day except as provided elsewhere in the Cooperative's Gas Rate Book.

C1.3. Use of Service

The Member-Consumer shall use the service so as not to cause a safety hazard, endanger the Cooperative facilities or the Member-Consumer's equipment or to disturb the Cooperative's service to other Member-Consumers. The Cooperative disclaims any responsibility to inspect the Member-Consumer's piping or equipment and shall not be held liable for any injury or damage resulting from the condition thereof.

The Cooperative reserves the right to deny or shut off service under the following conditions or for any of the following reasons:

- A. Without prior notice to any Member-Consumer for a condition on the Member-Consumer's premises which is determined by the Cooperative or a code authority to be hazardous.
- B. To any Member-Consumer for a condition on the Member-Consumer's premises which is determined by the Cooperative or a code authority to be potentially hazardous.
- C. To any Member-Consumer who uses equipment in a manner which adversely affects the Cooperative's equipment or the Cooperative's service to others.

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C1. CHARACTERISTICS OF SERVICE (Contd)

C1.3 Use of Service (Contd)

- D. To any Member-Consumer involved in metered or unmetered energy theft, including obtaining the use of equipment by submitting a falsified application. Energy theft includes but is not limited to:
 - 1. Tampering
 - 2. Unauthorized Use
 - 3. Diversion
 - 4. Interference
- E. For misrepresentation of identity for the purpose of obtaining utility service.
- F. For failure of the Member-Consumer to permit the Cooperative reasonable access to equipment installed upon the premises for the purpose of inspection, meter reading, maintenance, relocation, replacement or removal.
- G. For failure of the Member-Consumer to install and/or maintain necessary devices to protect the Member-Consumer's equipment in the event of service interruptions.
- H. For failure of the Member-Consumer to install and/or maintain necessary devices to protect the Cooperative's facilities against the creation of a vacuum or back pressure and against the entrance of any foreign material into the Cooperative's system.
- I. For failure of the Member-Consumer receiving service at 1 psig or greater to install and/or maintain equipment of adequate pressure ratings.
- J. For failure of the Member-Consumer to comply with Rule C2, Controlled Service, and/or Rule C3, Curtailment of Gas Service.
- K. For failure of the Member-Consumer to post a cash security deposit or other form of guarantee, when required in accordance with the Rules and Regulations.

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C1. CHARACTERISTICS OF SERVICE (Contd)

C1.3 Use of Service (Contd)

- L. For failure of the Member-Consumer to pay a delinquent account not in dispute.
- M. For failure of the Non-Residential Member-Consumer to pay any delinquent Non-Residential account incurred by the Member-Consumer under a different account name, by the Member-Consumer's predecessor in interest or by any other entity, the debt of which, the Member-Consumer is legally obligated to assume.
- N. For failure of the Member-Consumer to comply with the terms and conditions of a settlement agreement, interim determination or complaint determination between the Member-Consumer and the Cooperative.
- O. For violation of, or noncompliance with, the Cooperative's Gas Rate Book.

C1.4. Unusual Facility Requirements

The Cooperative reserves the right to make special contractual arrangements as to the provision of necessary service facilities, duration of contract, minimum bills, or other service conditions with respect to Member-Consumers with large or unusual requirements for gas, or with respect to Member-Consumers whose establishments are remote from the Cooperative's existing suitable facilities, or with respect to Member-Consumers whose requirements otherwise necessitate unusual investments by the Cooperative or with respect to Member-Consumers whose service requirements may be of a short term, temporary or transient nature.

C1.5. Invalidity of Oral Agreements or Representations

No employee or agent of the Cooperative is authorized to modify or supplement the Rules and Regulations and Rate Schedules of this Gas Rate Book or any contract by oral agreement or representation, and no such oral agreement or representation shall be binding upon the Cooperative.

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C1. CHARACTERISTICS OF SERVICE (Contd)

C1.6. Transfers of Gas

Member-Consumers shall be allowed to transfer their gas requirements from one location to another under the following conditions:

- A. Member-Consumers owning a building may transfer gas requirements for gas equipment in that building to a new location provided that such gas requirements are not used at the old location.
- B. Member-Consumers not owning a building may transfer gas requirements attributable to the gas equipment they own; provided however, that gas requirements associated with heating and maintaining a building in habitable condition cannot be transferred without the specific written consent of the building owner.
- C. Where partial transfer of gas requirements for gas equipment in a building is requested, sufficient equipment must be removed from service or converted to another source of fuel in that building to equal the gas requirements of the transferred equipment.
- D. Gas requirements for gas equipment cannot be transferred from one class of service to another, except residences converted to commercial use may continue to utilize gas requirements of existing equipment.
- E. Service to transferred equipment must be initiated within 12 months after shutoff of service at the original location. All costs (except the costs of a standard meter and standard regulator) associated with transfers must be borne by the Member-Consumer requesting the transfer.
- F. Once gas requirements are transferred to a new location, resumption of service at the old location is subject to the rules (including gas allocation) governing service to new Member-Consumers.
- G. Member-Consumers restricted by a gas service contract to an annual capacity reservation and who operate at two or more locations may transfer, in total or in part, gas volumes from one such restricted account to another.

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C2. CONTROLLED SERVICE

A. Scope

This rule provides the Cooperative with the authorization to control the attachment of load, consistent with changes in gas supply as they occur.

This rule shall apply to additional equipment installed by an existing Member-Consumer following the declaration of a controlled service condition but not to the additional use of gas in equipment installed previous to the declaration of a Controlled Service Condition.

B. Notice of Controlled Service Condition

The Cooperative shall provide not less than 90 days' advance written notice of a Controlled Service condition to all firm Member-Consumers, except where actions by foreign, federal, state or local government, regulatory agencies or force majeure preclude the giving of such notice.

C. Application for Service

Upon the declaration of a Controlled Service condition, all those within the affected priorities requesting gas sales service shall make written application for such service on a form provided by the Cooperative.

D. Approval of Application for Service

1. As the Cooperative is able to contract for gas supplies at reasonable and prudent prices, terms and conditions, applications for service shall be approved subject to the following:
 - a. Approval shall be on a first-requested, first-served basis within each Controlled Service Priority.
 - b. The Cooperative shall open the highest Priority first. If all the applicants within that Priority are granted service, and sufficient supply is available, the next highest Priority shall be opened. When the Cooperative opens a Priority previously closed, the Cooperative shall supply written notice to those within that Priority that have applications on file indicating the Priority is open and that the requested supplies of gas are available.

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C2. CONTROLLED SERVICE (Contd)

- c. If the available supply is committed before granting all applicants service, then those applicants who do not receive service shall have their application kept on file and their standing reserved within their Priority, but shall not receive preference over a later applicant who qualifies for a higher Priority, when gas becomes available and Priorities are again opened.
 - d. An applicant whose Priority is open at the time of application may be granted immediate approval through written notification by the Cooperative, provided such applicant demonstrates to the satisfaction of the Cooperative that the construction and installation of the necessary equipment will proceed in a timely manner.
 - e. An applicant whose Priority is closed at the time of application, shall have that application for service kept on file by Priority and by the date the application was received.
2. The Cooperative may not grant service to new Member-Consumers or permit additional load by existing Member-Consumers, if:
 - a. The Cooperative is curtailing any Member-Consumers in the affected service area under the Capacity Deficiency provisions of Rule C3, Curtailment of Gas Service.
 - b. The Cooperative is curtailing any Member-Consumers under the Gas Supply Deficiency provisions of Rule C3, Curtailment of Gas Service, except that the Cooperative may attach Priority One Member-Consumers provided no Member-Consumers in Curtailment Priority Two are being curtailed and except that the Cooperative may attach transportation load without System Supply Entitlement Charge (SSEC) backup.
 3. The Cooperative reserves the right to attach new interruptible loads, to provide Transportation rate Member-Consumers with "Authorized Gas" under the "Authorized Gas Usage Charge" provision of the rate or to supply gas under the "Restricted Sales" provision of this rule.
 4. The written notification by the Cooperative granting approval of the application shall specify the date by which gas service must commence.

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C2. CONTROLLED SERVICE (Contd)

E. Forfeiture

1. A Member-Consumer shall install the necessary equipment and commence gas service by the date specified in the Cooperative's notification of approval, otherwise the Member-Consumer's reservation of gas supply is forfeited.
2. When the Cooperative grants approval in those cases where the Application for Gas Service was not initially granted, the Member-Consumer shall notify the Cooperative in writing within 30 days (from the date of the Cooperative's written notification of approval) of the Member-Consumer's intention to accept service. If the Member-Consumer does not respond within 30 days, the Member-Consumer's original application is void.
3. If any time after commencing firm gas service, a Member-Consumer switches to transportation service, that Member-Consumer forfeits firm sales Member-Consumer status on all volumes except those volumes protected by payment of the SSEC. After five years from the date of such forfeit, a Member-Consumer may apply for firm sales rate status.

F. Restricted Sales

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

1. The provision of a net economic benefit to the Cooperative's Member-Consumers as a result of the sale of such gas.
2. Demonstration by the Cooperative that the sale of such gas caused no detriment to its Member-Consumers.
3. The Gas Supply Deficiency Curtailment Priority Eight of Rule C3, Curtailment of Gas Service, for all special contract sales of such gas.
4. Commission approval of such sales on a special contract basis, limited as to time and volume.

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C2. CONTROLLED SERVICE (Contd)

G. Priorities

1. Service shall be controlled under this rule in accordance with the following Priorities. Priority One constitutes the highest Priority which will be the last Priority controlled.

PRIORITY ONE

The purchase of natural gas by any residential Member-Consumer for any purpose except space heating or air conditioning. The use of gas by any commercial Member-Consumer to provide a service such as would normally be provided by non-space heating or air conditioning residential use of gas.

PRIORITY TWO

The purchase of natural gas by any residential Member-Consumer for space heating or air conditioning and the use of natural gas for services essential for public health and safety as defined in Rule C3, Curtailment of Gas Service.

PRIORITY THREE

The purchase of natural gas by any Non-Residential Member-Consumer for space heating or air conditioning or any use of gas by a commercial Member-Consumer not included in Priority One.

PRIORITY FOUR

The purchase of natural gas by any industrial Member-Consumer for industrial processing or in gas-fired afterburners to limit or abate obnoxious odors or air pollution.

PRIORITY FIVE

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

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C2. CONTROLLED SERVICE (Contd)

PRIORITY SIX

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

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

H. Penalties for Violation

Any gas used by a Member-Consumer in additional equipment installed by an existing Member-Consumer following the declaration of a controlled service condition and for which the Member-Consumer has not received authorization, shall, during the period when a gas controlled service condition has been instituted pursuant to this rule, be subject to excess use charges of \$10 per Mcf, with such charges being in addition to the rates set forth in the applicable Cooperative Rate Schedule. Failure of the Member-Consumer to pay such excess use charge when due shall constitute sufficient cause for the Cooperative to shut off gas service to such Member-Consumer. The Cooperative reserves the right to shut off service to any Member-Consumer who violates any of the provisions of this rule.

C3. CURTAILMENT OF GAS SERVICE

C3.1. Definitions

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

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C3. CURTAILMENT OF GAS SERVICE (Contd)

- A. **Capacity deficiency** shall mean emergency situations whereby load temporarily exceeds the capacity of the Cooperative's pipeline system to deliver volumes commensurate with such load, but such that the full design capacity of the system is unaffected. See Section C3.3D(3) of this rule.
- B. **Capacity restriction** shall mean restriction due to force majeure or other damage to the Cooperative's facilities such that the full design capacity of the pipeline system is not available. See Section C3.3D(1). of this rule.
- C. **Commercial gas requirements** shall include all service to Member-Consumers 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.
- D. **Member-Consumers**, unless otherwise specified, shall mean sales Member-Consumers, transportation Member-Consumers and storage Member-Consumers.
- E. **Deliveries** shall mean both transportation and sales volumes.
- F. **End use Member-Consumer** is a Member-Consumer under the Cooperative's sales and transportation Rate Schedules where the gas is used or consumed on the Member-Consumer's premises to which the gas was delivered.
- G. **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, arrests and restraints of the government, either Federal or State, civil or military, civil disturbances. Force majeure shall also mean shutdowns for purposes of necessary repairs, relocation, or construction of facilities; failure of electronic data capability; breakage or accident to machinery or lines of pipe; the necessity of

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C3. CURTAILMENT OF GAS SERVICE (Contd)

testing (as required by governmental authority or as deemed necessary by the Cooperative for the safe operation thereof), the necessity of making repairs or alterations to machinery or lines of pipe; failure of surface equipment or pipelines; accidents, breakdowns, inability to obtain necessary materials, supplies or permits, or labor to perform or comply with any obligation or condition of service, rights of way; and any other causes, whether of the kind herein enumerated or otherwise which are not reasonably within the control of the Cooperative. It is understood that the settlement of strikes and lockouts or controversies with landowners involving rights of way shall be entirely within the Cooperative'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 Cooperative.

- H. **Industrial gas requirements** shall include all service to Member-Consumers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product including the generation of electric power.
- I. **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.
- J. **Requirements for services essential for public health and safety** shall mean gas purchased for food processing and for use by or in connection with hospitals, convalescent homes, nursing homes, medical centers and clinics; water and sewage treatment and waste disposal facilities; civil defense centers and public utility buildings; newspapers, radio and television stations; fire stations, police stations, jails and penal institutions; and such other uses of gas as are found qualified by the 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 Commission.

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C3. CURTAILMENT OF GAS SERVICE (Contd)

- K. **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 Member-Consumer) 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.
- L. **System supply Member-Consumer**, shall mean those Member-Consumers who purchase natural gas requirements from the Cooperative.

C3.2. Curtailment of Gas Service for Gas Supply Deficiency

- A. Determination of Need for Curtailment
1. If at any time the Cooperative cannot provide continuous service to its system supply Member-Consumers because of an inability to procure sufficient gas volumes from its interstate pipeline suppliers or other suppliers, and reliable short term supplies are not available at reasonable and prudent prices, the Cooperative has the right to curtail the distribution of system supply gas to its Member-Consumers in accordance with the provisions of this Rule.
 2. In implementing this Rule, however, all sales of system supply gas to other than system supply Member-Consumers shall be curtailed prior to curtailing, limiting or interrupting the distribution of gas to system supply Member-Consumers.

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.2 Curtailment of Gas Service for Gas Supply Deficiency (Contd)

3. The Cooperative may separately institute curtailment of its system supply gas in the integrated and non-integrated portions of its total system, consistent with the inability to procure sufficient gas volumes in each respective portion of its system.
4. This Curtailment Rule (C3.2) does not apply to gas owned by parties other than the Cooperative.

B. Notice of Curtailment

1. The Cooperative shall provide not less than 90 days advance written notice of curtailment to all system supply Member-Consumers expected to be curtailed, except where actions by foreign, federal, state, or local government or regulatory agencies preclude the giving of such notice.
2. The Cooperative may immediately curtail or interrupt the distribution of system supply gas to non-system supply Member-Consumers, by oral notice or otherwise, to the extent and for such duration as the Cooperative in its sole judgment shall deem necessary.
3. Notification of curtailment shall specify the starting date, an estimate of the length of time the curtailment is expected to be in effect, and the classification of the priorities to be curtailed. Prior to and during the period of curtailment, all Member-Consumers in curtailment priorities to be affected shall be given not less than 30 days advance written notice of the authorized volumes to which they will be entitled for the following month.

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.2 Curtailment of Gas Service for Gas Supply Deficiency (Contd)

C. Method of Curtailment

1. Prior to curtailment, the Cooperative will make a Public Service Announcement for voluntary dial-down actions by system supply Member-Consumers.
2. Curtailments shall be made in accordance with the curtailment priorities set forth in Section E of this Rule, beginning with the lowest priority category and proceeding to the next highest priority category. The total curtailment shall equal the estimated deficiency of gas brought about by the demands of all Member-Consumers purchasing system supply gas in the integrated and/or non-integrated portions of the Cooperative's system.
3. Curtailments may be simultaneously instituted in more than one curtailment category provided that gas usage falling within a lower priority category has been completely curtailed.
4. When curtailment of less than 100% of the sales volume in a particular curtailment priority is required, the available volumes shall be allocated to each Member-Consumer assigned to that priority, on a pro-rata basis, using the Member-Consumer's base period volumes that correspond to the month being curtailed.

D. Base Period

1. Base Period for System Supply Member-Consumers

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.2 Curtailment of Gas Service for Gas Supply Deficiency (Contd)

E. Curtailment Priorities

For purposes of curtailment, five categories are established with Priority Five constituting the lowest priority and Priority One the highest.

PRIORITY FIVE

All non-residential Member-Consumers 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 Member-Consumers.

PRIORITY FOUR

Commercial and industrial gas requirements in excess of 41,667 Mcf per the base period month being curtailed.

PRIORITY THREE

Commercial and industrial gas requirements of 8,334 Mcf to 41,667 Mcf per the base period month being curtailed.

PRIORITY TWO

Commercial gas requirements of 1,250 Mcf to 8,334 Mcf per the base period month being curtailed and industrial gas requirements of 8,334 Mcf or less per the base period month being curtailed.

PRIORITY ONE

Residential gas requirements, commercial gas requirements of 1,250 Mcf or less per the base period month being curtailed, requirements for plant protection, and requirements for services essential for public health and safety not covered by an alternate fuel.

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.2 Curtailment of Gas Service for Gas Supply Deficiency (Contd)

F. Rate Adjustments

A Member-Consumer shall not be liable for any part of a monthly service charge provided in a Rate Schedule if such Member-Consumer's consumption under that rate is completely curtailed for the entire billing period. No other rate adjustments will be permitted.

G. Enforcement

1. The Cooperative 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 Cooperative reserves the right to inspect the Member-Consumer's equipment, to install special metering, and to immediately terminate gas service for violations of this Rule. Once gas service is terminated, the Cooperative may withhold such service until it is satisfied that the terms and conditions of this Rule will be observed.
2. There is nothing in this Rule that shall prevent a Member-Consumer from challenging before the Commission the continuation of a curtailment or that shall abridge the Member-Consumer's right to appeal any such determination to the Commission.

H. Penalty

After the Cooperative has provided actual oral or written notice of curtailment to the affected end use Member-Consumer, any gas used by such Member-Consumer in excess of the volumes authorized during the period when a curtailment has been instituted pursuant to Part C3.2 of this Rule will be subject to excess use charges, with such charges being in addition to those normal charges made under the applicable Rate Schedules. The charge for such excess usage shall be the highest price reported for the Mich Con, Michigan Consumers Energy and Chicago LDCs during the period of curtailment as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting services, plus \$10 per Mcf. Failure to pay an excess charge when rendered shall subject the Member-Consumer to termination of gas service.

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.3. Curtailment of Gas Service During an Emergency

A. Cooperative's Rights to Curtail

The Cooperative recognizes its primary public service obligation is to maintain gas service to its Member-Consumers. If, in the event of an emergency arising out of extreme cold weather or other causes referred to as force majeure situations the Cooperative determines that its ability to deliver gas may become inadequate to support continuous service to its Member-Consumers on its system, the Cooperative shall have the right to partially or completely curtail service to each of its Member-Consumers in accordance with the order of curtailment set forth below, irrespective of the contracts in force. This plan applies to all gas sales, transportation and storage service provided by the Cooperative except for gas moving on the Cooperative's gathering systems. The Cooperative 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 Member-Consumers in a specific portion of the Cooperative's system may remedy the emergency.

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 Cooperative prior to the enforcement of the curtailment plan established by this Rule.

1. Interrupt service provided under an "interruptible" rate or contract then in effect;
2. 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;
3. Curtail deliveries to any Member-Consumer in excess of volumes allowed under contracts;

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.3 Curtailment of Gas Service During an Emergency (Contd)

4. Implement an Operational Flow Order (OFO). An OFO invokes daily-balancing upon transportation Member-Consumers and allows the Cooperative to limit both transportation and storage Member-Consumers' daily storage withdrawal volumes to that level authorized by the Cooperative. Member-Consumers not balancing deliveries to the Cooperative, with use, and authorized storage withdrawal volumes, on any date during an OFO will be subject to C3.3 penalties applied to such excess usage.
5. Make a public service announcement for voluntarily dial-down actions by system supply Member-Consumers;
6. Ask transportation Member-Consumers to voluntarily reduce use and/or increase deliveries.

C. Notice of Operational Flow Order (OFO) or Curtailment

If an OFO or curtailment becomes necessary, the Cooperative shall provide notice to the Commission and all affected Member-Consumers of the nature, probable duration and extent of such OFO or curtailment. Such notice will be given as far in advance as possible.

D. Method of Curtailment

1. If a curtailment becomes necessary due to capacity restrictions, the Cooperative shall determine the amount of firm service capacity that is available (residual firm capacity).

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.3 Curtailment of Gas Service During an Emergency (Contd)

- a. The residual firm capacity shall be curtailed in accordance with the curtailment priority categories set forth in Section F of this Rule, beginning with Curtailment Priority Five and proceeding to the next highest priority category.
- (1) 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.
 - (2) 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 Member-Consumers for that priority category. If a Member-Consumer has entered into an arrangement for voluntary reduction of use and/or increase in deliveries pursuant to Paragraph(B)(6) above, the volumes associated with such voluntary reductions of use or increase in deliveries shall be attributed to that Member-Consumer's pro rata share.
 - (3) Upon notice of a curtailment, the Cooperative shall give Member-Consumers 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 Cooperative's system.

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.3 Curtailment of Gas Service During an Emergency (Contd)

2. If curtailment becomes necessary due to an emergency situation resulting in a supply deficiency, with no associated capacity deficiency, the Cooperative shall curtail gas service in accordance with Section C3.3D(1), subject to the following conditions.
 - a. Transportation Member-Consumers shall have the option of having electronic remote metering installed or of establishing a means acceptable to the Cooperative and the Member-Consumer of determining daily consumption at the Member-Consumer's expense. Negative daily imbalances incurred shall be curtailed pursuant to priorities determined as in Section (E) Base Period. Usage in balance with deliveries (flowing pipeline supplies) on a daily basis is exempt from curtailment under this paragraph.
3. If curtailment becomes necessary due to an emergency situation resulting in a capacity deficiency, the Cooperative shall curtail gas service in accordance with Section C3.3D(1).

E. Base Period

1. For the purpose of determining the Member-Consumer's volumes within each curtailment priority category, a twelve month base period shall be established. Such base period shall be fixed for the term of the curtailment. The base period volumes shall consist of the twelve consecutive monthly deliveries ending June of each year. In those instances where the Member-Consumer has encountered strikes, interruption of gas service or unavoidable operational abnormalities, the Cooperative may make reasonable adjustments to normalize the Member-Consumer's requirements. Base period volumes shall be adjusted for equipment added or deleted and new loads.

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.3 Curtailment of Gas Service During an Emergency (Contd)

2. In determining monthly deliveries, the Cooperative shall determine the gas used during each month of the period described above for all buildings, parts of buildings, and equipment associated with each Member-Consumer's gas billing in accordance with the Cooperative'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.
3. 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 Member-Consumer's Curtailment Priority Category, the applicable monthly requirement in the base period shall be used.

F. Curtailment Priorities

1. For purposes of curtailment, firm end use sales and transportation Member-Consumers 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 Cooperative will implement this curtailment plan throughout its system (except for its gathering systems) to the extent necessary and possible, consistent with its practical operation, considering such factors as system capacity and the extent to which curtailment of Member-Consumers in a specific portion of the Cooperative's system may remedy the emergency. Specifically, if curtailment of gas deliveries to a Member-Consumer does not provide any relief to the Cooperative, then the Cooperative may continue to provide gas service for the Member-Consumers.

PRIORITY FIVE

All non-residential Member-Consumers 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 Member-Consumers.

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.3 Curtailment of Gas Service During an Emergency (Contd)

PRIORITY FOUR

Commercial and industrial gas requirements in excess of 41,667 Mcf per the base period month being curtailed.

PRIORITY THREE

Commercial and industrial gas requirements of 8,334 Mcf to 41,667 Mcf per the base period month being curtailed.

PRIORITY TWO

Non-residential Member-Consumers having commercial gas requirements of 1,250 Mcf to 8,334 Mcf per the base period month being curtailed and industrial gas requirements of 8,334 Mcf or less per the base period month being curtailed.

PRIORITY ONE

Residential gas requirements, commercial gas requirements of 1,250 Mcf or less per the base period month being curtailed, requirements for plant protection, and requirements for services essential for public health and safety not covered by an alternate fuel.

2. The volumes of gas destined to end users of other local distribution companies (LDC) shall be classified into the same priority categories as the Cooperative's on-system sales and transportation Member-Consumers if the LDC provides the Cooperative 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 Member-Consumers as set forth in Paragraph E above. Any volumes for which the LDC fails to provide such information shall be presumed to be in Priority Four.

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.3 Curtailment of Gas Service During an Emergency (Contd)

3. During an emergency curtailment of gas service, public utilities that generate and distribute electricity shall be granted Priority One service for that portion of the gas requirements of owned or firm contracted generation necessary to the discharge of the utilities' obligation to provide essential services and for which no practical alternatives exist.
 - 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:
 - (1) Bring on line any non-gas reserve capacity.
 - (2) Switch gas fired dual-fuel generating plants to an alternate fuel.
 - (3) Attempt to procure incremental purchased power.
 - (4) 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:

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.3 Curtailment of Gas Service During an Emergency (Contd)

- (1) Sufficient to obviate the need to implement short-term Emergency Electrical Procedures during the first week of the gas emergency provided that the Cooperative has not invoked curtailment of Priority One Member-Consumers. If, however, the emergency is of such a severe nature that Priority One Member-Consumers must be curtailed, then the Cooperative 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.
- (2) Or, if the Cooperative has invoked curtailment priorities to a level no deeper than Priority Two, the Cooperative 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.
- (3) Or, if the Cooperative has invoked curtailment priorities to a level no deeper than Priority Three, then the Cooperative shall provide sufficient Priority One service to enable the electric utility to avoid the implementation of both short-term and long-term Emergency Electrical Procedures.

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.3 Curtailment of Gas Service During an Emergency (Contd)

G. Diversion of Member-Consumer-Owned Gas During Gas Emergencies

If the Cooperative determines that its ability to deliver gas is inadequate to support continuous service to its Member-Consumers on its system and it enforces the curtailment plan established in this Rule, the Cooperative shall give end user transportation Member-Consumers the option to 1) have their curtailed deliveries injected into storage (if storage available) with the suspension of any penalties and with no other additional charges; or 2) sell to the Cooperative their flowing pipeline supplies that have been curtailed. The price of the purchased gas will be negotiated between the transportation Member-Consumer and the Cooperative but be limited to the higher of a) the Member-Consumer's reasonable costs associated with using alternate fuels during the period of diversion, b) the actual cost of the Member-Consumer's diverted gas, or c) the highest city gate price of gas for the Cooperative's end users contained in the publication "Gas Daily", delivered into the Cooperative's system during the period of diversion. The Cooperative shall not divert gas from transportation Member-Consumers 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 Cooperative pursuant to Option 1 or 2 above. Nothing in these Rules relieves the Cooperative from its obligation, under Act 304, of demonstrating the reasonableness and prudence of its gas purchases.

H. Rate Adjustments

A Member-Consumer shall not be liable for any part of a monthly service charge provided in a Rate Schedule if such Member-Consumer'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.

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C3. CURTAILMENT OF GAS SERVICE (Contd)

C3.3 Curtailment of Gas Service During an Emergency (Contd)

I. Enforcement

1. The Cooperative reserves the right to take special daily meter reads during periods when an Operational Flow Order (OFO) or curtailment has been instituted pursuant to Part C3.3 of this Rule. The Cooperative reserves the right to inspect the Member-Consumer's equipment, to install special metering, and to immediately physically interrupt gas service for violations of this Rule. Once gas service is terminated, the Cooperative may withhold such service during the OFO or period of the curtailment until it is satisfied that the terms and conditions of this Rule will be observe.
2. There is nothing in this Rule that shall prevent a Member-Consumer from challenging before the Commission the continuation of a curtailment or that shall abridge the Member-Consumer's right to appeal any such determination to the Commission.

J. Penalty

After the Cooperative has provided actual oral or written notice of implementation of and Operational Flow Order (OFO) or curtailment pursuant to Part C3.3 to the affected end use Member-Consumer, any gas used by such Member-Consumer in excess of the volumes authorized during the period when an OFO or curtailment has been instituted pursuant to Part C3.3 of this Rule will be subject to excess use charges, with such charges being in addition to those normal charges made under the applicable Rate Schedules. The charge for such excess usage shall be the highest price reported for the Mich Con, Michigan Consumers Energy and Chicago LDCs during the OFO or period of curtailment as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service, plus \$10 per Mcf. Failure to pay an excess charge when rendered shall subject the Member-Consumer to termination of gas service.

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