Daily Balancing Service

AVAILABILITY

The Daily Balancing Service (DBS) is available to customers served under Rate Schedules GSD-1, GSD-2,
R GSD-3, GSD-3D, IGD-1, SP-1, or SUDS-1 and is required for customers delivering Third-Party Natural Gas Supplies to the Company for distribution on the above schedules. This rate schedule applies to balancing service provided to one customer at one location through one meter. For those customers where, at the Company's sole discretion, two or more meters are required for service, all such meters will be combined and the total administrative charge and telemetering charge will be the same as though one meter was installed.

The customer must have an effective Daily Balancing Service Contract prior to the commencement of service under this rate schedule. Service under this rate schedule will start on the first gas day of the month and terminate on the last gas day of the month.

APPLICABILITY AND CHARACTER OF SERVICE

Customers under this rate schedule will be responsible for arranging for the purchase and delivery of Third-Party Natural Gas Supplies to the Company's facilities for the term of service under this rate schedule. Deliveries of Third-Party Natural Gas Supplies to the Company must be nominated on a daily basis in accordance with the terms and provisions of this rate schedule. Daily imbalances between nominated Third-Party Natural Gas Supplies and customer usage must also be dealt with in accordance with the terms and provisions of this rate schedule. In calculating daily imbalances, customers will receive the benefit of pooling positive and negative imbalances with other customers by being a member of a Third-Party Balancing Pool or a Company-Administered Balancing Pool. Balancing Service is available to customers to resolve daily imbalances and cash out accumulated monthly commodity imbalances. Customers in the Viroqua service territory may form Third-Party Balancing Pools. Deliveries in the Viroqua service territory must be nominated and balanced separately from deliveries to other areas of the Company.

Telemetering equipment must be installed by the Company before service will be provided on this rate schedule. The customer must provide a business-grade telephone line and connection to existing electrical
R facilities as necessary for operation of the telemetering equipment to allow the Company continuous access
R at any time for meter reading purposes. Customers must maintain continuous phone and electric service to the telemetering equipment to continue on this service. Once telemetering is installed, the Company, at its option, may bill the customer based on telemetered consumption, provided that actual meter readings are taken no less often than once every six months to verify the telemetered consumption.

BALANCING ADMINISTRATIVE RATES

R The following charges will apply to each individual customer any month the customer is classified under this rate schedule. The administrative charge recovers the incremental cost of administering Third-Party Natural Gas Supply deliveries. The telemetering charge recovers costs associated with equipment necessary to telemeter the customer's consumption to the Company's offices.

Administrative charge per day	$4.30
Telemetering charge per day..............	$1.50

In addition to the Balancing Administration Rates above, Balancing Service Charges and Commodity Cashout Charges/Credits, as described below, will apply to the Pooling Agents of Third-Party Balancing Pools and to individual customers in the Company-Administered Balancing Pool.

(Continued on Sheet G-34.1)

Daily Balancing Service

PAYMENT

Payment is due no later than the due date shown on the bill. Any Company billing charges unpaid after the due date will be subject to a late payment charge as described in the Company's gas service rules under Late Payment Charge.

BALANCING SERVICE IN A COMPANY-ADMINISTERED POOL

R Customers who do not form or join Third-Party Pools to aggregate imbalances will be included in a separate and combined pool administered by the Company (Company-Administered Pool), unless customer selects an alternate balancing service. To the extent that the alternate balancing services do not cover the entire customer's imbalance, the Company will provide Default Balancing Service at the Maximum rates specified in the Balancing Service Charge section of this rate schedule. Customers in a Company-Administered Pool will be subject to a Company-Administered Pool Agreement which must be signed by each customer in the pool. A Company-Administered Pool imbalance will be calculated separately from all Third-Party Pool imbalances.

N Separate Company-Administered Pools may be required for deliveries to pool member customers in individual delivery areas, and these areas may be balanced separately and individually as is deemed necessary by the Company. Customers may join a Company-Administered Pool effective at the beginning of the first gas day of the month or leave a Company-Administered Pool at the end of the last gas day of the month, provided proper notice has been given. Customers electing to be covered by alternate balancing services must form or join a Third-Party Pool.

Each customer must nominate with the Company, on a properly executed Third-Party Natural Gas Supply Nomination Form as specified in the Special Terms and Provisions herein, the gas that will be delivered on a daily basis for the customer. The nominations must be at the pipeline contract level.

R Customers in a Company-Administered Pool will receive the Company's Balancing Service under this rate schedule. For each customer in a pool, an Imbalance Volume will be determined daily. The Imbalance Volume is the absolute difference between the customer's confirmed natural gas nomination, including any Backup Sales Service (BU-1) nomination, and actual usage (imbalance volume). For purposes of this rate schedule, the Customer's Confirmed Natural Gas Nomination is defined as the pipeline nomination that is confirmed and scheduled for delivery to the Company's facilities with a properly executed and Company-accepted Third Party Natural Gas Supply Nomination Form. In the event the allocated delivery to the Company's facility does not match the volume on the accepted Third Party Natural Gas Supply Nomination Form, the difference is subject to the unauthorized nomination charge and/or cashout in accordance with this rate schedule.

R For the purpose of calculating a customer's Imbalance Volume in a Customer-Administered Pool, an individual customer will be allowed to pool the usage and nominations of multiple meters at a single location. Each customer's Imbalance Volume will be adjusted by a Pooling Factor, which will include the imbalance
R volume diversity of that Company-Administered Pool. The Pooling Factor is the ratio of the customers' aggregated imbalance volumes to the total pool Imbalance Volume. Based on the adjusted Imbalance Volume, each customer in a Company-Administered Pool will incur a Balancing Service Charge and, for monthly imbalance volumes, an Overtake Charge or Undertake Credit, as described in the Cashout Mechanism of this rate schedule.

(Continued on Sheet G-34.2)

Daily Balancing Service

BALANCING SERVICE IN A COMPANY-ADMINISTERED POOL (continued)

R Each customer's daily consumption will be as reported on the Company's telemetering equipment at each
R location. On days when the telemetering equipment fails to operate properly, the Company will estimate the
customer's daily consumption during the period the telemetered use data is not available. The estimated
and actual hourly usage will then be added to obtain daily consumption.

The Company will make available, at a customer's request, a report showing the customer's daily nomination and actual daily usage based on telemetered data and Company adjustment factors.

BALANCING SERVICE IN THIRD-PARTY POOLS

R Customers can form Third-Party Pools to aggregate pool member imbalances. Pooled customers' usage will
R be aggregated for the purpose of minimizing the total pool's imbalances. All customers that do not
participate in a third-party pool will instead be included in a Company-Administered Pool described above.
Each Third-Party Pool's imbalances will be calculated separately from other Third-Party Pool imbalances
and Company-Administered Pool imbalances. Customers that have formed a Pool will be subject to a Third-
Party Pooling Agreement which must be signed by the party responsible for both financial payments and the
balancing of the pool (the designated Pooling Agent), and the DBS-1 customer in the pool. The Agreement
must then be approved by the Company. Customers may join a given Third-Party Pool effective at the
beginning of the first gas day of the month or leave a Third-Party Pool at the end of the last gas day of the
month, provided that proper notice has been given.

Pooling Agents must nominate with the Company, on a properly executed Third-Party Natural Gas Supply
Nomination Form as specified in the Special Terms and Provisions herein, the gas that will be delivered on
a daily basis for the pool. For a Third-Party Pool, the daily nomination must be at the pipeline contract level.
Separate nominations may be required for deliveries to pool member customers in individual delivery areas,
and these areas may be balanced separately and individually as is deemed necessary by the Company. For
R purposes of this rate schedule, the Pool's Confirmed Natural Gas Nomination is defined as the pipeline
nomination that is confirmed and scheduled for delivery to the Company's facilities with a properly executed
and Company-accepted Third Party Natural Gas Supply Nomination Form. In the event the allocated
delivery to the Company's facility does not match the volume on the accepted Company Nomination Form,
the difference is subject to the unauthorized nomination charge and/or cashout in accordance with this rate
schedule.

R For each Pool, an Imbalance Volume will be determined daily. The Imbalance Volume for the pool is the
absolute difference between the pool's confirmed natural gas nomination not covered by an alternative
R balancing service, including the combination of the total Backup Sales Service (BU-1) nominations made by
R individual customers in the pool or by the Pooling Agent, and actual aggregated usage less any usage
covered by an alternate balancing service. Usage volumes and Backup Sales Service nominations will be
adjusted as necessary to be on a comparable basis with nomination volumes before an overnomination or
undernomination is calculated.

Pooling Agents have the option of selecting alternative balancing services to the extent such services are
authorized by the transporting pipeline or the Company's Balancing Service for the pool. To the extent that
alternative balancing services do not cover the entire imbalance of the pool, the Company will provide
Default Balancing Service at the Maximum rates specified in the Balancing Service Charge section of this
R rate schedule. Based on the pool Imbalance Volume, the Third-Party Pool will incur a Balancing Service
Charge and, for monthly imbalance volumes, an Overtake Charge or Undertake Credit under the Cashout
R Mechanism of this rate schedule.

(Continued on Sheet G-34.3)

Daily Balancing Service

BALANCING SERVICE IN THIRD-PARTY POOLS (continued)

The party responsible for administration of a pool under this rate schedule (the Pooling Agent) will be billed the Balancing Service Charge for the pool and will be subject to the Commodity Cashout. The Pooling Agent will be billed by the Company monthly. If a Pooling Agent becomes in arrears with the Company, the Company will notify individual pool members. Should the Pooling Agent remain in arrears for a period exceeding thirty days, the Company may bill the individual customers in the pool for any outstanding Balancing Service costs and/or Commodity Cashout that was billed to the Pooling Agent. When this occurs, the customers in that pool will be moved to a Company-Administered Pool and remain there until they form or join another Third-Party Pool.

R The Third-Party Pool's consumption will be reported from the aggregated volumes recorded by Company's telemetering equipment installed at each pool customer's location. On days when the telemetering equipment fails to operate properly, the Company will estimate the affected customer's daily consumption
R during the period the telemetered use data is not available. The estimated usage will then be added to the actual hourly usage to obtain the daily consumption of the individual customer. This will be added to the usage data of the other customers in the Third-Party Pool to obtain the pool's daily consumption. The Company will make available, at the Pooling Agent's request, a report showing the pool's daily nomination and daily usage based on telemetered data and Company adjustment factors.

BALANCING SERVICE CHARGES

R The Company will apply the following Balancing Service Charges to the adjusted Imbalance Volume of customers in a Company-Administered Pool and to the Imbalance Volumes of the respective Third-Party Pools that are not covered by an alternative balancing service. The rates are set out in two tiers to minimize the cost impact of Third-Party Natural Gas Supply imbalances on the rates to system sales service customers. Imbalances within the first tier of service receive the benefit of the Company's contracted swing and no-notice services. Imbalances in the second tier receive the benefit of pipeline over-run services that are available to the Company. These tier rates do not recover the commodity cost of gas associated with the imbalances. The commodity cost of gas is cashed out according to the Cashout Mechanism.

The First Tier Maximum Rate is set based on the fully distributed cost of providing balancing service. This rate recovers a full cost allocation of ANR's No-Notice Service (NNS), Enhanced Transportation Service (ETS), and Firm Storage Service (FSS) contracted by the Company for balancing purposes and is effective for Third-Party Pools that default to the Company for balancing because their pipeline balancing service has been interrupted or does not cover the entire pool imbalance. The Second Tier Maximum Rate is equal to the First Tier Maximum Rate plus ANR Pipeline's effective NNS Overrun Charge. These rates will be adjusted accordingly whenever ANR changes its rates.

The First Tier and Second Tier Effective Rates are set monthly based on market information and are not greater than the respective tier Maximum Rates, nor lower than the respective tier Minimum Rates. The Effective Rates are assessed for service provided to customers in a Company-Administered Pool and for Company Balancing Service that is properly elected by Third-Party Balancing Pools.

The First Tier Minimum Rate is based on the variable cost of providing Balancing Service. The Second Tier Minimum Rate is the higher of First Tier Effective Rate or a rate based on ANR Pipeline's effective NNS Overrun Charge.

(Continued on Sheet G-34.4)

Daily Balancing Service

BALANCING SERVICE CHARGES (continued)

Nonconstraint Day

First tier rates for Imbalance Volumes that are either overnominations or undernominations between 0% and 25%:

		Maximum Rate per Therm	Effective Rate per Therm	Minimum Rate per Therm
R	DBS charge	$0.18738	(1)	$0.00418

(1) The Effective Rate is discountable between the Maximum and Minimum Rates. See Sheet G-3.1 for the current Effective First Tier Rate.

Second tier rates for Imbalance Volumes that are either overnominations or undernominations greater that 25%:

		Maximum Rate per Therm	Effective Rate per Therm	Minimum Rate per Therm
R	DBS charge	$0.22129	(1)	$0.03555 (2)

(1) The Effective Rate is discountable between the Maximum and Minimum Rates. See Sheet G-3.1 for the current Effective First Tier Rate.

(2) The higher of this rate or the Effective First Tier Rate.

Any over-run or under-run charges, incremental fees, charges, surcharges, and/or penalties assessed by pipelines will be prorated among those customers in a Company-Administered Pool and/or Third-Party Pools that contributed to the cause of the costs. The daily balancing revenues received from balancing charges at rates higher than the Effective First-Tier Rate will be netted against these pipeline charges or penalties assessed on the same day on each month's Balancing Service bill for affected customers or Third-Party Pools.

High-Flow Constraint Condition

A High-Flow Constraint Condition is one in which the Company expects natural gas demand in an area or areas of its service territory to exceed the available delivered supply of gas. The condition can result from, but will not be limited to, economic factors, extremely cold weather, pipeline regulator or compressor failure, main breaks, and other emergency situations.

When the Company determines that a High-Flow Constraint Condition exists, the Company will declare a High-Flow Constraint Period in the affected area(s). During this period, the Company will: (1) require customers using Third-Party natural gas supplies to use no more than their daily confirmed, scheduled, and Company-accepted pipeline nominations and (2) to the extent necessary, interrupt interruptible customers. One or both of these actions may be necessary to (a) avoid incurring pipeline penalties, (b) assure adequate supplies are available for firm sales service needs, and (c) to preserve system integrity. Separate nominations will be required for deliveries to pool member customers in individual constrained areas, and these areas may be balanced separately and individually as is deemed necessary by the Company. Company personnel will give Pooling Agents and/or customers as much advance notice of a High-Flow Constraint Condition as possible. Notice of a High-Flow Constraint Condition may also be given after the start of a gas day.

(Continued on Sheet G-34.5)

Daily Balancing Service

BALANCING SERVICE CHARGES (continued)

N Imbalance Volumes for over-nominations (undertakes) will be subject to the Nonconstraint Day First Tier and Second Tier Balancing Service Charges. Any over-run or under-run charges, incremental fees, charges, surcharges, and/or penalties assessed by pipelines will be prorated among those customers in a Company-Administered Pool and/or Third-Party Pools that contributed to the cause of the costs. The daily balancing revenues received from balancing charges at rates higher than the Effective First-Tier Rate will be netted against these pipeline charges or penalties assessed on the same day on each month's Balancing Service bill for affected customers or Third-Party Pools.

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Imbalance volumes for undernominations (overtakes) will be subject to the Nonconstraint Day First Tier and Second Tier Balancing Service Charges and an additional unauthorized-use charge. Availability of this charge does not preclude Company from physically controlling customer's gas supply upon customer's failure to curtail to confirmed, scheduled, and Company-accepted pipeline delivery volume. The additional charge for unauthorized use will be assessed as follows:

1. During a curtailment or interruption when interstate pipeline capacity is not limited, the additional charge will be the greater of incremental cost to the Company that results from a failure to curtail or interrupt, or $2.50 per therm for gas used in excess of the maximum quantity level allowed by the Company.

R 2. During a curtailment or interruption when interstate pipeline capacity is limited, the additional charge will be the greater of incremental cost to the Company that results from a failure to curtail or interrupt, or $10.00 per therm for gas used in excess of the maximum quantity level allowed by the Company.

3. The Company will file a report with the Public Service Commission of Wisconsin after each constraint. The report will be filed by the Company within 45 days following the event.

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Incremental cost, as referenced above, will include any interstate pipeline penalties and/or incremental Reservation charges or surcharges incurred as a result of customers' failure to curtail or interrupt, as well as the total cost of incremental interstate pipeline capacity and/or gas commodity purchased to serve customers' load on the day(s) of curtailment or interruption. To the extent that gas commodity charges are assessed through this provision, the volume assessed charges in this mechanism will not be subject to cash out in the cashout mechanism.

Low-Flow Constraint Condition

R A Low-Flow Constraint Condition is one in which the Company expects natural gas supplies delivered to the Company exceed demand in an area or areas of its service territory.

When the Company determines that a Low-Flow Constraint Condition exists, the Company will declare a Low-Flow Constraint Period in the affected area(s). During this period, the Company will require customers using Third-Party Natural Gas Supplies to use no less than their daily confirmed, scheduled, and Company-accepted pipeline nominations to avoid incurring pipeline penalties. Separate nominations will be required for deliveries to pool member customers in individual constrained areas, and these areas may be balanced separately and individually as is deemed necessary by the Company. Company personnel will give Pooling Agents and/or customers as much advance notice of a Low-Flow Constraint Condition as possible. Notice of a Low-Flow Constraint Condition may also be given after the start of a gas day.

(Continued on Sheet G-34.6)

Daily Balancing Service

BALANCING SERVICE CHARGES (continued)

Imbalance Volumes for under-nominations will be subject to the Nonconstraint Day First Tier and Second Tier Balancing Service Charges.

R During a Low-Flow Constraint Condition when the pipeline does not assess any under-run charges,
R incremental fees, charges, surcharges, and/or penalties, the Imbalance Volumes for over-nominations will be subject to the Nonconstraint Day First Tier and Second Tier Balancing Service Charges.

R During a Low-Flow Constraint Condition when the pipeline does assess under-run charges, incremental
R fees, charges, surcharges, and/or penalties, the Imbalance Volumes for over-nominations will be assessed the applicable pipeline charges caused by customers receiving Third-Party Natural Gas Supply in addition to the Nonconstraint Day First Tier and Second Tier Balancing Service Charges. Any over-run or under-run
R charges, incremental fees, charges, surcharges, and/or penalties assessed by pipelines will be prorated among those customers in a Company-Administered Pool and/or Third-Party Pools that contributed to the
R cause of the costs. The daily balancing revenues received from balancing charges at rates higher than the Effective First-Tier Rate will be netted against these pipeline charges or penalties assessed on the same day on each month's Balancing Service bill for affected customers or Third-Party Pools.

Selective Constraint - Underdelivery

An Underdelivery Selective Constraint may be called for an individual customer or pool before or during a gas day if:

1. The delivered Chicago City Gate index price is at least 110 percent of the current month's weighted average delivered cost of gas, including gas in storage, and the Company believes a customer or Third-Party Pool is either:

    a. Underdelivering by more than 4,000 therms, or

    b. Underdelivering by at least 1,000 therms and the percentage underdelivery is expected to be greater than 10 percent of the expected usage; or

2. The underdelivery percentage is expected to be greater than 20 percent; or

3. The underdelivery is expected to be greater than 7,500 therms.

When the Company notifies a customer or Pooling Agent that they are subject to a Selective Constraint, the daily usage of the affected customer or balancing pool will be monitored. If it is determined that the preceding underdelivery limits are exceeded, then the customer or Pooling Agent will be assessed High-Flow Constraint Day charges on the undernominations. If it is determined that a customer or Third-Party Pool subject to a Selective Constraint did not exceed the preceding limits, then any imbalance volumes will be subject to the normal balancing charges in effect on the Company's system. When an Underdelivery Selective Constraint is called, and the customer or pool for whom the constraint is called delivers adequate supply during the constraint period, overnomination balancing charges during that period may be waived.

(Continued on Sheet G-34.7)

Daily Balancing Service

M **BALANCING SERVICE CHARGES (continued)**

Selective Constraint - Overdelivery

An Overdelivery Selective Constraint may be called for an individual customer or pool before or during a gas day if:

1. The delivered Chicago City Gate index price is less than 90 percent of the current month's weighted average delivered cost of gas, including gas in storage, and the Company believes a customer or Third-Party Pool is either:

   a. Overdelivering by more than 4,000 therms, or

   b. Overdelivering by at least 1,000 therms and the percentage overdelivery is expected to be greater than 10 percent of the expected usage; or

2. The overdelivery percentage is expected to be greater than 20 percent; or

3. The overdelivery is expected to be greater than 7,500 therms.

When the Company notifies a customer or Pooling Agent that they are subject to a Selective Constraint, the daily usage of the affected customer or balancing pool will be monitored. If it is determined that the preceding overdelivery limits are exceeded, then the customer or Pooling Agent will be assessed a balancing fee on the overdeliveries equal to the higher of the First Tier Maximum Rate or the incremental cost to the Company of selling gas supply within 20 days of the constraint period to avoid violating pipeline storage contract restrictions. If it is determined that a customer or Third-Party Pool subject to a Selective Constraint did not exceed the preceding limits, then any imbalance volumes will be subject to the normal balancing charges in effect on the Company's system. When an Overdelivery Selective Constraint is called, and the customer or pool for whom the constraint is called does not overdeliver gas supply during the constraint period, undernomination balancing charges during that period may be waived.

M **CASHOUT MECHANISM**

When the actual usage of customers in a Company-Administered Pool and/or the usage of a Third-Party Pool is more than the customer's or pool's confirmed natural gas nomination respectively, the Company's purchased natural gas supply is being utilized, and the customers in a Company-Administered Pool and/or the Third-Party Pool(s) will be assessed the Overtake Charges listed below. When the opposite occurs and excess natural gas is left on the Company's system, the customers in a Company-Administered Pool and/or the Third-Party Pool(s) will receive the appropriate Undertake Credit on their Balancing Service bills as described below. Commodity Cashout charges and/or credits will be included on the Balancing Service bill that is sent to the respective Pooling Agent as long as the Pooling Agent continues to pay its bills in a timely manner. If the Pooling Agent of a given Third-Party Pool does not pay the Company for the billed amount for a period exceeding 30 days, the Company may bill the customer(s) that are members of the respective Third-Party Pool based on their individual usage.

The monthly imbalance volume is the accumulated daily volumes for the billing period.

(Continued on Sheet G-34.8)

Daily Balancing Service

CASHOUT MECHANISM (continued)

Cashout Price Supply Area Definitions

Several supply area prices are compared for the calculation of the Overtake Cashout Price and the Undertake Cashout Price as further described in their sections below. The descriptions for the components to be used in each supply area's pricing structure is defined as follows:

Supply Area	Index Designation [1]	Pipeline	Receipt Segment	Delivery Segment
SE	Louisiana - Onshore South - ANR, La.	ANR	Southeast Area (SE)	Northern (ML-7)
SW	Oklahoma - ANR, Okla.	ANR	Southwest Area (SW)	Northern (ML-7)
Joliet Hub	City Gates - Chicago - City Gates	ANR	Northern (ML-7)	Northern (ML-7)
NNG - Vent	Others - Northern (Ventura)	NNG	Market MID17	Market MID17
NNG - Demarc	Others - Northern (Demarc)	NNG	Market MID16B	Market MID17

[1] *Gas Daily's* "Weekly Weighted Average Prices" index identifier. In the event index changes or becomes unavailable, an industry-accepted equivalent will be substituted.

Overtake Charges

The Overtake Charge will be equal to the aggregated monthly imbalance volume within each Overtake Variance percentage bracket multiplied by the applicable percentage of the Cashout Price. The Overtake Variance percentage is calculated by dividing the monthly imbalance volumes by a Company-Administered Pool Customer's or Third-Party Pool's monthly confirmed natural gas nominations. Each respective Company-Administered Pool Customer or Third-Party Pooling Agent will pay the indicated percentage(s) of the Cashout Price for the quantities of Imbalance Volume that fall within each respective bracket. Cashout Charges will be billed monthly.

Overtake Variance Percentage	Percentage of Overtake Cashout Price [1] Paid by Customer to Company
> 0% and up to 3.5%	100%
> 3.5% and up to 10%	115%
> 10% and up to 15%	130%
> 15% and up to 20%	140%
> 20%	150%

R [1] See Sheet G-3.2 for the Overtake Cashout prices effective in the most recently completed cashout month.

For purposes of this provision, the Overtake Cashout Price is the higher of:

R 1. The average of the highest four (4) weekly prices calculated price of all the defined supply areas for the month. Each price is calculated as follows: The price in the *Gas Daily* "Weekly Weighted Average Prices" table (of each week that ends during the billing month) reported for the Index Designation plus the appropriate Pipeline's Interruptible rate schedule transportation costs and surcharges and equivalent fuel costs from the Pipeline's Receipt Segment to the Pipeline's Delivery Segment plus the Company's interruptible gas supply administrative charge; or

2. The weighted average delivered cost of gas filed in the Company's PGA plus the Company's interruptible gas supply administrative charge.

(Continued on Sheet G-34.9)

Daily Balancing Service

CASHOUT MECHANISM (continued)

Undertake Credit

R The Undertake Credit will be equal to the aggregated monthly imbalance volume within each Undertake Variance percentage bracket multiplied by the applicable percentage of the Undertake Cashout Price. The Undertake Variance percentage is calculated by dividing the monthly imbalance volume by a Company-Administered Pool Customer's or Third-Party Pool's monthly confirmed natural gas nominations. The Company will credit each respective Company-Administered Pool Customer or Third-Party Pooling Agent the indicated percentage(s) of the Cashout Price for the quantities of imbalance volume that fall within each respective bracket. The Company will then own this natural gas.

Overtake Variance Percentage	Percentage of Overtake Cashout Price [1] Paid by Customer to Company
> 0% and up to 3.5%	100%
> 3.5% and up to 10%	85%
> 10% and up to 15%	70%
> 15% and up to 20%	60%
> 20%	50%

R [1] See Sheet G-3.2 for the Undertake Cashout Credits effective in the most recently completed cashout month.

For purposes of this rate schedule, the Undertake Cashout Credit is the lower of:

R 1. The average of the lowest four (4) weekly prices calculated price of all the defined supply areas for the month. Each price is calculated as follows: The price in the *Gas Daily* "Weekly Weighted Average Prices" table (of each week that ends during the billing month) reported for the Index Designation plus the appropriate Pipeline's Interruptible rate schedule transportation costs and surcharges and equivalent fuel costs from the Pipeline's Receipt Segment to the Pipeline's Delivery Segment; or

2. The weighted average delivered cost of gas in the Company's monthly PGA.

TERM

The customer must take service for a minimum 12-month period under this rate schedule. This service will automatically be extended for additional 12-month periods unless otherwise terminated.

Service under this rate schedule will be terminated as follows:

1. The Company has received written notice of termination of service under this rate schedule to be effective at the end of the 12-month period at least 30 days prior to the end of a 12-month period;

2. The Company has determined that the customer fails to qualify for service under this rate schedule. In this event, the termination will be effective the first day of the month immediately following such determination.

(Continued on Sheet G-34.10)

Daily Balancing Service

M **SPECIAL TERMS AND PROVISIONS**

1. The Company reserves the right, subject to regulatory requirements, to change the terms and conditions of this rate schedule resulting from changes made by any of the transporting interstate pipelines in their terms and conditions for transportation service.

2. The Company will provide balancing on a Company-Administered Pool Customer's or Third-Party Pool's behalf only upon receipt from the respective Company-Administered Pool Customer or Third-Party Pooling Agent of a properly completed and executed Third-Party Natural Gas Supply Nomination Form; the form of which will be specified by the Company.

   Each Third-Party Natural Gas Supply Nomination Form is subject to acceptance by the Company prior to becoming effective. Any nomination for the delivery of natural gas supply by a customer or pooling agent must be received by the Company one hour prior to pipeline nomination cycles.

   All information requirements described herein must be satisfied in order for any nomination to be processed by the Company. All nominations, including intraday nominations, will be a daily quantity. Nominations will be subject to the delivering pipeline flow rules including, but not limited to, hourly flow rights as defined by pipeline tariffs.

   The Company will allow nominations for the following cycles as defined by NAESB Standards: Timely, Evening, Intraday 1, and Intraday 2. Nominations made and accepted by the Pipeline at any time other than the above-defined cycles will be accepted at the sole discretion of the Company.

   Nominations confirmed on the pipeline for any cycle not defined above does not deem acceptance by the Company.

   If a nomination is not received by the appropriate deadline, a $10.00 charge per account will be assessed for each instance the nomination is late provided the customer or Pooling Agent has not made other arrangements with the Company. In addition, the Company may, at the Company's sole discretion, not confirm and/or accept any nomination on the pipeline if the nomination is not received by the Company by the appropriate deadline.

   The customer or Pooling Agent must submit a revised nomination to the Company any time the amount of gas to be delivered by the pipeline(s) or any other information contained on the most recently submitted Third-Party Natural Gas Supply Nomination Form changes, regardless of whether the changes were initiated by the customer (or Pooling Agent) or the pipeline. If notification is not received in a timely manner, the Company may, in the Company's sole discretion, not confirm and/or accept the nomination.

   The nominations given to and accepted by the Company must match the nominations given to the pipeline transporter and confirmed, scheduled, and delivered by the pipeline, or the difference between the Company-accepted nomination and the nomination confirmed, scheduled and delivered by the pipeline will be subject to unauthorized nomination charge of $0.05 per therm. The Company will then adjust either the Company nomination or pipeline nomination as it determines is appropriate for the situation.

(Continued on Sheet G-34.11)

Daily Balancing Service

SPECIAL TERMS AND PROVISIONS (continued)

3. Gas supplies must be delivered by each customer in a Company-Administered Pool and the Pooling Agent of each Third-Party Pool under separate and distinct pipeline transportation agreements, unless the parties that arrange for joint use of a pipeline transportation agreement file an agreement with the Company indicating how the nomination is split between Third-Party Pools (or between customers in a Company-Administered Pool) and how the parties would like nomination curtailments or other adjustments to be allocated. The Company reserves the right to make the final determination of how changes in nominations of joint-use contracts will be allocated.

4. If an upstream transporter notifies a Company-Administered Pool Customer or Third-Party Pool that deliveries to the Company's distribution system on behalf of the respective Company-Administered Pool Customer or Third-Party Pool are interrupted, the respective customer or Pooling Agent will promptly advise the Company of such notification.

5. Customers or Pooling Agents may purchase gas from the Company under the Backup Sales Service rate schedule subject to the terms and conditions of that rate schedule. The customer or Pooling Agent will nominate the volume of gas to be purchased under the Backup Sales Service rate schedule and the Company must approve it prior to purchase. Any Backup Sales Service will be considered to be through the meter prior to Third-Party Natural Gas Supply in the application of the balancing provisions of this rate schedule.

6. The purchase of gas under any of the Company's Interruptible Gas Sales Service rate schedules is not permitted during the period balancing is being provided under this rate schedule. Gas may be purchased under the Company's Firm Sales Service Schedule in conjunction with service provided under this rate schedule. If Firm Sales Service is used in conjunction with this rate schedule, the Firm Sales Service must be nominated according to the Terms and Provisions of the Firm Sales Service rate schedule and will be considered the first gas through the meter.

7. If special equipment, such as motor-operated valves, metering bypass, flow restrictors, and remote control is required to monitor gas service, such special equipment will be installed by the Company at the customer's expense. This requirement will not apply to standard telemetering equipment necessary for service under this rate schedule. The ownership, installation, operation, and maintenance of all such equipment will be under the exclusive control of the Company.

8. Any customer receiving service under this rate schedule who, after the term of service, wishes to discontinue this service and have the same load served under one of the Company's other rate schedules will apply for that service in writing. Availability of the requested service will be determined by the Company. Customers may not move or be removed from a Third-Party Pool by a pooling agent without written notice at least three business days prior to the move to be effective on the first gas day of the month. The customer will be treated as a new customer in determining the availability of gas.

9. Measurement of gas delivered to the customer will be through the Company's meter at the customer's facilities and billing will be based on measurements adjusted to Company standard conditions.

(Continued on Sheet G-34.12)

Daily Balancing Service

SPECIAL TERMS AND PROVISIONS (continued)

10. Gas delivered by the Company under this rate schedule will be commingled with other natural gas, vaporized liquefied natural gas, and propane-air vapor which is delivered by the Company. Accordingly, the gas of the customer will be subject to such changes in heat content as may result from such commingling, and the Company will be under no obligation to redeliver for the customer's account gas of a heat content identical to that caused to be delivered by the customer to the Company.

11. The rates and character of service under this rate schedule are subject to review and change by the Public Service Commission of Wisconsin.

12. If firm and interruptible distribution customers are part of the Third-Party Pool, separate nominations for firm volumes and interruptible volumes are required. This requirement is for interruption administration and does not normally affect daily balancing service.

13. When interruption of interruptible distribution service is necessary, the Company will notify the Pooling Agent in addition to notifying the customer.

14. This service is subject to the conditions of delivery set forth herein and to the Company's rules and regulations for gas service.

N 15. Individual Firm Gas Sales Service (FS-1) or Backup Sales Service (BU-1) customers will not resell gas supplied hereunder. Pooling agents may resell gas to customers in their designated MGE Third-Party Balancing Pool.

(Next Sheet is G-35)