

Continued From Sheet No. C-6.00

C3. CURTAILMENT OF GAS SERVICE

C3.1 Definitions

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

- (a) **Capacity deficiency** shall mean emergency situations whereby anticipated load may temporarily exceed the capacity of the Company's pipeline system to deliver volumes commensurate with such load, but such that the full design capacity of the system is unaffected. See Section C3.2(d)(iii) of this rule.
- (b) **Capacity restriction** shall mean restriction due to force majeure or other damage to the Company's facilities such that the full design capacity of the pipeline system is not available. See Section C3.2(d)(i) of this rule.
- (c) **Commercial gas requirements** shall include all service to customers engaged primarily in the furnishing or sale of goods or services including schools, local, state and federal government agencies and other public or private institutions for use other than those involving manufacturing or electric power generation.
- (d) **Customers**, unless otherwise specified, shall mean sales customers, transportation customers and storage customers.
- (e) **Deliveries** shall mean both transportation and sales volumes.
- (f) **End use customer** is a customer under the Company's sales and transportation rate schedules where the gas is used or consumed on the customer's premises to which the gas was delivered.
- (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, actions of the government restricting use of the Company's facilities or operations, either Federal or State, civil or military disturbances. Force majeure shall also mean shutdowns for purposes of necessary repairs, relocation, or construction of facilities; inability to maintain sufficient pressure;

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Continued From Sheet No. C-7.00

C3. CURTAILMENT OF GAS SERVICE (Condt.)

C3.1 Definitions. (Contd)

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

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C3. CURTAILMENT OF GAS SERVICE (Contd.)

C3.1 Definitions. (Contd)

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

C3.2 Curtailment of Gas Service.

- (a) Company's Rights to Curtail

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

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Continued From Sheet No. C-9.00

C3.2 Curtailment of Gas Service (Contd.)

(b) Steps Prior to Curtailment

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

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

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

(i) Conditions for Implementation of an OFO

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

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Continued From Sheet No. C-10.00

C3.2 Curtailment of Gas Service. (Contd)

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

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

(iii) Scope of an OFO

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

(iv) Notice of an OFO

- a) Preliminary notification of a possible OFO

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

- b) Notification of an OFO

If the decision is made to implement an OFO, the Company will notify all affected transportation customers via telephone, facsimile or **email after automated email notifications become technically feasible for the Company**. It is the customers' responsibility to inform the Company of the correct telephone and facsimile numbers **and email addresses** and,

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C3.2 Curtailment of Gas Service (Contd.)

b) Notification of an OFO (contd.)

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

(v) OFO Conditions

a) High Flow Constraint Period

- i). A high flow constraint period can be declared when:
 - 1) The Company determines that distribution capacity limitations will affect the ability to serve customers in a specific geographic area for a specified period; or
 - 2) The Company determines that the expected demand may exceed the expected supply for a specified period.
- ii). When the Company determines that a high flow constraint condition exists, the Company can declare a "High Flow Constraint Period" and customers must limit their consumption.
- iii). The customer shall limit its daily consumption of gas to its total daily delivered supply until notified by the Company that the "High Flow Constraint Period" has ended.
- iv). Any customer consuming more than its daily delivered supply of gas on any given day during a "High Flow Constraint Period" shall be deemed to have "Unauthorized Usage". Unauthorized Usage shall be subject to OFO penalty charges as outlined below. The Unauthorized Usage for gas transportation service shall be determined by using the Company's remote meter reading equipment.

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Continued From Sheet No. C-12.00

C3.2 Curtailment of Gas Service (Contd.)

(v) OFO Conditions (Contd.)

a) High Flow Constraint Period (Contd.)

v). For Transportation customers utilizing the Aggregation of Accounts option outlined in section E-5.3 of MGUC's Transportation Tariff, for purposes of determining "Unauthorized Usage" during a "High Flow Constraint Period" **daily meter reads will be utilized** and OFO penalties will be assessed accordingly.

vi). For each Third Party Pool and/or Stand-Alone customer, on a daily basis during a High Flow Constraint Period, the undertake difference between the entire pool's and/or customer's Adjusted Scheduled Delivered Quantity and the entire pool's and/or customer's actual usage will be divided into two blocks as defined below. The number of Mcf's in each block will be multiplied by the respective rate for that block in accordance with the following table:

Percent Undertake Difference From Adjusted Scheduled Delivered Quantity	Rate Per Mcf (See Sheet E-13.00 for current effective rates)
>0.0% up to 10.0%	
>10.0%	

b) Low Flow Constraint Period

i). A low flow constraint period can be declared when:

- 1) The Company determines that the expected supply delivered to a geographic area may exceed expected demand for a specified period; or
- 2) The capacity to manage excess city gate supply is inadequate to manage the expected excess supply delivered by the Company and/or customers; or the Company's gas supply plan may not accommodate unplanned storage injections.

ii). When the Company determines that a low flow constraint condition exists, the Company can declare a "Low Flow Constraint Period" and customers must consume all gas delivered into the Company's system.

iii). The Company shall require the customer to consume all gas delivered into the Company's system each day until they are notified by the Company that the "Low Flow Constraint Period" is ended.

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Continued From Sheet No. C-12.01

C3.2 Curtailment of Gas Service (Contd.)

b) Low Flow Constraint Period (Contd.)

- iv). Any customer consuming less than the amount of gas delivered into the Company's system during a "Low Flow Constraint Period" shall be deemed to have "Excess Deliveries". Excess Deliveries shall be subject to OFO penalty charges as outlined below. The Excess Deliveries for gas transportation service shall be determined using Company remote meter reading equipment.
- v). For Transportation customers utilizing the Aggregation of Accounts option outlined in section E-5.3 of MGUC's Transportation Tariff, for purposes of determining "Excess Deliveries" during a "Low Flow Constraint Period" **daily meter reads will be utilized** and OFO penalties will be assessed accordingly.
- vi). For each Third Party Pool and/or Stand-Alone customer, on a daily basis during a Low Flow Constraint Period, the overtake difference between the entire pool's and/or customer's Adjusted Scheduled Delivered Quantity and the entire pool's and/or customer's actual usage will be divided into two blocks as defined below. The number of Mcf's in each block will be multiplied by the respective rate for that block in accordance with the following table:

Percent Overtake Difference From Adjusted Scheduled Delivered Quantity	Rate Per Mcf (See Sheet E-13.00 for current effective rates)
>0.0% up to 10.0%	
>10.0%	

(vi) Penalties for Violation of an OFO

a) Unauthorized Usage (High Flow Constraint Period):

After the Company has provided actual notice of implementation of an OFO, any gas usage in excess of the volumes authorized (delivered gas volume) during the period when the OFO has been instituted will be subject to unauthorized usage charges. Such charges shall be in addition to those normal charges made under the applicable rate schedules. The charge for any unauthorized usage shall include both the cost of gas purchased plus \$10 per Mcf, regardless if the Company is assessed any penalties. The cost of gas purchased will be reflected as a sale of gas to the customer and will be the highest Common index price reported for MichCon, Consumers Energy or Chicago LDCs as reported by Gas Daily on the day the unauthorized usage occurred. The highest Common index price will be at the 75th percentile for the day of unauthorized usage.

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C3.2 Curtailment of Gas Service (Contd.)

(vi) Penalties for Violation of an OFO (Contd.)

In the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service plus \$10 per Mcf shall apply. In the event that the Company receives a resulting pipeline penalty, the charge for any unauthorized usage by a transportation customer required to operate under the OFO shall be the higher of the penalty assessed by the pipeline (if a customer utilizes multiple pipelines, penalties shall be assessed to the customers utilizing the effected pipeline based upon their portion of the volumes moved on each pipeline) or the index price plus \$10 per Mcf. The Company will make reasonable efforts to avoid or minimize pipeline penalties by attempting to incur the lower of pipeline penalties or the cost of purchasing additional gas. **The unauthorized usage penalty charge of \$10 per Mcf will be billed as a separate line item from the cash-out (commodity) purchased. The volume of gas sold to the customer shall be accredited to the customer assessed the unauthorized usage charge.**

b) Excess Delivery (Low Flow Constraint Period):

Any gas delivered in excess of the metered consumption volumes during the period when the OFO has been instituted will be subject to "Excess Delivery" charges, with such charges being in addition to those normal charges made under the applicable rate schedules. The charge for any excess deliveries shall be \$10 per Mcf, regardless of whether the Company is assessed any penalties. In the event that the Company receives a resulting pipeline penalty, the charge for any excess deliveries by a transportation customer required to operate under the OFO shall be the higher of the penalty assessed by the pipeline (the largest penalty if multiple pipelines are utilized) or \$10 per Mcf. Excess delivery charges will be billed separately from any cash-outs.

Corrective actions on the part of the customer beyond those identified in the Company's Rate Book, Section E, Gas Transportation, will need to be discussed with, scheduled with and pre-approved by the Company's Gas Supply department, subject to seasonal restrictions and operational constraints of the system; such approval shall not be unreasonably withheld.

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C3.2 Curtailment of Gas Service (Contd.)

(vi) Penalties for Violation of an OFO (Contd.)

e) Nominations and Waivers:

The Company reserves the right to reject any nomination on a particular pipeline that does not meet its operational requirements. Rejecting or confirming nominations by the Company does not release the transportation customer/supplier from its obligations under the tariff. Failure to pay an unauthorized usage or excess delivery charge when due shall subject the customer to termination of gas service.

The Company reserves the right to waive, on a non-discriminatory basis, any unauthorized usage charge non-pipeline penalty for violating an OFO if such penalty is the result of actions beyond the customer's control. Penalties collected by the Company will be credited to the Company's booked GCR cost of gas sold.

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C3.2 Curtailment of Gas Service. (Contd)

Circumstances in which the Company may elect to waive a non-pipeline penalty for violating an OFO include when a customer violates an OFO due to adjustments made in reliance upon daily volumetric flow data from equipment installed pursuant to Section E5.1 that has been maintained in accordance with manufacturer's recommendations, and such equipment causes the volumetric flow data to be in error.

(d) Notice and Method of Curtailment

If a curtailment becomes necessary, the Company shall provide notice to the Commission and all affected customers of the nature, probable duration and extent of such curtailment. Such notice will be given as far in advance as possible. **The notice will be provided via telephone or facsimile or by email after automated email notifications become technically feasible for the Company.**

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

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

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C3.2 Curtailment of Gas Service. (Contd)

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

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

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

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

- (e) Base Period

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

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C3.2 Curtailment of Gas Service. (Contd)

(f) Curtailment Priorities

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

PRIORITY FIVE

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

PRIORITY FOUR

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

PRIORITY THREE

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

PRIORITY TWO

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

PRIORITY ONE

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

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C3.2 Curtailment of Gas Service. (Contd)

(f) Curtailment Priorities (Contd)

- (ii) The volumes of gas destined to end users of other local distribution companies (LDC) shall be classified into the same priority categories as the Company's on-system sales and transportation customers if the LDC provides the Company with the information necessary to make such a classification and an affidavit verifying the accuracy of such information. Such information shall be provided for each priority category in a manner similar to the information regarding the base period volumes of other customers as set forth in Section E above. Any volumes for which the LDC fails to provide such information shall be presumed to be in Priority Five.
- (iii) During an emergency curtailment of gas service, public utilities that generate and distribute electricity shall be granted Priority One service for that portion of the gas requirements of owned or firm contracted generation necessary to the discharge of the utilities' obligation to provide services.
 - a) Such classification of volumes qualifying for Priority One shall be contingent upon the electric utility exercising due diligence in taking reasonable steps to minimize the use of natural gas during the course of the gas emergency, and consistent with maintenance of electric system integrity. To the extent that certain actions can minimize the use of natural gas, such actions may include, but are not limited to the following:
 - i) Bring on line any non-gas reserve capacity.
 - ii) Switch gas fired dual-fuel generating plants to an alternate fuel.
 - iii) Attempt to procure incremental purchased power
 - iv) Curtail all non-firm off-system electric sales.
 - b) If, after having exhausted all available options to minimize the use of natural gas, conditions are such that curtailment of any portion of the remaining gas service to the electric utility will induce the implementation of the Emergency Electrical Procedures, then Priority One capacity shall be allocated to the electric utility:
 - i) Sufficient to obviate the need to implement short-term Emergency Electrical Procedures during the first week of the gas emergency provided that the company has not invoked curtailment of Priority One customers. If, however, the emergency is of such a severe nature that Priority One customers must be curtailed, then the Company shall provide sufficient gas service to the electric utility to allow it to maintain its system integrity as it implements, to the fullest extent required by the emergency, both its short-term and long-term Emergency Electrical Procedures.

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C3.2 Curtailment of Gas Service. (Contd)

(f) Curtailment Priorities (Contd)

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

(g) Diversion of Customer-Owned Gas During Gas Emergencies

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

(h) Rate Adjustments

A customer shall not be liable for any part of a monthly service charge provided in a rate schedule if such customer's consumption under that rate is completely curtailed for the entire billing period. No other rate adjustments will be permitted unless otherwise provided by contract.

Continued on Sheet No. C-18.00

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C3.2 Curtailment of Gas Service. (Contd)

(i) Enforcement

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

(ii) There is nothing in this Rule that shall prevent a customer from challenging before the Commission the continuation of a curtailment or that shall abridge the customer's right to appeal any such determination to the Commission.

(j) Penalty for Violation of Curtailment of Gas Service

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

C3.3 Limitation of Liability.

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

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C3.4 Budget Billing

Definition

Budget Billing distributes the estimated annual payments required into equal amounts over a 12-month period to lessen the impact of large bills incurred in a few consecutive months.

An adjustment is applied to the bills due during the first 11 months of the budget year to make the amount due for current service equal to the budget amount. The difference between the actual billing and the budget amount is accumulated as “not due” and is applied to the bill due the last month of the budget year, unless the customer discontinues service before that time or the budget is cancelled for some reason.

Availability

Budget Billing is available to existing residential and commercial customers who receive service for a full 12-month period. A budget payment plan may be established at any time of the year.

Budget Amount and Administration

The monthly budget amount shall be calculated by the utility on the basis of the estimated consumption and estimated applicable rates through the end of the budget year. A budget year begins with the customer's first bill on the budget plan and ends after 12 months.

An applicant for a budget plan shall be informed at the time of application that budget amounts shall be reviewed and changed every six months, if necessary, in order to reflect current circumstances. Adjustments to the budget amount will be made with the objective that the customer's underbilled or overbilled balance in the 12th month of the budget year shall be equal to one month's budget amount.

Customers on Budget Billing shall be notified of adjustments through either a bill insert or message on the bill. When an adjustment is made to a budget payment amount, the customer will be informed of the adjustment at the same time the bill containing the adjustment is rendered.

Customers who have arrearages shall be allowed to establish a budget payment plan by signing a deferred payment agreement for the arrearage. The deferred payment amount is not subject to late payment charges; however, budget payment plans shall be subject to late payment charges. In addition, if a budget payment is not paid, the customer shall be notified with the next billing that if proper payment is not received subsequent to this notification, the next regular billing may effectuate the removal of the customer from the budget plan and reflect the appropriate amount due.

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C3.4 Budget Billing (contd.)

At the end of a budget year, if an underbilled or overbilled balance exists in a customer's account, the balance shall be handled as follows:

- 1) A customer's debit balance will be consolidated into the new budget amount or, at the customer's option, will be paid in full or, on a deferred basis.
- 2) A customer's credit balance will be applied against the customer's account or, at the customer's option, a refund will be made or, it will be consolidated into the new budget amount.

Determination of Budget Amount

The regular budget amount is determined by taking the actual energy related bill amount and dividing this by the number of billing days in the period to get an average cost per day. This average cost per day is then multiplied by 30 to determine a monthly amount. The monthly amount will then be multiplied by a multiplier for rates and a multiplier for weather. The rate multiplier is only added if the costs are going up or down dramatically. The weather multiplier is a 2 digit number based upon degree days.

Billing Method

The difference between actual service used and the budget amount is calculated monthly during the budget year. The adjustment may be a charge or credit to make the amount due for current service equal to the budget amount. The adjustment is printed on all bills during the customer's budget year.

All budget accounts are billed as scheduled each month. The readings are estimated if an actual reading is not obtained. The adjustment to any "late cycle" billing of budget accounts is made equal to the amount of the billing, since the budget amount has already been billed.

The difference between the actual billing and budget amount (the adjustment) is accumulated each month as "not due". The "not due" balance, including the current adjustment, is printed at the bottom of the bill and may be a charge or a credit.

The amount remaining as "not due" is applied to the bill due at the end of the customer's budget year unless the customer discontinues service before that time or the budget is cancelled. If the budget amount is accurate, the weather is normal, and there are no rate or tax changes, the balance should be roughly equal to the budget amount. The "not due" balance is applied to the final bill if the customer discontinues service.

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