

May 15, 2017

**VIA ELECTRONIC FILING**

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

**RE: Petitioner's Reply to Comments of the Minnesota Department of Commerce,  
Division of Energy Resources, to Lake Region Energy Services, LLC  
Petition for Small Gas Utility Franchise**  
Docket No. G6977/M-17-186  
Petition Filing Date: March 6, 2017

Dear Mr. Wolf:

Lake Region Energy Services, LLC ("LRES") submitted a Petition for Exemption for Small Gas Utility on March 6, 2017 (the "Petition"). On April 4, 2017, the Minnesota Public Utilities Commission ("Commission") extended the deadline for filing initial and reply comments to May 5, 2017 and May 15, 2017 respectively. On April 24, 2017, the Minnesota Department of Commerce ("Department") issued its initial comments on the Petition requesting that LRES provide additional information in Reply Comments, and that the Department will develop final recommendations after it has the opportunity to review LRES's Reply Comments. This correspondence, together with its attachments, comprise the Reply Comments of LRES.

In its comments, the Department provided analysis regarding the background, statutory requirements for a small gas utility franchise exemption, and the Department's initial impressions regarding the LRES Petition and related materials. The Department conducted a review of LRES's proposed tariff and rate book and identified areas where revision would be helpful. Finally, the Department requested that LRES (1) confirm its understanding of its obligation to file with the Commission any subsequent changes in rates, tariffs, and contracts for service outside the municipalities at least 30 days in advance of implementation; (2) confirm that LRES will notify the Commission should LRES's customer base expand beyond the statutory threshold for an exemption; and (3) provide an explanation as to why the agricultural heating and drying service rate schedule is needed and is separate and distinct from the interruptible sales service rate scheduled. LRES thanks the Department for its thorough and efficient analysis and comments.

**I. LRES CONFIRMATION OF OBLIGATIONS**

The Department requested that LRES confirm its understanding of certain obligations in operation of its gas business.

RESPONSE: LRES understands that it is obligated to conform to all statutory requirements and regulations pertaining to the operations described in its Petition and as ordered by the Commission. In response to the Department requests: (1) LRES affirmatively states that it will file with the Commission any subsequent changes in rates, tariffs, and contracts for service outside the municipalities of Deer Creek and Parkers Prairie at least 30 days prior to implementations; and (2) LRES affirmatively states that it will notify the Commission if LRES's customer base should ever expand beyond the statutory threshold for an exemption.

## II. EXPLANATION REGARDING AGRICULTURAL HEATING AND DRYING SERVICE AS IT RELATES TO INTERRUPTIBLE SALES SERVICE OFFERING

The Department requested that LRES explain why agricultural heating and drying service rate schedule is needed, and why it is separate and distinct from the interruptible sales service rate scheduled.

RESPONSE: With respect to the Department's question, the Agricultural Heating and Drying service has a separate rate because it is intended for firm service for large agricultural use requirements, such as turkey barn heating or grain dryers, which are not interruptible services. As such, the end use is distinct from interruptible services, such as a commercial building customer with an alternate energy heating source who selects interruptible service conditions or grain dryer customer without alternate energy source that choose interruptible service.

## III. REVISIONS TO LRES RATE BOOK

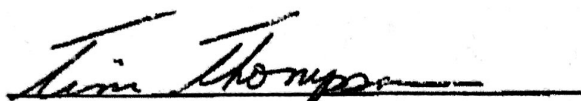
The Department requested that LRES address certain issues in its tariff and rate book.

RESPONSE: With respect to the revisions to LRES's Rate Book suggested by the Department, LRES agrees that the changes should be made. LRES has attached a revised Rate Book to these Reply Comments as Attachment A. The changes are marked and address the Department comments, make additional revisions noted by LRES on review, and include adjustments regarding annual usage and peak day demands as reflected in the attachment. Should the Department or the Commission request or direct that additional changes be made, LRES will submit additional revisions as separate compliance filings.

LRES will cooperate as required by the Department in review of these Reply Comments and in connection with the continued review of the Petition by the Commission. As previously stated, LRES respectfully requests that the Commission approve the Petition and grant LRES the requested exemption for small gas utility franchise for service provided within the borders of Deer Creek and Parkers Prairie, Minnesota, and to the extent necessary, grant an exemption for incidental service to the surrounding areas outside of the relevant municipal borders.

[Separate Signature Page Attached]

Dated: May 15, 2017



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

Respectfully submitted,



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@pemplaw.com](mailto:k.mattson@pemplaw.com)

ATTACHMENT A

Revised Rate Book dated May 15, 2017

[See Attached]

# PUC Filing

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## Lake Region Energy Services Natural Gas Filing

Tim Thompson

02/09/2017 as amended 05/15/2017

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, MN and Parkers Prairie, MN

Petition of  
Lake Region Energy Services, Inc.

Attachment C

Lake Region Energy Services, Inc.  
Rates and Rule Book

Insert Logo Here

# Rates / Services & Regulations Book

Originated January 2017 (as amended May 15, 2017)

I.	TABLE OF CONTENTS	
II.	CONTACT LIST	Section
	<u>Section</u>	
III.	INDEX OF SERVICE AREA	
	Communities Served by Lake Region Energy Services, Inc. Service Area	2
IV.	TECHNICAL TERMS AND ABBREVIATIONS	3
V.	RATE SCHEDULES AND APPLICABLE PROVISIONS <del>TABLE OF CONTENTS</del>	
	Lake Region Energy Services Gas Sales Service	
	Basic Cost of Gas	4
	Residential Sales Service	5
	Small Volume Commercial and Industrial Sales Service	6
	Large Volume Commercial and Industrial Sales	7
	Agricultural Heating and Drying Sales	8
	<u>Purchase Gas Adjustment</u> <u>Interruptible Sales Service</u>	9
	Standby Peaking Sales Service Rider	10
	New Area Surcharge Rider	11
	Small Volume firm Transportation Service	12
	Purchase Gas Adjustment Rider	13
	Statement of Purchase Gas Adjustments	14
	Franchise Fee Rider	15
	Large Commercial Industrial Credit Policy Rider	16
VI.	DEFINITIONS	17
VII.	GENERAL INFORMATION	18
VIII.	APPLICATION FOR GAS SERVICE	19
IX.	GAS MAINS	20
X.	GAS SERVICE LINES	21
XI.	GAS METERS	22
XII.	CUSTOMERS DEPOSITS	23
XIII.	ACCESS TO CUSTOMERS PREMISES	24
XIV.	BILLING	25
XV.	PAYMENT OF BILLS	26
XVI.	DISCONTINUANCE OR REFUSAL OF GAS SERVICE	27
XVII.	DISCONTINUANCE OR REFUSAL DURING COLD WEATHER	28
XVIII.	RESPONSIBILITY OF THE CUSTOMER	29
XIX.	CUSTOMER SERVICE	30
XX.	CUSTOMER REQUEST UTILITY WORK	31



## Section 1

### II. CONTACT LIST

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

#### Officers

President/CEO: Tim Thompson

Secretary/VP Dan Husted

Business  
Development:

Treasurer/CFO Lloyd P. Nelson

VP Operations  
& Engineering: Al Fazio

Main Office: Lake Region Energy Services, Inc.  
P.O. Box 643  
Pelican Rapids, MN 56572  
218-863-1171

#### Emergency Contact

Manager: Lloyd Nelson  
Cellular- (emergency contact number 701-306-8761)  
Office – 218-863-1171

Systems Operations Specialist: Brady Roisum  
Cellular- (emergency contact number 218-849-2247)  
Office – 218-863-1171

## 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 and surrounding areas.

#### 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.~~ Commission or PUC

**Date Issued**

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

**Municipality**

Parker's Prairie or Deer Creek, MN

**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 ~~SCHEDULES~~-SCHEDULES AND APPLICABLE PROVISIONS

**Section 4** \_\_\_\_\_

**Lake Region Energy Services Gas Sales Service**

**COST OF PURCHASED GAS:**

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

<b>Cost of Gas</b>	<b>0.3006</b>
<b>GMT Transmission Fee</b>	<b>0.07</b>
<b>Transportation Costs</b>	<b>0.0794</b>
<b>Basis Cost of Gas</b>	<b>0.45</b>

## 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 SALES SERVICE

#### Commercial Firm Rates Small: CFRS (cat-z)

##### Availability:

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

Rate: <del>Peak Annual</del> Demand	MONTHLY BASIC CHARGE	DELIVERY CHARGE PER THERM	COST OF GAS PER THERM
Less than 1,250,000 <del>BTU's-Therms</del>	\$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~~ annual demands are greater than 1,250,000 ~~BTU's~~ Therms and less than 2,500,000 ~~BTU's~~ Therms 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
<u>Greater than 1,250,000 Therms but</u> <u>Less than 2,500,000 <del>BTU's</del>Therms</u>	\$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.~~ Agricultural Heating and Drying Sales Service is available for firm customers whose ~~peak day annual~~ demands are greater than 2,500,000 ~~BTU's~~ Therms contingent on an adequate gas supply and distribution system capacity. ~~There~~ Their 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.

##### 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.](#)

## 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 <del>120</del> 500,000 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:

	<b>RESIDENTIAL SALES SERVICE PER MONTH</b>	<b>COMMERCIAL INDUSTRIAL SALES SERVICE PER MONTH</b>
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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: <del>ANNUAL USAGE</del>	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 ~~and, 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 term basis. Lake Region Energy Services shall then account for the imbalance volumes as follows: the customer is responsible for any overrun penalties, balancing charges, and any out of balance penalties incurred from its transportation of gas by its pipeline suppliers.~~

## 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			
<a href="#"><u>Cat 5 Interruptible Sale Service</u></a>			

## 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~~ Municipality. 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.

ATTACHMENT B

System Map

# Greater Minnesota Transmission System

