



March 6, 2017

VIA ELECTRONIC FILING

Daniel P. Wolf Executive Secretary
Minnesota Public Utilities Commission
121 East Seventh Place, Suite 350
St. Paul, MN 55101

IN RE: Petition of Lake Region Energy Services, Inc. for Exemption
 for Small Gas Utility
 Our File No. 2017-1802

Dear Mr. Wolf:

Our law firm represents Lakes Region Energy Services, Inc. in connection with its Petition for Exemption for Small Gas Utility relative to the Cities of Deer Creek, Minnesota, and Parkers Prairie, Minnesota. Attached are the following documents electronically filed with the Minnesota Public Utilities Commission:

1. Petition of Lake Region Electric Services, Inc. for Exemption for Small Gas Utility Franchise (Cities of Parkers Prairie, Deer Creek, and surrounding areas).
2. Exhibits in support of the Petition as follows:
 - a. Exhibit A: Resolutions and Acknowledgements of the City of Parkers Prairie, Minnesota
 - i. Acknowledgment of Receipt of Rates and Rules Book by City of Parkers Prairie;
 - ii. Letter of Support and Resolution of City of Parkers Prairie;
 - b. Exhibit B: Resolutions and Acknowledgements of the City of Deer Creek, Minnesota;

- i. Acknowledgment of Receipt of Rates and Rules Book by City of Deer Creek;
- ii. Letter of Support and Resolution of City of Deer Creek;
- c. Exhibit C: Franchise Ordinances
 - i. Franchise Ordinance for the City of Parkers Prairie;
 - ii. Franchise Ordinance for the City of Deer Creek
- d. Exhibit D: Lake Region Energy Services, Inc. Rates and Rule Book
- e. Exhibit E: System Map for Service within Parkers Prairie
- f. Exhibit F: System Map for Service within Deer Creek
- g. Exhibit G: Transmission and Distribution Routes.

Our firm and Lake Region Energy Services, Inc. appreciate the Commission's receipt and processing of the Petition and the supporting materials. Please contact me if the Commission needs any additional information regarding the request for exemption as a small natural gas utility.

Sincerely,



Kent D. Mattson
k.mattson@pemplaw.com
tlc

Enclosures

March 6, 2017

VIA ELECTRONIC FILING

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 East Seventh Place, Suite 350
St. Paul, MN 55101

**PETITION OF LAKE REGION ENERGY SERVICES, INC.
EXEMPTION FOR SMALL GAS UTILITY FRANCHISE**

DOCKET NO. _____

EXPEDITED REVIEW REQUESTED

Dear Mr. Wolf:

Pursuant to Minn. Stat. §216B.16, Subd. 12, Lake Region Energy Services, Inc., a Minnesota Corporation whose registered address is: 1401 South Broadway, Pelican Rapids, MN 56572 (“LRES” or “Petitioner”) hereby submits this Petition for Exemption for Small Gas Utility Franchise (“Petition”) to the Minnesota Public Utilities Commission (“Commission”).

I. ACTION REQUESTED:

LRES intends to construct and operate a small gas utility franchise to serve customers within the city limits of Deer Creek and Parkers Prairie, Minnesota, and surrounding areas. LRES respectfully requests and petitions that the Commission confirm and approve LRES’ exemption as a small gas utility franchise from the requirements of Minn. Stat. §216B.16 for gas service provided within (1) each of the city limits of Deer Creek and Parkers Prairie, Minnesota; and (2) to the extent necessary, for incidental gas service provided to the rural areas outside of the city limits of Deer Creek and Parkers Prairie, Minnesota.

LRES bases this request on the statutes identified herein, and also up the precedence for granting the requested exemptions under similar circumstances as approved by the Commission in recent years under the Dooley’s Natural Gas, LLC¹, Community Co-ops of Lake Park², and United Natural Gas LLC³ petitions.

¹ See Docket No. G-6915/M-13-672 (In the Matter of the Petition of Dooley’s Natural Gas, LLC for Exemption for Small Gas Utility) (order issued January 7, 2014).

² Docket No. G-6960/M-16-214 (In the Matter of a Petition by United Natural Gas LLC (UNG) for approval of its Request for a Small Gas Utility Exemption) (order issued May 24, 2016).

³ Docket No. G-6956/M-15-856 (In the Matter of Community Co-ops of Lake Park’s Petition for

II. STATUTORY BASIS FOR ACTION REQUESTED:

The cities of Deer Creek, Minnesota, and Parkers Prairie, Minnesota (collectively, the “Municipalities,” and individually either “Municipality” or “Deer Creek” and “Parkers Prairie,” as the case may be), acting through each of their City Councils, have adopted an ordinance granting a nonexclusive franchise to LRES to supply natural gas to customers in each of the Municipalities. In addition, each of the City Councils of Municipalities adopted Resolutions supporting and requesting the Commission grant an exemption for LRES from the requirements of Minn. Stat. § 216B.16 for service provided within the borders of the Municipalities and incidental service to surrounding rural areas outside the Municipalities.⁴ As discussed below, Minnesota Statutes permit the Municipalities to file with the Commission their Resolutions requesting exemption from the provisions of Minn. Stat. § 216B.16 so long as LRES serves 650 or fewer customers in each of the Municipalities and provided LRES serves no more than a total of 5,000 customers. Each Municipality has confirmed in the materials supporting this Petition that LRES will serve no more than 650 customers within each Municipality. LRES also confirms to the Commission that it will serve no more than 5,000 customers in total. As further discussed below, Minnesota Statutes provide that the Commission shall grant an exemption from regulation under Minn. Stat. § 216B.16 for that portion of LRES’ business that is requested by each Municipality. It is upon this authority that LRES respectfully requests that the Commission acknowledge the Resolutions of the Municipalities, and grant and confirm LRES’ exemption as requested herein.

III. EXPEDITED REVIEW REQUESTED:

Natural gas service is not presently available in either of the Municipalities or the immediately surrounding areas. LRES respectfully requests that the Commission expedite review and processing of this Petition. The Municipalities for which the exemption is requested recently approved the franchise ordinances, and the communities and their citizens are collaborating with LRES in order for natural gas service to be extended to the Municipalities by August of 2017, in advance of the next heating season. The Petitioner will need to purchase materials and commence and complete construction in a relatively short period of time. In order to meet critical timelines, the Petitioner requests expedited review and processing of its Petition.

IV. BACKGROUND

A. Overview of LRES

LRES was organized for the purpose of developing, constructing, and operating a natural gas distribution system to provide natural gas service to the Municipalities and the immediately surrounding areas for incidental gas service. Presently, natural gas service is not available to residents of the Municipalities or the immediately surrounding areas. Propane, fuel oil, and

Exemption for Small Gas Utility) (order issued December 22, 2015).

⁴ The Ordinances of each Municipality granting a Natural Gas Franchise to LRES, and the Resolutions seeking exemption, are included with this Petition.

electric energy are the primary fuels for residential, commercial, agricultural, and industrial uses within the Municipalities and the immediately surrounding areas.

LRES is a wholly-owned subsidiary of Lake Region Electric Cooperative (“LREC”), a Minnesota cooperative association, organized for the purpose of distributing electricity in a service territory in Minnesota. LREC’s service territory includes Otter Tail County, where the relevant Municipalities are located. LRES was organized for the purpose of providing an additional energy resource to rural areas and communities which are included within the LREC service area for electric service. LREC, an 80-year-old electric distribution cooperative, has been committed to providing its members and customers with safe, reliable, affordable electricity, and is constantly evaluating means to deliver innovative energy services. Recognizing the opportunities presented by the development of natural gas service in a currently unserved area, LRES conducted a financial feasibility study, conducted due diligence and planning, engaged in interactive processes with the Municipalities, their governing bodies, administrators, and citizens, and was granted franchises to serve Deer Creek and Parkers Prairie, and the immediately surrounding areas.

LRES has partnered with Greater Minnesota Transmission, Inc. (“GMT”) of Le Sueur, Minnesota, to meet the transmission component of the natural gas project. As with other rural communities and areas, LRES identified an opportunity to develop natural gas distribution systems in the areas of Deer Creek and Parkers Prairie, an opportunity which exists due to low natural gas prices and the growing price differential between the cost of propane and natural gas. On January 26, 2017, the Board of Directors of LREC formally approved the business plan to provide natural gas service to the currently unserved communities of Deer Creek and Parkers Prairie, as well as rural customers adjacent to those communities. Natural gas service will provide LRES customers with stable and lower costs, and an additional energy source for residential, commercial, agricultural, and industrial service. Throughout its due diligence and development processes, and in collaboration with the Municipalities, LRES’ business model, rate structure, and organizational and operations systems were developed with the understanding that LRES will be regulated by the Municipalities pursuant to the statutory exemption for small gas utility franchises. Exemption from regulation as a small gas utility franchise will lower costs for customers within the LRES system.

B. Overview of LREC: Parent Company of LRES

LREC is a member-owned, member-controlled, non-profit electric distribution cooperative serving more than 27,000 members in Otter Tail and Wilkin counties and portions of the surrounding counties. LREC is headquartered in Pelican Rapids, Minnesota. Founded in 1937, LREC is governed by a board of directors elected by members to represent each of the cooperative’s nine districts. LREC employs 73 people, some based out of a satellite office in Ottertail, Minnesota.

The cooperative’s membership is a mix of residential, agricultural, commercial and industrial, and seasonal homes. LREC averages 4.6 members per mile of line in its 3,200 square mile service territory. LREC owns and maintains 5,700 miles of line, of which 27 percent is

underground. LREC is one of 28 member-owners of Great River Energy, the cooperative's power supplier. LREC is a member of the National Rural Electric Cooperative Association and the Minnesota Rural Electric Association.

As part of its approach to identifying alternative energy resources, and embracing a green approach to energy offerings, LREC successfully built two community solar projects in 2014 and 2016. The community solar projects have been completely subscribed by members, and are providing renewable energy resources. Plans are underway for a third solar project that will maximize generation during summer peak usage hours. LREC also offers an "EarthWISE" geothermal program, which not only includes selling geothermal units, but also utilizing LREC crews to install the loop fields.

LREC recognizes the increasingly important role that natural gas will play in our national energy future. Based on projections of increased natural gas production and supply, the US Energy Information Administration (EIA) expects natural gas prices to be stable for years to come. LREC believes that natural gas service, when economically feasible, should be extended to unserved rural communities, farms, businesses, and homes to help stabilize and secure their energy future. This is in accordance with LREC's electric cooperative mission statement.

LREC will provide its wholly-owned subsidiary LRES, with financial, operational, and utility specific organizational capabilities, including back office support services such as: customer service, billing, invoicing, accounting and collections, and field staff. In addition, LREC will deploy excavation, trenching and horizontal boring equipment, and will provide additional equipment necessary to install and maintain LRES facilities, through contractual arrangements amongst the two related organizations.

V. LEGAL DISCUSSION AND STATUTORY BASIS FOR CONFIRMATION OF EXEMPTION:

Minnesota Statutes Section 216B.02, Subd. 4 defines a "public utility" to include a corporation or other legal entity operating, maintaining, or controlling equipment or facilities for furnishing at retail, among other things, natural gas service. Because of the nature of its operations, LRES would be regulated by the requirements of Chapter 216B of the Minnesota Statutes. However, Minn. Stat. § 216B.16, Subd. 4 states, in pertinent part, that "the provisions of this chapter shall not apply to a public utility whose total natural gas business consists of supplying natural, manufactured, or mixed gas to not more than 650 customers within a city pursuant to a franchise granted by the city, provided a resolution of the city council requesting exemption from regulation is filed with the commission." Further, in relevant part, Minn. Stat. § 216B.16, Subd. 12(a), provides:

"A municipality may file with the commission a resolution of its governing body requesting exemption from the provisions of this section for a public utility that is under a franchise with the municipality to supply natural, manufactured, or mixed gas and that serves 650 or fewer customers in the municipality as long as the public utility serves no more than a total of 5,000 customers."

Since LRES would be a public utility under Minn. Stat. § 216B.02, Subd. 4, LRES, with the support and at the request of the Municipalities, seeks to be exempt from Commission regulation.

A. Exemption for Service within the Municipalities (Minn. Stat. § 216B.16, Subd. 12(a))

In relevant part, Minn. Stat. § 216B.16, Subd. 12(b), provides that “[t]he commission shall grant an exemption from this section for that portion of a public utilities business that is requested by each Municipality it serves.”

The city councils of Deer Creek and Parkers Prairie each adopted ordinances granting LRES a franchise for the distribution of natural gas. The Municipalities’ ordinances are attached to the Petition as Exhibit C (Deer Creek and Parkers Prairie). The city councils of Deer Creek and Parkers Prairie have also adopted Resolutions supporting and requesting an exemption from regulation by the Commission for the natural gas service provided by LRES. The Municipalities’ Resolutions are attached to this Petition as Exhibit B (Deer Creek) and Exhibit A (Parkers Prairie). The Resolutions together with a supporting letter of each of the Municipalities have been submitted to the Commission as well. The Municipalities support and request the exemption sought.

The population of Deer Creek is approximately 344, and the population of Parkers Prairie is approximately 1,011. Per the table set forth below, LRES will serve less than 650 customers in each Municipality and significantly less than 5,000 total customers.⁵ Because Minn. Stat. § 216B.16, Subd. 12(b) provides that “[t]he commission shall grant an exemption from this section for that portion of a public utility’s business that is requested by each municipality it serves.” And because the Municipalities involved each support and have submitted Resolutions in support of this Petition, and the requested exemption, LRES respectfully requests that the Commission confirm the requested LRES exemption from regulation by the Commission for service provided within the city limits of Parkers Prairie and Deer Creek.

B. Exemption for Service Outside Municipalities’ Borders (Minn. Stat. § 216B.16, Subd. 12(b))

Attached Exhibit E is a map depicting the service route within Parkers Prairie and also attached as Exhibit F is a map depicting the service route within Deer Creek. In addition to the exemption for service within the city limits of a municipality, Minn. Stat. § 216B.16, Subd. 12(b) provides that “the commission shall also grant the public utility an exemption from this section for any service provided outside of a municipality’s border that is considered by the commission to be incidental.” To the extent required, LRES also seeks an exemption from Commission regulation based on a finding by the Commission that LRES’ service to the surrounding rural areas and townships to Deer Creek and Parkers Prairie would be incidental to its small gas utility franchise service to the Municipalities. Attached as Exhibit G is a map depicting the transmission and distribution route to and connecting with Deer Creek and Parkers Prairie.

⁵ In the 2016 legislative session, the threshold was increased from 2,000 to 5,000 customers. *See* 2016 Minn. Sess. Laws, Ch. 189, Art. 6, § 4 at <https://www.revisor.mn.gov/laws/?id=189&year=2016&type=0#laws.6.4.0>.

The maps attached in support of this Petition depict the natural gas distribution system, indicating the area of natural, though nonexclusive, service territory within which LRES will operate, incidental to service within Deer Creek and Parkers Prairie. The area is rural and sparsely populated, outside the Municipalities. These areas outside, but adjacent to, the Municipalities would be included within the natural, incidental service territory. LRES, as part of its business plan, is committed to providing safe and reliable natural gas service to customers in these incidental areas that would elect to take such service.

LRES estimates that the customer base for the entire project, including customers within the city limits of Parkers Prairie and Deer Creek, along with rural/incidental service territory, will be as follows:

Estimated Usage	2017	2018	2019	2020
Residential (city)	185	230	275	320
Residential (rural)	35	40	45	50
Sm. Volume Commercial (city)	25	30	35	40
Lg. Volume Commercial (city)	4	6	7	8
Lg. Volume Commercial (rural)	10	10	10	10
Total Customers by Year:	259	320	372	428

Note that these figures do not differentiate between the Parkers Prairie and Deer Creek Municipalities. However, LRES does not expect its customer base to grow beyond the statutory allowance of 650 municipal customers in either municipality, or beyond 5,000 total customers.⁶ LRES predicts 45 rural customers in 2017, which constitutes approximately 17% of the total customers anticipated in 2017.

Presently, firm estimates of usage rates by customer class and location are not yet available. In other instances, the Minnesota Department of Commerce has concluded, by interpreting the relevant statutory language and legislative history, that “the focus should be on the number of customers who are served inside and outside municipal boundaries rather than the amount of natural gas that flows to customers inside and outside municipal boundaries.”⁷ The customers outside the city limits of Parkers Prairie and Deer Creek may be few, and some of which may be large. Even if some may be expected to consume larger quantities of natural gas, the service to rural residential, farm, and commercial customers outside city limits would be merely incidental to the service to customers within the city limits of Municipalities.

LRES developed a single-system rate structure based on system-wide costs for the entire service area, within and outside the Municipalities. The structure was developed in recognition of the fixed costs associated with the new natural gas distribution system being developed to serve the needs of the entire area. In the absence of this approach, no single or small group of potential customers would have warranted LRES’ investment in the infrastructure required to serve those

⁶ Should this expectation change at some future date, LRES will notify the Commission.

⁷ See Docket No. G6915/M-16-756 (In the Matter of the Petition of Dooley’s Natural Gas II, LLC for Exemption for Small Gas Utility), Comments of the Minn. Dep’t of Commerce, Division of Energy Resources (Nov. 15, 2016) at pages 7–9.

customers. LRES intends to use the same “one-system rate structure” approved by the Municipalities as the initial governing rate structure and terms and conditions of service to customers outside of the Municipalities’ borders. Under the structure, the same rate for gas service will apply to natural gas service provided to all customers within a specific rate class. For example, the rate for residential gas service will be the same in each Municipality and the surrounding areas.

LRES believes that service to the rural areas and townships surrounding the Municipalities is incidental to its franchised service to the Municipalities and will fill a currently unmet need and assist economic development in the area. Furthermore, the ability to serve these areas with infrastructure serving also the Municipalities by adding customers will result in lower rates for all LRES customers due to the one-system rate structure that has been adopted by LRES and the Municipalities.

To facilitate the “one system rate structure,” LRES developed its Rates/Service & Regulations Book (“Rate Book”) that would apply to service anywhere on the LRES system. The Rate Book (attached as Exhibit D) is modeled after the Rate Books created by United Natural Gas, Dooley’s Natural Gas and others who have petitioned the Commission for exemption, and includes rates and applicable terms and conditions for service, including LRES’ adoption of the Commission’s policies and procedures governing disconnection during cold weather as required by Minn. Stat. § 216B.16, Subd. 12(c). LRES has presented and discussed the initial rates with the Municipalities as included in the Rate Book, as acknowledged by the Municipalities in their filings of the Rate Book (the acknowledgement of Deer Creek is attached as Exhibit B, and Parkers Prairie as Exhibit A). The initial rates will be reevaluated after the LRES system has been operational for a period of time. LRES acknowledges that should the Commission grant its Petition, LRES would be subject to the “Cold Weather Rule,” and various other statutory provisions applicable to gas service.⁸

In addition to lowering costs to customers and fulfilling an unmet demand for natural gas service, granting any required exemption to permit LRES to provide incidental natural gas service outside the Municipalities avoids the potential for a dual-regulatory regime where the Municipalities would set rates for one set of LRES customers, while presumably the Commission exercises rate jurisdiction over a very small subset of customers outside the Municipalities—currently projected to be approximately 45 customers in 2017.⁹

Not only would it be nearly impossible to establish separate rates given the common infrastructure and two separate rate authorities, it would be inefficient and raise costs to all LRES customers (including the costs of compliance). LRES worked closely with the Municipalities to develop a small gas utility franchise that would be regulated by the communities it serves and respectfully requests that the Commission confirm its statutory exemption, for incidental service to areas outside the Municipalities.

⁸ These statutes include the following: Minn. Stat. § 216B.096 (Cold Weather Rule); § 216B.0976 (Notice to Cities of Utility Disconnection); § 216B.098 (Residential Customer Protections); and § 216B.16, subd. 12(c) (Tariff updates with municipally approved rates).


⁹ The five customer classes are (1) residential (rural); (2) residential (city); (3) small volume commercial (city); (4) large volume commercial (rural); and (5) large volume commercial (city).

VI. CONCLUSION


Based upon the foregoing, and the Exhibits to this Petition, LRES hereby respectfully requests and petitions that the Commission confirm LRES' exemption, as a small gas utility franchise, from the requirements of Minn. Stat. § 216B.16 for gas service provided (1) within each of the city limits of Deer Creek and Parkers Prairie, Minnesota; and (2) to the extent necessary, for incidental gas service provided to the rural areas outside of the city limits of the cities of Deer Creek and Parkers Prairie, Minnesota.

Dated: March 6, 2017

Respectfully submitted,



Tim Thompson, CEO
Lake Region Energy Services, Inc.
1401 South Broadway
Pelican Rapids, MN 56572



Kent D. Mattson, License #239744
PEMBERTON, SORLIE, RUFER &
KERSHNER, P.L.L.P.
110 North Mill Street
Fergus Falls, Minnesota 56537
Telephone: 218-736-5493
Email: k.mattson@pemlaw.com

LAKE REGION ELECTRIC COOPERATIVE

Minnesota Public Utilities Commission Filing

Lake Region Energy Services, Inc.

Petition for Exemption for Small Gas Utility
Franchise

March 6, 2017

Filing by Lake Region Energy Services, Inc., a wholly owned company of Lake Region Electric Cooperative, to provide Natural Gas Distribution Services for the towns and surrounding area of Deer Creek, Minnesota, and Parkers Prairie, Minnesota

Petition of Lake Region Energy Services, Inc.
Petition for Exemption for Small Gas Utility Franchise

Exhibit A

Resolutions and Acknowledgements

City of Parkers Prairie, Minnesota

Acknowledgement of Receipt
of
Lake Region Energy Services, Inc.
Rates & Rules Book
City of Parkers Prairie, Minnesota
[See Attached]

Acknowledgement of Receipt

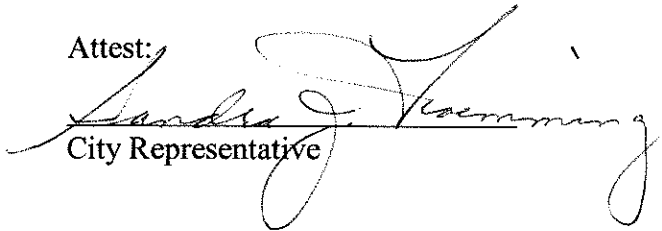
Lake Region Energy Services, Inc. Rates/Services & Regulations Book

Date: March 2, 2017

City: Parkers Prairie, Minnesota

I, Sandra Froemming, the duly elected and appointed Mayor of the City of Parkers Prairie, Minnesota, hereby acknowledges that on March 2, 2017, a representative of Lake Region Energy Services, Inc. delivered to me a copy of the Rates/Services & Regulations Book of Lake Region Energy Services, Inc. The document will be retained with in the official records of Parkers Prairie, Minnesota.

Attest:


City Representative

Dated: March 2, 2017

Letter of Support and Resolution of
City of Parkers Prairie, Minnesota
Approving Exemption from Regulation
[See Attached]



March 2, 2017

Mr. Daniel Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

RE: Letter and Resolution of the City of Parkers Prairie, Minnesota, Supporting and Approving Exemption from PUC Regulation

Dear Mr. Wolf:

Enclosed please find a certified copy of Resolution No. 2017-01-08 of the City of Parkers Prairie, Minnesota ("City") agreeing to and requesting an exemption pursuant to the "under 650 customer exemption" to the Minnesota Public Utilities Commission's regulation of Lake Region Energy Services, Inc. ("LRES") pursuant to Minn. Stat. §§ 216B.02, Subd. 4 and 216B.16, Subd. 12.

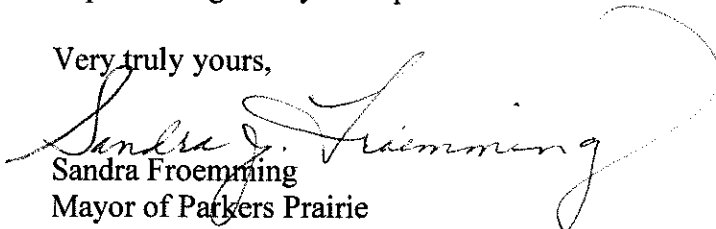
By action on January 23, 2017, the City granted a non-exclusive franchise to LRES for the delivery of natural gas to customers in the City, and the surrounding areas. Based on the City's current population (which is 1011 persons), the maximum number of customers LRES will serve within the City will not exceed 650.

Accordingly, the City hereby files this Resolution in support of LRES' petition for exemption from Minn. Stat. §§ 216B.02, Subd. 4 and 216B.16, Subd. 12, and requests the Commission confirm the requested exemption.

Our City Council considered the matter of the natural gas franchise for LRES in multiple Council meetings, along with the request for support of exemption from regulation, and held a Public Hearing in connection with these matters. The City Council unanimously approved the ordinance granting the franchise to LRES and adoption of the attached Resolution, and our governing body strongly supports LRES operating exempt from regulation as requested.

Please contact our City Office if you have any questions or if any further filing is necessary for the requested regulatory exemption.

Very truly yours,

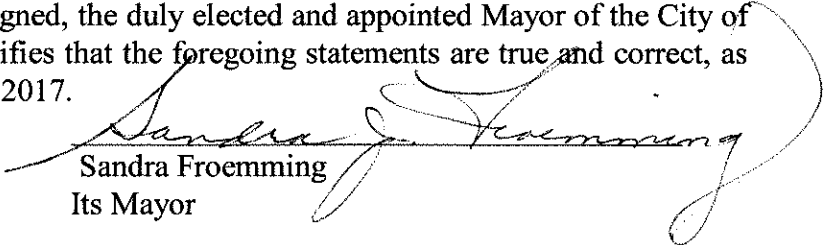

Sandra Froemming
Mayor of Parkers Prairie

Enclosure – City of Parkers Prairie Resolution No. 2017-01-08 (Certified)

CERTIFICATE OF RESOLUTION
Dated March 2, 2017

I, Sandra Froemming, do hereby certify that: (i) I am the duly-elected and appointed mayor of the City of Parkers Prairie, Minnesota (hereinafter called the "City"); (ii) the attached is a true and correct copy of resolution No. 2017-8 duly adopted by the City Council at a meeting of the Council held on January 17, 2017, at which a quorum was present, and entered in the minute book of the City; (iii) the meeting was a duly called special or regular meeting of the City; (iv) and none of the attached resolutions has been rescinded or modified.

IN WITNESS WHEREOF, the undersigned, the duly elected and appointed Mayor of the City of Parkers Prairie, Minnesota, hereby certifies that the foregoing statements are true and correct, as of the date of this Certificate, March 2, 2017.


Sandra Froemming
Its Mayor

Certified Resolution No. 2017-8
[See Attached]

**RESOLUTION 2017-08
CITY OF PARKERS PRAIRIE, MINNESOTA**

**A RESOLUTION SEEKING EXEMPTION FROM RATE REGULATION BY THE
MINNESOTA PUBLIC UTILITIES COMMISSION FOR PARKERS PRAIRIE AS
PERMITTED UNDER MINNESOTA STATUTES, CHAPTER 216B**

WHEREAS, Lake Region Energy Services, Inc. (“LRES”) has been granted a franchise under City Ordinance No. 2017-01 to construct and operate natural gas facilities and to operate a natural gas utility for the benefit of public and private customers within the City; and,

WHEREAS, the provisions of Minnesota Statutes Section 216B.02 provide that the rate regulation provisions of said Chapter shall not apply to an approved natural gas franchisee if a resolution of the City Council requesting exemption is filed with the Minnesota Public Utilities Commission (“Commission”); and,

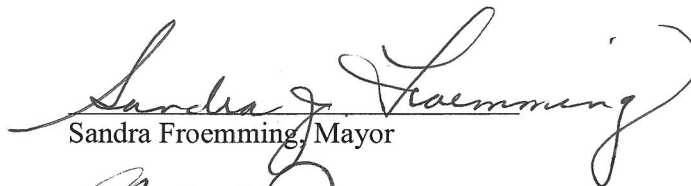
WHEREAS, the City Council finds that LRES could better serve the citizens and businesses of the City if exempted from the rate regulation provisions of Minnesota Statutes Chapter 216B; and,

WHEREAS, the City Council agreed in Section 12 of City Ordinance No. 2017-01 to request that the Commission exempt LRES from regulation under Minnesota Statutes, Section 216B.02 Subd. 4.

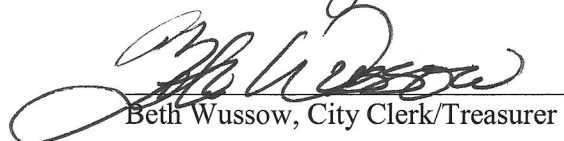
NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Parkers Prairie hereby requests that the Minnesota Public Utilities Commission exempt LRES from the rate setting provisions of Minnesota Statutes Chapter 216B with regard to its installation and operation of natural gas facilities and its provision of natural gas to the citizens and businesses of Parkers Prairie and surrounding areas pursuant to City Ordinance No. 2017-01; and

BE IT FURTHER RESOLVED, that the City Clerk is directed to file a certified copy of this resolution with the Minnesota Public Utilities Commission.

Adopted this 17th day of January, 2017, by the City Council of the City of Parkers Prairie.


Sandra Froemming, Mayor

ATTEST:


Beth Wussow, City Clerk/Treasurer

Petition of Lake Region Energy Services, Inc.
Petition for Exemption for Small Gas Utility Franchise

Exhibit B

Resolutions and Acknowledgements
City of Deer Creek, Minnesota

Acknowledgement of Receipt
of
Lake Region Energy Services, Inc.
Rates & Rules Book
City of Deer Creek, Minnesota
[See Attached]

Acknowledgement of Receipt

Lake Region Energy Services, Inc. Rates/Services & Regulations Book

Date: March 2, 2017

City: Deer Creek, Minnesota

I, Tom Svarvari the duly elected and appointed Mayor of the City of Deer Creek, Minnesota, hereby acknowledges that on March 2, 2017, a representative of Lake Region Energy Services, Inc. delivered to me a copy of the Rates/Services & Regulations Book of Lake Region Energy Services, Inc. The document will be retained with in the official records of Deer Creek, Minnesota.

Attest:



City Representative

Dated: 3-2, 2017

Letter of Support and Resolution of
City of Deer Creek, Minnesota
Approving Exemption from Regulation

[See Attached]

CITY OF DEER CREEK
Telephone: 218-462-2001
Fax: 218-462-2004
P.O. Box 272
106 Main Avenue W
Deer Creek, MN 56527

March 2, 2017

Mr. Daniel Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

RE: Letter and Resolution of the City of Deer Creek, Minnesota, Supporting and Approving Exemption from PUC Regulation

Dear Mr. Wolf:

Enclosed please find a certified copy of Resolution No. 2017-01-08 of the City of Deer Creek, Minnesota ("City") agreeing to and requesting an exemption pursuant to the "under 650 customer exemption" to the Minnesota Public Utilities Commission's regulation of Lake Region Energy Services, Inc. ("LRES") pursuant to Minn. Stat. §§ 216B.02, Subd. 4 and 216B.16, Subd. 12.

By action on January 23, 2017, the City granted a non-exclusive franchise to LRES for the delivery of natural gas to customers in the City, and the surrounding areas. Based on the City's current population (which is less than 650 persons), the maximum number of customers LRES will serve within the City will not exceed 650.

Accordingly, the City hereby files this Resolution in support of LRES' petition for exemption from Minn. Stat. §§ 216B.02, Subd. 4 and 216B.16, Subd. 12, and requests the Commission confirm the requested exemption.

Our City Council considered the matter of the natural gas franchise for LRES in multiple Council meetings, along with the request for support of exemption from regulation, and held a Public Hearing in connection with these matters. The City Council unanimously approved the ordinance granting the franchise to LRES and adoption of the attached Resolution, and our governing body strongly supports LRES operating exempt from regulation as requested.

Please contact our City Office if you have any questions or if any further filing is necessary for the requested regulatory exemption.

Very truly yours,




Tom Svarvari
Mayor of Deer Creek

Enclosure – City of Deer Creek Resolution No. 2017-01-08 (Certified)

CERTIFICATE OF RESOLUTION
Dated March 2, 2017

I, Tom Svarvari, do hereby certify that: (i) I am the duly-elected and appointed mayor of the City of Deer Creek, Minnesota (hereinafter called the "City"); (ii) the attached is a true and correct copy of resolution No. 2017-01-08 duly adopted by the City Council at a meeting of the Council held on January 23, 2017, at which a quorum was present, and entered in the minute book of the City; (iii) the meeting was a duly called special or regular meeting of the City; (iv) and none of the attached resolutions has been rescinded or modified.

IN WITNESS WHEREOF, the undersigned, the duly elected and appointed Mayor of the City of Deer Creek, Minnesota, hereby certifies that the foregoing statements are true and correct, as of the date of this Certificate, March 2, 2017.



Tom Svarvari
Its Mayor

Certified Resolution No. 2017-01-08
[See Attached]

RESOLUTION 2017-01-08
CITY OF DEER CREEK, MINNESOTA

**A RESOLUTION SEEKING EXEMPTION FROM RATE REGULATION BY THE
MINNESOTA PUBLIC UTILITIES COMMISSION FOR LAKE REGION ENERGY
SERVICES, INC AS PERMITTED UNDER MINNESOTA STATUTES, CHAPTER 216B**

WHEREAS, Lake Region Energy Services, Inc. ("LRES") has been granted a franchise under City Ordinance No. 2017-46 to construct and operate natural gas facilities and to operate a natural gas utility for the benefit of public and private customers within the City; and,

WHEREAS, the provisions of Minnesota Statutes Section 216B.02 provide that the rate regulation provisions of said Chapter shall not apply to an approved natural gas franchisee if a resolution of the City Council requesting exemption is filed with the Minnesota Public Utilities Commission ("Commission"); and,


WHEREAS, the City Council finds that LRES could better serve the citizens and businesses of the City if exempted from the rate regulation provisions of Minnesota Statutes Chapter 216B; and,

WHEREAS, the City Council agreed in Section 2.3 of City Ordinance No. 2017-46 to request that the Commission exempt LRES from regulation under Minnesota Statutes, Section 216B.02 subd. 4.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Deer Creek hereby requests that the Minnesota Public Utilities Commission exempt LRES from the rate setting provisions of Minnesota Statutes Chapter 216B with regard to its installation and operation of natural gas facilities and its provision of natural gas to the citizens and businesses of Deer Creek and surrounding areas pursuant to City Ordinance No. 2017-46; and

BE IT FURTHER RESOLVED, that the City Clerk is directed to file a certified copy of this resolution with the Minnesota Public Utilities Commission.

Adopted this 23rd day of January, 2017, by the City Council of the City of Deer Creek.



Tom Svarvari, Mayor

ATTEST:



Jane Kovar, City Clerk

Petition of Lake Region Energy Services, Inc.
Petition for Exemption for Small Gas Utility Franchise

Exhibit C

Franchise Ordinances

Franchise Ordinance

City of Parkers Prairie, Minnesota

[See Attached]

**NATURAL GAS FRANCHISE
LAKE REGION ENERGY SERVICES, INC.**

**ORDINANCE NO. 2017-01
CITY OF PARKERS PRAIRIE, MINNESOTA**

AN ORDINANCE GRANTING LAKE REGION ENERGY SERVICES, INC., A MINNESOTA CORPORATION, ITS SUCCESSORS AND ASSIGNS, A NONEXCLUSIVE FRANCHISE TO CONSTRUCT, OPERATE, REPAIR AND MAINTAIN FACILITIES AND EQUIPMENT FOR THE TRANSPORTATION, DISTRIBUTION, MANUFACTURE AND SALE OF GAS ENERGY FOR PUBLIC AND PRIVATE USE AND TO USE THE PUBLIC WAYS AND GROUNDS OF THE CITY OF PARKERS PRAIRIE, MINNESOTA, FOR SUCH PURPOSE; AND, PRESCRIBING CERTAIN TERMS AND CONDITIONS THEREOF.

THE CITY COUNCIL OF THE CITY OF PARKERS PRAIRIE, MINNESOTA, ORDAINS:

SECTION 1. DEFINITIONS.

For purposes of this Ordinance, the following capitalized terms listed in alphabetical order shall have the following meanings:

City. The City of Parkers Prairie, State of Minnesota.

City Utility System. Facilities used for providing public utility service owned or operated by City or agency thereof, including sewer, storm sewer, water service, street lighting and traffic signals, but excluding facilities for providing heating, lighting, or other forms of energy.

Commission. A Commission comprised of one (1) representative appointed by the City of Parkers Prairie, and two (2) representatives appointed by the Company, or any successor agency or agencies which preempt all or part of the authority to regulate gas retail rates currently proposed for this Commission. Provided, however, that if pursuant to Minnesota Statutes, § 216B.02, Subd. 4 and Section 12 hereof the City rescinds its Resolution Seeking Exemption from Rate Regulation by the Minnesota Public Utilities Commission, or if the City becomes ineligible for that exemption, the term "Commission" shall mean the Minnesota Public Utilities Commission, or any successor agency or agencies, including an agency of the federal government, which preempts all or part of the authority to regulate gas retail rates now vested in the Minnesota Public Utilities Commission.

Company. Lake Region Energy Services, Inc., its successors and assigns including all successors or assigns that own or operate any part or parts of the Gas Facilities subject to this franchise.

Gas Facilities. Gas transmission and distribution pipes, lines, ducts, fixtures, and all necessary equipment and appurtenances owned or operated by the Company for the purpose of providing gas energy for public or private use.

Gas. Natural gas, manufactured gas, mixture of natural gas and manufactured gas or other forms of gas energy.

Non-Betterment Costs. Costs incurred by Company from relocation, removal or rearrangement of Gas Facilities that do not result in an improvement to the Gas Facilities.

Notice. A writing personally delivered or mailed by United States mail by the City or Company to the other. Notice to Company shall be mailed to 1401 South Broadway, P.O. Box 642, Pelican Rapids, MN 56572. Notice to the City shall be mailed to P.O. Box 70 Parkers Prairie, MN 56361. Either City or Company may change its respective address for the purpose of this Ordinance by written notice to the other.

Ordinance. This gas franchise ordinance, also referred to as the Franchise.

Public Way. Public right-of-way within the City as defined in Minn. Stat. § 237.162, Subd. 3.

Public Ground. Land owned or otherwise controlled by the City for park, open space or similar public purpose, which is held for use in common by the public.

SECTION 2. ADOPTION OF FRANCHISE.

2.1. **Grant of Franchise.** City hereby grants Company, for a period of ten (10) years from the first date the Company's Gas Facilities first deliver Gas to a customer within the City, the right to import, manufacture, distribute and sell gas for public and private use within and through the limits of the City as its boundaries now exist or as they may be extended in the future and also the right to transport Gas through the limits of the City for use outside of said boundaries. This right includes the provision of Gas that is (i) manufactured by the Company or its affiliates and delivered by the Company, (ii) purchased and delivered by the Company or (iii) purchased from another source by the retail customer and delivered by the Company. For these purposes, Company may construct, operate, repair and maintain Gas Facilities in, on, over, under and across the Public Ways and Public Grounds, subject to the provisions of this Ordinance. Company may do all reasonable things necessary or customary to accomplish these purposes, subject however, to such lawful regulations as may be adopted by separate ordinance consistent with state law.

2.2. **Effective Date; Written Acceptance.** This franchise shall be in force and effect from and after its passage of this Ordinance and publication as required by law or any applicable City ordinance, resolution or policy pertaining to the passage of ordinances and its acceptance by Company. If Company does not file a written acceptance with the City within 90 days after the date the City Council adopts this Ordinance, or otherwise places the City on written notice, at any time, that the Company does not accept all terms of this franchise, the City Council by resolution may either repeal this ordinance or seek its enforcement in a court of competent jurisdiction.

2.3. **Service and Gas Rates.** The service to be provided and the rates to be charged by Company for gas service in City are subject to the exclusive jurisdiction of the Commission.

2.4. **Publication Expense.** The expense of publication of this Ordinance shall be paid by Company.

2.5. **Dispute Resolution.** If either the City or the Company asserts that the other is in default in the performance of any obligation hereunder, the complaining entity shall, in writing, notify the other of the default and the desired remedy. Representatives of the City and Company must promptly meet and attempt in good faith to negotiate a resolution of the dispute. If the dispute is not resolved within 30 days of the written notice, the City and Company shall jointly select a mediator to facilitate further discussion. The City and Company will equally share the fees and expenses of this mediator. If a mediator is not used or if the dispute is not resolved within 30 days after first meeting with the selected mediator, either the City or Company may commence an action in Otter Tail County District Court to interpret and enforce this franchise ordinance or for such other relief permitted by law.

2.6. **Continuation of Franchise.** If the City and the Company are unable to agree on the terms of a new franchise by the time this franchise expires, this franchise will remain in effect until a new franchise is agreed upon, or until 90 days after the City or the Company serves written Notice to the other party of its intention to allow Franchise to expire. However, in no event shall this Franchise continue for more than one year after expiration of the 10-year term set forth in Section 2.1.

SECTION 3. LOCATION, OTHER REGULATIONS.

3.1. **Location of Facilities.** Gas Facilities in the Public Way shall be located, constructed, and maintained so as not to interfere with the safety and convenience of ordinary travel along and over Public Ways and so as not to disrupt normal operation of any City Utility System. Gas Facilities may be located on Public Grounds as determined by the City. The location, relocation, construction, reconstruction, operation, repair, and maintenance of Gas Facilities shall be subject to reasonable regulations of the City consistent with authority granted the City to manage its Public Ways and Public Grounds under state law, to the extent not inconsistent with a specific term of this Franchise. Facilities located on private property will comply with all City Permit Ordinances and Codes.

3.2 **Street Openings.** Company shall not open or disturb the surface of any Public Way or Public Ground for any purpose without first having obtained a permit from the City, if required by a separate ordinance, for which the City may impose a reasonable fee, unless the City is receiving a franchise fee pursuant to this Ordinance, in which case all permit fees will be waived. Permit conditions imposed on Company shall not be more burdensome than those imposed on other public right-of-way users for similar facilities or work. Company may, however, open and disturb the surface of any Public Way or Public Ground without a permit if (i) an emergency exists requiring the immediate repair of Gas Facilities and (ii) Company gives telephone, email or similar Notice to the City before commencement of the emergency repair, if reasonably possible. Within two business days after commencing the repair, Company shall apply for any required permits and pay any required fees.

3.3 **Restoration of Public Ways and Public Ground.** After completing work requiring the opening of any Public Way or Public Ground, the Company shall restore the Public Way or Public Ground in accordance with Minnesota Rules, § 7819.1100, and shall maintain the surface in good condition for six (6) months thereafter. All work shall be completed as promptly

as weather permits. If Company shall not promptly perform and complete the work, remove all dirt, rubbish, equipment and material, and put the Public Way or Public Ground in the said condition and after demand to Company to cure, City shall, after passage of a reasonable period of time following the demand, but not to exceed five days, have the right to make the restoration of the Public Way or Public Ground at the expense of the Company. Company shall pay to the City the cost of such work done for or performed by the City. This remedy shall be in addition to any other remedy available to the City for noncompliance with this section.

3.4 **Avoid Damage to Gas Facilities.** The Company shall take reasonable measures to prevent the Gas Facilities from causing damage to persons or property. The Company shall take reasonable measures to protect the Gas Facilities from damage that could be inflicted on the Gas Facilities by persons, property, or the elements. The Company shall take protective measures when the City performs work near the gas facilities, if given reasonable notice by the City of such work prior to its commencement. Such measures shall include marking of Company facility locations within 48 hours of request by City. City agrees to take reasonable measures to avoid the 48 hour period being over weekends or public holidays.

3.5 **Mapping Information.** The Company must promptly provide complete and accurate mapping information for any of its gas facilities in accordance with the requirements of Minnesota Rules Parts 7819.4000 and 7819.4100 and the City's public right-of-way regulations.

3.6 **Notice of Improvements to Streets.** The City will give Company reasonable written Notice of plans for improvements to Public Ways and Public Grounds where the City has reason to believe that Gas Facilities may affect or be affected by the improvement. The Notice will contain: (i) the nature and character of the improvements, (ii) the Public Ways or Public Grounds upon which the improvements are to be made, (iii) the extent of the improvements, (iv) the time when the City will start the work, and (v) if more than one Public Way or Public Grounds is involved, the order in which the work is to proceed. The Notice will be given to Company a sufficient length of time, considering seasonal working conditions, in advance of the actual commencement of the work to permit Company to make any additions, alterations or repairs to its Gas Facilities the Company deems necessary.

3.7 **Emergency Response.** As emergency first-responders, when a public safety concern exists both the City and Company shall respond to gas emergencies within the City without additional direct fee or expense to either City or Company.

SECTION 4. RELOCATIONS.

4.1. **Relocation of Gas Facilities.** Relocation of Gas Facilities in Public Ways shall be subject to Minnesota Rule 7819.3100. City may require Company at Company's expense to relocate or remove its Gas Facilities from Public Grounds upon a finding by City that the Gas Facilities have become or will become a substantial impairment to the existing or proposed public use of the Grounds. Relocation of Gas Facilities in Public Ground shall comply with applicable City ordinances consistent with law.

4.2. **Projects with Federal Funding.** Relocation, removal, or rearrangement of any Company Gas Facilities made necessary because of the extension into or through City of a federally-aided highway project shall be governed by the provisions of Minnesota Statutes, §§ 161.45 and 161.46, as supplemented or amended. City shall not order Company to remove or

relocate its Gas Facilities when a Public Way is vacated, improved or realigned because of a renewal or a redevelopment plan which is financially subsidized in whole or in part by the Federal Government or any agency thereof, unless agreement is made that the reasonable Non-Betterment Costs of such relocation and the loss and expense resulting therefrom will be paid to Company when available to the City. The City need not pay those portions of such for which reimbursement to it is not available.

4.3. **No Waiver.** The provisions of Section 4 apply only to Gas Facilities constructed in reliance on a permit or franchise from City and Company does not waive its rights under an easement or prescriptive right or State or County permit.

SECTION 5. INDEMNIFICATION AND LIABILITY.

5.1 **Limitation of Liability.** Upon the effective date of this ordinance, the City does not assume any liability (1) for injuries to persons, damage to property or loss of service claims by parties other than the Company or the City, or (2) for claims or penalties of any sort resulting from the installation, presence, maintenance or operation of equipment or facilities by the Company or its agents.

5.2 **Indemnification.** Company shall indemnify and keep and hold the City, its officials, employees and agents, free and harmless from any and all costs, liabilities, and claims for damages of any kind arising out of the construction, presence, installation, maintenance, repair or operation of its equipment and facilities, or out of any activity undertaken in or near a public right-of-way, or out of any delay thereof, whether or not any act or omission complained of is authorized, allowed or prohibited by permit. The foregoing does not indemnify the City for its own negligence except for claims arising out of or alleging the City's negligence in issuing any permit or in failing to properly or adequately inspect or enforce compliance with a term, condition or purpose of a permit.

5.3 **Defense of City.** In the event a suit is brought against the City under circumstances where this agreement to indemnify applies, Company, at its sole cost and expense, shall defend the City in such suit if written notice thereof is promptly given to Company within a period wherein Company is not prejudiced by lack of such notice. If Company is required to indemnify and defend, it will thereafter have control of such litigation, but Company may not settle such litigation without the consent of the City, which consent shall not be unreasonably withheld. The Company, in defending any action on behalf of the City, shall be entitled to assert in any action every defense or immunity that the City could assert in its own behalf. This franchise agreement shall not be interpreted to constitute a waiver by the City of any of its defenses of immunity or limitations on liability under Minnesota Statutes, Chapter 466.

5.4 **Delay Damage Fee.** The City may establish and impose a damage fee for unreasonable delays in completion of any right-of-way excavation, obstruction, patching, restoration, removal, or relocation. The delay damage fee shall be established from time to time by a resolution of the City Council based upon its reasonable estimation of the actual costs that would be incurred due to any delay, the actual amount being undeterminable. The Company shall be advised in writing by facsimile or email, with the original to follow by United States mail, of the perceived delay and of the period within which the work must be completed to avoid a delay damage fee. A delay damage fee shall not be imposed if the delay in project completion is due to

circumstances beyond the control of Company, including without limitation inclement weather, acts of God, or civil strife.

SECTION 6. CHANGE IN FORM OF GOVERNMENT.

Any change in the form of government of the City shall not affect the validity of this Ordinance. Any governmental unit succeeding the City shall, without the consent of Company, succeed to all of the rights and obligations of the City provided in this Ordinance.

SECTION 7. FRANCHISE FEE.

7.1. **Reservation of Rights.** During the initial ten (10) year term of the franchise hereby granted, the City shall not charge the Company a franchise fee. Thereafter, the City may charge the Company a franchise fee as permitted by law. The Company will administer the collection and payment of franchise fees to City in lieu of permit fees, or other fees that may otherwise be imposed on the Company in relation to its operations as a public utility in the City. The franchise fee will be collected on a flat per meter basis, or by some other method that is mutually acceptable to both City and Company for each retail customer within the corporate limits of the City. The amount of the fee collected may differ for each customer class. The City will use a formula that provides a stable and predictable amount of fees, without placing the Company at a competitive disadvantage. Such fee shall not exceed any amount that the Company may legally charge to its customers prior to payment to the City. If the Company claims that the City required fee formula is discriminatory or otherwise places the Company at a competitive disadvantage, the Company will provide a formula that will produce a substantially similar fee amount to the City. If the City and Company are unable to agree, the disagreement shall be subject to the Dispute Resolution provisions of this Ordinance.

7.2 **Separate Ordinance.** The franchise fee shall be imposed by separate ordinance duly adopted by the City Council. The effective date of the franchise fee ordinance shall be no less than ninety (90) days after written Notice enclosing a copy of the duly adopted and approved ordinance has been served upon the Company by Certified mail. The Company is not required to collect a franchise fee if the terms of the fee agreement are inconsistent with this franchise or state law, provided the Company notifies the City Council of the same within the ninety (90) day period.

7.3 **Condition of Fee.** The separate ordinance imposing the fee shall not be effective against the Company unless it lawfully imposes a fee of the same or substantially similar amount on the sale of energy within the City by any other energy supplier, provided that, as to such supplier, the City has the authority or contractual right to require a franchise fee or similar fee through an agreed-upon franchise.

7.4 **Collection of Fee.** The franchise fee shall be payable not less than quarterly during complete billing months of the period for which payment is to be made. The franchise fee formula may be changed from time to time, however, the change shall meet the same Notice and acceptance requirements and the fee may not be changed more often than annually. Such fee shall not exceed any amount that the Company may legally charge to its customers prior to payment to the City. Such fee is subject to subsequent reductions to account for uncollectibles and customer refunds incurred by the Company. The Company shall not be responsible to pay City fees that Company is unable to collect under Minnesota Public Utilities Commission rules

or order. The Company agrees to make available for inspection by the City at reasonable times all records necessary to audit the Company's determination of the franchise fee payments.

7.5 **Continuation of Franchise Fee.** If this franchise expires and the City and the Company are unable to agree upon terms of a new franchise, the franchise fee, if any being imposed by the City at the time this franchise expires, will remain in effect until a new franchise is agreed upon. However, the franchise fee will not remain in effect for more than one year after the franchise expires as stated in Section 2.6 of this Franchise. If for any reason the franchise terminates, the franchise fee will terminate at the same time.

SECTION 8. LIMITATION ON APPLICABILITY; NO WAIVER.

This Ordinance constitutes a franchise agreement between the City and its successors and the Company and its successors and permitted assigns, as the only parties. No provision of this franchise agreement shall in any way inure to the benefit of any third person (including the public at large) so as to constitute any such person as a third party beneficiary of the agreement or of any one or more of the terms hereof, or otherwise give rise to any cause of action in any person not a party hereto. This franchise agreement shall not be interpreted to constitute a waiver by the City of any of its defenses of immunity or limitations on liability under Minnesota Statutes, Chapter 466.

SECTION 9. AMENDMENT PROCEDURE.

Either the City or Company may at any time propose that this Ordinance be amended. This Ordinance may be amended at any time by the City passing a subsequent ordinance declaring the provisions of the amendment, which amendatory ordinance shall become effective upon the filing of Company's written consent thereto with the City Clerk within 60 days after the effective date of the amendatory ordinance. If the Company does not consent to the amendment, the ordinance containing the amendment shall be revoked by City.

SECTION 10. VACATION OF PUBLIC WAYS AND PUBLIC GROUNDS.

The City shall give Company at least two weeks prior written Notice of a proposed vacation of a Public Ways or Public Grounds. The City and the Company shall comply with Minnesota Rules, § 7819.3200, as the same may be amended, with respect to any request for vacation.

SECTION 11. ABANDONED FACILITIES.

The Company shall comply with Minnesota Statutes, §§ 216D.01 et seq. and Minnesota Rules, § 7819.3300, as they may be amended from time to time with respect to abandoned facilities located in Public Ways and Public Grounds. The Company shall maintain records describing the exact location of all abandoned and retired Gas Facilities within the Public Ways and Public Grounds, produce such records at the City's request and comply with the location requirements of Minnesota Statutes, § 216D.04 with respect to all Gas Facilities, including abandoned and retired Gas Facilities not located in Public Ways and Public Grounds.

SECTION 12. PUBLIC UTILITIES COMMISSION EXEMPTION. Pursuant to Minnesota Statutes, § 216B.02, Subd. 4 the City shall pass a separate Resolution requesting exemption from

rate regulation by the Minnesota Public Utilities Commission. Provided, however, that nothing herein shall be interpreted as limiting or waiving the City's right, pursuant to Minnesota Statutes, § 216B.02, Subd. 4, as the same may be amended from time to time, to rescind said resolution; provided, the right of rescission shall not be exercised within the initial ten (10) year term of this Ordinance.

SECTION 13. PROVISIONS OF ORDINANCE.

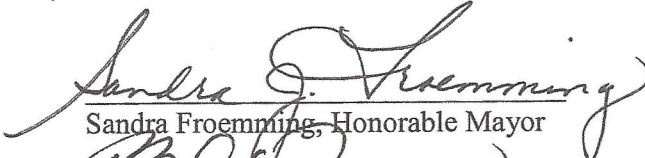
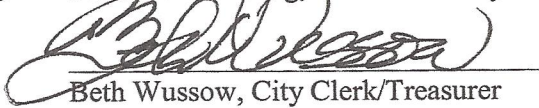
13.1 **Severability.** Every section, provision, or part of this Ordinance is declared separate from every other section, provision, or part; and if any section, provision, or part shall be held invalid, it shall not affect any other section, provision, or part. Where a provision of any other City ordinance conflicts with the provisions of this Ordinance, the provisions of this Ordinance shall prevail.

13.2 **Limitation on Applicability.** This Ordinance constitutes a franchise agreement between the City and Company as the only parties. No provisions herein shall in any way inure to the benefit of any third person (including the public at large) so as to constitute any such person as a third party beneficiary of this Ordinance or of any one or more of the terms hereof, or otherwise give rise to any cause of action in any person not a party hereto.

Adopted this 17th day of January, 2017, by the City Council of the City of Parkers Prairie.



ATTEST:


Sandra Froemming, Honorable Mayor

Beth Wussow, City Clerk/Treasurer

Ordinance published in the legal newspaper on the 8th day of December, 2016.

Franchise Ordinance

City of Deer Creek, Minnesota

[See Attached]

DEER CREEK NATURAL GAS FRANCHISE
LAKE REGION ENERGY SERVICES, INC.

ORDINANCE NO. 46-2017
CITY OF DEER CREEK, MINNESOTA

ORDINANCE NO. 46-2017

AN ORDINANCE GRANTING TO LAKE REGION ENERGY SERVICES, INC., A MINNESOTA CORPORATION, ITS SUCCESSORS AND ASSIGNS, A NONEXCLUSIVE FRANCHISE TO CONSTRUCT, OPERATE, REPAIR AND MAINTAIN FACILITIES AND EQUIPMENT FOR THE TRANSPORTATION, DISTRIBUTION, MANUFACTURE AND SALE OF GAS ENERGY FOR PUBLIC AND PRIVATE USE AND TO USE THE PUBLIC GROUND OF THE CITY OF DEER CREEK, MINNESOTA, FOR SUCH PURPOSE; AND, PRESCRIBING CERTAIN TERMS AND CONDITIONS THEREOF.

The City Council of Deer Creek, Minnesota ordains:

SECTION 1. DEFINITIONS.

For purposes of this Ordinance, the following capitalized terms listed in alphabetical order shall have the following meanings:

City. The City of Deer Creek, Otter Tail County, State of Minnesota.

City Utility System. Facilities used for providing public utility service owned or operated by the City or agency thereof, including sewer, storm sewer, water service, street lighting and traffic signals, but excluding facilities for providing heating, lighting, or other forms of energy.

Company. Lake Region Energy Services, Inc., a Minnesota corporation, its successors and assigns including all successors or assigns that own or operate any part or parts of the Gas Facilities subject to this franchise.

Gas Facilities. Gas transmission and distribution pipes, lines, ducts, fixtures, and all necessary equipment and appurtenances owned or operated by the Company for the purpose of providing gas energy for public or private use.

Notice. A writing personally delivered or mailed by United States mail by the City or Company to the other. Notice to Company shall be mailed to 1401 South Broadway, P.O. Box 642, Pelican Rapids, MN 56572. Notice to the City shall be mailed to P.O. Box 272, Deer Creek, MN 56527. Either City or Company may change its respective address for the purpose of this Ordinance by written notice to the other.

Public Way. Any public right-of-way within the City as defined by Minnesota Statutes, Section 237.162, subd. 3.

Public Ground. Land owned or otherwise controlled by the City for park, open space or similar public purpose, which is held for use in common by the public and not a Public Way.

SECTION 2. ADOPTION OF FRANCHISE.

2.1 **Grant of Franchise.** The City hereby grants the Company, for a period of **ten (10)** years from the first date the Company's Gas Facilities first deliver gas to a customer within the City, the right to import, manufacture, distribute and sell gas for public and private use within and through the limits of the City as its boundaries now exist or as they may be extended in the future. This right includes the provision of Gas that is (i) manufactured by the Company or its affiliates and delivered by the Company, (ii) purchased and delivered by the Company or (iii) purchased from another source by the retail customer and delivered by the Company. For these purposes, the Company may construct, operate, repair and maintain Gas Facilities in, on, over, under and across the Public Ways and Public Grounds, subject to the provisions of this Ordinance. The Company may do all reasonable things necessary or customary to accomplish these purposes, subject however, to such reasonable regulations as may be imposed by the City pursuant to ordinance or permit requirements and to the further provisions of this franchise agreement.

2.2 **Effective Date; Written Acceptance.** This franchise shall be in force and effect from and after its passage of this Ordinance and publication as required by law and its acceptance by the Company. If the Company does not file a written acceptance with the City within 60 days after the date the City Council adopts this Ordinance, or otherwise informs the City, at any time, that the Company does not accept this franchise, the City Council by resolution may revoke this franchise, seek its enforcement in a court of competent jurisdiction or pursue other remedies in law or in equity.

2.3. **Service and Gas Rates.** The service to be provided and the rates to be charged by Company for gas service in City are subject to the jurisdiction of a local Utilities Board of which the City shall assign one representative to represent the City or any succeeding regulatory authority assigned by law or regulation, and of which the Company shall assign two representatives. The City further agrees to provide a request to the Minnesota Public Utilities Commission requesting Company be exempt from State Rate Regulations and subject to Local Jurisdiction.

2.4. **Publication Expense.** The Company shall pay the expense of publication of this Ordinance.

2.5. **Dispute Resolution.** If either party asserts that the other party is in default in the performance of any obligation hereunder, the complaining party shall notify the other party of the default and the desired remedy. The notification shall be written. Representatives of the parties must promptly meet and attempt in good faith to negotiate a resolution of the dispute. If the dispute is not resolved within 30 days of the written notice, the parties may jointly select a mediator to facilitate further discussion. The parties will equally share the fees and expenses of this mediator. If a mediator is not used or if the parties are unable to resolve the dispute within 30 days after first meeting with the selected mediator, either party may commence an action in District Court to interpret and enforce this franchise or for such other relief as may be permitted by law or equity.

2.6. **Continuation of Franchise.** If the City and the Company are unable to agree on the terms of a new franchise by the time this franchise expires, this franchise will remain in effect until a new franchise is agreed upon, or until 90 days after the City or the Company serves written Notice to the other party of its intention to allow the franchise to expire. However, in no event shall this franchise continue for more than one year after expiration of the ten-year term set forth in Section 2.1.

2.7 **Non-Exclusive Franchise.** This ordinance does not grant an exclusive franchise.

2.8 **Permit Fee.** The Company shall pay to the City as and for a permit fee the sum of \$500.00 per year payable by January 10 of 2017 and by the 10th day of January in each year thereafter. The charge is an administrative permit fee to reimburse the City of Deer Creek for annual costs associated with the adoption and maintenance of this franchise and shall be subject to annual review and modification. The permit fee is not a franchise fee regulated by Section 8 below.

SECTION 3. LOCATION, OTHER REGULATIONS.

3.1. **Location of Facilities.** Gas Facilities shall be located, constructed, and maintained so as not to interfere with the safety and convenience of ordinary travel along and over Public Ways and so as not to disrupt normal operation of any City Utility System. Gas Facilities may be located on Public Grounds as determined by the City. The Company's construction, reconstruction, operation, repair, maintenance, location and relocation of Gas Facilities shall be subject to other reasonable regulations of the City consistent with authority granted the City to manage its Public Ways and Public Grounds under state law, to the extent not inconsistent with a specific term of this franchise.

3.2. **Street Openings.** The Company shall not open or disturb the surface of any Public Way or Public Ground for any purpose without first having obtained a permit from the City, if required by a separate ordinance, for which the City may impose a reasonable fee. Permit conditions imposed on the Company shall not be more burdensome than those imposed on other utilities for similar facilities or work. The Company may, however, open and disturb the surface of any Public Way or Public Ground without a permit if (i) an emergency exists requiring the immediate repair of Gas Facilities and (ii) the Company gives telephone, email or similar notice to the City before commencement of the emergency repair, if reasonably possible. Within two business days after commencing the repair, the Company shall apply for any required permits and pay any required fees.

3.3. **Restoration.** After undertaking any work requiring the opening of any Public Way, the Company shall restore the Public Way in accordance with Minnesota Rules, part 7819.1100 and applicable City ordinances consistent with law. The Company shall restore the Public Ground to as good a condition as formerly existed, and shall maintain the surface in good condition for six months thereafter. All work shall be completed as promptly as weather permits, and if the Company shall not promptly perform and complete the work, remove all dirt, rubbish, equipment and material, and put the Public Ground in the said condition, the City shall have, after demand to the Company to cure and the passage of a reasonable period of time following the demand, but not to exceed five days, the right to make the restoration of the Public Ground at the expense of the Company. The Company shall pay to the City the cost of such work done for or performed by the City. This remedy shall be in addition to any other remedy available to the City for noncompliance

with this Section 3.3. The Company shall also post a construction performance bond consistent with the provisions of Minnesota Rules, parts 7819.3000 and 7819.0100, subpart 6.

3.4. **Avoid Damage to Gas Facilities.** The Company must take reasonable measures to prevent the Gas Facilities from causing damage to persons or property. The Company must take reasonable measures to protect the Gas Facilities from damage that could be inflicted on the Facilities by persons, property, or the elements. The Company must take protective measures when the City performs work near the Gas Facilities, if given reasonable notice by the City of such work prior to its commencement. Such measures shall include marking of Company facility locations within 48 hours of request by City. City agrees to take reasonable measures to avoid the 48 hour period being over weekends or public holidays.

3.5. **Notice of Improvements to Streets.** The City will give Company reasonable written Notice of plans for improvements to Public Ways where the City has reason to believe that Gas Facilities may affect or be affected by the improvement. The notice will contain: (i) the nature and character of the improvements, (ii) the Public Ways upon which the improvements are to be made, (iii) the extent of the improvements, (iv) the time when the City will start the work, and (v) if more than one Public Way is involved, the order in which the work is to proceed. The notice will be given to the Company a sufficient length of time, considering seasonal working conditions, in advance of the actual commencement of the work to permit the Company to make any additions, alterations or repairs to its Gas Facilities the Company deems necessary.

3.6 **Mapping Information.** The Company must promptly provide complete and accurate mapping information for any of its Gas Facilities in accordance with the requirements of Minnesota Rules, parts 7819.4000 and 7819.4100.

SECTION 4. RELOCATIONS.

4.1. **Relocation of Gas Facilities.** The Company shall comply with Minnesota Rules, part 7819.3100 and applicable City ordinances consistent with law. The City may require the Company at the Company's expense to relocate or remove its Gas Facilities from Public Ground upon a finding by the City that the Gas Facilities have become or will become a substantial impairment to the existing or proposed public use of the Public Ground. Relocation shall comply with applicable city ordinances consistent with law.

4.2. **Projects with Federal Funding.** Relocation, removal, or rearrangement of any Company Gas Facilities made necessary because of the extension into or through the City of a federally-aided highway project shall be governed by the provisions of Minnesota Statutes, Section 161.46.

SECTION 5. INSURANCE AND INDEMNIFICATION.

5.1. **Insurance.** The Company is required to maintain Commercial General Liability Insurance on an occurrence basis protecting it from claims for damages for bodily injury, including death, and for claims for property damage, which may arise from operations under this Ordinance. Insurance minimum limits are as follows:

- \$2,000,000 – per occurrence
- \$4,000,000 – annual aggregate

The following coverages shall be included: Premises and Operations Bodily Injury and Property Damage; Personal and Advertising Injury Blanket Contractual Liability and Products and Completed Operations Liability.

The City must be endorsed as an Additional Insured.

With the City's consent, which shall not be unreasonably withheld, the Company shall have the option of providing a program of self-insurance to meet its obligation under this Ordinance. In such event, the Company shall submit to the city a Certificate of Self-Insurance or other documents showing proof of its financial responsibility.

5.2. **Indemnity of City.** The Company shall indemnify and hold the City harmless from any and all liability, on account of injury to persons or damage to property occasioned by the construction, maintenance, repair, inspection, the issuance of permits, or the operation of the Gas Facilities located in the Public Ways and Public Grounds. The City shall not be indemnified for losses or claims occasioned through its own negligence except for losses or claims arising out of or alleging the City's negligence as to the issuance of permits for, or inspection of the Company's plans or work.

5.3. **Defense of City.** In the event a suit is brought against the City under circumstances where this agreement to indemnify applies, the Company at its sole cost and expense shall defend the City in such suit if written notice thereof is promptly given to the Company within a period wherein the Company is not prejudiced by lack of such notice. If the Company is required to indemnify and defend, it will thereafter have control of such litigation, but the Company may not settle such litigation without the consent of the City, which consent shall not be unreasonably withheld. This section is not, as to third parties, a waiver of any defense or immunity otherwise available to the City. The Company, in defending any action on behalf of the City, shall be entitled to assert in any action every defense or immunity that the City could assert on its own behalf. This franchise agreement shall not be interpreted to constitute a waiver by the City of any of its defenses of immunity or limitations on liability under Minnesota Statutes, Chapter 466.

5.4 **Limitation of Liability.** Upon the effective date of this ordinance, the City does not assume any liability (1) for injuries to persons, damage to property or loss of service claims by parties other than the Company or the City, or (2) for claims or penalties of any sort resulting from the installation, presence, maintenance or operation of equipment or facilities by the Company or its agents.

5.5 **Delay Damage Fee.** The City may establish and impose a damage fee for unreasonable delays in completion of any right-of-way excavation, obstruction, patching, restoration, removal, or relocation. The delay damage fee shall be established from time to time by a resolution of the City Council based upon its reasonable estimation of the actual costs that would be incurred due to any delay, the actual amount being undeterminable. The Company shall be advised in writing by facsimile, with the original to follow by United States mail, of the perceived delay and of the period within which the work must be completed to avoid a delay damage fee. A delay damage fee shall not be imposed if the delay in project completion is due to circumstances beyond the control of Company, including without limitation inclement weather, acts of God, or civil strife.

SECTION 6. VACATION OF PUBLIC WAYS.

The City shall give the Company at least two weeks prior written notice of a proposed vacation of a Public Way. The City and the Company shall comply with Minnesota Rules, part 7819.3200 and applicable ordinances consistent with law.

SECTION 7. CHANGE IN FORM OF GOVERNMENT.

Any change in the form of government of the City shall not affect the validity of this Ordinance. Any governmental unit succeeding the City shall, without the consent of Company, succeed to all of the rights and obligations of the City provided in this Ordinance.

SECTION 8. FRANCHISE FEE.

8.1. **Form.** During the term of the franchise hereby granted, and in addition to permit fees being imposed or that the City has a right to impose, the City may charge the Company a franchise fee. The fee may be (i) a percentage of gross revenues received by the Company for its operations within the City, or (ii) a flat fee per customer based on metered service to retail customers within the City or on some other similar basis, or (iii) a fee based on units of energy delivered to any class of retail customers within the corporate limits of the City. The method of imposing the franchise fee, the percentage of revenue rate, or the flat rate based on metered service may differ for each customer class or combine the methods described in (i) – (iii) above in assessing the fee. The City shall seek to use a formula that provides a stable and predictable amount of fees, without placing the Company at a competitive disadvantage. If the Company claims that the City's required fee formula is discriminatory or otherwise places the Company at a competitive disadvantage, the Company shall provide a formula that will produce a substantially similar fee amount to the City and reimburse the City's reasonable fees and costs in reviewing and implementing the formula. The City will attempt to accommodate the Company but is under no franchise obligation to adopt the Company-proposed franchise fee formula and each review will not delay the implementation of the City-imposed fee.

8.2. **Separate Ordinance.** The franchise fee shall be imposed by separate ordinance duly adopted by the City Council.

8.3. **Condition of Fee.** The separate ordinance imposing the fee shall not be effective against the Company unless it lawfully imposes a fee of the same or substantially similar amount on the sale of gas energy within the City by any other gas energy supplier, provided that, as to such supplier, the City has the authority or contractual right to require a franchise fee or similar fee through a previously agreed upon franchise.

8.4. **Collection of Fee.** The franchise fee shall be payable not less than quarterly during complete billing months of the period for which payment is to be made. The franchise fee formula may be changed from time to time, however, the change shall meet the same notice requirements and the fee may not be changed more often than annually. Such fee shall not exceed any amount that the Company may legally charge to its customers prior to payment to the City. Such fee is subject to subsequent reductions to account for uncollectibles and customer refunds incurred by the Company. The Company agrees to make available for inspection by the City at reasonable times all records necessary to audit the Company's determination of the franchise fee payments.

8.5. **Continuation of Franchise Fee.** If this franchise expires and the City and the Company are unable to agree upon terms of a new franchise, the franchise fee, if any being imposed by the City at the time this franchise expires, will remain in effect until a new franchise is agreed upon notwithstanding the franchise expiration as provided in section 2.6 above.

8.6 **Moratorium on Franchise Fee and PUC Exemption Rescission.** During the initial ten (10) year term of the franchise hereby granted, the City shall not charge the Company a franchise fee. Further, the City's separate Resolution requesting exemption from regulation by the Minnesota Public Utilities Commission adopted pursuant to Minnesota Statutes, Section 216B.02, Subd. 4 shall not be rescinded within the initial ten (10) year term of the franchise hereby granted.

SECTION 9. ABANDONED FACILITIES.

The Company shall comply with City ordinances, Minnesota Statutes, Sections 216D.01 et seq. and Minnesota Rules, part 7819.3300, as they may be amended from time to time. The Company shall maintain records describing the exact location of all abandoned and retired Facilities within the City, produce such records at the City's request and comply with the location requirements of Section 216D.04 with respect to all Facilities, including abandoned and retired Facilities.

SECTION 10. INFRASTRUCTURE REPORTING.

Upon request, the Company shall provide data that identifies aging infrastructure within the City that may need replacement and the Company's plans for replacement.

SECTION 11. PROVISIONS OF ORDINANCE.

11.1. **Severability.** Every section, provision, or part of this Ordinance is declared separate from every other section, provision, or part; and if any section, provision, or part shall be held invalid, it shall not affect any other section, provision, or part. Where a provision of any other City ordinance conflicts with the provisions of this Ordinance, the provisions of this Ordinance shall prevail.

11.2. **Limitation on Applicability.** This Ordinance constitutes a franchise agreement between the City and the Company as the only parties and no provision of this franchise shall in any way inure to the benefit of any third person (including the public at large) so as to constitute any such person as a third party beneficiary of the agreement or of any one or more of the terms hereof, or otherwise give rise to any cause of action in any person not a party hereto.

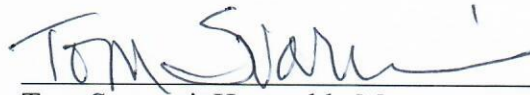
SECTION 12. AMENDMENT-PROCEDURE.

Either party to this franchise agreement may at any time propose that the agreement be amended. This Ordinance may be amended at any time by the City passing a subsequent ordinance declaring the provisions of the amendment, which amendatory ordinance shall become effective upon the filing of the Company's written consent thereto with the City Clerk within 60 days after the effective date of the amendatory ordinance. This amendatory procedure is subject, however, to the City's police power and franchise rights under Minnesota Statutes, Sections 216B.36 and 301B.01, which rights are not waived hereby.

SECTION 13. ASSIGNMENT AND COMPANY REORGANIZATION. The City understands and acknowledges that the Company intends to evaluate opportunities to re-organize the delivery of

natural gas under this Ordinance and franchise granted pursuant to the cooperative patronage model such that customers may become members of a cooperative. The Company agrees to make such assessment in good faith. In such event, the City agrees that the franchise granted under this Ordinance is assignable to a successor cooperative organized for purposes of delivering gas and operating the Gas Facilities, including without limitation to Lake Region Electric Cooperative.

Adopted this 23 day of JANUARY, 2017, by the City Council of the City of Deer Creek.



Tom Svarvari, Honorable Mayor

ATTEST:



Jane Kovar, City Clerk

Ordinance published in the legal newspaper on the ____ day of _____, 201__.

Petition of Lake Region Energy Services, Inc.
Petition for Exemption for Small Gas Utility Franchise

Exhibit D

Lake Region Energy Services, Inc.
Rates and Rule Book

Insert Logo Here

Rates / Services & Regulations Book

Originated January 2017

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Section 1

II. CONTACT LIST

The following lists the addresses, emergency contacts, and the responsible parties of Lake Region Energy Services, Inc.

Officers

President: Tim Thompson
Secretary Dan Husted
Main Office: Lake Region Energy Services, Inc.
P.O. Box 643
Pelican Rapids, MN 56572
218-863-1171

Manager:
C- (emergency contact number)
Systems Operations Specialist:
C- (emergency contact number)

Section 2

III. LIST OF AREAS SERVED BY LAKE REGION ENERGY SERVICES, INC.

Lake Region Energy Services proposes to supply gas service to the following cities.

Cities Involved

Parkers Prairie

Deer Creek

Section 3

IV. TECHNICAL TERMS AND ABBREVIATIONS

Applicant

A person, firm, association, partnership, corporation, and any agency or political subdivision of the Federal, state, or local government requesting Lake Region Energy Services to supply gas service. A request for gas service is distinguished from an inquiry as to the availability of or charges for such service.

Customer

The person, firm, association, partnership, corporation, or any agency of the federal, state, or local Government being supplied with gas service by Lake Region Energy Services in whose name service is rendered as evidenced by an application, contract, or agreement for service. In the absence of an application, contract, or agreement for service, the customer shall be the person receiving or paying bills issued in his/her or its name, regardless of the identity of the actual user of the service.

Gas Mains

Any pipe used or useable for the purpose of delivering and distributing gas to individual gas service lines or other gas mains.

Gas Main Extension

An extension of an existing gas main.

Gas Service Line

All pipe, valves, and fittings from and including the connection at the gas main up to the including the stopcock on the inlet side of the regulator or gas meter.

Gas Meter Set

All fittings, including regulator, meter and attachment bracket between the stopcock at the end of the gas service line and the connection to the customer's piping at the outlet of the meter.

Normal Gas Meter location

On the outside of the building to be served and on the face or within five feet of the corner of the building in closest proximity to the gas main to which the gas service pipe is to be attached.

Normal Gas Service Line

A gas service pipe installed in a straight line from the gas main to a normal gas meter location.

Notices

Unless otherwise specified, any notice from Lake Region Energy Services to a customer or from a customer to Lake Region Energy Services, may be oral or written.

A written notice from Lake Region Energy Services may either be delivered or mailed to the Customer's last known address. A written notice from the customer may either be delivered or mailed to Lake Region Energy Services main office at 1401 S. Broadway, Pelican Rapids, MN or to its branch office in Ottertail, MN.

Person

An individual person, firm, Association, partnership, corporation. Any agency or political subdivision of the Federal, state or local government or any applicant or customer as herein defined.

Premises

The structure or structures owned or occupied by a person including the lot or land upon which they are situated and all other land owned or occupied by the persons contiguous thereto.

Regular Construction Season

The period beginning April 1 and ending October 31 of each year. Commission or PUC.

The Minnesota Public Utilities Commission PSC

The Minnesota Public Service Commission, previous name of the present Public Utilities Commission.

Date Issued

The date the rate schedule, contract, agreement, etc. is submitted to the Commission.

Standby Gas Service

Service continuously available through a permanent connection to provide gas for customer's use in case of failure of another regularly used source of energy.

Supplementary Gas Service

Service continuously available through a permanent connection to supplement or augment directly or indirectly on an intermittent basis another source of energy.

Emergency Gas Service

Service supplied through a temporary connection for customer's use when his usual source of energy has failed.

Residential Customer

A residential customer uses gas for general household purposes in a space occupied as a living unit, such as a single private residence, single flat or apartment with less than five units, fraternity house, sorority house or rooming house.

Commercial Customer

A commercial customer uses gas in the conduct of a business enterprise in space occupied and operated for commerce, such as stores, offices, shops, hotels, apartment hotels, multiple flats or apartments with five or more units, wholesale houses, warehouses, garages, filling stations, greenhouses, nurseries and kennels, schools, churches, hospitals, and other institutions of similar nature.

Industrial Customer

An industrial customer uses gas in a space dedicated to the production of articles of commerce through manufacturing, processing, refining, mining, or fabricating.

Contributions in Aid of Construction

Moneys deposited with Lake Region Energy Services by customers or applicants as non-refundable contributions to aid expansion of the distribution system, when Lake Region Energy Services determines that specific extensions of service are in excess of requirements allowed by these Rules and Regulations without a contribution. Included are excess service charges, casing charges, and in some cases, excess main charges.

Advances for Construction

Moneys advanced to Lake Region Energy Services by customers or applicants as a refundable

Non-interest bearing advance for extension of the distribution system that are deemed not economically feasible or abnormal as determined by these Rules and Regulations. These advances are refundable in full or part for only a specific period

V. RATE SHCEDULES AND APPLICABLE PROVISIONS

Section 4

COST OF PURCHASED GAS:

This is the base price of gas paid to suppliers to have gas distributed to our system. This cost is based on the following expenses, and the final price will be determined when system is operational

Cost of Gas	0.3006
GMT Transmission Fee	0.07
Transportation Costs	0.0794
Basis Cost of Gas	0.45

Section 5

RESIDENTIAL SALES SERVICE

Rate Schedules: RFR Residential Firm Rates (Cat-1)

Availability:

Residential Sales Service is available upon request to Residential Firm customers contingent on an adequate gas supply and distribution system capacity.

Rate:	MONTHLY BASIC CHARGE	DELIVERY CHARGE PER THERM	COST OF GAS PER THERM
	\$10.00	\$0.67	\$1.12

Therm Factor Adjustment:

Customer metered usage will be adjusted to reflect the following: 1,000 Btu per cubic foot, base pressure of 14.73 PSIA, and a gas temperature of 60 degrees Fahrenheit.

Minimum Monthly Bill:

When no consumption occurs during the billing month, the Monthly Basic Charge of \$10.00 will apply.

Due Date:

The due date printed on customer bills will not be more than five days before the next scheduled billing date. However, customers who have selected the Automatic Bank Draft option may select a due date which is greater than five days before the next scheduled billing date.

Late Payment Charge:

Delinquent amounts are subject to a late payment charge of 1.5% or \$2.00, whichever is greater.

'Delinquent amount' is the portion of a customer's account representing charges for gas service past due. For customers on the Budget Plan or a deferred payment schedule, 'delinquent amount' is the lesser of the unpaid account balance or past due scheduled payments.

All payments received will be credited against the oldest outstanding account balance before application of any late payment charge. The late payment charge will be assessed on unpaid amounts at the next scheduled billing date.

Franchise Fee:

A franchise fee will be added to the monthly bill computed at this rate schedule for those communities that impose a franchise fee.

Purchased Gas Adjustment Rider:

The above rates are subject to the Purchased Gas Adjustment Rider. Bills will be automatically increased or decreased as provided in the rate adjustment clause to reflect changes in the cost of purchased gas and fuel for supplemental gas.

Gas Affordability Rider:

All customer bills under this rate are subject to the adjustment provided for in the Gas Affordability Program Rider.

Conservation Improvement Adjustment Rider:

All customer bills under this rate are subject to the Conservation Improvement Rider.

Conservation Enabling Rider:

All customer bills under this rate are subject to the Conservation Enabling Rider.

Section 6

SMALL VOLUME COMMERCIAL

Commercial Firm Rates Small: CFRS (cat-z)

Availability:

Small Volume Commercial Service is available to Commercial customers whose peak day demands are less than 1,250,000 BTU's contingent on an adequate gas supply and distribution system capacity. Their gas usage is primarily for commercial service.

Rate: Peak Demand	MONTHLY BASIC CHARGE	DELIVERY CHARGE PER THERM	COST OF GAS PER THERM
Less than 1,250,000 BTU's	\$20.00	\$0.62	\$1.07

Therm Factor Adjustment:

Customer metered usage will be adjusted to reflect the following: 1,000 Btu per cubic foot, base pressure of 14.73 PSIA, and a gas temperature of 60 degrees Fahrenheit.

Minimum Monthly Bill:

When no consumption occurs during the billing month, the Monthly Basic Charge applicable as listed above will apply.

Due Date:

The due date printed on customer bills will not be more than five days before the next scheduled billing date. However, customers who have selected the Automatic Bank Draft option may select a due date which is greater than five days before the next scheduled billing date.

Late Payment Charge:

Delinquent amounts are subject to a late payment charge of 1.5% or \$2.00, whichever is greater. Delinquent amount' is the portion of a customer's account representing charges for gas service past due. For customers on the Budget Plan or a deferred payment schedule, 'delinquent amount' is the lesser of the unpaid account balance or past due scheduled payments.

All payments received will be credited against the oldest outstanding account balance before application of any late payment charge. The late payment charge will be assessed on unpaid amounts at the next scheduled billing date.

Franchise Fee:

A franchise fee will be added to the monthly bill computed at this rate schedule for those communities that impose a franchise fee.

Purchased Gas Adjustment Rider:

The above rates are subject to the Purchased Gas Adjustment Rider. Bills will be automatically increased or decreased as provided in the rate adjustment clause to reflect changes in the cost of purchased gas and fuel for supplemental gas.

Gas Affordability Rider:

All customer bills under this rate are subject to the adjustment provided for in the Gas Affordability Program Rider.

Conservation Improvement Adjustment Rider:

All customer bills under this rate are subject to the Conservation Improvement Rider.

Conservation Enabling Rider:

All customer bills under this rate are subject to the Conservation Enabling Rider.

Section 7

LARGE VOLUME COMMERCIAL AND INDUSTRIAL SALES SERVICE

Large Volume Commercial and Industrial Firm Rates Large: IFR (Cat-3)

Availability:

Large Volume Commercial and Industrial Sales Service is available to Commercial and Industrial firm customers whose peak day demands are greater than 1,250,000 BTU's and less than 2,500,000 BTU's contingent on an adequate gas supply and distribution system capacity. There gas usage is primarily for commercial and industrial usage.

Rate: ANNUAL USAGE	MONTHLY BASIC CHARGE	DELIVERY CHARGE PER THERM	COST OF GAS PER THERM
Less than 2,500,000 BTU's	\$45.00	\$0.47	\$0.92

Therm Factor Adjustment:

Customer metered usage will be adjusted to reflect the following: 1,000 Btu per cubic foot, base pressure of 14.73 PSIA, and a gas temperature of 60 degrees Fahrenheit

Minimum Monthly Bill:

When no consumption occurs during the billing month, the Monthly Basic Charge applicable as listed above will apply.

Due Date:

The due date printed on customer bills will not be more than five days before the next scheduled billing date. However, customers who have selected the Automatic Bank Draft option may select a due date which is greater than five days before the next scheduled billing date.

Late Payment Charge:

Delinquent amounts are subject to a late payment charge of 1.5% or \$2.00, whichever is greater. Delinquent amount' is the portion of a customer's account representing charges for gas service past due. For customers on the Budget Plan or a deferred payment schedule, 'delinquent amount' is the lesser of the unpaid account balance or past due scheduled payments.

All payments received will be credited against the oldest outstanding account balance before application of any late payment charge. The late payment charge will be assessed on unpaid amounts at the next scheduled billing date.

Franchise Fee:

A franchise fee will be added to the monthly bill computed at this rate schedule for those communities that impose a franchise fee.

Purchased Gas Adjustment Rider:

The above rates are subject to the Purchased Gas Adjustment Rider. Bills will be automatically increased or decreased as provided in the rate adjustment clause to reflect changes in the cost of purchased gas and fuel for supplemental gas.

Gas Affordability Rider:

All customer bills under this rate are subject to the adjustment provided for in the Gas Affordability Program Rider.

Conservation Improvement Adjustment Rider:

All customer bills under this rate are subject to the Conservation Improvement Rider.

Conservation Enabling Rider:

All customer bills under this rate are subject to the Conservation Enabling Rider.

Section 8

AGRICULTURAL HEATING AND DRYING SALES SERVICE

Agricultural Heating and Drying Firm, Rates Large: CFR (Cat-4)

Availability:

Large Volume Commercial and Industrial Sales Service is available to commercial and Industrial firm customers whose peak day demands are greater than 2,500,000 BTU's contingent on an adequate gas supply and distribution system capacity. There gas usage is primarily for agricultural heating and drying usage.

Rate: ANNUAL USAGE	MONTHLY BASIC CHARGE	DELIVERY CHARGE PER THERM	COST OF GAS PER THERM
Agricultural Heating	\$45.00	\$0.47	\$0.92

Therm Factor Adjustment:

Customer metered usage will be adjusted to reflect the following: 1,000 Btu per cubic foot, base pressure of 14.73 PSIA, and a gas temperature of 60 degrees Fahrenheit.

Minimum Monthly Bill:

When no consumption occurs during the billing month, the Monthly Basic Charge applicable as listed above will apply.

Due Date:

The due date printed on customer bills will not be more than five days before the next scheduled billing date. However, customers who have selected the Automatic Bank Draft option may select a due date which is greater than five days before the next scheduled billing date.

Late Payment Charge:

Delinquent amounts are subject to a late payment charge of 1.5% or \$2.00, whichever is greater. Delinquent amount' is the portion of a customer's account representing charges for gas service past due. For customers on the Budget Plan or a deferred payment schedule, 'delinquent amount' is the lesser of the unpaid account balance or past due scheduled payments.

All payments received will be credited against the oldest outstanding account balance before application of any late payment charge. The late payment charge will be assessed on unpaid amounts at the next scheduled billing date.

Franchise Fee:

A franchise fee will be added to the monthly bill computed at this rate schedule for those communities that impose a franchise fee.

Section 9

INTERRUPTIBLE SALES SERVICE

Availability

Interruptible Sales Service is available to commercial and industrial customers with requirements of 25 Therms an hour or more and peak day requirements less than 2,000 Therms, contingent on an adequate gas supply and distribution system capacity. This rate schedule shall apply to gas service consisting of a base level of firm gas volumes, supplemented by interruptible volumes.

Rate:

ANNUAL USAGE	MONTHLY BASIC CHARGE	DELIVERY CHARGE PER THERM	COST OF GAS PER THERM
Less than 120,000 Therms	\$50.00	\$0.44	\$0.89

Therm Factor Adjustment:

Customer metered usage will be adjusted to reflect the following: 1,000 Btu per cubic foot, base pressure of 14.73 PSIA, and a gas temperature of 60 degrees Fahrenheit.

Special Conditions Interruptible Volumes:

- 1) Customer must have and maintain adequate standby facilities and have available sufficient fuel supplies to maintain operations during periods of curtailment. Customer further agrees to curtail the use of gas on one (1) hours' notice when requested by Lake Region Energy Services.
- 2) If a customer fails to discontinue use of gas within one hour of being requested to do so by Lake Region Energy Services, the customer will be deemed to have taken Unauthorized Gas. The penalty for unauthorized use of gas will be:
 - a. For the first occurrence of the gas year: the prevailing delivery charge plus the highest incremental supply cost for the day plus \$1.00 per Therm.
 - b. For subsequent occurrences: the prevailing delivery charge plus the highest incremental supply cost for the day plus \$2.00 per Therm.
 - i. For purposes of this provision, the gas year is the twelve-month period beginning November 1 each year.
 - c. Further, Lake Region Energy Services shall have the right to shut off customer's supply of gas in the event of failure to discontinue use after being requested to do so.

Special Conditions Interruptible

Customer must install telemetry equipment. Customer is responsible for reimbursing Lake Region Energy Services for all incremental on-site plant investments, including telemetry equipment, required by Lake Region Energy Services for providing service to the customer. This investment shall remain the property of Lake Region Energy Services.

Due Date

The due date printed on customer bills will not be more than five days before the next scheduled billing date. However, customers who have selected the AutoPay option may select a due date which is greater than five days before the next scheduled billing date.

Late Payment Charge

Delinquent amounts are subject to a late payment charge of 1.5% or \$1.00, whichever is

greater. No late payment charge will be applied if the delinquent amount is \$10.00 or less.

All payments received will be credited against the oldest outstanding account balance before application of any late payment charge. The late payment charge will be assessed on unpaid amounts at the next scheduled billing date.

Franchise Fee

A franchise fee will be added to the monthly bill computed at this rate schedule for those communities that impose a franchise fee.

Purchased Gas Adjustment Rider:

The above rates are subject to the Purchased Gas Adjustment Rider. Bills will be automatically increased or decreased as provided in the rate adjustment clause to reflect changes in the cost of purchased gas and fuel for supplemental gas.

Gas Affordability Rider:

All customer bills under this rate are subject to the adjustment provided for in the Gas Affordability Program Rider.

Conservation Improvement Adjustment Rider:

All customer bills under this rate are subject to the Conservation Improvement Rider.

Conservation Enabling Rider:

All customer bills under this rate are subject to the Conservation Enabling Rider.

Section 10

STANDBY PEAKING SALES SERVICE RIDER

Availability:

This Rider applies to Residential Sales Service customers and Commercial and Industrial Sales Service customers whose primary space heating energy is not natural gas and who require firm natural gas peaking service as a standby fuel during winter months. Customers receiving service under this Rider are subject to all provisions of the Residential Sales Service or Commercial and Industrial Sales Service Tariffs, as applicable, except as noted.

Rates:

Customers will be billed under the appropriate Residential Sales Service or Commercial and Industrial Sales Service rate schedule. In addition, the following will apply:

	RESIDENTIAL SALES SERVICE PER MONTH	COMMERCIAL INDUSTRIAL SALES SERVICE PER MONTH
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Fixed standby charges	\$5.00	\$9.00
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Terms:

Customers must enter into this Rider for a minimum period of one (1) year.

Section 11

NEW AREA SURCHARGE RIDER

Availability:

Service under this rate schedule is available only to geographical areas that have not previously been served by the Company. This rate schedule will enable natural gas service to be extended to areas where the cost would otherwise have been prohibitive under the Company's present rate and service extension policy. Nothing in this rate schedule shall obligate the Company to extend natural gas service to any area.

Applicability and Character of Service:

All customers on this rate shall receive service according to the terms and conditions of one of the Company's gas tariff services.

Rate:

As authorized by the governing rate board, the total billing rate for any customer class will be the applicable cost of gas, approved rate (monthly basic plus delivery charge) for that customer class plus a fixed monthly new area surcharge. All customers in the same rate class will be billed the same surcharge. The New Area surcharge will be treated as a Contribution-in-Aid-of-Construction for accounting and ratemaking purposes.

Method:

A standard model will be used that is designated to calculate the total revenue requirement for each year of the average service life of the plant installed. The model will compare the total revenue requirements for each year with the retail revenues generated from customers served (actual and/or expected) by the project to determine if a revenue deficiency or revenue excess exists.

The Net Present Value (NPV) of the yearly revenue deficiencies or excesses will be calculated using a discount rate equal to the overall rate of return authorized in the most recent general rate proceeding. Projected customer CIAC surcharge revenues are then introduced into the model and the resultant NPV calculation is made to decide if the project is self-supporting. A total NPV of approximately zero (\$0) will show a project is self-supporting.

The model will be run each year after the initial construction phase of a project wherein actual amounts for certain variables will be substituted for projected values to track recovery of expansion costs and the potential to end the customer surcharge before the full term. The variables, which will be updated in the model, each year will be:

The actual capital costs and projected remaining capital costs for the project.

Number of customers used to calculate the surcharge revenue and the retail margin revenue;

The actual surcharge and retail revenue received to date and the projected surcharge and retail revenue for the remaining term of the surcharge.

Section 12

SMALL VOLUME FIRM TRANSPORTATION SERVICE

Availability:

Available to any firm customer whose peak day requirements are less than 2000 therms for the delivery of gas owned by the customer from a Lake Region Energy Services. Town Border Station(s) to a meter location on the customer's premise.

Rate: ANNUAL USAGE	MONTHLY BASIC CHARGE	DELIVERY CHARGE PER THERM	COST OF GAS DEMAND CHARGE
Less than 1500 Therms	\$100.00	\$.045	\$0
Equal to or greater than 1500 Therms and less Than 5000 Therms	\$125 .00	\$.045	\$0
Greater than or equal 5000 Therms	\$150 .00	\$.045	\$0

- 1) Lake Region Energy Services may, at its option take title to transportation gas, if necessary to arrange interstate pipeline transportation to Lake Region Energy Services Town Border Station(s).
- 2) Customer will provide Lake Region Energy Services Throughput Management Department in writing (by facsimile) with a reasonable estimate of total monthly consumption at least five (5) working days prior to the end of the preceding month.
- 3) Customer is responsible for reimbursing Lake Region Energy Services for all incremental on-site plant investments, including telemetry equipment, required by Lake Region Energy Services for providing transportation services to the customer. This investment shall remain the property of Lake Region Energy Service.
- 4) Customer may choose to purchase firm transportation service under Lake Region Energy Services firm transportation (FT) rate, or secure their own firm pipeline transportation with the following provisions:
 - a. If customers choose to purchase Lake Region Energy Services FT rate, the demand charge per therm is as set forth on the tariff.
 - b. If customers choose to secure their own firm pipeline transportation , Lake Region Energy Services would forego the gas-related portion of the demand charge per therm as set forth on the tariff, provided that Lake Region Energy Services can either utilize or reduce its transportation obligations such that there will be no stranded cost for the remaining firm service customers.

Therm Factor Adjustment:

Customer metered usage will be adjusted to reflect the following: 1,000 Btu per cubic foot, base pressure of 14.73 PSIA, and a gas temperature of 60 degrees Fahrenheit.

Nomination:

Customer requesting changes to scheduled deliveries commencing at 9:00 a.m. central clock time (CCT), must

directly advise Lake Region Energy Services Throughput Management Department in writing (by facsimile) , by 9:00 a.m. CCT, on the preceding day (24 hours in advance), of the volumes to be delivered on its behalf from the Town Border Station to the customer's premise. Lake Region Energy Services will utilize reasonable efforts to accommodate changes requested after the deadline.

Customer will provide Lake Region Energy Services Throughput Management Department with a concurrent copy of all nominations made to the transporting pipeline for deliveries nominated to Lake Region Energy Services Town Border Station(s).

Balancing:

To maintain the operational integrity of Lake Region Energy Services distribution system, the customer is responsible for:

- 1) Scheduling deliveries which accurately reflect customer's expected total daily consumption; and
- 2) Balancing deliveries to Lake Region Energy Services system with volumes consumed at the delivery point

Daily Balancing

When daily volumes of natural gas delivered on behalf of customer to Lake Region Energy Services Town Border station receipt points or natural gas received at customer's designated delivery point differ, above or below daily scheduled volumes, the customer is out-of-balance. It is the customer's sole responsibility to maintain balance between nominated volumes and actual use, however, Lake Region Energy Services reserves the right to adjust or refuse nominations to maintain balance.

Volume differences between daily receipts and deliveries shall be accumulated and recorded in customer's account. Lake Region Energy Services shall determine the imbalance quantity for each day on a therm basis. Lake Region Energy Services shall then account for the imbalance volumes as follows:

Section 13

PURCHASED GAS ADJUSTMENT RIDER

Purchased Gas Adjustment (PGA)

In the event there is a change in the delivered cost of gas purchased that will result in a billing rate change that exceeds .3 ¢ per Therm, to be sold under Lake Region Energy Services gas service rate schedules), there shall be added to or deducted from the monthly bill computed there under the product of the monthly consumption and the amount per Therm to the nearest 0.001 ¢ by which the average annual purchased gas cost per Therm at the new rate is more or less than the "base gas cost" which is the cost of purchased gas established in Lake Region Energy Services latest company rate filing by rate class, expressed as a cost per Therm. In the event Lake Region Energy Services finds it necessary to supplement the supply of natural gas by means of peak shaving, an amount per Therm shall be added to or deducted from the Gas Cost Reconciliation factor applied to firm gas service sales. This peak shaving amount shall be determined by dividing the difference between the peak shaving costs for the current twelve (12) month period ending June 30, and the peak shaving costs for the base period used for establishing the rate schedules to which this rider applies, by the total Therm sales to firm gas service customers for the current twelve (12) month period (adjusted to reflect normal temperature). To the extent peak shaving is used to serve dual fuel customers, an appropriate adjustment will be made.

Cost of Gas by Component

- a) Annual demand unit cost is defined as annual demand costs divided by annual demand sales volumes. Annual demand sales volume is calculated pursuant to MPUC Rule 7825.2400.
- b) GMT Delivery Fees is defined as the rate charged for transmission by GMT for transmission line delivery.
- c) Transportation Fee is defined as the commodity based charge for sourcing and balancing the CCLP gas supply, the basis, transportation of the pipeline and the firm transport.
- d) Commodity Unit Cost is defined as the system commodity related costs forecasted to be incurred during the next month for forecasted sales for the same month.

Annual Gas Cost Reconciliation:

For each twelve (12) month period ending June 30, an annual cost reconciliation by cost component will be determined based upon actual annual gas costs incurred by Lake Region Energy Services compared with annual gas costs recovered from volumes of gas sold. The annual cost recovered by cost component is the product of the total unit rate used in calculating the PGAs during the twelve (12) month period and the applicable gas sales volumes during the period when each of the total unit rates were in effect. The difference between actual cost and recovered cost for each component will be used in calculating a Gas Cost Reconciliation (GCR) factor for each rate schedule. The GCR factor will be applied to customers' billings on September 1 and will be in effect for a twelve (12) month period.

Refund Procedure:

Refunds and interest on the refunds that are received from the suppliers or transporters of purchased gas and attributable to the cost of gas previously sold, will be annually refunded by credits to bills, except that cumulative refund amounts equal to or greater than \$5.00 per customer must be refunded within ninety (90) days from the date the refund is received from a supplier or transporter. Refunds will be allocated to customer classes in proportion to previously charged costs of purchased gas. Within classes, the refund amount per unit will be applied to bills on the basis of individual twelve (12) month usage.

Section 14

STATEMENT OF PURCHASED GAS ADJUSTMENTS

Effective _____, 2____, the rate schedules listed below will be changed as provided in the purchased gas Adjustment Rider.

RATE SCHEDULE PAGE (SECTION V)	\$ PERTHERM		PGA EFFECTIVE
	PREVIOUS PGA EFFECTIVE	CURRENT ADJUSTMENT	
Cat 1 Residential Sales Service			
Cat 2 Small Volume Commercial			
Cat 3 Large Volume Commercial and Industrial			
Cat 4 Agricultural Heating and Drying			

Section 15

FRANCHISE FEE RIDER

Billing of Franchise, Gross Earnings, Receipts or Revenue Tax, Excise Tax or Other Charges or Taxes, there shall be added to the customer's bill, an amount equal to any franchise gross earnings, excise or other charges or taxes now or hereafter imposed upon Lake Region Energy Services, whether imposed by ordinance, franchise or otherwise applicable to gas service supplied by Lake Region Energy Services to customer.

The Company remits 100% of these fees collected from ratepayers to the local governmental unit. The Company will notify the Minnesota Public Utilities Commission of any new, expired, or changed franchise fee, authorized by Minn. Stat. § 2168.36 to raise revenue, 60 days prior to its implementation. Notification to the Minnesota Public Utilities Commission will include a copy of the relevant franchise ordinance, or other operative document authorizing imposition of the fee.

The Company will include the following language on the first bill of a customer on which a new or modified fee is listed:

The MUNICIPALITY granted Lake Region Energy Services a franchise to operate within the city limits. A Gas franchise fee of xx of Gross Revenues/\$x.xx per Meter/\$x.xx per

Therm will be collected from customers effective MM/DD/YYYY. The line item appears on your bill as "City Franchise Fee." Lake Region Energy Services remits 100% of this fee to the MUNICIPALITY.

Section 16

LARGE COMMERCIAL / INDUSTRIAL CREDIT POLICY RIDER

Applicability

Applicable to any Commercial or Industrial customer who is reasonably expected to use more than 1,200,000 Therms of natural gas in a twelve month period. The reasonable expectation of usage shall be calculated based on historical consumption on the property, any increased or decreased heating and/or processing load and the customer's declared usage needs. Special conditions are listed below.

Method

1. Prior to providing gas service to new customers to whom the rider is applicable, or prior to continuing to provide gas service to existing customers to whom the rider is applicable, Lake Region Energy Services may request a credit report from an independent credit bureau. If an independent credit bureau report is not available, or if such report does not provide sufficient financial information, Lake Region Energy Services may ask the customer to provide their most recent financial information (e.g., income statement, balance sheet and cash flow statements).
2. In the case of existing customers , financial information may be requested on an annual basis for any customer expected to use more than 1,200,000 therms per year, or whenever:
 - a. the customer is planning a plant/facility expansion resulting in increased gas use of more than 500,000 therms per year;
 - b. there is a merger or acquisition with another party;
 - c. the customer is delinquent in paying their gas bill;
 - d. Lake Region Energy Services must upgrade its facilities to provide the customer with gas.
 - e. there is evidence of other tangible economic or operational issues that may impact the customer's financial stability.
3. If Lake Region Energy Services determines that the customer's most recent financial information indicates objective reasons for concern that the customer may not be able to pay its bills, Lake Region Energy Services may require the customer to provide a "credit enhancement."
 - a. The following are indications that a customer may not be able to pay its bills:
 - i. The customer has an unsatisfactory credit rating;
 - ii. The customer has an insufficient prior credit history upon which a credit rating may be based;
 - iii. The customer's audited financial reports indicate net losses from operations;
 - iv. The customer's audited financial reports indicate negative cash flow from operations;
 - v. The customer's audited financial reports indicate current liabilities that exceed their current assets;
 - vi. The customer's audited financial reports indicate deficit retained earnings;
 - vii. The customer has substantial unresolved claims against the company (i.e., lawsuits, guarantees of another's indebtedness, environmental issues);
 - viii. The customer's auditors' opinion discloses that there is doubt about the company's ability to continue as a going concern;
 - ix. The customers have bond ratings below "investment grade;" or
 - x. The customer is uninsurable or under-insurable.

4. Acceptable "credit enhancements" that Lake Region Energy Services may require to assure payment of bills include:
 - a. A guarantee of payment by a third party with a financial condition acceptable to Lake Region Energy Services;
 - b. A deposit equal to 2 months' gas usage and, if the customer is a new customer or Lake Region Energy Services is incurring costs to upgrade its system to serve an existing customer, the amount of any capital incurred to serve the customer . For new customers or customers that are expected to increase their usage, the deposit calculation will be based on reasonably estimated property, any increased or decreased heating and processing load and the customer's intended usage.
 - c. A surety bond or irrevocable letter of credit equal to 2 months' gas usage and, if the customer is a new customer or Lake Region Energy is incurring costs to upgrade its system to serve an existing customer, the amount of any capital incurred to serve the customer.
 - d. An agreement that the customer will be billed and will remit payment on a weekly basis; or
 - e. An agreement, if applicable, that the customer will procure gas supplies from a third party and utilize Lake Region Energy only as a transport service to deliver the gas to its facility.
5. If Lake Region Energy Services does require a "credit enhancement," it may request financial information (either an independent credit report or financial information from the customer) on a monthly or quarterly basis to assess any changes in the customer's financial condition. In any case, Lake Region Energy Services will review the customer's financial condition at least annually.
 - a. If the financial condition has improved, Lake Region Energy Services will refund any or all of the deposit required or reduce the amount of any bond or irrevocable letter of credit or otherwise reduce or remove the credit enhancement requirement.
 - b. If the customer does not agree to the required credit enhancement or becomes more than 30 day delinquent, Lake Region Energy Services may refuse to serve the customer (if a new customer) or initiate the disconnection of gas service process immediately (if an existing customer) unless the customer makes credit arrangements or provides other credit enhancements acceptable to Lake Region Energy Services prior to initiating the disconnection of gas service, Lake Region Energy Services will notify the customer of the disconnection action by phone and either e-mail or fax.

Special Conditions

1. All provisions of the rate schedule under which a customer currently takes service apply unless otherwise changed by this Rider.
2. Any deposit is not automatically used to cover an overdue bill.

Section 17

VI. Definitions

See Section IV.

Section 18

VII. GENERAL INFORMATION

These Rules and Regulations filed as part of the Lake Region Energy Services Rate Book are intended to promote safe and adequate service to the public, to provide standards for uniform and reasonable practices by Lake Region Energy Services, to set forth the terms and conditions under which gas service will be supplied and to govern all classes of service to the extent applicable, and are made a part of all agreements for the supply of gas service unless specifically modified in a particular rate schedule.

Lake Region Energy Services shall furnish service under these Rules and Regulations and its rate schedules. Copies of this Rate Book are available for inspection at the Lake Region Energy Services offices.

No representative of Lake Region Energy Services has authority to modify any provision contained in this Rate Book or to bind Lake Region Energy Services by any contrary promise or representation.

Section 19

VIII. APPLICATION FOR GAS SERVICE

Application

Application for new gas service or turn on of existing gas service may be made by the owner, occupant or agent in control of the property, in person at Lake Region Energy Services business offices, by telephone, by fax, or by mail. Application for service must be made and accepted by Lake Region Energy Services prior to the commencement of Lake Region Energy Services service.

Rejection of Application

Lake Region Energy Services may refuse applications for new gas service or turn on of existing gas service upon reasonable grounds. The following situations would qualify as reasonable grounds:

- 1) Service is not economically feasible;
- 2) Service to a new applicant might affect the supply of gas to other customers;
- 3) Failure of customer to agree to comply with Rules and Regulations;
- 4) Improper use of gas service or equipment;
- 5) Lake Region Energy Services and/or its pipeline supplier are unable to provide the necessary gas supply.

Duration

Lake Region Energy Services will supply gas service to a customer until notified by the customer to discontinue service. The customer will be responsible for payment of all service provided to the date of the discontinuance. All service is subject to the rates, rules and regulations stated in Lake Region Energy Services Rate Book.

Authorized Connection of Qualifying Customer

New or existing customers that want to install gas equipment shall obtain such permits as may be required by appropriate municipality to install that piece of equipment. Lake Region Energy Services shall obtain permits necessary for all existing or prospective customers seeking an increased or new supply of natural gas from the appropriate authorities, including but not limited to the municipality, county, state, Department of Natural Resources or the Highway Department.

When gas supplies are adequate and where the gas distribution system has sufficient capacity to provide the gas service requested without jeopardizing gas supply to the area being served by the existing gas distribution system, Lake Region Energy Services will authorize connection of customers who qualify under these Rules and Regulations in the order that their applications are received. If an application for gas service is denied by Lake Region Energy Services, it will be held for subsequent approval if gas supply conditions warrant, in the order in which it was received.

Standby, Supplementary and Emergency Gas Service

Standby, supplementary and emergency gas service is available only by special arrangement and under specific individualized contracts.

Section 20

IX. GAS MAINS

Lake Region Energy Services will install mains under the following guidelines and conditions:

Gas Main Design and Ownership

Lake Region Energy Services will determine the location, size, kind and type of all gas mains, and the method and manner of installation.

All gas mains are the property of Lake Region Energy Services. No building, structure or slab shall be constructed over a gas main without Lake Region Energy Services prior written consent.

Location of Gas Mains

Gas mains will normally be installed in streets or alleys which have been dedicated as a public way, or in dedicated utility easements, all of which will be graded to within six (6) inches, if required, of a permanent established elevation.

Gas mains will not be installed on private property unless Lake Region Energy Services deems it necessary and desirable to do so and all necessary easements are obtained.

Permits

All permits, or blanket approvals, as may be required, must be issued to Lake Region Energy Services prior to installation of gas mains.

Economic Feasibility

Lake Region Energy Services will apply the general principle that the rendering of gas service to the applicant shall be economically feasible so that the cost of extending such service will not have an undue burden on other customers. In determining whether the expenditure for gas service is economically feasible, Lake Region Energy Services shall take into consideration the total cost of serving the applicant and the expected revenue from the applicant.

Once Lake Region Energy Services waives any additional customer charges for main and service extensions, Lake Region Energy Services cannot at any point recover those charges from ratepayers.

General Rules and Regulations Applicable to a" Firm Service Extensions

- A. Subject to the availability of gas supply and upstream pipeline transportation and the ability to install facilities in compliance with the pipeline safety regulations; the company will extend its gas mains and services to an applicant where such extensions meet the main extension criteria listed below. When such conditions are not met, an extension may be constructed if applicant makes an appropriate advance payment to the Company:
 1. When water and sewer service by a municipal or regional water authority have been or will be installed within the next twelve months in the right-of-way serving potential customers.
 2. When economic feasibility, including future growth expectations and commercial and industrial loads provide projected annual gross margins (revenue - cost of gas) equal to or greater than 18% of Companies projected project costs. A gas service agreement specifying minimum use may be used to assure economic feasibility based on projected annual gross margin. A gas service agreement specifying minimum use may be used to assure economic feasibility based on projected annual gross margins.

3. When system capacity upgraded dictate installation of new mains to meet the capacity needs, where customer additions are secondary to the increased system capacity.
- B. In situations where customer contributions are required, each customer will be required to pay a contribution such that gross margins are projected to be 18% of estimated project costs after excluding costs equal to the customer's contribution in aid of construction.

Expense of Installation - Gas Mains

If in the opinion of Lake Region Energy Services, gas service is not now, nor ever will be, economically feasible, Lake Region Energy Services will make an estimate of the cost of the project and the extension will nevertheless be made only if the applicant pays a non-refundable contribution-in-aid-of-construction Lake Region Energy Services for the portion of the capital expenditure and annual operating Costs not justified by the annual revenue.

Expense of Installation - Gas Mains (Continued)

Lake Region Energy Services may install gas mains without charge to service residential, commercial or industrial users where it deems the anticipated Revenue is sufficient to warrant such installation or in other cases where Lake Region Energy Services determines the conditions justify such installation.

Lake Region Energy Services may in its discretion install gas mains without charge to areas where water and sanitary sewer mains are in place.

When the gas main line is installed between November 1 and April 1, inclusive, because the requirements set forth by Lake Region Energy Services to complete installation during normal construction were not met or because the customer's property, or the streets leading thereto, are not ready to receive the pipe, such Work may be subject to a fixed winter construction charge. Winter construction will not be undertaken by Lake Region Energy Services where prohibited by law or where it is not practical or prudent to install gas service pipe during the winter season.

Advance for Construction Requirements

If the installation of a gas main is expected to be supported by future annual revenues, Lake Region Energy Services shall require the applicant to make a refundable cash advance or provide a Letter of Credit for construction of main extension from the gas main in excess of 100 ft. of gas main allowance per residential structure using gas for primary space heating, calculated at \$5.00 per foot for each foot of gas main in excess of the allowance. The advance must be received before construction begins.

Section 21

X. GAS SERVICE LINES

Gas Service Line Design

Lake Region Energy Services will determine the location, size, kind, and type of all gas service lines, the method and manner of installation, and their connection with the gas main and the customer's gas piping.

Ownership

All gas service lines are the property of Lake Region Energy Services.

Regular Use of Gas

The building to which the gas service pipe is installed must be permanent in nature and not a temporary or portable building. Lake Region Energy Services holds the sole right to determine whether a facility meets the stated qualifications before providing gas service. In making this determination, Lake Region Energy Services may consider the use for which the building is intended, the type of construction, the location of the building, the size of the building, the absence or presence of other utility services to the building, including water and sanitary sewer service and any other criteria it deems relevant.

Gas Service Line Installations

Gas service lines shall be constructed or installed only by Lake Region Energy Services or its authorized agents. No building, structure or slab shall be constructed over a gas service line without Lake Region Energy Services prior written consent.

Lake Region Energy Services has the right to recover the costs of relocating services if the customer has impaired Lake Region Energy Services access to the service line.

A gas service line will not be installed through one person's private property in order to serve a premise located beyond unless Lake Region Energy Services deems it necessary and desirable to do so and all necessary easements are obtained without cost to Lake Region Energy Services. Gas service lines will not be extended beyond the outlet side of the gas meter.

Lake Region Energy Services will not install more than one gas service line to the same premise unless Lake Region Energy Services finds that an additional gas service line is the most practical way to serve the applicant for gas service or an applicant requests an additional gas service line, and in the opinion of Lake Region Energy Services, an unreasonable burden would be placed on the applicant if an additional gas service line were denied. When an additional gas service line is installed at the applicant's request, the applicant may be required to pay the cost incurred by Lake Region Energy Services in making the installation. Gas provided by each gas service line shall be billed as a separate account.

When the gas service line is installed between November 1 and April 1, inclusive, because the requirements set forth by Lake Region Energy Services to complete installation during normal construction were not met or because the customer's property, or the streets leading thereto, are not ready to receive the service pipe, such work may be subject to a fixed winter construction charge established annually. Winter construction will not be undertaken by Lake Region Energy Services where prohibited by law or where it is not practical or prudent to install gas service pipe during the winter season.

Gas Service Line to Curb

Lake Region Energy Services may install gas service connections to the curb under the following conditions:

1. The street is at final width and grade.
2. Sanitary sewer, water mains, and service connections to the abutting property are installed in the street.
3. Lake Region Energy Services gas main is located in the street
4. The street is scheduled for permanent paving or resurfacing.
5. Lake Region Energy Services determines that gas service to abutting property owners will be requested within five (5) years from the permanent paving or resurfacing.

Maintenance and Responsibility

Lake Region Energy Services will maintain all gas service lines to provide an adequate and continuous supply of gas to the customer, but it will not be liable for a failure to deliver gas, wholly or in part, by any cause not reasonably within its control including but not limited to the following: fire, explosion, flood, strike, unavoidable accident, rupture of pipe from ground disturbances, federal, state, or municipal interference, failure to receive an adequate supply of gas at suitable pressure from its supplier, or acts of God. Lake Region Energy Services will not be liable for any loss of profits or other consequential damages resulting from the use of service or any interruption or disturbance of service.

Alterations Requested by Customer or Contractor

All renewals, changes, alterations, disconnections or relocations of gas service line for the convenience of the customer or at the request of a contractor will be made by Lake Region Energy Services at the customer's or contractor's expense. (See Section VI, Part 15.00 for charge details.)

If the service line alteration will result in additional sales, Lake Region Energy Services will calculate the alteration charge with consideration of the estimated incremental revenues resulting from the change.

Notice to Lake Region Energy Services Before Alterations

When it becomes necessary to alter, change, renew, disconnect or relocate a gas service line because of changes in remodeling or removing a building, installation of other utilities, for the convenience of a customer, or at the request of a contractor, Lake Region Energy Services shall be notified in ample time so that it may properly protect and care for its facilities.

Economic Feasibility

Lake Region Energy Services may install gas service lines without charge to service applicants where the anticipated revenues are sufficient to warrant such installation or in other cases where Lake Region Energy Services determines the conditions justify such installations.

Expense of Installation

Subject to reasonable construction schedules, availability of materials, reasonable notice by the applicant, and upon application, Lake Region Energy Services will furnish and install a gas service line of suitable capacity from its gas main to a normal meter location, satisfactory to Lake Region Energy Services, subject to the following qualifications:

1. Lake Region Energy Services will install a gas service line to serve a residential customer in a permanent structure using gas for primary space heating without charge to the extent of 100 feet measured from the property line or 105 feet from the center of the publicly dedicated street, alley or public or private utility easement, whichever is greater.

If additional gas service line is required, Lake Region Energy Services may require the applicant to make a non-refundable contribution in aid-of-construction calculated at \$5.00 per foot of gas service line in excess of the allowance provided for above. The customer may pay the contribution in equal monthly installments over a period not to exceed ninety (90) days interest free.

2. If it is not practicable to locate the gas meter in the normal meter location and it is necessary to locate the gas meter at an alternate meter location; the customer will pay for the added gas service pipe beyond the service line allowance provided above.

Section 22

XI. GAS METERS

Ownership, Care, and Control

All gas meters, regulators, gas service lines, and all other apparatus installed by Lake Region Energy Services upon the customer's premises for the purpose of delivering gas to the customer are the property of Lake Region Energy Services and may only be detached, removed, repaired, or replaced by Lake Region Energy Services or its authorized agent.

The customer shall exercise reasonable care to prevent the gas meters, regulators, gas service lines and other apparatus of Lake Region Energy Services upon the premises from being damaged or destroyed and shall not interfere or tamper with the facilities. If any defect in this equipment is discovered, the customer shall notify Lake Region Energy Services immediately. Lake Region Energy Services has the right to remove any and all of its facilities installed on the customer's premises at the termination of service.

Selection of Gas Meter

Lake Region Energy Services has the right to specify the type, kind, and size of the gas meter to be installed.

Location of Gas Meter

Lake Region Energy Services shall approve the location of all gas meters prior to their installation. The customer shall provide a safe and accessible place for installation of the gas meter in accordance with all applicable codes. If the customer selects a meter location(s) or alters their property in such a manner that exposes Lake Region Energy Services metering equipment to vehicular traffic, the customer will be charged for required guard post meter protection.

Lake Region Energy Services may refuse to install a gas meter, including but not limited to the following reasons:

1. In a hazardous or unprotected location;
2. In any location where surrounding conditions or elements may expose the gas meter to damage;
3. At any location where the gas meter is inaccessible for inspection, reading, testing, maintenance, or removal.

Gas meters will normally be installed on the outside of the building to be served on the face or at the corner of the building in closest proximity to the gas main to which the gas service line is to be attached.

In certain cases, Lake Region Energy Services may, at its discretion, install a gas meter at other locations. In such cases, the gas meter will be installed at the point nearest where the gas service line enters the building, when practical.

Cost of Meter Installation and Relocation

Initial installation of the gas meter will be made at Lake Region Energy Services expense. Relocation of the gas meter may be made by Lake Region Energy Services at the customer's request and expense. If the meter change is made in conjunction with a service line alteration which will result in additional sales, Lake Region Energy Services will calculate the meter relocation charge with consideration of the estimated incremental revenues resulting from the change.

Lake Region Energy Services Right to Remove a Gas Meter

Lake Region Energy Services reserves the right to remove a gas meter, and any and all of its other facilities installed on the customer's premises at any time when deemed necessary by Lake Region Energy Services to protect such property from fraud, theft, damage, destruction, or in the event that the customer connects to another natural gas supplier, or in the event no gas usage has occurred at a non-locked meter for at least twelve (12) months.

Written notice of property removal shall be given to a bypass or non-use customer by registered mail at least 20 days prior to removal of property by Lake Region Energy Services. Failure by the customer to respond to the notice shall be deemed as consent to the removal.

Lake Region Energy Services Right to Test a Gas Meter

Lake Region Energy Services policies and procedures are consistent with Minnesota Rules 7820.3900, Adjustment of Gas Bills.

Lake Region Energy Services reserves the right to remove and test all gas meters.

A customer may request a test of the gas meter for accuracy. Lake Region Energy Services shall attach a tag to the meter being removed for the test that shows the date the meter was removed, the customer's name and the address from which the meter was removed. If the meter is inaccurate the customer's billing will be adjusted, or a refund issued.

Section 23

XII. CUSTOMER DEPOSITS

Lake Region Energy Services policies and procedures are consistent with Minnesota Rules 7820.4100 - 7820.4700, Deposit and Guarantee Requirements.

Amount of Deposit

Lake Region Energy Services may require a new or an existing customer to make a cash deposit to Lake Region Energy Services as security for the payment for gas service. The cash deposit shall not exceed an amount equal to the applicant's estimated two (2) month's bill or customer's highest bill for two (2) months.

Lake Region Energy Services does not require a deposit or guarantee of any customer or applicant who has established good credit with Lake Region Energy Services.

Lake Region Energy Services will issue a non-negotiable receipt for each cash deposit received.

Interest on Deposit

Interest shall be paid on deposits in excess of \$20. The rate of interest must be set annually and be equal to the weekly average yield of one-year United States Treasury securities adjusted for constant maturity for the last full week in November. The Interest rate must be rounded to the nearest tenth of one percent. By December 15 of each year, the Commissioner of Commerce shall announce the rate of interest that must be on all deposits held during all or part of the subsequent year. Interest will be credited to the customer's account, credited to the unpaid final bill, or refunded to the customer. Lake Region Energy Services will calculate interest from the date the deposit is received to the date the deposit is applied to the customer's account or refunded to the customer.

Lake Region Energy Services will calculate interest as of December 31st of each year for each deposit and will credit the depositor's account for this amount.

Lake Region Energy Services will review the necessity for each deposit at least annually and will refund deposits with accrued but unaccredited interest, where the deposit is deemed unnecessary.

Section 24

XIII. ACCESS TO CUSTOMER PREMISES

Lake Region Energy Services policy is consistent with Minnesota Rule 7820.3100, Uniform Access to Customer's Premises.

Uniform Access

All properly authorized agents of Lake Region Energy Services shall have the right of access to the premises and property of the customer if an emergency situation involving imminent danger to life or property appears to exist.

Identification

Each employee of Lake Region Energy Services authorized to enter, or go upon the customer's premises or property is provided with an identification card by Lake Region Energy Services. The identification card is signed by an officer of Lake Region Energy Services and by the employee. A customer may require the holder of the identification card to identify himself/herself by reproducing his/her signature for comparison. Customers are urged to ask for the employee's identification whenever there is doubt as to the card holder's identity.

Section 25

XIV. BILLING

Amount of Gas Used

Readings of all meters used for determining charges to customers shall be made each month unless otherwise authorized by the Commission. The term "month" for meter reading and billing purposes is the period between successive meter reading dates which shall be as nearly as practicable to thirty (30) day intervals.

When Lake Region Energy Services is unable to gain access to a meter, it shall leave a meter reading form for the customer.

Lake Region Energy Services may permit the customer to supply meter readings, providing a Lake Region Energy Services representative reads the meter at least once every twelve (12) months, when there is a change in customers or when requested by the customer.

If the billing period is longer or shorter than the normal billing period by more than five (5) days, the monthly customer charge on the bill shall be prorated on a daily basis.

Estimated Meter Readings

When access to a meter cannot be gained and the customer does not supply a meter reading in time for the billing operation, an estimated bill will be rendered. Estimated bills are based on the customer's normal consumption for a corresponding period.

Lake Region Energy Services will regularly schedule estimated monthly meter readings throughout the year, but not over four (4) times in any twelve (12) month period. Only in unusual cases will more than two (2) consecutive estimated bills be rendered, unless the customer fails to provide meter readings for an inaccessible meter.

Section 26

XV. PAYMENT OF BILLS

Due Date

The due date printed on customer bills will not be more than five days before the next scheduled billing date. However, customers who have selected the Automated Bank Draft option may select a due date which is greater than five days before the next scheduled billing date.

Scheduled billing dates will not be less than twenty-five (25) days apart.

Late Payment Charge

Delinquent amounts are subject to a late payment charge of 1.5% (18% annually) or \$2.00, whichever is greater.

"Delinquent amount" is the portion of a customer's account representing charges for gas service past due. For customers on the Budget Plan or a deferred payment schedule, "delinquent amount" is the lesser of the unpaid account balance or past due scheduled payments.

All payments received will be credited against the oldest outstanding account balance before application of any late payment charge. The late payment charge will be assessed on unpaid amounts at the next scheduled billing date.

Section 27

XVI. DISCONTINUANCE OR REFUSAL OF GAS SERVICE

Lake Region Energy Services policies and procedures are consistent with Minnesota Rules 7820.1000 - 7820.3000 on Disconnection of Service.

Refusal or Discontinuance of Gas Service for Non-Payment

1. Lake Region Energy Services, with notice, may refuse gas service under the following conditions:
 - a. To a customer who owes a past due and unpaid balance for utility service at a former address;
 - b. To an applicant requesting service to be implemented at an address where the current resident, who has accumulated a past due and unpaid balance, continues to reside.
 - c. To a customer who fails to meet the utility's deposit and credit requirements;
 - d. To a customer who fails to make proper application for service;
 - e. To a customer who fails to furnish such service, equipment, and/or rights-of-way necessary to serve the customer as shall have been specified by the utility as a condition of obtaining service;

Section 28

XVII. DISCONTINUANCE OR REFUSAL OF GAS SERVICE DURING COLD WEATHER

Lake Region Energy Services will at all times comply with the requirements of Minnesota's "Cold Weather Rule" as set forth in Minnesota Statute § 216B.096, which sets forth the terms and conditions pursuant to which Lake Region Energy Services can disconnect and must reconnect Residential Customers from October 15 through April 15 of each year.

Section 29

XVIII. RESPONSIBILITY OF THE CUSTOMER AND LAKE REGION ENERGY SERVICES

Customer Responsibility

It shall be the customer's financial responsibility to furnish, install, operate, and keep in a safe condition all gas piping and gas burning equipment located or installed beyond the gas meter.

A customer shall immediately notify Lake Region Energy Services of any suspected gas leaks or a faulty gas supply.

The customer shall reimburse Lake Region Energy Services for any loss of or damage to Lake Region Energy Services property located on the premises when such loss or damage is not caused by any act or omission on the part of Lake Region Energy Services.

Termination of Lake Region Energy Services Responsibility

Lake Region Energy Services responsibility for installation and maintenance of all gas piping and equipment shall terminate at the gas meter. Lake Region Energy Services shall not be liable for any loss, injury, or damage occasioned or caused by the negligence or wrongful act of the customer or any of his agents, employees, or licensees in installing, maintaining, using, operating, or interfering with any gas piping or gas burning equipment.

Any inspection of the customer's piping or equipment by Lake Region Energy Services shall not be construed to impose any liability upon Lake Region Energy Services to the customer, or to any other person by reason thereof, and Lake Region Energy Services shall not be liable or responsible for any loss, injury, or damage which may result from the use of, or defects in, the customer's gas piping or gas burning equipment.

Section 30

XIX. CUSTOMER SERVICE

General

The goal of Lake Region Energy Services customer service is to provide service necessary for the safety and welfare of our customers as it relates to the use of gas and gas appliances.

"No Surcharge" Service

Lake Region Energy Services will provide "no Surcharge" service for all customers as follows:

1. Emergency service for the investigation of suspected leaks or other unsafe conditions in customers' or Lake Region Energy Services property
2. Maintenance of Lake Region Energy Services-owned equipment of customers' premises including meters, regulators, or service lines.
3. Turn-on of gas meters for new customers.

"Charge" Service

Lake Region Energy Services provides service for adjustment, repair, installation, or maintenance of appliances on a direct customer charge basis where the installation and equipment is approved by applicable codes and regulations, and where the equipment is reasonably accessible to service personnel and provisions have been made so that the health and safety of the service person will not be in jeopardy.

Section 31

XX. CUSTOMER REQUESTED UTILITY WORK

This section details the costs for utility work requested by customers to be performed by Lake Region Energy Services at a charge to the customer.

- Customer Requested work requires a signed application form and payment prior to commencement of work.
- If the alteration will result in additional sales, Lake Region Energy Services will calculate the alteration charge with consideration of the estimated incremental revenues resulting from the change.
- Any other customer or contractor requested utility work that is not listed in parts 15.01, 15.02, or 15.03 will be completed at the customer's or contractor's expense. The charge will be determined individually by Lake Region Energy Services based upon the estimated cost of time and material to be incurred, with a minimum charge of \$75.00.

Winter Construction

Between November 1 and April 1, inclusive, because of failure of customer to meet all requirements of the Company to complete installation during normal construction were not met or because the customer's property, or the streets leading thereto, are not ready to receive the service pipe or gas main by such date, such work may be subject to a winter construction charge when winter conditions exist.

Winter conditions include six or more inches of frost, snow removal or plowing is required to install service, or burner(s) must be set at the main or underground facilities in order to install for the entire length of service or gas main installed.

Winter construction will not be undertaken by Lake Region Energy Services where prohibited by law or where it is not practical or prudent to install gas service pipe during the winter season, including but not limited to roadway crossings prohibited by local permitting authorities or construction equipment limitations due to winter conditions.

Frost Burner (each unit per day) \$240.00

Additional Charges for New Construction under winter conditions:

- Gas Main \$4.00 per foot
- Residential Service Line \$6.00 per foot
- Commercial Service Line \$9.00 per foot

Petition of Lake Region Energy Services, Inc.

Exhibit E

System Map for Service within Parkers Prairie

[See Attached]

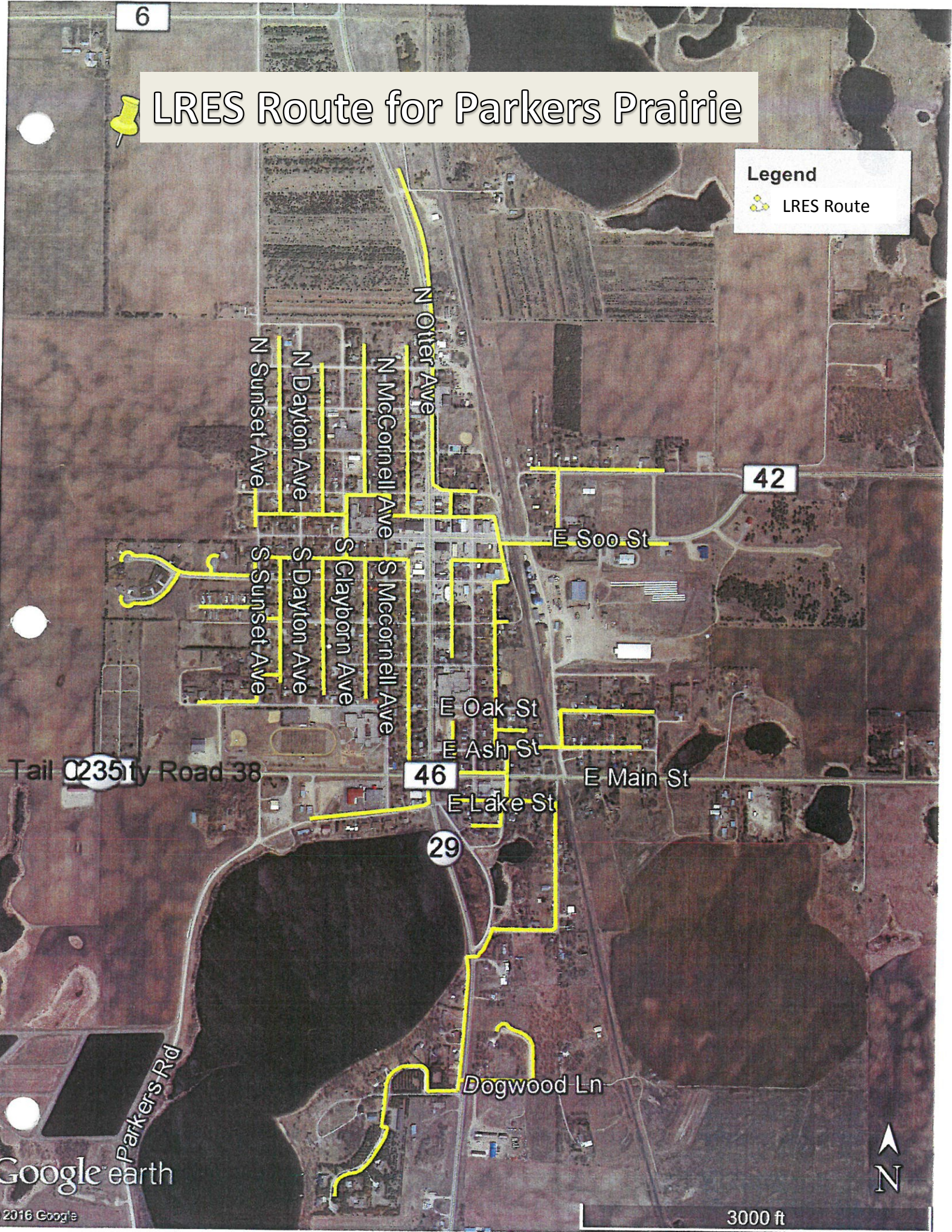
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LRES Route for Parkers Prairie



Legend

 LRES Route



Tail 02351y Road 38



Petition of Lake Region Energy Services, Inc.

Exhibit F


System Map for Service within Deer Creek

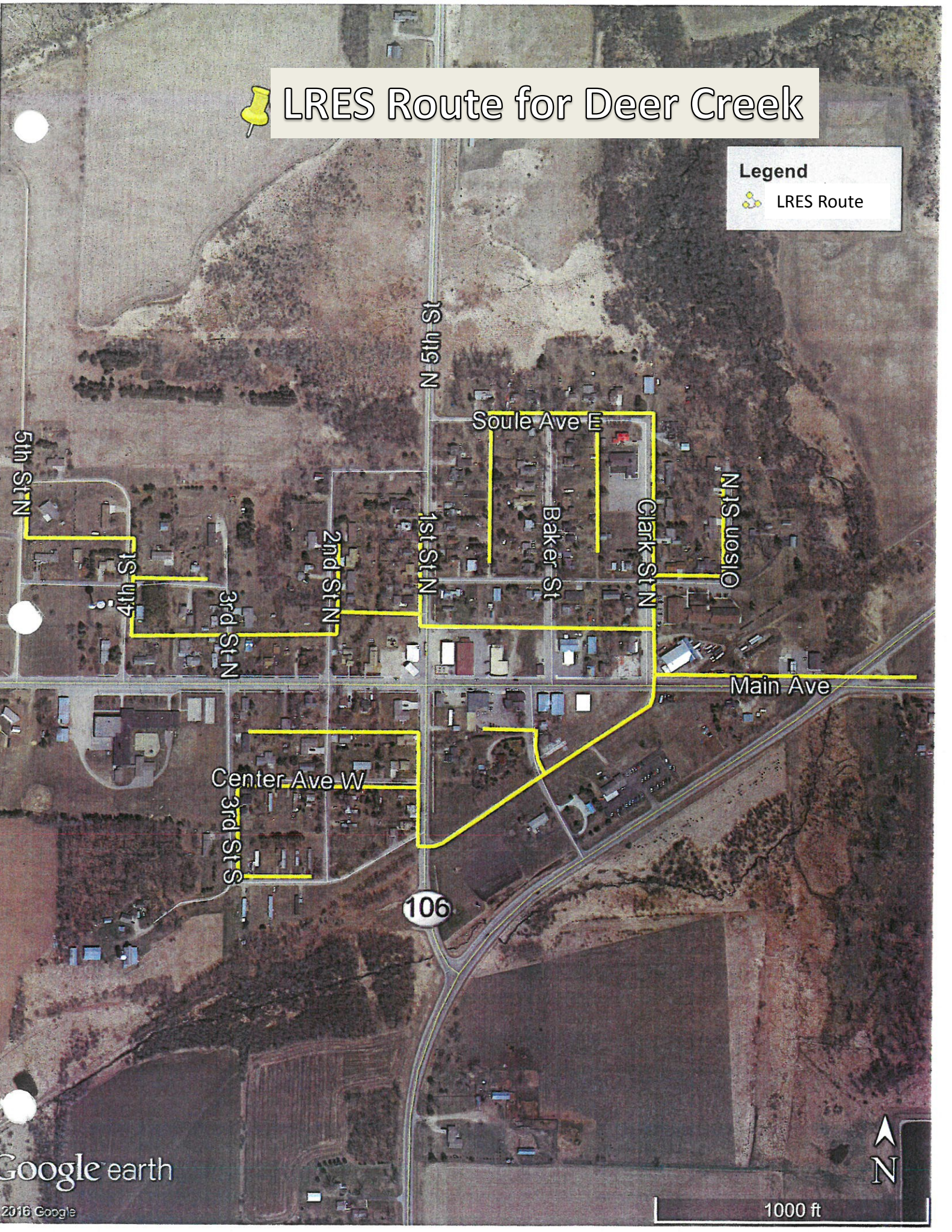
[See Attached]



LRES Route for Deer Creek

Legend

-  LRES Route



Petition of Lake Region Energy Services, Inc.

Exhibit G

Transmission and Distribution Routes

[See Attached]

Greater Minnesota Transmission System

