

## Service Switching and Contract Quantity Changes Rules

For purposes of these rules, the company's pipeline capacity and gas supply contract year shall be November 1 to October 31, annually. As such, all requests for transfers from firm sales service to interruptible sales with firm or interruptible distribution capacity service or for firm sales service to transportation service, or requests to change an amount of LDC Reserved Gas Supply Service provided by the company, shall require a minimum eight month waiting period. For example, a customer requesting an LDC Reserved Gas Supply Service change effective November 1, 200n must have made application to the company on or prior to March 1, 200n, and a customer requesting a change or transfer of service on November 1, 200n must have made application to the company on or prior to March 1, 200n. However, customers requesting a transfer from interruptible sales with firm distribution capacity service to transportation service must have made application to the company on or prior to April 1 of a given year in order for the transfer of service to be effective November 1 of the same year. In all cases of requests for transfers or changes, the current waiting periods are the maximum required time and the company will permit shorter waiting periods when conditions allow.

A customer requesting to transfer services or change its amount of LDC Reserved Gas Supply Service provided by the company must make the request in writing to the company. The request shall state the date of the request and the proposed effective date of the transfer or change. The request shall indicate which service(s) and amounts, if appropriate, the customer is requesting to transfer from and which service(s) and amounts, if appropriate, the customer is requesting to transfer to. Upon receipt of the written request, the company will note the receipt date on the customer's request.

### **Transfer from Firm Sales Service to Interruptible Sales Service with Firm Distribution Capacity**

or

### **Transfer from Sales Service or from Transportation Service With LDC Reserved Gas Supply to Transportation Service**

1. The company shall review the customer's request to determine: 1) the approximate amount of pipeline capacity the company has under contract on behalf of the requesting customer; 2) the approximate amount of gas supply the company has under contract on behalf of the requesting customer; and 3) the revenues at risk relative to the services the company provides.
2. For those customers requesting an intra-year transfer (any expedited waiting period from the company's currently established maximum required times), the company may grant the request before the appropriate November 1 date, subject to the following conditions:

**Service Switching and Contract Quantity Changes Rules (continued)**

- A. To avoid cost shifting to other customers' costs (the pipeline capacity costs and the gas supply costs) that the company is incurring on behalf of the customer, the company shall require the requesting customer to continue to pay the company-incurred costs until such time as these company-incurred costs can be eliminated within the current contract year, but no later than the following October 31 in accordance with the above terms.
- B. In addition to condition A above, the requesting customer shall agree to give up any rights to the pipeline capacity and gas supply in question from the time the transfer request is accepted by the company until the start of the pipeline capacity and gas supply contract year. In the event the company can shed the pipeline capacity and/or gas supply costs in question, or can re-classify the pipeline capacity and/or gas supply amounts to the company's reserve margin before the required waiting period ends, the company may, at its sole discretion, immediately relieve the customer from being charged the applicable costs.
- C. The company shall also maintain records of pending transfer requests on a first-come, first-served basis to determine if intra-year transfers may be granted, at the sole discretion of the company, by effectuating a "swap" between customers such that the net result would not require the company to significantly change its pipeline capacity, gas supply, or distribution capacity.
3. For those customers requesting an increase or to restore their LDC Reserved Gas Supply Service amount, the company will approve their LDC Reserved Gas Supply Service requests to be effective November 1 of a year for which requests were made on or before the previous March 1. Requests for increases will be granted only if the company determines, in its sole discretion, that it has adequate gas supplies plus pipeline capacity to meet the requested increase. In the event that requests for increased LDC Reserved Gas Supply Service cannot be granted by the company on November 1, the company will adjust the requested amounts on a pro rata basis with all other customers' requests. The company may grant a request for an increase in LDC Reserved Gas Supply Service on a date other than November 1 on a best efforts basis provided either: (a) the company can obtain the requested gas supply and/or pipeline capacity and that the customer agrees to pay any incremental costs for service provided before the normal waiting time expires on a first-come, first-served basis or (b) the company is able to offset, either partially or completely, the customer's request for an increase with another customer's request for a decrease on a first-come, first-served basis.

**Service Switching and Contract Quantity Changes Rules (continued)****Transfer from Transportation Service to Sales Service**

1. Customers on transportation service that wish to transfer to sales service provided by the company must first complete an application in writing for the requested sales service. Customers on transportation service may request a transfer to sales service at any time. To allow the company adequate time to secure gas supply and pipeline capacity to meet the request(s), the company will make the requested sales service effective November 1 of the year for which the minimum eight month waiting period has been satisfied. The customer transferring to sales service may be considered a new customer for purposes of determining availability of gas supply and customer deposits. The company may transfer a customer to sales service on a date other than November 1 on a best efforts basis.
2. The company has the right to hold in reserve volumes of gas supply and pipeline capacity in the event the company determines these volumes are required to meet expected growth of new and existing sales customers and gas reserves to meet sales demand in colder than normal years.
3. The company has the right to refuse sales service to a transferring transportation customer until the company is able to obtain adequate gas supplies at reasonable cost to meet the customer's needs. In the event the company must refuse transfer requests, the company shall maintain a waiting list and transfers will be made on a first-come, first-served basis, based upon the waiting list.
4. If the company is able to offset requested transfers, either in part or in whole, to sales service from transportation service with corresponding requests to move from sales service to transportation service, the company shall do so on a first-come, first-served basis.

**Service Switching and Contract Quantity Changes Rules (continued)****Transfer from one Demand Aggregator Balancing Service (DABS) pool to another Demand Aggregator Balancing Service (DABS) pool**

1. The demand aggregator and the EUT shall be required to provide the company with written notice no later than three working days prior to any EUT meter being switched from one DABS pool to another DABS pool or being removed from any demand aggregator's pool. If the EUT is removed from the demand aggregator's pool, the EUT will become a DABS pool of one intra-month and as such, will remain a DABS pool effective with the next calendar month unless written request is made to the company.
2. Any EUT in a demand aggregator's pool that has also purchased LDC Reserved Gas Supply Service directly from the company shall be required to assign the quantity of LDC Reserved Gas Supply Service it has contracted for with the company to the demand aggregator for use by the DABS pool. For any DABS pool, the company shall sum all LDC Reserved Gas Supply Service amounts of the EUT's in that pool to determine the single quantity of LDC Reserved Gas Supply Service provided by the company that is available to the DABS pool.
3. When an EUT wishes to leave a DABS pool, any quantity of LDC Reserved Gas Supply Service it has under contract with the company shall be returned to the EUT and will no longer be available to the DABS pool.

**Service Switching and Contract Quantity Changes Rules (continued)****Service Switching From Transportation Service To Sales Service  
and Back to Transportation Services Pursuant to  
Temporary Conditions from Changes in Ownership**

1. Where the ownership of a property currently receiving transportation service changes, the Company shall accommodate the acquiring customer's need for additional time to finish contracts with the company and secure arrangements for natural gas pursuant to the company's transportation service, by permitting, on a best efforts basis, the customer to use Company sales services as an interim measure until the acquiring customer fulfills the requirements to use the company's transportation service.

**Service Switching and Contract Quantity Changes Rules (continued)**

2. The Company, at its sole discretion, shall permit the acquiring customer to use its corresponding sales service as a transitional measure only when it determines that it has sufficient gas supply, pipeline contract, and distribution capacity to serve the customer with no harm or detriment to its current customers, and for a period not exceeding two months (62 calendar days) from the date of ownership change of the property. The company may require the acquiring customer to limit its natural gas usage only to quantities that the company believes it can service.
3. This measure is intended to allow the acquiring customer to fulfill transportation service requirements such as (but not limited to) processing of new transportation contracts, setup of appropriate telemetry and providing adequate time for the acquiring customer to make arrangements for gas supply.
4. If the Company, in its sole discretion, determines that gas supply is insufficient to accommodate the acquiring customer on a firm basis, the Company shall, as an interim measure, move the customer to an interruptible sales service that it views as appropriate.
5. If the acquiring customer fails to meet the requirements to receive transportation service, such as failing to have a completed Remote Telemetry Agreement submitted to the Company, after the 62 calendar day window has lapsed, the customer shall be subject to the rate switching provisions of this tariff to transfer from sales service to transportation service.

**Service Switching as a new customer from Sales Service  
to Transportation Services Pursuant to  
New Construction**

Where a new construction property is initially set up in the company's billing system under a firm sales service, and whose owners indicate that their intention is to receive transportation service, the Company shall accommodate the new customer's need for additional time to complete construction, finish contracts with the company and secure arrangements for natural gas pursuant to the company's transportation service, by permitting the customer to use Company sales services on a best efforts basis as an interim measure not exceeding two months (62 calendar days) from the date of natural gas meter hookup, until the acquiring customer fulfills the requirements to use the company's transportation service.

The next effective sheet is tariff sheet No. 80.00.

## Penalties

Unauthorized Gas Penalties: The penalties for Unauthorized Gas as defined on Schedule X-490 and for related incremental costs are described below. These penalties and related incremental costs will be billed in addition to all other properly applied rates and charges for products and/or services rendered. Unauthorized Gas penalties shall be categorized as either curtailment, interruption, or constraint as described below.

Based on prevailing operating conditions and system requirements, the company may, at its sole discretion, call a Level I or Level II curtailment, a Level I or Level II interruption, or a Level I, Level II, Level III or a Level IV constraint. Any customer or customers that fail to curtail, interrupt, or constrain gas takes in accordance with the company's curtailment, interruption, or constraint policies as found on Schedule X-250, FERC-Mandated Gas Supply Curtailment Policy, for curtailments; Schedule X-255, Interruptible Services Interruption Procedure, for interruptions; and Schedule X-290, High Flow Constraint Period and Low Flow Constraint Period, for constraints as ordered by the company, shall be penalized as described herein unless subject to terms and conditions as specified per individual contracts.

### Curtailment Penalties

Curtailment penalties shall apply when the FERC-Mandated Gas Supply Curtailment Policy for curtailments as found on Schedule X-250, is invoked.

#### Level I Curtailment Order:

- The company shall charge \$2.00 per therm for all unauthorized gas.

#### Level II Curtailment Order:

- The company shall charge \$10.00 per therm for all unauthorized gas.

The Company shall bill either a Level I or Level II penalty charge as described above, or all incremental costs as defined below incurred by the company associated with the procurement of the unauthorized gas consumed in excess of the incidental use quantity specified in the contract between the customer and the company, which ever are greater. The company will have the authority at all times, but not be required to valve-off non-compliant customers during periods of curtailment, interruption or constraint (e.g., when there may be loss of life involved). Incremental costs shall be the difference between the highest cost of gas delivered to the company's city gate on the gas day of unauthorized gas and the company's Selected Market Index that is used for the company's daily cashout.

The highest cost of delivered gas to the company's city gate on a particular gas day of unauthorized gas shall be:

**Penalties** (continued)

1. The highest price of any of the following:
  - a) The highest cost gas purchased by the company plus related transportation charges;
  - b) If the company must withdraw gas from storage to meet the total requirement for the day, the weighted average cost of storage gas (including LNG when it is used) plus any related transportation charges, withdrawal charges, and fuel and compressor charges to bring the gas to the company's city gate;
  - c) The highest cost of gas (inclusive of any related excess imbalance fees), scheduling charges, and Unauthorized Gas charge which the company is charged by its interstate pipeline suppliers for any gas imbalance cashout during the gas day of unauthorized gas; or
  - d) The highest daily spot price for gas for the gas day of unauthorized gas as reported in Gas Daily for receipt points accessible to the company plus related transportation charges to bring the gas from the receipt point to the company's city gate;

plus
2. Any fuel charges, surcharges, and other charges, fees, or costs related to the company's purchase of gas on the gas day of unauthorized gas.

**Interruption Penalties**

Interruption penalties shall apply to those customers served under tariffed interruptible services or as specified per individual contracts.

**Level I Interruption Order:**

- The company shall charge \$2.00 per therm for all unauthorized gas:

**Level II Interruption Order:**

- The company shall charge \$10.00 per therm for all unauthorized gas:

**Penalties** (continued)

The Company shall bill either a Level I or Level II penalty charge as described above or all incremental costs as defined below incurred by the company associated with the procurement of the unauthorized gas in excess of the incidental use quantity specified in the contract between the customer and the company, whichever are greater. The company will have the authority at all times, but not be required to valve-off non-compliant customers during periods of curtailment, interruption or constraint (e.g., when there may be loss of life involved). Incremental costs shall be the difference between the highest cost of gas delivered to the company's city gate on the gas day of unauthorized gas and the company's Selected Market Index that is used to price the undertake pricing for the company's daily cashout.

The highest cost of delivered gas to the company's city gate on a particular gas day of unauthorized gas shall be:

1. The highest price of any of the following:
  - a) The highest cost gas purchased by the company plus related transportation charges;
  - b) If the company must withdraw gas from storage to meet the total requirement for the day, the weighted average cost of storage gas (including LNG when it is used) plus any related transportation charges, withdrawal charges, and fuel and compressor charges to bring the gas to the company's city gate;
  - c) The highest cost of gas (inclusive of any related excess imbalance fees), scheduling charges, and Unauthorized Gas charge which the company is charged by its interstate pipeline suppliers for any gas imbalance cashout during the gas day of unauthorized gas; or
  - d) The highest daily spot price for gas for the gas day of unauthorized gas as reported in Gas Daily for receipt points accessible to the company plus related transportation charges to bring the gas from the receipt point to the company's city gate;  
plus
2. Any fuel charges, surcharges, and other charges, fees, or costs related to the company's purchase of gas on the gas day of unauthorized gas.

**Penalties** (continued)Constraint Penalties

Constraint penalties shall apply to those customers subscribing to transportation and transportation related services.

For the purposes of determining the portion of company-incurred pipeline overrun charges, scheduling charges, or penalties as a result of the end user transportation customer's (EUT's), marketer's, and/or its agent's pool net daily imbalance quantities, the company will use the penalty application quantity as described in Schedule X-290, Constraint Period(s).

Per the table below, the company shall charge the following penalties per therm for all unauthorized gas:

Penalty Level	Level I	Level II	Level III	Level IV
Penalty Application Quantity	Super Pooling Quantity for area(s) or customer(s) constrained.	Super Pooling Quantity for area(s) or customer(s) constrained.	By Pool within Operating system for area(s) or customer(s) constrained.	By Pool within Operating system for area(s) or customer(s) constrained.
Penalty Amount	\$2.00/Therm	\$2.00/Therm or Incremental costs if greater	\$2.00/Therm or Incremental costs if greater	\$10.00/Therm or Incremental costs if greater

The Company shall bill either a Level I, Level II, Level III or Level IV penalty charge as described above, or, in the case of Levels II, III and IV, the penalty or all incremental costs as defined below incurred by the company associated with unauthorized gas, which ever are greater. The company will have the authority at all times, but not be required to valve-off non-compliant customers during periods of curtailment, interruption or constraint (e.g., when there may be loss of life involved). Incremental costs shall be the difference between the highest cost of gas delivered to the company's city gate on the gas day of unauthorized gas and the company's Selected Market Index that is used to price the undertake pricing for the company's daily cashout.

**Penalties** (continued)

The highest cost of delivered gas to the company's city gate on a particular gas day of unauthorized gas shall be:

1. The highest price of any of the following:
  - a) The highest cost gas purchased by the company plus related transportation charges;
  - b) If the company must withdraw gas from storage to meet the total requirement for the day, the weighted average cost of storage gas (including LNG when it is used) plus any related transportation charges, withdrawal charges, and fuel and compressor charges to bring the gas to the company's city gate;
  - c) The highest cost of gas (inclusive of any related excess imbalance fees), scheduling charges, and Unauthorized Gas charge which the company is charged by its interstate pipeline suppliers for any gas imbalance cashout during the gas day of unauthorized gas; or
  - d) The highest daily spot price for gas for the gas day of unauthorized gas as reported in Gas Daily for receipt points accessible to the company plus related transportation charges to bring the gas from the receipt point to the company's city gate;

plus
2. Any fuel charges, surcharges, and other charges, fees, or costs related to the company's purchase of gas on the gas day of unauthorized gas.

**Operational Flow Condition ("OFC") Penalties**

OFC penalties are the allocation of ANR OFO Penalties. The company will prorate ANR OFO Pipeline penalty charges over the therm usage exceeding (or, in the case of a low flow condition, less than) the MHDQ of EUTs, marketers, and/or their agents or demand aggregators as calculated by the Company in the direction of the OFC for the operating system(s) that includes the applicable branchline, localized subsystem, gate(s) or gate group(s) named by ANR for the duration of the specific ANR OFO penalty.

OFC penalties recovered from EUTs, marketers, and/or their agents shall be applied against gas costs through the PGA.

Within 30 days after the billing of ANR OFO penalties the Company shall submit a report to the Public Service Commission of Wisconsin of the OFO penalty billing.

## Purchased Gas Adjustment/ Gas Cost Recovery Mechanism

### Purchased Gas Adjustment/ Gas Cost Recovery Mechanism, Gas Cost, and Refund Provision

1. **BASE COST OF GAS:** The base average cost of gas as determined in Docket No. 05-UR-104 Final Order issued December 18, 2009, effective on January 01, 2010, (ERF# 124880) is as follows:

Average Peak Day Demand Costs – Volumetric	\$ 0.1493 per therm
Average Peak-Day Demand Costs – Contracted	\$ 0.0315 per therm
Average Annual Contract Demand Costs	\$ 0.0188 per therm
Average Annual Demand Costs	\$ 0.0188 per therm
Average Commodity Costs	\$ 0.6115 per therm
Average Surcharge Costs	\$ 0.0000 per therm

When the company's cost of gas supply changes from these base average costs, new average costs shall be calculated. The sources of sales and throughput data, capacity release and opportunity sales shall be from the applicable Annual Gas Supply Plan, approved by the Public Service Commission of Wisconsin (PSCW), as adjusted for known changes.

2. **NEW AVERAGE PEAK DAY DEMAND COSTS:** The company's total annual costs associated with peak day demand shall include, but not be limited to daily demand charges and firm reservation charges for gas purchases or transportation by pipelines or other suppliers which are used to meet peak day demand, less any capacity release, opportunity sales credits. Peak day demand gas costs will be collected from firm sales customers on a seasonal basis during the period from November through April and from end user transportation customers (EUTs), in accordance with the LDC Reserved Gas Supply Service.
- A. **Average Peak Day Demand Costs – Contracted:** The new contracted average LDC reserved gas supply peak day demand cost shall be calculated as follows:
1. Divide the total company's total annual peak day demand costs by the total contracted pipeline capacity (therms) at the company's delivery points to arrive at the total peak day demand costs per therm of capacity.

**Purchased Gas Adjustment/ Gas Cost Recovery Mechanism** (continued)

2. Multiply the total annual peak day demand costs per therm of capacity by the total LDC reserved gas supply therms to arrive at the total annual peak day demand costs for LDC reserved gas supply.
  3. Divide the total annual peak day demand costs for LDC reserved gas supply by the product of the total contracted LDC reserved gas supply therms multiplied by twelve to arrive at the new LDC reserved gas supply peak day demand cost contracted for per therm.
- B. Volumetric: The new volumetric average peak day demand cost shall be calculated as follows:
1. Subtract the total annual peak day demand costs contracted for from the total company's total annual peak day demand costs to arrive at the total annual peak day demand costs for firm sales customers.
  2. Divide the total annual peak day demand costs for firm sales customers by the total therms for the period from November through April for all firm sales service for the period from November through October to arrive at the new average peak day demand cost – volumetric on a per therm basis.
3. **NEW AVERAGE ANNUAL CONTRACT DEMAND COSTS:** The new average annual contract demand cost, including but not limited to annual contract demand charges, inventory charges, and reservation fees for seasonal or annual gas supplies for gas purchases or transportation by pipelines or other suppliers which are used for the purpose of annual demand backup, shall be computed by dividing the company's total costs associated with annual contract demand, less any capacity release and opportunity sales credits designated as annual contract demand costs by the therms of gas associated with annual demand costs. Gas therms associated with annual demand costs are all quantities sold to customers under Firm Sales Service, Interruptible Sales Service with Firm Distribution Capacity, Interruptible Sales Service with Interruptible Distribution Capacity, Agricultural Seasonal Use Sales Service, and contracted LDC Reserved Gas Supply Service quantities.
  4. **NEW AVERAGE COMMODITY COSTS:** The new average commodity cost of gas shall be calculated using the PSCW approved supply plan, and benchmark published price indices including commodity assessed supplier adjustments, and which shall exclude all commodity costs included in opportunity sales.

**Purchased Gas Adjustment/ Gas Cost Recovery Mechanism** (continued)

5. **NEW AVERAGE SURCHARGE COSTS:** The new average surcharge costs, which include FERC approved surcharges for gas purchases or transportation by pipelines or other suppliers shall be computed by dividing the company's total costs associated with surcharges, less any capacity release and opportunity sales credits designated as surcharge costs by the therms of gas associated with surcharge costs. Gas therms associated with surcharge costs are all quantities sold to customers under Firm Sales Service, Interruptible Sales Service with Firm Distribution Capacity, Interruptible Sales Service with Interruptible Distribution Capacity and Agricultural Seasonal Use Sales Service.
6. **SUPPORT COST RECOVERY MECHANISM (SCRM):** Support costs identified to be recovered in a separate and distinct Docket limited to that purpose, should include those costs paid to third parties (e.g. pipelines) and can be identified as improving the company's distribution system. The rate design shall be applied to those sales and transportation distribution customers as approved by the PSCW in a separate and distinct Docket for that purpose.
7. **CHANGE IN AVERAGE COSTS:** The charge per therm for gas sold under applicable rate schedules shall be changed by the sum of 1) the difference between the new average commodity cost and the base average commodity cost and 2) the applicable monthly reconciliation adjustment calculated below. In addition, the cost of gas sold or specifically contracted for which a supply/reserve of annual gas must be available from the company, shall be changed by the sum of 1) the difference between the new average annual contract demand cost and the base average annual contract demand cost and 2) the applicable monthly reconciliation adjustment calculated below. In addition, the cost of gas sold for which a supply/reserve of annual gas must be available from the company, shall be changed by the sum of 1) the difference between the new average annual demand cost and the base average annual demand cost and 2) the applicable monthly reconciliation adjustment calculated below. In addition, the cost of gas sold or specifically contracted for which balancing service is required, shall further be changed by the sum of 1) the difference between the applicable new average balancing cost and the base average peak day demand cost and 2) the applicable monthly reconciliation adjustment calculated below. In addition, the cost of gas sold or specifically contracted for which peak day firm service is required, shall further be changed by the sum of 1) the difference between the applicable new average peak day demand cost and the base average peak day demand cost and 2) the applicable monthly reconciliation adjustment calculated below. In addition, the cost of surcharges for gas sold shall be changed by the sum of 1) the difference between the new average surcharge cost and the base average surcharge cost and 2) the applicable monthly reconciliation adjustment calculated below. Finally, the cost of the SCRM shall be changed by an annual reconciliation filed with the PSCW pursuant to the Docket that authorizes the SCRM rate.

**Purchased Gas Adjustment/ Gas Cost Recovery Mechanism** (continued)

8. RECONCILIATION OF GAS COSTS: Gas Costs: With the beginning of the new Gas Supply Plan year every November 1 through the following October 31, monthly, the booked cost of gas shall be compared to the cost of gas recovered. The cost of gas recovered (Peak Day Demands, Annual Demands, Balancing, Commodity, and Surcharges) is the sum of the respective base average cost of gas and the applicable purchased gas adjustments times the quantity of gas sold or specifically contracted for LDC reserved gas supply to which these rates were applied, applicable lost and unaccounted for gas rates times throughput quantities, adjusted for opportunity sales and capacity release. The amount of the differences shall be recovered from or returned to sales customers by a reconciliation adjustment over a period not less than one month. Such differences shall not be reflected in transportation customer's rates.

Pipeline Scheduling Penalty Charges: Charges assessed to the company by pipeline companies for exceeding limits of their balancing service(s) (sometimes referred to as scheduling charges, scheduling penalties, overrun penalties) except for those associated with a breach of contracted maximum daily quantity (MDQ) between the company and the pipeline shall be considered a normal purchased gas expense and shall be collected through this purchased gas adjustment/ Gas Cost Recovery Mechanism. Assignment of such costs shall be based on the current assignment of charges for similar service.

Balancing Charges: Gas cost charges and penalties invoiced under all balancing services which have been collected shall be classified accordingly, allocated and billed to the appropriate customers.

Unauthorized Gas Charges: All gas charges and costs associated with unauthorized gas shall be classified by the above cost types and credited through this Purchased Gas Adjustment/ Gas Cost Recovery Mechanism.

Gas Lost and Unaccounted For Charges: Gas revenues from the lost and unaccounted for rate shall be classified by the above cost types and applied through this Purchased Gas Adjustment/ Gas Cost Recovery Mechanism. The gas lost and unaccounted for rate as a credit for any customer class shall be limited to an amount that will not more than completely offset that customer class volumetric distribution marginal rate less \$0.0001.

Residual Tolerance Band and Sharing Mechanism Gas Costs: The Company reserves the right to recover or return any Gas Cost Incentive Mechanism legacy sharing band amounts for the time periods before November 1, 2009, as approved by the PSCW.

**Purchased Gas Adjustment/ Gas Cost Recovery Mechanism (continued)**

9. **REQUIRED APPROVALS AND REPORTS:** No adjustments to the rates under this Schedule can become effective until the company has filed the proposed changes with the commission. Filings shall include sources of data and supporting calculations and shall be made as soon as possible but no less than one day in advance of the effective date.

The company shall file with the PSCW any significant deviation from the company's approved Annual Gas Supply Plan. The filing shall be made no later than twenty-one (21) business days prior to the event which constitutes the significant deviation and shall include the source data as required by the Commission.

Each month the company shall file with the PSCW a Benchmark Test that will show the comparison of the actual cost per therm of commodity flowing purchases for the month plus the cost per therm of supplier premiums for the month against the benchmark adjusted for the benchmark tolerance (2%). When the actual commodity flowing purchases cost per therm for the month plus the cost per therm of supplier premiums exceeds the benchmark adjusted for the benchmark tolerance that cost per therm difference shall be multiplied by the actual flowing gas units sourced to the system and storage to arrive at total dollars subject to review.

The company shall file with the PSCW such reports as may be required by the Commission to monitor the operation of the Purchased Gas Adjustment/ Gas Cost Recovery Mechanism.

**10. REFUND PROVISION:****A. General Refund Provisions**

1. Natural gas cost-related refunds received by the company from its wholesale suppliers (pipeline suppliers) resulting from actions taken by the Federal Energy Regulatory Commission (wholesale refunds) shall be refunded to customers by means of ongoing rate credits. Whenever the balance in the refund account equals a net refund of \$0.0005 per therm or more per residential customer, based on annual forecasted throughput, the company shall, without delay, devise a crediting plan, which will exclude balancing services and/or cashout services applicable to transportation services, for prospectively refunding the account balance.

**Purchased Gas Adjustment/ Gas Cost Recovery Mechanism** (continued)

2. The company shall inform the Public Service Commission of Wisconsin (PSCW) of the crediting plan no later than the date the company files the monthly Purchased Gas Adjustment/ Gas Cost Recovery Mechanism for the first month in which the credits are made.
3. The company shall accrue simple interest each month on any accrued refund balance pursuant to Section D) Interest, below.

**B. Distribution of Refund Credits to Services Provided**

The following factors shall be considered in determining how refund credits shall be distributed to the various services provided:

1. Wholesale refunds shall be distributed to services eligible to receive refunds on the same basis by which related costs were collected.
2. To the extent practicable, refund distributions for services provided shall recognize the payment patterns authorized for those services provided over a recent full one-year period.
3. The company shall develop an amortization schedule which appropriately distributes the refund credits for the service provided when executing multiple month refund plans.

**C. Distribution of Refund Credits to Individual Customers**

The following factors shall be considered in determining how refund credits shall be distributed to individual customers:

1. Prospective multi-month refund credits shall be based on an amortization schedule and a resulting pattern of monthly refund credits which appropriately distributes the credit by type of service, and not by individual customer. Therefore, if the customer changes to another type of service during the refund credit period, the customer will then prospectively receive the refund credit level applicable to the new type of service. New active customers will receive the refund credit level applicable to the customer's type of service.
2. The company shall provide notice of the refund to customers by means of a billing message, insert, or identified credit.

**Purchased Gas Adjustment/ Gas Cost Recovery Mechanism** (continued)

## D. Interest

1. The company shall accrue interest each month on the refund balance consistent with the interest rate used to calculate interest for customer deposits in a manner consistent with all rules, provisions, guidelines and requirements in PSC 134.061 (9)(b) of the Administrative Code of the Public Service Commission of Wisconsin.
2. Each month the company will credit interest to the refund account based on an average refund account balance for the month.

## E. Offsets of Refund Proceeds

The company may file for approval from the Commission (PSCW) to offset refund proceeds with escrowed or other expenses related to Federal-level regulatory intervention matters.

## F. Lump-Sum and Other Types of Refunds

Notwithstanding the tariff provisions requiring prospective crediting of wholesale refunds, the company may file for approval from the Commission (PSCW) to execute refunds by means of lump-sum payments or other means if the circumstances of the wholesale refund warrant doing so.

## G. Waiver for Refund Delay

If the company cannot reasonably make an expeditious refund (subject to paragraph 10A above), it can request a waiver with justification from the Commission (PSCW).