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**SECTION E**

**TRANSPORTATION SERVICE**

**SURCHARGES**

Energy Optimization Program Clause – This clause permits, pursuant to Section 91(3) of 2008 PA 295, collection of the energy optimization alternative compliance payments made by the utility in compliance with Section 91(1). This charge is to be on a volumetric basis for Residential customers and on a per meter basis for all other metered customers.

<u>Rate Class</u>	<u>Energy Optimization Surcharge Amount</u>	<u>Order No.</u>
TR-1	\$30.56 per Month	U-15893
TR-2	\$93.98 per Month	U-15893
TR-3	\$197.26 per Month	U-15893

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**SECTION E**

**RULES AND REGULATIONS  
FOR TRANSPORTATION SERVICE**

**F1. APPLICATION**

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

**F2. DEFINITIONS**

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

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

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

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

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

"Company" shall mean SEMCO ENERGY GAS COMPANY

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

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

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

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

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

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

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

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Continued From Sheet E-2.00

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

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

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

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

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

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

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

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

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

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

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

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

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

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Continued From Sheet No. E-3.00

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

"Operational Districts" shall mean those service territories located in segmented geographical areas of the Company's distribution/transmission system as stated on Sheets A-11.00 through A-14.00.

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

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

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

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

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

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

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

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

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

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

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

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

"Transportation" shall mean the movement of gas from the Point(s) of Receipt to the Point(s) of Delivery.

"Transportation" in a more generic form can also mean the movement of gas within the interconnected systems of interstate pipelines, intrastate pipelines and local distribution companies.

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

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Continued From Sheet E-4.00

E3. TRANSPORTATION SERVICE

A. Balancing Tolerances

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

B. Receipt and Delivery of Gas

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

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

C. Pressure

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

D. Measurement

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

E. Limitations of Service

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

F. Commingling

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

H. Issuance of Penalties

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

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Continued From Sheet E-5.00

#### E4. RESPONSIBILITY FOR GAS

##### A. Shipper's Up-stream Capacity

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

##### B. Possession of Gas

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

##### C. Limitations of Liability

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

#### E5. TRANSPORTATION STANDARDS OF CONDUCT

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

A. The Company will apply any tariff provision relating to transportation service in the same manner without discrimination to all similarly situated persons.

B. The Company will not give its marketing affiliate or customers of its affiliate preference over any other non-affiliated gas marketers or their customers in matters relating to transportation service including, but not limited to, nominating, balancing, metering, billing, storage, standby service, curtailment policy or price discounts.

C. The Company will not communicate to any customer, Supplier or third parties that any advantage may accrue to such customer, Supplier or other third party in the use of the Company's services as a result of that customer, Supplier or other third party dealing with its marketing affiliate and shall refrain from giving any appearance that it speaks on behalf of its affiliate.

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Continued On Sheet No. E-7.00

Issued January 7, 2008 by  
Eugene N. Dubay  
Sr. V.P. and C.O.O.  
Port Huron, MI

Effective for service rendered on  
and after October 10, 2007.  
Issued under authority of the  
Michigan Public Service Commission  
dated October 9, 2007  
in Case No. U-15152.

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Continued From Sheet No. E-6.00

D. The Company will process all similar requests for transportation service in the same manner and within the same period of time.

E. The Company will not provide leads or provide market sensitive information regarding a current or potential customer or marketer to its marketing affiliate. If a customer requests information about marketers, the Company will provide a list of all marketers operating on its system, including its affiliate, but will not promote its affiliate.

F. If a customer makes a request in writing that its historic volumetric sales and transportation data be provided to a particular marketer or marketers in general, that request will be honored by the Company until revoked by the customer. To the extent the Company provides to its marketing affiliate a discount or information related to the transportation, sales or marketing of natural gas, including but not limited to the Company's customer lists, that is not readily available or generally known to any other marketer or Supplier or has not been authorized by a customer, it will provide details of such discount or provide the information contemporaneously to all potential marketers on its system that have requested such information.

G. The Company will not condition or tie its agreement to release interstate pipeline capacity to any agreement by a gas marketer, customer, Supplier or pipeline transporter relating to any service in which its marketing affiliate is involved.

H. The Company will not condition or tie an agreement to provide a transportation discount to any agreement by a marketer, customer, Supplier or pipeline transporter relating to any service in which its marketing affiliate is involved.

I. The Company's operating employees and the operating employees of its marketing affiliate will function independently of each other, be employed by separate business entities, and reside in separate offices.

J. The Company will keep separate books of accounts and records from those of its marketing affiliate.

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E6. TRANSPORTATION STANDARDS OF CONDUCT COMPLAINT PROCEDURES

If the Company receives a verbal complaint related to its Rules, Regulations and Rate Schedules Governing the Sale or Transportation of Natural Gas, Section E5, Transportation Standards of Conduct, the Company will attempt to resolve the complaint on an informal basis.

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

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

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

B. The Company will acknowledge the receipt of the formal written complaint, in writing, within five working days of receipt by the Company.

C. The Company will confirm and amend the prepared written statement of the complainant to ensure the complaint includes the name of the complainant, relevant dates and specific claims.

D. The Company will prepare a written statement communicating to the complainant the results of the Company's preliminary investigation within 30 days of the initial receipt of the complaint by the Company with a description of the action taken or proposed to be taken.

- E. 1) If the complainant is satisfied with the action taken or proposed to be taken, complainant will acknowledge its agreement by signing and returning a copy of the Company's written statement addressing the action taken or proposed to be taken.
- 2) If the complainant is not satisfied with the Company's response, then the complainant may address the complaint to the Michigan Public Service Commission.

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

**Availability**

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

A. Shipper desires Transportation Service; and

B. Shipper has met the conditions specified in Section E of the Company's Rules and Regulations for Transportation Service; and

C. Shipper has agreed to provide a dedicated active telephone line, a 110 volt electrical outlet at the meter site and such other facilities as may be required for the specialized metering equipment needed to be installed by the Company. Failure to maintain the telephone line, electrical outlet and other facilities may result in discontinuation of transportation service, or the Company may dispatch service personnel to obtain physical meter reads at the Shipper's expense, for each occurrence.

D. Shipper has also agreed to provide 24 hour per day access to the specialized metering equipment located on the Shipper's premises, and Shipper has agreed, at all times, to allow the Company to perform the work required to maintain the specialized metering equipment. Failure to provide such access may result in discontinuation of transport service. Upon request, the Company will make available to the Shipper the daily volumetric data collected from the specialized metering equipment within two hours following the end of the Gas Day. Upon request, and at Shipper's expense, the Company will permit the Shipper or an Authorized Agent to install such additional equipment as may be necessary to allow remote monitoring of gas flow by Shipper or the Authorized Agent.

E. Shipper and Company have executed a Transportation Service Agreement for service under this Rate Schedule. Shipper must contract for delivery of Gas to a specific Point(s) of Receipt where Shipper's Transporter will deliver Shipper's Gas to the Company and a specific Point(s) of Delivery where the Gas will be consumed. Gas delivered under the terms of this rate may not be resold.

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Continued From Sheet No. E-9.00

### **Characteristics of Service**

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

Service under this Rate Schedule shall consist of:

A. The receipt of Gas on behalf of Shipper at the Point(s) of Receipt specified in the executed Transportation Service Agreement

B. The transportation of Equivalent Quantities of Gas less volumes retained for Gas in Kind through the Company's system; and

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

### **Maximum Daily Quantity (MDQ)**

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

The Company may, at its discretion, deliver to a Shipper volumes in excess of its MDQ, subject to restrictions under Rule C3.2 curtailment provisions.

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

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

### **Shipper's Up-Stream Capacity**

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

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

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Continued From Sheet No. E-10.00

### **Nominations**

Not later than 11:30 a.m. ECT, Shipper or Shipper's Authorized Agent shall, by telephone or other electronic means designated by the Company, provide the Company with the daily nomination quantity requested for receipt or delivery. The Company may waive the nomination deadline upon request by Shipper or Shipper's Authorized Agent, if, in its judgment, operating conditions permit such waiver.

### **Balancing Requirements**

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

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

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

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

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

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

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

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

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

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

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

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

All revenues collected by the Company for BRCs shall be credited to the Cost of Gas Sold under Rule C7.2. It shall be the responsibility of the Shipper or Shipper's Authorized Agent(s) to adjust receipts of Gas to and deliveries of Gas from the Company to balance their accounts.

Continued On Sheet No E-13.00

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Continued From Sheet No. E-12.00

The general balancing requirements are summarized as:

A. Daily Balancing

1. Shippers shall balance receipts by the Company on Shippers' behalf, less Gas In Kind, with their deliveries from the Company each Day within 0% to plus or minus their Daily Balancing Tolerance (DBT). The total DBT shall be the total of the Firm Balancing Tolerance (FBT) and the Interruptible Balancing Tolerance (IBT). The IBT may be restricted down to zero through issuance of an Interruptible Balancing Restriction (IBR) during periods of capacity constraint. The FBT shall only be reduced during periods of curtailment through issuance of an Operational Flow Order (OFO) by the Company.
2. On those portions of the Company's system where the Company has the ability to provide an FBT of fourteen percent (14%) of the Shipper's normalized average daily usage, the Shipper shall pay a Firm Balancing Charge on all Dth of delivery by the Company to the Shipper during the month. Where the company is unable to provide an FBT, Shippers are not subject to the Firm Balancing Charge.
3. Shippers shall pay the Interruptible Balancing Charge on all Dth of Daily Imbalance created by the Shipper which is greater than their FBT but within their DBT.
4. Shippers shall pay the Excess Balancing Charge on every Dth which exceeds the DBT but is within twenty percent (20%) of contract MDQ on any given Day, except that no Excess Balancing is available during the period an IBR Notice is in effect in the direction restricted.
5. All imbalance Dth that exceed twenty percent (20%) of contract MDQ or that exceed DBT in the direction restricted by an effective IBR Notice are subject to an Imbalance Penalty.
6. When the Company's ability to accommodate imbalances is restricted or impaired due to capacity constraints, the Company may issue an IBR Notice to reduce the IBT for either positive or negative imbalances for the Gas Day(s) and the portion of the Company's system that the IBR is effective. If it is necessary for the Company to curtail firm service, the Company may issue an Operational Flow Order (OFO) in accordance with Rule C3.2 to curtail the FBT.
7. Shippers may join into pre-arranged Pools, as provided for under the Pooling provisions of this Rate Schedule, for the purpose of netting daily imbalances.
8. Any applicable BRCs will be billed monthly.
9. During Periods in which the Company applies its curtailment priorities under rule C5.13, Shippers affected by the curtailment may be removed from their respective balancing pool and may be required to balance as an individual Shipper. Shippers affected by a gate station constraint will be notified of their removal from the balancing pool 24 hours prior to the gas day for which the gate station constraint is in effect. The notice will be posted on the Company's electronic bulletin board.

B. Monthly Balancing (Cash-Out)

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

Continued On Sheet No. E-14.00

Continued From Sheet No. E-13.00

**Interruptible Balancing Restriction Notice (IBR Notice)**

During any period in which the Company's ability to accommodate imbalances is restricted or impaired due to capacity constraints, the Company may issue an IBR Notice to restrict the Shipper's IBT for either Positive or Negative Imbalances. The Company shall issue the IBR for all customers in its Upper Peninsula service territory, all customers in its Lower Peninsula service territories, or system wide as conditions dictate. The IBR Notice will restrict the percentage level of DBT available in either the positive or negative direction. The DBT in the direction opposite of the restriction will increase by the same percentage.

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

Each IBR Notice will indicate, when it is Issued:

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

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

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

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

- A. An IBR Notice is Issued to restrict Positive Imbalances and the actual Dths received by the Company on Shipper's behalf, less Gas in Kind, exceed Shipper's deliveries by more than the DBT.
- B. An IBR Notice is Issued to restrict Negative Imbalances and amounts delivered to the Shipper exceed the Company's receipts on Shipper's behalf, less Gas in Kind by more than the DBT. In instances where Shipper violation of IBR Notice restrictions causes the Company to incur imbalance penalties on up-stream pipelines, and where incurring of pipeline penalties cannot reasonably be avoided by acquisition of gas supplies at the Company's city gate stations, then the cost of such pipeline penalties will be passed through to the customer in violation. Pipeline penalties assessed to customers are in addition to the Imbalance Penalty.

All Imbalance Penalty recoveries will be credited to the Cost of Gas Sold under Rule C7.2.

Continued On Sheet No E-15.00

Continued From Sheet No. E-14.00

### Monthly Cash-Out

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

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

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

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

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

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

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

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

Continued on Sheet No. E-16.00

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Continued From Sheet No. E-15.00

All monthly cash-out transactions shall be charged or credited to the Cost of Gas Sold under Rule C7.2.

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

### **Pooling**

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

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

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

When Shippers have joined in a Pool, the Pooling Agent shall become responsible for all Balancing Recovery Costs, as well as penalties as a result of curtailment in accordance with Rule C3.2 incorporated in the Company's tariffs, as allocable to the Pool or an individual Shipper within the Pool. The Company shall determine the net daily imbalance of the Pool, apply the appropriate charges (based on conditions in effect for the pool on that day) and render a bill for such charges to the Pooling Agent. The Pooling Agent may assess or allocate charges to members of the Pool in accordance with any terms of the Pooling Agreement. The Company will not assess individual Shippers within a pool any charges that are assessed to their Pooling Agent except in cases of nonpayment by the Shipper's Pooling Agent. The Company shall continue to render monthly billings to the individual Shippers in a Pool for services rendered excluding the items billed to the Pooling Agent.

A Pooling Agent shall be subject to the tariff provisions under Rule C5 and Due Date and Late Payment Charge provisions of this tariff for charges and penalties allocated to the pool. In the event of non-payment by a Pooling Agent, Shippers in the Agent's pool may be held responsible for payments in lieu of suspending service, and the Pooling Agent may be immediately suspended from pooling on the Company's system. All Shippers will be pro-rated the Pool Agent's incurred charges less late fees based on each Shipper's individual usage for each month during the applicable time period(s) for which the Pool Agent has defaulted on payment(s).

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

Continued On Sheet E-17.00

Continued From Sheet No. E-16.00

**Aggregation of Accounts Option**

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

A. The customer must designate one of the facilities as the master account. The master account must be a Transportation Service account (TR-1, TR-2 or TR-3).

B. Only the subsidiary accounts will be eligible for aggregation with the master account. To qualify as a subsidiary account a facility must be served under the General Service Rate (GS-1, GS-2 or GS-3). The customer, or the customer's agent, must specify which of the other facilities will be designated as the subsidiary account(s). The customer may designate some or all of its other facilities as subsidiary accounts.

C. The facility designated as the master account shall be subject to and billed the provisions of its transportation tariff. The FBT for the aggregation shall be based on fourteen percent (14%) of the master account normalized average daily usage. Facilities designated as subsidiary accounts shall be subject to all the terms and conditions of the master account tariff, including remote metering, except that the subsidiary accounts will pay the customer charge and distribution charge in effect for its designated sales rate rather than the customer charge and transportation charge in effect for the master account. Each year, for billing purposes, the designated per Mcf sales rate for the subsidiary account shall be converted to a per Dth rate by application of the system average BTU calculated for the prior year.

The 2009 system average BTU factor : 1,009 BTUs per cubic foot

The GS-1 rate for 2010 is: \$1.7332 per Dth

The GS-2 rate for 2010 is: \$1.2699 per Dth

The GS-3 rate for 2010 is: \$0.9972 per Dth

**Rates**

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

Monthly Charges:	Service Category		
	<u>TR-1</u>	<u>TR-2</u>	<u>TR-3</u>
Customer Charge	\$ 375.00 per meter	\$ 1050.00 per meter	\$ 3,000.00 per meter
Remote Meter Charge	\$ 75.00 per meter	\$ 75.00 per meter	\$ 75.00 per meter
Transportation Rates:			
Peak (November to March)	\$ 0.7191 per Dth	\$ 0.5681 per Dth	\$ 0.5013 per Dth
Off-Peak (April to October)	\$ 0.5691 per Dth	\$ 0.4181 per Dth	\$ 0.3513 per Dth

Continued On Sheet No. E-18.00

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Continued From Sheet No. E-17.00

### **Selection of Service Category**

Customers may choose the Service Category under which they take service, consistent with the restrictions of Rule C4.1. When Customers are selecting their initial Service Category, the Company must advise them that the economic break even point between TR-1 and TR-2 is 50,466 Dth per year and the economic break even point between TR-2 and TR-3 is 300,679 Dth per year. After the initial selection has been made, then it is the customer's responsibility to determine when it is appropriate to switch rates, as permitted by Rule C4.1.

### **Customer Charge and Remote Meter Charge**

Shipper shall pay the designated Customer Charge and Remote Meter Charge per Month for each meter through which Shipper's deliveries of Gas are designated as a Point(s) of Delivery on Shipper's Transportation Service Agreement, regardless of whether Gas was delivered through such meter during the Month, except as provided for in Rule C3.2 of the Company's Rules and Regulations.

### **Transportation Rate**

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

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

### **Gas in Kind**

The Company shall retain 1.17% of all gas received at the Point(s) of Receipt to compensate for Company use and lost and unaccounted for gas on the Company's system. This volume shall not be included in the quantity available for delivery to the Shipper.

### **Balancing Charges**

#### **Firm Balancing Charge**

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

#### **Interruptible Balancing Charge**

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

Continued On Sheet No. E-19.00

Continued From Sheet No. E-18.00

**Excess Balancing Charge**

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

Positive Imbalance: ..... \$ 0.4691 per Dth  
Negative Imbalance: ..... \$ 1.0000 per Dth

**Imbalance Penalty**

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

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

**Surcharges and Credits**

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

**Gas Cost Recovery Charge**

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

**Pipeline Penalties**

Where an up-stream pipeline assesses charges or penalties to the Company for actions attributable to one or more Shippers, the Company may directly assess those charges or penalties to the Shipper(s). Shippers affected by the Gate Station Constraint will be notified of the assessment of pipeline penalties by a notice posted on the Company's electronic bulletin board.

**Determination of BTU Factor**

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

Continued On Sheet No. E-20.00

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Continued From Sheet No. E-19.00

### **Emergency Gas Usage Charge**

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

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

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

Emergency Gas Usage Charges will be credited to the Company's Booked Cost of Gas Sold as defined in Section C7.2 of the Company's Rules and Regulations for all Shippers.

### **Discontinuation of Service**

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

If a Marketer or Pooling Agent wishes to discontinue delivery of supply to a Shipper, balancing as part of a pool, the Marketer or Pooling Agent must notify the Company, in writing, at least 10 business days prior to the date deliveries will cease. The Company will notify Pooling Agent of the date the Shipper may be removed from the pool. The Company shall attempt to contact the Shipper by telephone or in person to notify the Shipper that service may be discontinued within two (2) business days if shipper fails to arrange for supply. If contact attempts are unsuccessful, a notice shall be left at the premises in a conspicuous location. Until such time that Shipper is removed from the Pooling Agent's balancing pool, the Pooling Agent shall continue to be responsible for all Balancing Recovery Costs, as well as penalties, as a result of curtailment in accordance with Rule C3.2 incorporated in the Company's tariffs as allocable to the Pool or an individual Shipper within the pool. If during the 10-day period the Marketer or Pooling Agent wishes to reinstate the Shipper to the pool, the Marketer or Pooling Agent shall inform the Company, in writing, of such request and the Company may grant such request. Once a Shipper has been reinstated to the balancing pool, another full 10-day notification period will be required to remove the Shipper from the pool.

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

Continued On Sheet No. E-21.00

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Continued From Sheet No. E-20.00

**Due Date and Late Payment Charge**

A bill shall be mailed or delivered to the customer not less than 21 days before the due date. A late payment charge of three percent (3%) of the delinquent balance outstanding shall be applied to any bill which is not paid on or before the due date shown thereon. If such failure to pay continues for thirty (30) days after payment is due, then, in addition to any other remedy it may have, the Company may suspend further receipt and/or delivery of Gas until such amount is paid, provided however, that the Company provides at least five days notice before service is suspended for nonpayment. Billing may be based upon estimated quantities if actual quantities are unavailable at the time of billing. In that event, the Company shall provide in the succeeding month's billing an adjustment based on any difference between actual and estimated quantities.

**Contract Form and Term**

All service under this rate will require the Shipper and the Company to execute a Transportation Service Agreement. All Service under this Rate Schedule must be contracted for a term of at least one year. The Company may require that a Customer, who is eligible to return to sales service, file a written application giving a minimum of 12 months notice of intent to return to sales service. The Company reserves the right to approve an application for the return to sales service subject to the Company's Controlled Service Rule C2.

**Billing, Records, Accounting and Payment**

**A. Issuance, Payment and Inquiry of Billings**

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

The Company will issue a separate billing for service under each of Shipper's Service Agreements.

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

**B. Mailing of Notices, Bills and Payments**

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

**C. NSF Checks and On-Premise Collections**

Refer to Rule C5.10 in section C of the Company Tariff.

Continued On Sheet No. E-22.00

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Continued From Sheet No. E-21.00

**Credit, Deposits and Guarantees**

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

**Rules and Regulations**

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

Continued on Sheet E-23.00

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Issued January 7, 2008 by  
Eugene N. Dubay  
Sr. V.P. and C.O.O.  
Port Huron, MI

Effective for service rendered on  
and after October 10, 2007.  
Issued under authority of the  
Michigan Public Service Commission  
dated October 9, 2007  
in Case No. U-15152.

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Continued From Sheet E-22.00

OFF SYSTEM TRANSPORTATION SERVICE - (OST)

**Availability**

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

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

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

**Definitions**

As used in this rate schedule:

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

"Operational Districts" shall mean those service territories located in segmented geographical areas of the Company's distribution/transmission system as stated on Sheets A-11.00 through A-14.00.

Continued On Sheet No. E-24.00

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Continued From Sheet No. E-23.00

### **Characteristics of Service**

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

A. The Company shall receive Gas for the account of the Shipper at the Point(s) of Receipt and redeliver equivalent quantities, less gas in kind reimbursement retained by the Company, to the Shipper for the account of the Shipper at the Point(s) of Delivery;

B. Any rates, terms and conditions not covered by this tariff shall be as contained in the Company's Off System Transportation Agreement.

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

### **Maximum Daily Quantity (MDQ)**

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

The Company may, at its discretion, deliver to a Shipper volumes in excess of its MDQ, subject to restrictions under Rule C3.2 curtailment provisions.

### **Nominations**

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

### **Balancing Requirements**

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

Continued on Sheet No. E-25.00

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Continued From Sheet No. E-24.00

**Rates**

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

- A. a Monthly Administrative Fee of \$300; and
- B. a Remote Meter Charge of \$75 per meter per month, and
- C. a charge, not to exceed \$0.150 per Mcf, consisting of a demand portion and commodity portion.

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

**Gas in Kind**

The Company shall retain 1.17% of all gas received at the Point(s) of Receipt to compensate for Company use and lost and unaccounted for gas on the Company's system. This volume shall not be included in the quantity available for delivery to the Shipper.