

Exhibit B

TERRITORY SERVED			
City:	Village of:	Township of:	
<u>OPERATIONAL DISTRICT - CENTRAL</u>			
<u>CALHOUN COUNTY</u>			
Albion	Homer	Albion Clarence Homer	Claredon Eckford Sheridan
<u>EATON COUNTY</u>			
			Brookfield
<u>HILLSDALE COUNTY</u>			
Litchfield		Litchfield	
<u>JACKSON COUNTY</u>			
	Concord Parma Springport	Concord Pulaski Spring Arbor Tompkins	Parma Sandstone Springport
<u>OPERATIONAL DISTRICT - EASTERN</u>			
<u>LAPEER COUNTY</u>			
	Clifford North Branch	Almont Attica Burnside Imlay North Branch	Arcadia Burlington Goodland Mayfield Rich
<u>MACOMB COUNTY</u>			
Memphis New Baltimore Richmond	Armada New Haven Romeo	Armada Chesterfield Macomb Richmond Washington	Bruce Lenox Ray Shelby

Issued May __, 2003 by
Eugene N. Dubay
Senior Vice President and Chief Operating Officer
Port Huron, MI 48060

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TERRITORY SERVED

City:

Village of:

Township of:

OPERATIONAL DISTRICT – EASTERN - continued

ST. CLAIR COUNTY

Algonac
Marine City
Marysville
Memphis
Port Huron
St. Clair
Yale

Emmett

Berlin
Burtchville
China
Clyde
Cottrellville
Emmett
Grant
Ira
Kimball
Riley
Wales

Brockway
Casco
Clay
Columbus
East China
Fort Gratiot
Greenwood
Kenockee
Port Huron
St. Clair

SANILAC COUNTY

Brown City
Croswell
Sandusky

Applegate
Carsonville
Deckerville
Lexington

Marlette
Melvin
Peck
Port Sanilac

Wheatland

Bridgehampton
Custer
Elmer
Flynn

Fremont
Lamotte
Maple Valley
Marlette
Speaker
Watertown

Worth

Buel
Elk
Evergreen
Foreste
r
Greenleaf
Lexington
Marion
Sanilac
Washington

TUSCOLA COUNTY

Cass City
Kingston

Akron
Columbia
Elkland
Ellington
Kingston
Novesta

Almer
Elmwood
Koylton
Wisner

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City:

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OPERATIONAL DISTRICT – SOUTHWESTERN

BERRIEN COUNTY

Buchanan
New Buffalo
Niles

Galien
Grand Beach
Michiana Shore
Three Oaks

Bainbridge
Buchanan
Galien
New Buffalo
Three Oaks

Bertrand
Chikaming
Lake
Niles
Weesaw

CASS COUNTY

Dowagiac

Cassopolis
Edwardsberg

Calvin
Jefferson
Mason
Newberg
Penn
Porter
Wayne

Howard
La Grange
Milton
Ontwa
Pokagon
Silver Creek

ST. JOSEPH COUNTY

Three Rivers

Centreville
Constantine
Lockport

White Pigeon

Constantine
Florence
Mendon
Mottville

Fabius
Flowerfield

Nottawa

Park

Sherman

White Pigeon

VAN BUREN COUNTY

Keeler

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City:

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OPERATIONAL DISTRICT – WESTERN

ALLEGAN COUNTY

Holland

Manlius

Fillmore
Overisel

Laketown

Salem

Saugatuck

OTTAWA COUNTY

Holland

Zeeland

Allendale
Georgetown
Jamestown
Park

Blendon
Holland
Olive
Port Sheldon

Robinson

Zeeland

OPERATIONAL DISTRICT – UPPER PENINSULA EAST

BARAGA COUNTY

Baraga
L'Anse

Baraga

L'Anse

LUCE COUNTY

Newberry

McMillan

Pentland

MACKINAC COUNTY

St. Ignace

Engadine

Garfield
St. Ignace

Moran

SCHOOLCRAFT COUNTY

Manistique

Hiawatha

Manistique

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OPERATIONAL DISTRICT – UPPER PENINSULA WEST

GOGEBIC COUNTY

Marenisco

Marenisco

Watersmeet

HOUGHTON COUNTY

Hancock

Houghton

South Range

Adams

Franklin

Portage

Chassell

Osceola

Quincy

MARQUETTE COUNTY

Ishpeming

Marquette

Negaunee

Chocolay

Forsyth

Marquette

Republic

Sands

West Branch

Ely

Ishpeming

Nequamee

Richmond

Tilden

ONTONAGON COUNTY

Ontonagon

Carp Lake

Ontonagon

White Pine

Stannard

Rockland

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F. Curtailment Priorities

1. For purposes of curtailment, firm end use sales and transportation customers (whose service is not provided pursuant to a blanket certificate by the FERC) will be treated equally in accordance with the curtailment priority categories set forth. Six categories are established with Priority Six being the first category to be curtailed and Priority One being the last.

PRIORITY SIX

Firm daily balancing services provided to transportation customers and transportation pools.

PRIORITY FIVE

All non-residential customers having alternate fuel capability for that portion of their load covered by the alternate fuel, and all firm sales of gas not provided to the Gas Cost Recovery (GCR) customers.

PRIORITY FOUR

Commercial and industrial gas requirements in excess of ~~41,667~~ 10,000 Mcf per the base load period month being curtailed.

PRIORITY THREE

Commercial and industrial gas requirements of ~~8,334~~ 2,573 Mcf to ~~41,667~~ 10,000 Mcf per the base period month being curtailed.

PRIORITY TWO

Non-residential customers having commercial gas requirements of ~~4,250~~ 834 Mcf to ~~8,334~~ 2,573 Mcf per the base period month being curtailed and industrial gas requirements of ~~8,334~~ Mcf per the base period month being curtailed.

PRIORITY ONE

Residential gas requirements, commercial gas requirements of ~~4,250~~ 834 Mcf or less per the base period month being curtailed, requirements for plant protection, and requirements for services essential for public health and safety not covered by an alternate fuel.

Continued From Sheet No. B-43.00

In case the actual service used during any equal payment period exceeds the bills as rendered on the Equal Payment Plan, the amount of such excess shall be paid not later than the third billing month following such equal payment period, except that if the customer discontinues service with the Company under the Equal Payment Plan, any such excess not yet paid shall become payable immediately. In case the actual service used during the equal payment period is less than the amount paid under the Equal Payment Plan during such period, the amount of such overpayment shall, at the option of the Company, be either refunded or credited to the customer at the end of the period.

If a customer fails to pay bills as rendered on the Equal Payment Plan, the Company shall have the right to withdraw the plan with respect to such customer and to restore the customer to billing as provided for in the applicable tariffs, in addition to any other rights which the Company may have under such tariffs in case of arrearage in payment of bills.

B6.9 Nonpayment of Bills:

All bills are due and payable by the customer as specified in the tariff applicable to his service. The word "month" as used herein and in the tariffs is hereby defined to be the elapsed time between two successive meter readings approximately 30 days apart.

B6.10 NSF Checks and on Premise Collections:

A Charge for Nonsufficient Funds (NSF) Check

A charge of \$15.00 will be levied upon a customer for each check the customer issues the Company in payment for a gas bill when the check is returned to the Company marked NSF or closed account by the financial institution upon which the check is drawn. This charge will become part of the customer's arrears and will be subject to the same requirements applicable thereto. If the check was written to avoid shutoff, the Company may shutoff after one final contact is attempted.

B Charge for On-Premises Collection

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

B6.11 Discontinuance of Service:

The customer is responsible for the payment of bills until service is ordered discontinued and the Company has had reasonable time for securing a final reading. If any bill for gas service rendered by the Company to a customer remains unpaid for a period of five (5) days after the due date, the Company shall have the right to issue a notice in writing of its intent to discontinue service and to discontinue such service ten (10) days after such notice has been given. If the bill in question is paid under protest, in order to secure continuity of service, and it is later shown the bill was in error, the customer shall be entitled to a refund.

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The Company may discontinue service without notice other than personal notice at the time of discontinuance, in case the meter or piping on the customer's premises is tampered with in any manner to allow unmetered gas to be used.

The Company will discontinue service to any customer upon request by the customer. However, if reconnection is requested by the same customer on the same premises within one (1) year after discontinuance, the customer shall be charged a turn-on charge.

B6.10 Charge for On-Premises Collection and Notification

A charge of \$7.50 will be levied upon a customer for each occurrence where it is necessary for the Company to send an employee to the premises of the customer in order to notify or collect that customer's bill. This charge will become part of the customer's arrears and will be subject to the same requirements applicable thereto.

B6.12 Turn-On Charges:

Transfers of service, where service at a premise is transferred from one customer to a subsequent customer, and where the transfer does not require the dispatch of a Company employee to the premise, shall be made ~~without charge to either party~~ with a charge of \$5.00 to the customer moving in (transferee). ~~A premise with a Landlord Agreements shall be exempt from this charge.~~ -Where a service turn-on requires the dispatch of a Company employee to the premise, the following turn-on charges shall apply:

A. In the case of a the same customer requesting turn-off and turn-on on the same premise within one year, the customer shall be charged \$45.00.

B. In all other circumstances where a service turn-on requires the dispatch of a Company employee, a single service turn-on charge of ~~\$20.00~~ 25.00 will be collected. ~~This charge will become part of the~~
customer's arrears and will be subject to the same requirements applicable thereto.

C. ~~If customer requests turnon after normal business hours and the request can be accomodated, after~~
~~hour charges may be applied.~~

Continued From Sheet No. B-60.00

I. Model Assumptions

Incremental Revenues:

The incremental revenues will be calculated based on current rates and a forecast of the timing and number of customer attachments as well as the customers annual consumption levels.

Incremental Costs:

1. Carrying Cost Rate

The carrying cost rate will be based on the weighted rate of debt, preferred stock, equity and associated taxes. The cost will be equal to and weighted in proportion to those authorized in the Company's most recent rate order. The carrying cost rate is equal to 10.86%

2. Plant in Service

Plant in Service shall reflect the Company's estimated cost to construct distribution mains, customer service lines, meters and pressure regulators or regulating facilities for the Project. The timing of the facility investment, primarily service lines, will correspond with the projected timing of the customer attachments.

The facility investment for an individual customer service line will be limited to the greater of 400 feet or 150 % of the average length of all service lines within the Project.

3. Carrying Costs

The Carrying Costs will be the product of the average of beginning and end-of-year net plant. Plant in Service minus accumulated depreciation minus deferred taxes, multiplied by the Carrying Cost Rate, noted in paragraph 1 above.

4. Depreciation

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

5. Property Taxes and Other Operating Expenses

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

Continued On Sheet No. B-62.00

Continued From Sheet No. B-61.00

6. Discount Rate

The Discount rate will be a weighted rate of long-term debt, preferred stock, and common equity. The cost will be equal to and weighted in proportion to those authorized in the Company's most recent rate order. Based on the Company's rate order in Case No. U-13575 dated April __, 2003, the Discount Rate is equal to 8.04%.

J. Customer Attachment Project Areas

All gas sold in any area specifically listed below is subject to the following Customer Attachment Project (CAP) charges. CAP areas and charges shall be added to or removed from the list from time to time by the Company.

	<u>CAP Area</u>	<u>CAP Charge Per Month</u>	<u>Billing Month Surcharge Expires</u>
1004	42 Pack Street	7.36	January 2007
1005	69700 Riverbend Lane	72.89	February 2006
1013	7395 Mayer Road	75.27	April 2011
1018	35510 31 Mile Road	66.71	June 2006
1052	611 – 1490 Richman Road	64.73	December 2006
1070	Hayes/28 Mile Rd	24.63	September 2002
1072	6587 Rogers Road	157.74	June 2002
1082	Huble Road & US 2 E	33.11	October 2011
1091	2918-4150 Fruit Rd	12.50	June 2002
1096	12000-13139 Ebeling	21.27	October 2002
1098	Dune Ridge Drive	11.15	November 2006
1099	9240 – 9268 Lakeview	36.67	June 2006
1106	15942 Red Arrow Hwy	14.33	June 2006
1108	16544 – 16701 Blair Street	16.67	November 2006
1109	Palms, (N. of Gratiot)	36.94	July 2002
1111	Dunn Court	27.03	February 2003
1113	Bass Rd, (S Cedar)	15.15	June 2002
1114	90th, (N. of Warner St)	18.15	March 2002
1116	4394 Krapf – Laundry	30.47	December 2006
1123	6569-6585 Warren Woods	14.82	No Service
1127	Huntington Rd	33.57	February 2002
1135	Lyons Rd	25.70	August 2003
1137	13090 34 Mile Road	29.07	January 2007
1138	72nd & Private Dr	43.32	February 2002
1139	84th, (S. of Warner St)	32.93	June 2002

Continued On Sheet No. B-63.00

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RESIDENTIAL SERVICE RATE

Availability:

Subject to restrictions contained in the Rules and Regulations of the Company, service is available under this Rate Schedule to any customer in the Company's Service Territory to meet residential gas requirements, as defined in Rule B3.7.

Characteristics of Service:

Continuous service, except as may be limited by the effective Rules and Regulations of the Company.

Non-Gas Charges:

Customer Charge per meter:	\$ 7.00 <u>9.50</u>	per month
Distribution Charge:	\$ 1.1502 — <u>\$1.0048</u>	per Mcf

Gas Cost Recovery Charges:

This rate is subject to the Gas Cost Recovery charges set forth on Sheet No. E-3.00.

Surcharges and Credits:

Gas service under this rate may be subject to surcharges and/or credits as indicated on Sheet No. E-2.00.

Terms of Payment:

A late payment charge of two percent (2%) of the delinquent balance shall be added to any bill which is not paid on or before the due date shown thereon. The late payment charge is not applicable to customers participating in the Winter Protection Plan set forth in Order U-4240.

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GENERAL SERVICE (GS) RATE

Availability:

Subject to restrictions contained in the Rules and Regulations of the Company, service is available under this Rate Schedule to any commercial or industrial customer in the Company's Service Territory, for any purpose, including multiple family dwellings.

Characteristics of Service:

Continuous service, except as may be limited by the effective Rules and Regulations of the Company.

Non-Gas Charges:

Service Category	Customer Charge Per Meter	Distribution Charge
GS-1	\$ 8.50 <u>\$9.00</u> per month	\$ 1.3149 <u>\$1.2297</u> per Mcf
GS-2	\$ 23.00 <u>\$23.00</u> per month	\$ 0.9669 <u>\$1.0282</u> per Mcf
GS-3	\$ 60.00 <u>\$75.00</u> per month	\$ 0.7893 <u>\$0.7857</u> per Mcf

Customers may choose the Service Category under which they take service, consistent with the restrictions of Rule B5.1. When customers are selecting their initial service category, the Company must advise them that the economic break even point between GS-1 and GS-2 is ~~500~~ 834 Mcf per year, and the economic break even point between GS-2 and GS-3 is ~~2,500~~ 2573 Mcf per year. After the initial selection has been made, then it is the customer's responsibility to determine when it is appropriate to switch rates, as permitted by Rule B5.1.

Gas Cost Recovery Charges

This rate is subject to the Gas Cost Recovery charges set forth on Sheet No. E-3.00.

Customer Charge Billing Option:

At the customer's option, the customer may contract with the Company to be billed the annual sum of the 12 monthly Customer Charges, evenly divided, over whichever billing months during the year shall be mutually agreeable between the Company and the customer.

Surcharges and Credits:

Gas service under this rate may be subject to surcharges and/or credits as indicated on Sheet No. E-2.00.

Continued on Sheet No. E-6.00

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SECTION F

TRANSPORTATION SERVICE AND ~~AGGREGATED TRANSPORTATION SERVICE~~

SURCHARGES

Transportation Service (TR-1, TR-2, TR-3):\$ 0.0000 Per Dth

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SECTION F
RULES AND REGULATIONS
FOR TRANSPORTATION SERVICE AND ~~AGGREGATED TRANSPORTATION SERVICE~~

F1. APPLICATION

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

F2. DEFINITIONS

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

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

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

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

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

"Company" shall mean SEMCO ENERGY GAS COMPANY

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

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

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

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

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

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

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

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

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

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

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

~~"Heating Value Measurement Charge" shall mean a charge for any device installed by the Company to measure the heat content of gas delivered to the Shipper.~~

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

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

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

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

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

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

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

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

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

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

"Operational Districts" shall mean those service territories located in segmented geographical areas of the Company's distribution/transmission system as stated on Sheets A-22.00 through A-26.00.

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

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

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

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

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

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

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

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

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

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F6. TRANSPORTATION STANDARDS OF CONDUCT COMPLAINT PROCEDURES

If the Company receives a verbal complaint related to its Rules, Regulations and Rate Schedules Governing the Sale or Transportation of Natural Gas, Section F5, Transportation Standards of Conduct, the Company will attempt to resolve the complaint on an informal basis.

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

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

SEMCO Energy Gas Company
405 Water St
Port Huron, MI 48060
Attention: Executive Customer Assistance Center

- B. The Company will acknowledge the receipt of the formal written complaint, in writing, within five working days of receipt by the Company.
- C. The Company will confirm and amend the prepared written statement of the complainant to ensure the complaint includes the name of the complainant, relevant dates and specific claims.
- D. The Company will prepare a written statement communicating to the complainant the results of the Company's preliminary investigation within 30 days of the initial receipt of the complaint by the Company with a description of the action taken or proposed to be taken.
- E. 1) If the complainant is satisfied with the action taken or proposed to be taken, complainant will acknowledge its agreement by signing and returning a copy of the Company's written statement addressing the action taken or proposed to be taken.
- 2) If the complainant is not satisfied with the Company's response, then the complainant may address the complaint to the Michigan Public Service Commission.

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Eugene N. Dubay
Senior Vice President and Chief Operating Officer
Port Huron, MI 48060

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May __, 2003 in Case No. U-13575

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

Availability

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

- A. Shipper desires Transportation Service; and
- B. Shipper has met the conditions specified in Section F of the Company's Rules and Regulations for Transportation Service; and
- C. ~~C.~~ Shipper has agreed to provide a dedicated active telephone line, a 110 volt electrical outlet at the meter site and such other facilities as may be required for the specialized metering equipment needed to be installed by the Company. Failure to maintain the telephone line, electrical outlet and other facilities may result in discontinuation of transportation service, or the Company may dispatch service personnel to obtain physical meter reads at the Shipper's expense, for each occurrence.
- D. ~~Shipper~~ has also agreed to provide 24 hour per day access to the specialized metering equipment located on the Shipper's premises, and Shipper has agreed, at all times, to allow the Company to perform the work required to maintain the specialized metering equipment. Failure to provide such access may result in discontinuation of transport service. -Upon request, the Company will make available to the Shipper the daily volumetric data collected from the specialized metering equipment within two hours following the end of the Gas Day. Upon request, and at Shipper's expense, the Company will permit the Shipper or an Authorized Agent to install such additional equipment as may be necessary to allow remote monitoring of gas flow by Shipper or the Authorized Agent.
- ~~D.E.~~ Shipper and Company have executed a Transportation Service Agreement for service under this Rate Schedule.

Shipper must contract for delivery of Gas to a specific Point(s) of Receipt where Shipper's Transporter will deliver Shipper's Gas to the Company and a specific Point(s) of Delivery where the Gas will be consumed. Gas delivered under the terms of this rate may not be resold.

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

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

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

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

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

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

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Shipper shall be deemed to be in balance for each day that the meter at the Shipper's location has malfunctioned such that actual use for such day is unavailable. Upon completion of a meter adjustment and agreement of the imbalance that occurred during that period, Shipper shall have sixty (60) days to make up such imbalances without penalty. Scheduling of the volumetric imbalance will be on a best efforts basis for the Company to receive or deliver such quantities on a daily basis. The sixty (60) day make-up period may be adjusted, at the discretion of the Company, if requested by the Shipper. Scheduling of adjustment volumes shall be done in a non-discriminatory manner.

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

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

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

All revenues collected by the Company for BRCs shall be credited to the Cost of Gas Sold under Rule B10.2. It shall be the responsibility of the Shipper or Shipper's Authorized Agent(s) to adjust receipts of Gas to and deliveries of Gas from the Company to balance their accounts.

The general balancing requirements are summarized as:

A. Daily Balancing

1. Shippers shall balance receipts by the Company on Shippers' behalf, less Gas In Kind, with their deliveries from the Company each Day within 0% to plus or minus their Daily Balancing Tolerance (DBT). The total DBT shall be the total of the Firm Balancing Tolerance (FBT) and the Interruptible Balancing Tolerance (IBT). The IBT may be restricted down to zero through issuance of an Interruptible Balancing Restriction (IBR) during periods of capacity constraint. The FBT shall only be reduced during periods of curtailment through issuance of an Operational Flow Order (OFO) by the Company

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4. Shippers shall pay the Excess Balancing Charge on every Dth which exceeds the DBT but is within twenty percent (20%) of contract MDQ on any given Day, except that no Excess Balancing is available during the period an IBR Notice is in effect in the direction restricted.
5. All imbalance Dth that exceed twenty percent (20%) of contract MDQ or that exceed DBT in the direction restricted by an effective IBR Notice are subject to an Imbalance Penalty.
6. When the Company's ability to accommodate imbalances is restricted or impaired due to capacity constraints, the Company may issue an IBR Notice to reduce the IBT for either positive or negative imbalances for the Gas Day(s) and the portion of the Company's system that the IBR is effective. If it is necessary for the Company to curtail firm service, the Company may issue an Operational Flow Order (OFO) in accordance with Rule B4.3 to curtail the FBT
7. Shippers may join into pre-arranged Pools, as provided for under the Pooling provisions of this Rate Schedule, for the purpose of netting daily imbalances.
8. Any applicable BRCs will be billed monthly.

B. Monthly Balancing (Cash-Out)

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

Interruptible Balancing Restriction Notice (IBR Notice)

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

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

Each IBR Notice will indicate, when it is Issued:

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

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

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

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

- A. An IBR Notice is Issued to restrict Positive Imbalances and the actual Dths received by the Company on Shipper's behalf, less Gas in Kind, exceed Shipper's deliveries by more than the DBT.
- B. An IBR Notice is Issued to restrict Negative Imbalances and amounts delivered to the Shipper exceed the Company's receipts on Shipper's behalf, less Gas in Kind by more than the DBT.

In instances where Shipper violation of IBR Notice restrictions causes the Company to incur imbalance penalties on up-stream pipelines, and where incurring of pipeline penalties cannot reasonably be avoided by acquisition of gas supplies at the Company's city gate stations, then the cost of such pipeline penalties will be passed through to the customer in violation. Pipeline penalties assessed to customers are in addition to the Imbalance Penalty.

Continued On Sheet No F-17.00

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To create a Pool, Pooling Agents must obtain the signatures of the Pool members on a Pooling Agreement which shall set out the rules under which the Pool will operate, including the method for allocating balancing charges and penalties incurred by the Pool to the Pool members. Each Month that the membership in the Pool changes, the Pooling Agent must provide a copy of the Pooling Agreement, with the signatures of the current Pool members, to the Company at least *thirty (30)* days prior to the first day of the Month. Submission may be by fax or other electronic means as approved by the Company.

When Shippers have joined in a Pool, the Pooling Agent shall become responsible for all Balancing Recovery Costs, as well as penalties as a result of curtailment in accordance with Rule B4.3 incorporated in the Company's tariffs, as allocable to the Pool or an individual Shipper within the Pool. The Company shall determine the net daily imbalance of the Pool, apply the appropriate charges (based on conditions in effect for the pool on that day) and render a bill for such charges to the Pooling Agent. The Pooling Agent may assess or allocate charges to members of the Pool in accordance with any terms of the Pooling Agreement. The Company will not assess individual Shippers within a pool any charges that are assessed to their Pooling Agent except in cases of nonpayment by the Shipper's Pooling Agent. The Company shall continue to render monthly billings to the individual Shippers in a Pool for services rendered excluding the items billed to the Pooling Agent.

A Pooling Agent shall be subject to the tariff provisions under Section B6 and Due Date and Late Payment Charge provisions of this tariff for charges and penalties allocated to the pool. In the event of non-payment by a Pooling Agent, Shippers in the Agent's pool may be held responsible for payments in lieu of suspending service, and the Pooling Agent may be immediately suspended from pooling on the Company's system. All Shippers will be pro-rated the Pool Agent's incurred charges less late fees based on each Shipper's individual usage for each month during the applicable time period(s) for which the Pool Agent has defaulted on payment(s).

A Pool may consist of no less than two Shippers. Shippers may change Pools each Month if the Company is provided with thirty (30) days notice. In the event that a Shipper declares bankruptcy, the Pooling Agent may request, and the Company may grant, a waiver of the 30 day notice requirement. The Company will verify the reported bankruptcy of the Shipper prior to granting a waiver. If such waiver is granted, Pooling Agent must then provide seven (7) days notice to remove a Shipper from the pool. The Pooling Agent will be held responsible for all penalties and balancing charges for the Shipper until the Shipper is removed from the balancing pool.

Aggregation of Accounts Option

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

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

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Original Sheet No. F-19.10

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

Continued On Sheet No. F-20.00

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- C. The facility designated as the master account shall be subject to and billed the provisions of its transportation tariff. The FBT for the aggregation shall be based on fourteen percent (14%) of the master account normalized average daily usage. Facilities designated as subsidiary accounts shall be subject to all the terms and conditions of the master account tariff, including remote metering, except that the subsidiary accounts will pay the customer charge and distribution charge in effect for its designated sales rate rather than the customer charge and transportation charge in effect for the master account.

Rates

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

Monthly Charges:	Service Category		
	TR-1	TR-2	TR-3
Customer Charge	\$ 300.00 <u>375.00</u> per meter	\$ 900.00 per meter	\$ 2,900.00 per meter
Remote Meter Charge	\$ 75.00 per meter	\$ 75.00 per meter	\$ 75.00 per meter
Transportation Rates:			
Peak (November to March)	\$ 0.6776 <u>0.6936</u> per Dth	\$ 0.5430 <u>0.5665</u> per Dth	\$ 0.4613 <u>0.4901</u> per Dth
Off-Peak (April to October)	\$ 0.5295 <u>0.5436</u> per Dth	\$ 0.3948 <u>0.4165</u> per Dth	\$ 0.3132 <u>0.3401</u> per Dth

Continued On Sheet No. F-21.00

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Selection of Service Category

Customers may choose the Service Category under which they take service, consistent with the restrictions of Rule B5.1. When Customers are selecting their initial Service Category, the Company must advise them that the economic break even point between TR-1 and TR-2 is 50,000 ~~Mcf Dth~~ per year and the economic break even point between TR-2 and TR-3 is ~~250,000~~ 315,000 ~~Mcf Dth~~ per year. After the initial selection has been made, then it is the customer's responsibility to determine when it is appropriate to switch rates, as permitted by Rule B5.1.

Customer Charge and Remote Meter Charge

Shipper shall pay the designated Customer Charge and Remote Meter Charge per Month for each meter through which Shipper's deliveries of Gas are designated as a Point(s) of Delivery on Shipper's Transportation Service Agreement, regardless of whether Gas was delivered through such meter during the Month, except as provided for in Rule B4.3 of the Company's Rules and Regulations.

Transportation Rate

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

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

Gas in Kind

The Company shall retain 0.98% of all gas received at the Point(s) of Receipt to compensate for Company use and lost and unaccounted for gas on the Company's system. This volume shall not be included in the quantity available for delivery to the Shipper.

Continued On Sheet No. F-22.00

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Continued From Sheet No. F-22.00

Gas Cost Recovery Charge

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

Heating Value Measurement Charge Determination of BTU Factor

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

~~The Company, at its option, may install a heating value measurement device and require payment by the Shipper of a Heating Value Measurement Charge of \$250.00 per Month per installation under the following conditions:~~

- ~~A. If the heating value cannot be confirmed by pipeline measurement due to more than one supply source entering an area, and the Shipper has annual requirements of 100,000 Dth or more; or~~
- ~~B. For any Shipper with annual requirements less than 100,000 Dth, if the Shipper requests that heating value measurement equipment be installed.~~

Emergency Gas Usage Charge

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

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

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

Emergency Gas Usage Charges will be credited to the Company's Booked Cost of Gas Sold as defined in Section B10.2 of the Company's Rules and Regulations for all Shippers.

Discontinuation of Service

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

Due Date and Late Payment Charge

A bill shall be mailed or delivered to the customer not less than 21 days before the due date. ~~The due date shall be fifteen (15) days from the date of rendition.~~ A late payment charge of three percent (3%) of the delinquent balance outstanding shall be applied to any bill which is not paid on or before the due date shown thereon. If such failure to pay continues for thirty (30) days after payment is due, then, in addition to any other remedy it may have, the Company may suspend further receipt and/or delivery of Gas until such amount is paid, provided however, that the Company provides at least five days notice before service is suspended for non-payment.

Billing may be based upon estimated quantities if actual quantities are unavailable at the time of billing. In that event, the Company shall provide in the succeeding month's billing an adjustment based on any difference between actual and estimated quantities.

Contract Form and Term

All service under this rate will require the Shipper and the Company to execute a Transportation Service Agreement. All service under this Rate Schedule must be contracted for a term of at least one year. The Company may require that a Customer, who is eligible to return to sales service, file a written application giving a minimum of 12 months notice of intent to return to sales service. The Company reserves the right to approve an application for the return to sales service subject to the Company's Controlled Service Rule B3.

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BILLING, RECORDS, ACCOUNTING AND PAYMENT

A. Issuance, Payment and Inquiry of Billings

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

The Company will issue a separate billing for service under each of Shipper's Service Agreements. ~~which will be due 15 days from the date of rendition.~~

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

B. Mailing of Notices, Bills and Payments

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

C. NSF Checks and On-Premise Collections

Refer to Rule B6.10 in section B of the Company Tariff.

Credit, Deposits and Guarantees

Credit, Deposits and Guarantees:

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

Rules and Regulations

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

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OFF SYSTEM TRANSPORTATION SERVICE - (OST)

Availability

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

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

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

Definitions

As used in this rate schedule:

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

"Operational Districts" shall mean those service territories located in segmented geographical areas of the Company's distribution/transmission system as stated on Sheets A-22.00 through A-26.00.

Characteristics of Service

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

Service under this Rate Schedule shall consist of:

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

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[illegible]

Revenue Requirement \$71,863,230

Comparison of Current and Proposed Rates

Line	Description	Current Rates		Proposed Rates		Increase (Decrease)
		(A)		(B)		(C)
1	SALES SERVICE:					
2	Residential - Rate A					
3	Customer Charge	\$7.00	per month	\$9.50	per month	\$2.50
4	Distribution Charge	\$1.1502	per Mcf	\$1.0048	per Mcf	(\$0.1454)
5						
6	General Service - Rate GS-1					
7	Customer Charge	\$8.50	per month	\$9.00	per month	\$0.50
8	Distribution Charge	\$1.3149	per Mcf	\$1.2297	per Mcf	(\$0.0852)
9						
10	General Service - Rate GS-2					
11	Customer Charge	\$23.00	per month	\$23.00	per month	\$0.00
12	Distribution Charge	\$0.9669	per Mcf	\$1.0282	per Mcf	\$0.0613
13						
14	General Service - Rate GS-3					
15	Customer Charge	\$60.00	per month	\$75.00	per month	\$15.00
16	Distribution Charge	\$0.7893	per Mcf	\$0.7857	per Mcf	(\$0.0036)
17						
18						
19						
20	TRANSPORTATION SERVICE:					
21	TR-1					
22	Fixed Charges:					
23	Customer Charge per meter	\$300.00	per month	\$375.00	per month	\$75.00
24	Remote Meter Charge	\$75.00	per month	\$75.00	per month	\$0.00
25	BTU Monitor	\$250.00	per month	Deleted	per month	\$0.00
26	Transportation Charges:					
27	Peak (November - March)	\$0.6776	Per Dth	\$0.6936	Per Dth	\$0.0160
28	Off-peak (April - October)	\$0.5295	Per Dth	\$0.5436	Per Dth	\$0.0141
29						
30	TR-2					
31	Fixed Charges:					
32	Customer Charge per meter	\$900.00	per month	\$900.00	per month	\$0.00
33	Remote Meter Charge	\$75.00	per month	\$75.00	per month	\$0.00
34	BTU Monitor	\$250.00	per month	Deleted	per month	\$0.00
35	Transportation Charges:					
36	Peak (November - March)	\$0.5430	Per Dth	\$0.5665	Per Dth	\$0.0235
37	Off-peak (April - October)	\$0.3948	Per Dth	\$0.4165	Per Dth	\$0.0217
38						
39	TR-3					
40	Fixed Charges:					
41	Customer Charge per meter	\$2,900.00	per month	\$2,900.00	per month	\$0.00
42	Remote Meter Charge	\$75.00	per month	\$75.00	per month	\$0.00
43	BTU Monitor	\$250.00	per month	Deleted	per month	\$0.00
44	Transportation Charges:					
45	Peak (November - March)	\$0.4613	Per Dth	\$0.4901	Per Dth	\$0.0288
46	Off-peak (April - October)	\$0.3132	Per Dth	\$0.3401	Per Dth	\$0.0269

"1. The utility shall ensure that the Commission has access to books and records of the company and each of its subsidiaries, affiliates and their joint ventures. Any objections to providing access as requested under this guideline must be raised before the Commission and the burden of showing that the request is unreasonable or unrelated to the proceeding is on the party seeking to deny or withhold access.

"2. Each utility, parent company, and each of their subsidiaries and the joint ventures of the parent company and/or its subsidiaries shall employ accounting and other procedures and controls related to cost allocations and transfer pricing to ensure and facilitate full review by the Commission and to protect against cross-subsidization of non-utility activities by the utility's customers.

"3. The parent company and each of its subsidiaries and the joint ventures of the parent company and/or its subsidiaries shall keep their books in a manner consistent with generally accepted accounting principles and, where applicable, consistent with the Uniform System of Accounts.

"4. The utility shall furnish the Commission with:

- a. Consolidated 10K reports and shareholders' reports of the consolidated utility and/or its parent company on an annual basis;
- b. Annual reports concerning the utility's intercompany transactions. The report shall provide a specific explanation of the nature of each transaction and a specific description of the basis for the cost allocations and transfer pricing established in each transaction;
- c. Annual balance sheets and income statements of the non-regulated subsidiaries of the utility and/or the non-consolidated subsidiaries of the parent company;
- d. Reports of internal audits conducted regarding transactions between the utility and its non-utility affiliates, which shall be submitted with the annual report for the year 2003 and with subsequent annual reports due at the end of each third year following 2003. The audit report shall address transactions occurring since the last audit report and shall determine whether appropriate cost allocation procedures and transfer pricing methods were followed and whether the utility and its affiliates are maintaining records that are adequate to facilitate an effective audit of the transactions. The Commission Staff may require more frequent reports or conduct additional audits when appropriate;
- e. Copies of Federal income tax returns, whether on a consolidated or non-consolidated basis, need not be submitted to the Commission, but they shall be available to the Commission for inspection and review at the utility's Michigan business office.

"5. The utility shall avoid a diversion of management talent that would adversely affect the utility. An annual report identifying personnel transferred from the utility to non-utility subsidiaries is required. The report shall provide the name of each employee, the employee's former function or department within the utility, and the function or department of the subsidiary to which the employee was transferred.

"6. The utility shall notify the Commission in writing within thirty days prior to any transfer to non-utility affiliates of any utility assets or property exceeding a fair market

value of \$100,000. At the time the notice is provided, the utility shall make available to the Commission information that demonstrates how the transfer price was determined. Asset transfers from regulated to non-regulated shall be at the higher of cost or fair market value and non-regulated to regulated shall be at the lower of cost or fair market value. All services and supplies provided by non-regulated enterprises shall be at market price or 10% over fully allocated cost, whichever is less.

"7. Market, technological, or similar data transferred, directly or indirectly, from the utility to a non-utility affiliate shall be transferred at the higher of cost or fair market value."

"8. In its annual report, each utility shall provide information on any arrangement that allows an affiliate to obtain credit in a manner that permits a creditor, upon default, to have recourse to or in any way encumber the utility's assets.

"9. A utility may file an application for a waiver from any provision of these guidelines. The application shall demonstrate the basis for the waiver. The Commission, in deciding the application, may consider the costs and benefits of compliance. For good cause shown, the Commission may grant the waiver if compliance is determined to be impractical or unreasonable under the circumstances.

"10. For purposes of applying these guidelines, "affiliate" and "subsidiary" shall have the same meanings as the definitions provided for "associated companies," and "subsidiary company," respectively, in the Uniform System of Accounts for gas and electric utilities, which are adopted by Commission rule. Other words defined in the Uniform System of Accounts that are used in the definitions of "associated companies" and "subsidiary company" (e.g. "control;") shall also retain their defined meanings. (See R 460.9001, R 460.9021.)