

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
MICHIGAN CONSOLIDATED GAS COMPANY,)
MICHCON GATHERING COMPANY, DTE)
THUNDER BAY PROCESSING, L.L.C., WESTSIDE)
PIPELINE COMPANY, SAGINAW BAY PIPELINE)
COMPANY, MICHCON LATERAL COMPANY,)
and **SAGINAW BAY LATERAL COMPANY** for)
ex parte approval to convert gas nominating and gas)
storage balance operations from a Mcf to a MMBtu)
basis.)
_____)

Case No. U-14106

At the December 21, 2004 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. J. Peter Lark, Chair
Hon. Robert B. Nelson, Commissioner
Hon. Laura Chappelle, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On April 13, 2004, Michigan Consolidated Gas Company and its pipeline and gathering affiliates: Michcon Gathering Company, DTE Thunder Bay Processing, L.L.C., Westside Pipeline Company¹, Saginaw Bay Pipeline Company, Michcon Lateral Company, and Saginaw Bay Lateral Company (collectively, Mich Con), filed for approval to convert gas nominating and gas storage balance operations from a thousand cubic feet (Mcf) basis to a million British thermal unit (MMBtu) basis. In support of the request, Mich Con explained that currently its business

¹ The application includes all pipelines and gathering lines owned in whole or in part by, and operated by, Westside Pipeline Company.

operations use an Mcf basis for purposes of nominating and tracking gas transportation and storage services on the various pipeline systems.

Because of this, all shippers that conduct business on the various pipeline systems must nominate transportation volumes in Mcf units, and must have their storage balances calculated on an Mcf basis. According to Mich Con, many of the shippers on the various pipeline systems have asked that the company convert its business operations to an MMBtu basis to be consistent with the business operations that those shippers deal with on interstate natural gas pipeline systems, and also on the other major natural gas local distribution companies within Michigan. As Mich Con explained, its shippers argue that consistent operations across all natural gas systems within Michigan will provide meaningful efficiencies and more seamless operations between the company and its customers. Accompanying Mich Con's application were the specific tariff changes necessary to accomplish the requested conversion, and numerous letters from shippers supporting the conversion from Mcf basis operations to MMBtu basis operations.

Pursuant to due notice, a prehearing conference was held on June 14, 2004 before Administrative Law Judge Mark E. Cummins (ALJ). The ALJ granted petitions to intervene of Lakeshore Energy Services, L.L.C. (Lakeshore), the Association of Businesses Advocating Tariff Equity (ABATE), and Quicksilver Resources Inc. (Quicksilver). The Commission Staff (Staff) participated in the proceedings.

Quicksilver withdrew its intervention on September 3, 2004 and is no longer a party. On October 1, 2004, Mich Con, ABATE, Lakeshore, and the Staff submitted a settlement agreement resolving the issues in this case.

Mich Con will convert its operations from an Mcf basis to an MMBtu basis beginning May 1, 2005 in accordance with the terms and conditions contained within Mich Con's application, its proposed tariffs, and the settlement agreement attached as Exhibit A.

Based upon Mich Con's application and proposed tariffs, the settlement agreement, and the support from many shippers on the various pipeline systems, the Commission finds that it is reasonable and in the public interest to approve the settlement agreement and the proposed tariff revisions.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1929 PA 9, as amended, MCL 483.101 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 165, as amended, MCL 483.151 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 et seq.

b. The settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. The conversion of business operations from a thousand cubic feet basis to a million British thermal unit basis of Michigan Consolidated Gas Company, Michcon Gathering Company, DTE Thunder Bay Processing, L.L.C., Westside Pipeline Company, Saginaw Bay Pipeline Company, Michcon Lateral Company, and Saginaw Bay Lateral Company shall become effective on May 1, 2005.

C. Michigan Consolidated Gas Company, Michcon Gathering Company, DTE Thunder Bay Processing, L.L.C., Westside Pipeline Company, Saginaw Bay Pipeline Company, Michcon Lateral Company, and Saginaw Bay Lateral Company shall file tariffs consistent with those attached as Exhibit B on or before April 1, 2005.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ J. Peter Lark

Chair

(S E A L)

/s/ Robert B. Nelson

Commissioner

/s/ Laura Chappelle

Commissioner

By its action of December 21, 2004.

/s/ Mary Jo Kunkle

Its Executive Secretary

C. Michigan Consolidated Gas Company, Michcon Gathering Company, DTE Thunder Bay Processing, L.L.C., Westside Pipeline Company, Saginaw Bay Pipeline Company, Michcon Lateral Company, and Saginaw Bay Lateral Company shall file tariffs consistent with those attached as Exhibit B on or before April 1, 2005.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Chair

Commissioner

Commissioner

By its action of December 21, 2004.

Its Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of)
 Michigan Consolidated Gas Company.)
 MichCon Gathering, Thunder Bay Pipeline)
 Co., Westside Pipeline Co., Saginaw Bay)
 Pipeline Co., MichCon Lateral Co., Saginaw)
 Bay Lateral Co., and Jordan Valley LP for)
 Ex parte approval to convert gas nonuniting)
 and gas storage balance operations from and)
Mcf to an MMBtu basis)

Case No. U-14106

SETTLEMENT AGREEMENT

On April 13, 2004 Michigan Consolidated Gas Company, MichCon Gathering, Thunder Bay Pipeline Co., Westside Pipeline Co., Saginaw Bay Pipeline Co., MichCon Lateral Co., Saginaw Bay Lateral Co., and Jordan Valley LP (collectively referred to as "MichCon" the "Company" or "Companies") filed an application with the Michigan Public Service Commission ("MPSC" or "Commission") in the above captioned case seeking ex parte approval to implement all tariff modifications necessary to allow natural gas storage to operate on an MMBtu basis, and allow all shippers on all company systems to execute gas transactions in MMBtu units rather than Mcf units. The Commission set this matter for hearing on June 14, 2004, and pursuant to the Commission's notice of hearing MichCon filed testimony and exhibits in support of its position on June 1, 2004. At the initial prehearing conference the petitions to intervene filed by Lakeshore Energy Services, LLC, and ABATE were granted and the Commission Staff (Staff) and Quicksilver resources, Inc. participated. For purposes of settling the issues in case No.

U-14106, and subject to the acceptance and approval of the Commission without modification, the undersigned parties agree and stipulate as follows:

1. On May 1, 2005 MichCon will implement the tariff modifications set forth in its April 13, 2004 Application and Attachments, and the matter described in Paragraph 2 of this Settlement Agreement (Agreement).

2. Prior to the beginning of each calendar month, MichCon will post an estimated system-wide average BTU factor. This factor will be applied to all transactions that occur in the upcoming calendar month and will not be adjusted later based on actual results. Once known, the actual BTU factor for a particular month will be utilized to calculate the estimated system-wide BTU factor for the next month. This procedure will remain in effect for a minimum period of 18 months immediately following the implementation of this settlement agreement. After a period of 18 months, MichCon may file a request with the Commission asking for review of the necessity of posting a system-wide average BTU factor.

3. This Agreement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are considered privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the parties to the settlement nor the Commission shall make any reference to, or use this Agreement or the order approving it, as a reason, authority, rationale or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided however, such references may be made to enforce or implement the provisions of this Agreement and the order approving it.

4. This Agreement is based on the facts and circumstances of this case and is intended as the final disposition of Case No. U-14106. If the Commission approves this Agreement without modification the undersigned parties agree not to appeal, challenge, or otherwise contest the Commission order approving this Agreement.

5. This Agreement is not severable. Each provision of this Agreement is dependent upon all other provisions of this Agreement. Failure to comply with any provision of this Agreement constitutes failure to comply with the entire Agreement. If the Commission rejects or modifies this Agreement or any provision of this Agreement, this Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall not operate to prejudice the pre-negotiation positions of any party.

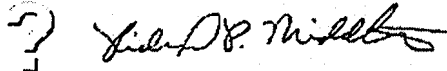
6. The parties agree to waive Section 81 of the Administrative procedures Act of 1969 (MCL 24.281), as it applies to the issues in this proceeding, if the Commission approves this Agreement without modification.

WHEREFORE, the undersigned parties respectfully request that the Commission approve this Settlement Agreement without modification, and make it effective, in accordance with its terms, by final order.

**MICHIGAN PUBLIC SERVICE
COMMISSION STAFF**

By: _____
Michael J. Orris (P51232)
Assistant Attorney General
Public Service Division
6545 Mercantile Way Suite 15
Lansing, Michigan 48911

MICHIGAN CONSOLIDATED GAS CO.

By:  _____
Its Attorney
Richard P. Middleton (P41278)
2000 2nd Avenue WCR 688
Detroit, Michigan 48226

Digitally signed by
Richard P. Middleton
DN: cn=Richard P.
Middleton, o=DTE
Energy, c=US
Date: 2004.08.17
14:42:33 -0400

Dated: _____, 2004

Dated: _____, 2004

4. This Agreement is based on the facts and circumstances of this case and is intended as the final disposition of Case No. U-14106. If the Commission approves this Agreement without modification the undersigned parties agree not to appeal, challenge, or otherwise contest the Commission order approving this Agreement.

5. This Agreement is not severable. Each provision of this Agreement is dependent upon all other provisions of this Agreement. Failure to comply with any provision of this Agreement constitutes failure to comply with the entire Agreement. If the Commission rejects or modifies this Agreement or any provision of this Agreement, this Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall not operate to prejudice the pre-negotiation positions of any party.

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**MICHIGAN PUBLIC SERVICE
COMMISSION STAFF**

? *Michael J. Orris*

By: _____
Michael J. Orris (P51232)
Assistant Attorney General
Public Service Division
6545 Mercantile Way Suite 15
Lansing, Michigan 48911

MICHIGAN CONSOLIDATED GAS CO.

? *Richard P. Middleton*

By: _____
Its Attorney
Richard P. Middleton (P41278)
2000 2nd Avenue WCB 688
Detroit, Michigan 48226

Digitally signed by
Richard P. Middleton
DN: cn=Richard P.
Middleton, o=MTC
Energy, c=US
Date: 2004.08.17
14:22:59 -0500

Dated: _____, 2004

Dated: _____, 2004

**LAKESHORE ENERGY
SERVICES, LLC**



**William J.
Wolter**

Digitally signed by
William J. Wolter
DN: cn=William J
Wolter, o=Wolter
Associates, INC
Date: 2004.08.17
12:00:28 -0400

By: _____
William J. Wolter (P39262)
Wolter & Associates
192 E. Main Street
Northville, Michigan 48167

Dated: _____, 2004

**ASSOCIATION OF BUSINESSES
ADVOCATING TARIFF EQUITY**

By: _____
Thomas E. Maier (P34526)
Clark Hill, PLC
2455 Woodlake Circle
Okemos, Michigan 48864

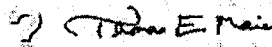
Dated: _____, 2004

**LAKESHORE ENERGY
SERVICES, LLC**

**ASSOCIATION OF BUSINESSES
ADVOCATING TARIFF EQUITY**

By: _____
William J. Wolter (P39262)
Wolter & Associates
192 E. Main Street
Northville, Michigan 48167

Dated: _____, 2004

By:  _____
Thomas E. Maier (P34526)
Clark Hill, PLC
2455 Woodlake Circle
Okemos, Michigan 48864

Digitally signed by
Thomas E. Maier
DN: cn=Thomas E.
Maier, o=Clark Hill
PLC, c=US
Date: 2004.08.31
10:21:15 -0400

Dated: _____, 2004

(Continued From Sheet No. E-33.00)

Rate Schedule No. ST-1 (Continued)

Applicable to All Districts

Transportation Service:

Not less than two days prior to the first day of each month, the customer shall advise the Company of the volume of gas that the customer will cause to be delivered to the Company for transportation during that month and the points of receipt where the gas will be delivered to the Company. The points of receipt shall be those that are agreed to from time to time by the customer and the Company.

If in any month the volume of gas received by the Company at the points of receipt, less the allowance for company-use and lost-and-unaccounted-for gas, is more than the volume of gas taken by the customer at the points of delivery, then the difference shall be retained by the Company and delivered (subject to the restrictions on tariff Sheet No. E-36.00) to the customer in those succeeding months when the volume of gas received by the Company is less than the customer's requirements. Should the aggregate volume of gas, less the allowance for use and loss, retained by the Company at any month-end exceed 10% of the annual contract quantity, then the Company shall have the rights: (1) to refuse to receive any additional volume of gas for that customer until the Company has satisfied itself that the volume of gas retained for the customer is less than 10% of the annual contract quantity, and (2) to charge the customer for the storage of any month-end balance that exceeds 10% of the annual contract quantity.

If the customer does not withdraw its gas retained by the Company within 60 days of the termination of the contract, then the Company shall have the right to purchase the gas from the customer at a rate of \$1.00 per MMBtu.

Gas In Kind:

The Company shall retain 0.9% of all gas received at the points of receipt to compensate it for the 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 customer.

Hours of Service:

Twenty-four hours per day.

Rate:

Monthly Customer Charge: \$1,300.00

Transportation Charge:

For all volumes of gas delivered at the points of delivery in a given month, up to the volume of gas received at the points of receipt, less the allowance for company-use and lost-and-unaccounted-for gas, plus any volumes of gas retained by the Company and redelivered during that month, the Transportation Charge shall be \$0.06420 per 100 cubic feet.

(Continued on Sheet No. E-35.00)

ISSUED _____, 2004 BY
 M. E. CHAMPLEY
 SENIOR VICE PRESIDENT
 REGULATORY AFFAIRS

DETROIT, MICHIGAN

EFFECTIVE FOR GAS SERVICE
 RENDERED ON AND AFTER
 _____, 2004

ISSUED UNDER AUTHORITY OF THE
 MICHIGAN PUBLIC SERVICE COMM.
 DATED _____, 2004
 IN CASE NO. U-14106

(Continued From Sheet No. E-34.00)

Rate Schedule No. ST-1 (Continued)

Applicable to All Districts

System-Supply Entitlement Charge:

Customers have the option of paying a System-Supply Entitlement Charge of \$0.20 per 100 cubic feet. The Company shall discount the Charge for all customers to reflect the currently effective unavoidable pipeline charges, but the Charge shall not be less than \$0.03 per 100 cubic feet, unless otherwise approved by the Commission. Once the Charge (including any discounts) is in effect, that Charge shall remain in effect until all appropriate customers are notified of a revised charge. Notice must occur at least 15 days prior to the beginning of the billing month in which that revised charge is to be in effect. Customers may choose to pay this Charge at their option. This choice shall be made within 90 days of selecting transportation service, and a customer may choose to pay this Charge on a fixed monthly quantity or percentage of its total transportation requirements. This provision is not available for transportation service under contracts effective on and after January 3, 1994.

Surcharges:

This Rate is subject to Surcharges shown on Sheet No. E-2.00.

Authorized Gas Usage:

A customer currently paying the System-Supply Entitlement Charge has automatic access to the Company's system supply for all gas taken by the customer in excess of the cumulative volumes delivered to the Company (less gas-in-kind) on behalf of that customer, up to the quantity or percentage of system-supply entitlement the customer has selected. The customer shall pay for this authorized gas usage at the customer's sales rate.

Unauthorized Gas Usage:

If a customer uses the Company's system supply, then the customer shall pay for unauthorized gas usage at the highest price reported for MichCon, Michigan, Consumers Energy and Chicago LDCs during the applicable month as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service, plus \$1.00 per 100 cubic feet for all gas taken by the customer in excess of the cumulative volume delivered to the Company (less use and loss) on behalf of the customer.

Load Balancing Storage Charge:

- (A) A customer shall be charged \$0.246 per MMBtu per month plus 0.9% for fuel for injection, for the storage of any month-end balance of gas that exceeds 10% of the annual contract quantity. The 0.9% for fuel for injection shall be paid for by gas-in-kind.

(Continued on Sheet No. E-36.00)

ISSUED _____, 2004 BY
M. E. CHAMPLEY
SENIOR VICE PRESIDENT
REGULATORY AFFAIRS

DETROIT, MICHIGAN

EFFECTIVE FOR GAS SERVICE
RENDERED ON AND AFTER
_____, 2004

ISSUED UNDER AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMM.
DATED _____, 2004
IN CASE NO. U-14106

(Continued From Sheet No. E-37.00)

Rate Schedule No. ST-2 (Continued)

Applicable to All Districts

Transportation Service:

Not less than two days prior to the first day of each month, the customer shall advise the Company of the volume of gas that the customer will cause to be delivered to the Company for transportation during that month and the points of receipt where the gas will be delivered to the Company. The points of receipt shall be those that are agreed to from time to time by the customer and the Company.

If in any month the volume of gas received by the Company at the points of receipt, less the allowance for company-use and lost-and-unaccounted-for gas, is more than the volume of gas taken by the customer at the points of delivery, then the difference shall be retained by the Company and delivered (subject to the restrictions on tariff Sheet No. E-39.00) to the customer in those succeeding months when the volume of gas received by the Company, less the allowance for use and loss, is less than the customer's requirements. Should the aggregate volume of gas retained by the Company at any month-end exceed 10% of the annual contract quantity, then the Company shall have the rights: (1) to refuse to receive any additional volume of gas for that customer until the Company has satisfied itself that the volume of gas retained for the customer is less than 10% of the annual contract quantity, and (2) to charge the customer for the storage of any month-end balance that exceeds 10% of the annual contract quantity.

If the customer does not withdraw its gas retained by the Company within 60 days of the termination of the contract, then the Company shall have the right to purchase the gas from the customer at a rate of \$1.00 per MMBtu.

Gas In Kind:

The Company shall retain 0.9% of all gas received at the points of receipt to compensate it for the 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 customer.

Hours of Service:

Twenty-four hours per day.

Rate:

Monthly Customer Charge: \$1,300.00

Transportation Charge:

For all volumes of gas delivered at the points of delivery in a given month, up to the volume of gas received at the points of receipt, less the allowance for company-use and lost-and-unaccounted-for gas, plus any volumes of gas retained by the Company and redelivered during that month, the Transportation Charge shall be \$0.09630 per 100 cubic feet. The Company may discount the Transportation Charge to not less than \$0.023 per 100 cubic feet.

(Continued on Sheet No. E-38.00)

ISSUED _____, 2004 BY
M. E. CHAMPLEY
SENIOR VICE PRESIDENT
REGULATORY AFFAIRS

DETROIT, MICHIGAN

EFFECTIVE FOR GAS SERVICE
RENDERED ON AND AFTER
_____, 2004

ISSUED UNDER AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMM.
DATED _____, 2004
IN CASE NO. U-14106

(Continued From Sheet No. E-37.01)

Rate Schedule No. ST-2 (Continued)

Applicable to All Districts

System-Supply Entitlement Charge:

Customers have the option of paying a System-Supply Entitlement Charge of \$0.20 per 100 cubic feet. The Company shall discount the Charge for all customers to reflect the currently effective unavoidable pipeline charges, but the Charge shall not be less than \$0.03 per 100 cubic feet, unless otherwise approved by the Commission. Once the Charge (including any discounts) is in effect, that Charge shall remain in effect until all appropriate customers are notified of a revised charge. Notice must occur at least 15 days prior to the beginning of the billing month in which that revised charge is to be in effect. Customers may choose to pay this Charge at their option. This choice shall be made within 90 days of selecting transportation service, and a customer may choose to pay this Charge on a fixed monthly quantity or percentage of its total transportation requirements. This provision is not available for transportation service under contracts effective on and after January 3, 1994.

Surcharges:

This Rate is subject to Surcharges shown on Sheet No. E-2.00.

Authorized Gas Usage:

A customer currently paying the System-Supply Entitlement Charge has automatic access to the Company's system supply for all gas taken by the customer in excess of the cumulative volumes delivered to the Company (less gas-in-kind) on behalf of that customer, up to the quantity or percentage of system-supply entitlement the customer has selected. The customer shall pay for this authorized gas usage at the customer's sales rate.

Unauthorized Gas Usage:

If a customer uses the Company's system supply, then the customer shall pay for unauthorized gas usage at the highest price reported for MichCon, Michigan, Consumers Energy and Chicago LDCs during the applicable month as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service, plus \$1.00 per 100 cubic feet for all gas taken by the customer in excess of the cumulative volume delivered to the Company (less use and loss) on behalf of the customer.

Load Balancing Storage Charge:

- (A) A customer shall be charged \$0.246 per MMBtu per month, plus 0.9% for fuel for injection, for the storage of any month-end balance of gas that exceeds 10% of the annual contract quantity. The 0.9% for fuel for injection shall be paid for by gas-in-kind.

(Continued on Sheet No. E-39.00)

ISSUED _____, 2004 BY
M. E. CHAMPLEY
SENIOR VICE PRESIDENT
REGULATORY AFFAIRS

DETROIT, MICHIGAN

EFFECTIVE FOR GAS SERVICE
RENDERED ON AND AFTER
_____, 2004

ISSUED UNDER AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMM.
DATED _____, 2004
IN CASE NO. U-14106

(Continued From Sheet No. E-40.00)

Rate Schedule No. LT-1 (Continued)

Applicable to All Districts

Transportation Service:

Not less than two days prior to the first day of each month, the customer shall advise the Company of the volume of gas that the customer will cause to be delivered to the Company for transportation during that month and the points of receipt where the gas will be delivered to the Company. The points of receipt shall be those that are agreed to from time to time by the customer and the Company.

If in any month the volume of gas received by the Company at the points of receipt, less the allowance for company-use and lost-and-unaccounted-for gas, is more than the volume of gas taken by the customer at the points of delivery, then the difference shall be retained by the Company and delivered (subject to the restrictions on tariff Sheet No. E-43.00) to the customer in those succeeding months when the volume of gas received by the Company is less than the customer's requirements. Should the aggregate volume of gas, less the allowance for use and loss, retained by the Company at any month-end exceed 10% of the annual contract quantity, then the Company shall have the rights: (1) to refuse to receive any additional volume of gas for that customer until the Company has satisfied itself that the volume of gas retained for the customer is less than 10% of the annual contract quantity, and (2) to charge the customer for the storage of any month-end balance that exceeds 10% of the annual contract quantity.

If the customer does not withdraw its gas retained by the Company within 60 days of the termination of the contract, then the Company shall have the right to purchase the gas from the customer at a rate of \$1.00 per MMBtu.

Gas In Kind:

The Company shall retain 0.9% of all gas received at the points of receipt to compensate it for the 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 customer.

Hours of Service:

Twenty-four hours per day.

Rate:

Monthly Customer Charge: \$2,100.00

Transportation Charge:

For all volumes of gas delivered at the points of delivery in a given month, up to the volume of gas received at the points of receipt, less the allowance for company-use and lost-and-unaccounted-for gas, plus any volumes of gas retained by the Company and redelivered during that month, the Transportation Charge shall be \$0.05458 per 100 cubic feet.

(Continued on Sheet No. E-42.00)

ISSUED _____, 2004 BY
M. E. CHAMPLEY
SENIOR VICE PRESIDENT
REGULATORY AFFAIRS

DETROIT, MICHIGAN

EFFECTIVE FOR GAS SERVICE
RENDERED ON AND AFTER
_____, 2004

ISSUED UNDER AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMM.
DATED _____, 2004
IN CASE NO. U-14106

(Continued From Sheet No. E-41.00)

Rate Schedule No. LT-1 (Continued)

Applicable to All Districts

System-Supply Entitlement Charge:

Customers have the option of paying a System-Supply Entitlement Charge of \$0.20 per 100 cubic feet. The Company shall discount the Charge for all customers to reflect the currently effective unavoidable pipeline charges, but the Charge shall not be less than \$0.03 per 100 cubic feet, unless otherwise approved by the Commission. Once the Charge (including any discounts) is in effect, that Charge shall remain in effect until all appropriate customers are notified of a revised charge. Notice must occur at least 15 days prior to the beginning of the billing month in which that revised charge is to be in effect. Customers may choose to pay this Charge at their option. This choice shall be made within 90 days of selecting transportation service, and a customer may choose to pay this Charge on a fixed monthly quantity or percentage of its total transportation requirements. This provision is not available for transportation service under contracts effective on and after January 3, 1994.

Surcharges:

This Rate is subject to Surcharges shown on Sheet No. E-2.00.

Authorized Gas Usage:

A customer currently paying the System-Supply Entitlement Charge has automatic access to the Company's system supply for all gas taken by the customer in excess of the cumulative volumes delivered to the Company (less gas-in-kind) on behalf of that customer, up to the quantity or percentage of system-supply entitlement the customer has selected. The customer shall pay for this authorized gas usage at the customer's sales rate.

Unauthorized Gas Usage:

If a customer uses the Company's system supply, then the customer shall pay for unauthorized gas usage at the highest price reported for MichCon, Michigan, Consumers Energy and Chicago LDCs during the applicable month as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service, plus \$1.00 per 100 cubic feet for all gas taken by the customer in excess of the cumulative volume delivered to the Company (less use and loss) on behalf of the customer.

Load Balancing Storage Charge:

- (A) A customer shall be charged \$0.246 per MMBtu per month, plus 0.9% for fuel for injection, for the storage of any month-end balance of gas that exceeds 10% of the annual contract quantity. The 0.9% for fuel for injection shall be paid for by gas-in-kind.

(Continued on Sheet No. E-43.00)

ISSUED _____, 2004 BY
M. E. CHAMPLEY
SENIOR VICE PRESIDENT
REGULATORY AFFAIRS

DETROIT, MICHIGAN

EFFECTIVE FOR GAS SERVICE
RENDERED ON AND AFTER
_____, 2004

ISSUED UNDER AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMM.
DATED _____, 2004
IN CASE NO. U-14106

(Continued From Sheet No. E-44.00)

Rate Schedule No. LT-2 (Continued)

Applicable to All Districts

Transportation Service:

Not less than two days prior to the first day of each month, the customer shall advise the Company of the volume of gas that the customer will cause to be delivered to the Company for transportation during that month and the points of receipt where the gas will be delivered to the Company. The points of receipt shall be those that are agreed to from time to time by the customer and the Company.

If in any month the volume of gas received by the Company at the points of receipt, less the allowance for company-use and lost-and-unaccounted-for gas, is more than the volume of gas taken by the customer at the points of delivery, then the difference shall be retained by the Company and delivered (subject to the restrictions on tariff Sheet No. E-47.00) to the customer in those succeeding months when the volume of gas received by the Company, less the allowance for use and loss, is less than the customer's requirements. Should the aggregate volume of gas retained by the Company at any month-end exceed 10% of the annual contract quantity, then the Company shall have the rights: (1) to refuse to receive any additional volume of gas for that customer until the Company has satisfied itself that the volume of gas retained for the customer is less than 10% of the annual contract quantity, and (2) to charge the customer for the storage of any month-end balance that exceeds 10% of the annual contract quantity.

If the customer does not withdraw its gas retained by the Company within 60 days of the termination of the contract, then the Company shall have the right to purchase the gas from the customer at a rate of \$1.00 per MMBtu.

Gas In Kind:

The Company shall retain 0.9% of all gas received at the points of receipt to compensate it for the 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 customer.

Hours of Service:

Twenty-four hours per day.

Rate:

Monthly Customer Charge: \$2,100.00

Transportation Charge:

For all volumes of gas delivered at the points of delivery in a given month, up to the volume of gas received at the points of receipt, less the allowance for company-use and lost-and-unaccounted-for gas, plus any volumes of gas retained by the Company and redelivered during that month, the Transportation Charge shall be \$0.08187 per 100 cubic feet. The Company may discount the Transportation Charge to not less than \$0.023 per 100 cubic feet.

(Continued on Sheet No. E-46.00)

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(Continued From Sheet No. E-45.00)

Rate Schedule No. LT-2 (Continued)

Applicable to All Districts

System-Supply Entitlement Charge:

Customers have the option of paying a System-Supply Entitlement Charge of \$0.20 per 100 cubic feet. The Company shall discount the Charge for all customers to reflect the currently effective unavoidable pipeline charges, but the Charge shall not be less than \$0.03 per 100 cubic feet, unless otherwise approved by the Commission. Once the Charge (including any discounts) is in effect, that Charge shall remain in effect until all appropriate customers are notified of a revised charge. Notice must occur at least 15 days prior to the beginning of the billing month in which that revised charge is to be in effect. Customers may choose to pay this Charge at their option. This choice shall be made within 90 days of selecting transportation service, and a customer may choose to pay this Charge on a fixed monthly quantity or percentage of its total transportation requirements. This provision is not available for transportation service under contracts effective on and after January 3, 1994.

Surcharges:

This Rate is subject to Surcharges shown on Sheet No. E-2.00.

Authorized Gas Usage:

A customer currently paying the System-Supply Entitlement Charge has automatic access to the Company's system supply for all gas taken by the customer in excess of the cumulative volumes delivered to the Company (less gas-in-kind) on behalf of that customer, up to the quantity or percentage of system-supply entitlement the customer has selected. The customer shall pay for this authorized gas usage at the customer's sales rate.

Unauthorized Gas Usage:

If a customer uses the Company's system supply, then the customer shall pay for unauthorized gas usage at the highest price reported for MichCon, Michigan, Consumers Energy and Chicago LDCs during the applicable month as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service, plus \$1.00 per 100 cubic feet for all gas taken by the customer in excess of the cumulative volume delivered to the Company (less use and loss) on behalf of the customer.

Load Balancing Storage Charge:

- (A) A customer shall be charged \$0.246 per MMBtu per month, plus 0.9% for fuel for injection, for the storage of any month-end balance of gas that exceeds 10% of the annual contract quantity. The 0.9% for fuel for injection shall be paid for by gas-in-kind.

(Continued on Sheet No. E-47.00)

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Rate Schedule No. TOS-1

**Applicable for Off System
Transportation**

FIRM TRANSPORTATION RATE

Service Eligibility:

Service shall be available to all entities desiring to move gas through the Company's system to an Off System location.

The Shipper is required to request transportation service, in writing, on the Company's standard transportation request form and to sign an agreement, limited as to time, which must be approved by an officer of the Company before it shall be binding upon the Company (Transportation Agreement). The Transportation Agreement must contain the general terms and conditions contained in Exhibit "D" of the Company's standard Transportation Agreement.

Definitions:

As used in this Rate Schedule:

"Maximum daily quantity" (MDQ) means a daily quantity of natural gas, measured on an *MMBtu* basis, specified in the Transportation Agreement between the Shipper and the Company, which represents the greatest volume of gas that the Company is obligated to receive on behalf of the Shipper on any day.

"MMBtu" means one million Btu.

"Off System" means gas which is transported from a receipt point into the Company's system to a delivery point which is interconnected to a pipeline or another local gas distribution company.

"Shipper" means any entity which has entered into a valid Transportation Agreement with the Company to transport natural gas on the Company's dry transmission system.

Type of Service Offered:

Under this Rate Schedule, the Company will transport natural gas volumes on a firm basis, for a Shipper on the Company's dry gas transmission system. The Company, in its sole judgment, shall have the right to determine if capacity is available for firm transportation under this tariff.

Transportation Service:

The Company shall receive gas from the Shipper or 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 or for the account of the Shipper at the point(s) of delivery.

(Continued on Sheet No. E-54.00)

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(Continued From Sheet No. E-53.00)

Rate Schedule No. TOS-1 (Continued)

**Applicable for Off System
Transportation**

Transportation Service: (Continued)

The Shipper shall advise the Company, not less than six working days prior to the first day of the month, of the volume of gas that the Shipper will cause to be delivered to the Company for transportation during that month, and the points of receipt and points of delivery.

The points of receipt and points of delivery shall be those that are listed in Exhibits "A" and "B" of the Transportation Agreement, respectively.

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

Imbalance:

The Company and the 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 points of receipt are greater or lesser than the gas delivered at the points 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 the 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 day period, then the Shipper shall pay an unauthorized usage charge to the Company at a rate of \$10.00 per MMBtu, plus the currently effective Gas Cost Recovery Factor at that time for all such deficient volumes.

Gas in Kind:

The Company shall retain 0.9% of all gas received at the point of receipt to compensate it for the gas used by the Company and lost-and-unaccounted-for gas on the Company's system.

Rates:

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

- (1) a monthly administrative fee of \$300; and
- (2) a charge, not to exceed \$0.147 per MMBtu, consisting of a demand portion and a commodity portion.

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

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(Continued From Sheet No. E-55.00)

Rate Schedule No. TOS-2 (Continued)

**Applicable for Off System
Transportation**

Transportation Service: (Continued)

The points of receipt and points of delivery shall be those that are listed in Exhibits "A" and "B" of the Transportation Agreement, respectively.

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

Imbalance:

The Company and the 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 points of receipt are greater or lesser than the gas delivered at the points 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 the 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 day period, then the Shipper shall pay an unauthorized usage charge to the Company at a rate of \$10.00 per MMBtu plus the currently effective Gas Cost Recovery Factor at that time for all such deficient volumes.

Gas in Kind:

The Company shall retain 0.9% of all gas received at the point of receipt to compensate it for the gas used by the Company and lost-and-unaccounted-for gas on the Company's system.

Rates:

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

- (1) a monthly administrative fee of \$300; and
- (2) a monthly commodity charge based on a rate not to exceed \$0.147 per MMBtu for any volumes transported.

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Rate Schedule No. CS-1

Applicable for Contract Storage

CONTRACT STORAGE RATE

Availability:

This Rate Schedule is available to all entities desiring firm or interruptible storage service to the extent that:

- (a) the Company has determined that it has sufficient available and uncommitted storage capacity to perform the service requested by the entity; and
- (b) the Company and the entity have executed a Storage Agreement under this Rate Schedule.

Characteristics of Service:

Any rates, terms and conditions not covered by this tariff shall be as contained in the Storage Agreement.

Service commitments under any Storage Agreements are limited to a maximum of five years. Storage Agreements which exceed a five-year term must state that service beyond the five-year limitation is on an "as available" basis.

Any storage gas that is delivered off-system during a peak day period may be subject to interruption at the sole discretion of the Company.

Rates:

Monthly Administrative Fee: \$300

Storage Charge: The Storage Charge shall be a rate not to exceed \$1.47 per MMBtu, consisting of a demand portion and a commodity portion, as provided by the Storage Agreement.

Fuel:

Fuel for injection of 0.9% shall be paid for by gas-in-kind.

Penalty Charges:

The Company is authorized to charge storage customers for deliveries to, or redeliveries from, storage in excess of the maximum volumes set forth in the Storage Agreement. The penalty rates shall not exceed the sum of \$10.00 per MMBtu plus the currently effective Gas Cost Recovery Factor.

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(Continued from Sheet No. G-1.00)

G1. GENERAL PROVISIONS: (Continued)

- (E) If a Supplier adds customers after the customers' usage for the May billing cycle has begun for a Program Year, the monthly remittance to the Supplier for gas supplied to those customers will be adjusted by a Supply Equalization Charge. The Supply Equalization Charge shall be equal to the product of: (a) and (b) where (a) equals the Company's weighted average monthly cost of gas purchased for the months from the preceding April through the current billing month less the Supplier-specified customer billing price per Mcf, *converted to price per MMBtu using the system-average Btu factor*, and (b) equals the increase for that month, if any, in the amount by which the cumulative Mcf quantity billed to those customers subject to the Supply Equalization Charge for the Program Year, *converted to MMBtu using the system-average Btu factor*, exceeds the cumulative Supplier deliveries for those customers for the Program Year *in MMBtu*. The Supply Equalization Charge shall not be less than zero. The Program Year is the year beginning April 1 and ending the following March 31.
- (F) A Supplier shall pay a monthly Administrative Fee of \$100.00 per Supplier-designated Pricing Category.
- (G) The Company will provide each Supplier with a monthly schedule of quantities for delivery of gas into the Company's system on behalf of the Supplier's customers. The initial schedule will indicate *quantities* that the Supplier is required to deliver each day under each Supplier-designated Pricing Category. "Pricing Category" means the designated rate schedule established by a supplier. The schedule will be updated by the Company on a monthly basis. For most Gas Customer Choice customers, scheduled daily volumes will not normally vary by more than plus/minus 10% from 1/365th of the estimated annual customer load to be served by the Supplier. Scheduled daily *quantities* for Gas Customer Choice customers for electric peakers, greenhouses, grain dryers, asphalt plants and large new loads without historical load information may be determined by the Company on a different basis than set forth above. The Supplier shall be responsible for obtaining sufficient pipeline capacity to meet its delivery obligations.
- (H) Gas delivered into the Company's system shall comply with Rule B1.8, Gas Quality.
- (I) Each supplier shall notify the Company's Gas Transportation Administration Department of the daily quantity of gas that the Supplier is nominating for delivery on behalf of each Supplier-designated Pricing Category. Such nominations shall be submitted in accordance with the Company's existing nomination procedures.
- (J) A Supplier that falls short of the delivery schedule, described in Paragraph G, above, shall pay a per *MMBtu* "Failure Fee" for all shortages in the amount of \$6.00 per *MMBtu* (\$10.00 per *MMBtu* during periods of a Company-declared supply emergency in accordance with Rule B4, Curtailment of Gas Service for Gas Supply Deficiency) plus the higher of (a) the cost of gas billed to sales customers pursuant to the Company's Rule B10 or (b) the highest price reported in Gas Daily in the midpoint column of the Daily Price Survey, for the following locations for the month in which the breach occurred or the month following such breach: Dawn, Ontario; ANR ML7 (entire zone); Chicago-LDC, large euts; Michigan - Consumers Energy, large euts; Michigan - MichCon, large euts.

A Supplier that falls short of the required delivery schedule obligation to the extent that the cumulative unpaid Failure Fees exceed any cash deposit or alternative assurance described in Paragraph D, above, shall have its Authorized Supplier status revoked. Subject to Rule B3, Controlled Service, the Supplier's customers shall become sales rate customers of the Company.

(Continued on Sheet No. G-3.00)

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(Continued from Sheet No. G-2.00)

G1. GENERAL PROVISIONS: (Continued)

- (K) All customer billing and remittance processing functions for services provided under Rate CC will be performed by the Company. The Supplier will be charged a monthly fee of \$0.30 per customer account. The Company will be responsible for credit and collection activities for the amounts billed directly to the customer by the Company. The Supplier must, at least three business days prior to the start of each billing month, furnish to the Company, in a format acceptable to the Company, the price per Ccf to be billed to each Supplier-designated Pricing Category on its behalf, or the most recently supplied price will be used.
- (L) The Company shall remit to the Supplier, approximately 21 days from the end of each calendar month, an amount for the cost of gas equal to the *MMBtu* quantities that the Supplier has delivered onto the Company's system, not in excess of the Supplier's delivery obligation, multiplied by the lesser of the price per Mcf billed to the Supplier's customers that month, *converted to MMBtu*, or 110% of the cost of gas billed to sales customers pursuant to the Company's Rule B10. The amount to be remitted shall be reduced for any applicable Supply Equalization Charges, Administrative Fees, Billing Fees, Failure Fees, and/or amounts owed pursuant to the annual price reconciliation per Paragraph M.
- (M) Except as set forth below, within 60 working days after the end of the April billing cycle, or upon revocation of a Supplier's Authorized Supplier status, the Company will reconcile the cost per *MMBtu* remitted to the Supplier per Paragraph L, before reductions for Administrative Fees, Billing Fees, Failure Fees, and Supply Equalization Charges *converted to cost per Mcf using the monthly system-average Btu factor*, with the price per Mcf billed to customers over the course of the Program Year on the Supplier's behalf. Any difference multiplied by the smaller of the Mcf delivered by the Supplier or the billed customer consumption for the Program Year being reconciled, will be reflected in an adjustment on the next monthly remittance to the Supplier.
- In those instances where both (i) the weighted average price per Mcf billed to customers over the course of the Program Year on the Supplier's behalf is higher than the weighted average cost of gas billed to sales customers by the Company pursuant to the Company's Rule B10 and (ii) the volumes delivered by the Supplier exceed the billed customer consumption for the Program Year being reconciled, then the following procedure will be used. In such instances, (i) within 60 working days after the end of the April billing cycle, or upon revocation of a Supplier's Authorized Supplier status, the Company will reconcile the amount billed to customers on the Supplier's behalf with the Company's remittance to the Supplier for the gas delivered, and any difference will be reflected in an adjustment on the next monthly remittance to the Supplier, and (ii) gas delivered by the Supplier in excess of the billed customer consumption for the Program Year will be returned to the Supplier in kind unless the Company and the Supplier mutually agree on a price for the Company to purchase the excess gas.
- (N) A Supplier that fails to comply with the terms and conditions of the Program shall have its Authorized Supplier status suspended and/or terminated and, subject to Rule B3, Controlled Service, its customers shall become sales rate customers of the Company.
- (O) Where used in this Rule, the term "month," unless otherwise indicated, means billing month when referring to customer consumption and calendar month when referring to deliveries by Suppliers.

(Continued on Sheet No. G-4.00)

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(Continued from Sheet No. G-3.00)

G1. GENERAL PROVISIONS: (Continued)

- (P) The annual load requirement, delivery schedules, Supply Equalization Charges, delivery shortfall Failure Fees and annual reconciliation shall apply separately to each Supplier-designated Pricing Category and each of the two customer groups within that category, i.e. those enrolled before their usage for the May billing cycle has begun and those enrolled after their usage for the May billing cycle has begun in each Program Year.
- (Q) The Company may disclose, at such times as requested by the Commission or its Staff, the gas rates charged to Rate CC customers.
- (R) The Company shall have the authority to issue operational flow orders, or take other action which it deems necessary, to ensure system reliability, even if such action may be inconsistent with other provisions of these Program Rules.
- (S) The Company will act as Supplier of last resort under the Program.
- (T) A Supplier must include the Company's required tariff language in all of its contracts.

If a customer has a complaint against a Supplier, the customer should try to resolve it first with the Supplier. If it is appropriate, the customer or Supplier should involve the Company. If the complaint is unresolved, the customer should involve the Commission Staff, and ultimately the Commission.
- (U) The Transportation Standards of Conduct, Rules F1 and F2, shall apply to the GCC program.
- (V) *The Company will convert customer consumption from Mcf to MMBtu using monthly system-average Btu factor.*

G2. RESIDENTIAL CUSTOMER PROTECTIONS:

- (A) A Supplier must provide a 30-day unconditional cancellation period following the agreement date with a customer. The first day of the 30-day period is the day after the contract is entered into by the customer. The exercise of this right by the customer may occur through a verbal or written communication with the Supplier. The Supplier shall promptly submit a de-enrollment file to the Company after receiving notice that a customer has cancelled the contract. A customer who cancels within the specified period will be treated as not having exercised their customer choice option with respect to the enrollment which is cancelled. The Company is not required to de-enroll a customer until after it receives a de-enrollment file from the Supplier or a new enrollment file from a different Supplier.
- (B) A customer has the right to terminate participation with a Supplier at any time if the initial contract period has ended. The exercise of this right by the customer may occur through a verbal or written communication with the Supplier. The Supplier shall promptly submit a de-enrollment file to the Company after receiving notice that a customer has cancelled the contract. The Company is not required to de-enroll a customer until after it receives a de-enrollment file from the Supplier or a new enrollment file from a different Supplier.
- (C) A Supplier using face-to-face solicitation methods cannot represent itself as an employee or agent of the Company. A Supplier's sales representatives or agents must prominently display identification on the front of their outer clothing that identifies them as employees or agents working on behalf of a Supplier, and includes the name of the Supplier and the name and identification number of the person representing the Supplier.

(Continued on Sheet No. G-5.00)

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(Continued From Sheet No. F-4.00)

F3.4 Cashout Provisions

- (A) Company shall compare Actual Receipts to Actual Deliveries tendered at each Dry Receipt Point utilized by Nominating Agent and calculate an Imbalance no later than the tenth (10th) Business Day following the end of each Production Month. The volumetric difference, after any imbalance trading has occurred pursuant to Section F3.5, will result in Excess Quantities or Deficient Quantities. If the Nominating Agent nominated gas on multiple Dry Receipt Points, Company shall aggregate Excess Quantities and Deficient Quantities for all Alpena System Dry Points separately from Non-Alpena System Dry Points. The separately aggregated Excess Quantities and/or Deficient Quantities shall be divided by the Actual Deliveries separately aggregated for the Alpena System Dry Points and the Non-Alpena System Dry Points respectively, using final monthly confirmed volumes as posted on Company's ConQuest EBB. This calculation will be used to determine Nominating Agent's Monthly Imbalance percentage on the Alpena System Dry Points and separately for the Non-Alpena System Dry Points. Company shall be authorized to purchase and sell gas at Dry Receipt Points to manage imbalance quantities.
- (B) Each Month, Company shall determine the Monthly Index Price. The Monthly Index Price shall be based on the Daily Price Survey rates for MichCon citygates as reported in Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service. The Monthly Index Price shall be equal to the sum of the daily Mich.-MichCon Midpoint Citygate Price for the applicable Production Month divided by the number of quoted price days in the same Production Month. Company will post the Monthly Index Price on its ConQuest EBB by the 3rd Business Day of the Month.
- (C) In cases where Nominating Agent's Imbalance results in Excess Quantities, Company shall pay Nominating Agent the following based on the Monthly Imbalance percentage:

<u>Imbalance Percentage (Tier)</u>	<u>Cashout Price for the Excess Quantities</u>
Greater of first 100 MMBtu	
Or 0% up to 2%	100% of Monthly Index Price
> 2% Up to 5%	80% of Monthly Index Price
> 5%	60% of Monthly Index Price

For purposes of determining the tier at which an Imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, Excess Quantities that make up the first 2% of the Imbalance will be priced at 100% of the Monthly Index Price. Excess Quantities making up the next 3% of the Imbalance will be priced at 80% of the Monthly Index Price. Excess Quantities making up the remaining 2% of the Imbalance will be priced at 60% of the Monthly Index Price.

(Continued on Sheet No. F-6.00)

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(Continued From Sheet No. F-5.00)

F3.4 Cashout Provisions (Continued)

- (D) In cases where Nominating Agent's Imbalance results in Deficient Quantities, Nominating Agent shall pay Company the following based on the Monthly Imbalance percentage:

<u>Imbalance Percentage (Tier)</u>	<u>Cashout Price for Deficient Quantities</u>
Greater of first 100 MMBtu	
Or 0% up to 2%	100% of Monthly Index Price
> 2% Up to 5%	120% of Monthly Index Price
> 5%	140% of Monthly Index Price

- (E) For purposes of determining the tier at which an Imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, Deficient Quantities that make up the first 2% of the Imbalance will be priced at 100% of the Monthly Index Price. Deficient Quantities making up the next 3% of the Imbalance will be priced at 120% of the Monthly Index Price. Deficient Quantities making up the remaining 2% of the Imbalance will be priced at 140% of the Monthly Index Price.
- (F) Cashout of volumes relating to prior period adjustments shall be cashed out at 100% of the Monthly Index Price applicable to the Production Month in which the prior period adjustment was created.

F3.5 Imbalance Trading

- (A) Company will allow a Nominating Agent to net Imbalances with other Nominating Agents within the Alpena System Dry Points and within the Non-Alpena System Dry Points, but not between the Alpena System Dry Points and the Non-Alpena System Dry Points. Gas from Alpena System Dry Points must be transported to Company's Woolfolk delivery point, or other points as identified on ConQuest EBB before imbalance trading can occur.
- (B) The information required for imbalance trading must include the identification of both Nominating Agents involved in the trade, production period, and the monthly volume to be traded. Imbalances must be traded with Imbalances in the opposite direction and must move the Nominating Agent's Imbalance closer to zero.
- (C) Company will enable the imbalance trading process by:
- (1) Receiving the request for imbalance trade;
 - (2) Receiving the imbalance trade confirmation;
 - (3) Sending the imbalance trade notification;
 - (4) Reflecting the trade on the Nominating Agent's next monthly imbalance or cashout invoice.

(Continued on Sheet No. F-7.00)

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