

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
<b>SEMCO ENERGY GAS COMPANY</b>	)	
for authority to implement a gas cost recovery	)	Case No. U-13622
plan and factors for the 12-month period	)	
April 2003 to March 2004.	)	
_____	)	

At the June 27, 2003 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Laura Chappelle, Chairman  
Hon. David A. Svanda, Commissioner  
Hon. Robert B. Nelson, Commissioner

**TEMPORARY ORDER APPROVING A GAS COST RECOVERY FACTOR**

On December 23, 2002, SEMCO Energy Gas Company (SEMCO) filed an application for approval of its gas cost recovery (GCR) plan and factors for the 12-month period April 2003 to March 2004, with prefiled testimony and exhibits, supporting a factor of up to \$5.1805 per thousand cubic feet (Mcf).

At a prehearing conference on February 11, 2003, Administrative Law Judge Barbara A. Stump (ALJ) granted leave to intervene to Attorney General Michael A. Cox (Attorney General), the Residential Ratepayer Consortium (RRC), and Michigan Technological University (MTU), and approved a procedural schedule. The Commission Staff (Staff) also participated.

On March 21, 2003, the parties submitted a joint motion that requests approval of a temporary GCR factor of up to \$6.035 per Mcf. The settlement agreement indicates that the temporary GCR

factor was necessitated due to significant natural gas price increases on the New York Mercantile Exchange (NYMEX) above the levels that existed at the time of the original filing. SEMCO and the Staff supported the joint motion. The Attorney General, the RRC, and MTU filed statements of non-objection.

The joint motion provides that it would be reasonable and appropriate for the Commission to issue a temporary order authorizing SEMCO to charge a temporary GCR factor up to \$6.035 per Mcf until the Commission issues a final order in this docket. The parties reserve the right to support or challenge the reasonableness and prudence of SEMCO's actual 2003 gas supply costs in future proceedings in this case or in SEMCO's 2003 GCR reconciliation case. The joint motion further provides that if SEMCO believes that its current GCR underrecovery status has been sufficiently mitigated, it will prospectively reduce its GCR factor at its first reasonable opportunity to do so.

The GCR process was created by the Legislature over 20 years ago to protect ratepayers from automatic adjustment clauses and to enable utilities to recover their gas costs, albeit without a markup or a profit of any kind. The Commission is required to annually review a utility's GCR plan and to conduct a second review after conclusion of each plan year to verify the utility's entitlement to recovery of such costs. In so doing, the burden is on the utility to demonstrate that its GCR costs are attributable to reasonable and prudent management decisions. The Commission has, on many occasions, disallowed costs that were not so attributed.

Based on the interim settlement agreement, the Commission concludes, pursuant to MCL 460.6h(8), that it would be appropriate to authorize SEMCO to charge a temporary GCR factor up to \$6.035 per Mcf until the Commission issues a final order in this docket. Moreover, because all issues concerning the reasonableness and prudence of SEMCO's 2003-2004 GCR plan

and the utility's gas acquisition policy will remain subject to review in this proceedings, the Commission is persuaded that granting the relief recommended in the interim settlement is in the public interest. Today's action will mean that the monthly bills of a typical residential customer using 1,200 hundred cubic feet (ccf) of natural gas per year will increase by an average of \$3.26 per month during the summer and by an average of \$14.01 per month during the winter.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1982 PA 304, as amended, MCL 460.6h et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 et seq.
- b. The joint motion, attached as Exhibit A, is approved.
- c. SEMCO should be authorized to implement a temporary GCR factor of up to \$6.035 per Mcf until the Commission issues a final order in this docket.

THEREFORE, IT IS ORDERED that:

- A. The joint motion, attached as Exhibit A, is approved.
- B. SEMCO Energy Gas Company is authorized to implement a temporary GCR factor of up to \$6.035 per thousand cubic feet until the Commission issues a final order in this docket.
- C. SEMCO Energy Gas Company shall file, within 30 days, tariff sheets consistent with this order.

The Commission reserves jurisdiction and may issue further orders as necessary.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Laura Chappelle  
Chairman

( S E A L )

/s/ David A. Svanda  
Commissioner

/s/ Robert B. Nelson  
Commissioner

By its action of June 27, 2003.

/s/ Robert W. Kehres  
Its Acting Executive Secretary

The Commission reserves jurisdiction and may issue further orders as necessary.

MICHIGAN PUBLIC SERVICE COMMISSION

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Chairman

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Commissioner

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Commissioner

By its action of June 27, 2003.

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Its Acting Executive Secretary

## STATE OF MICHIGAN

## BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
**SEMCO ENERGY GAS COMPANY** )  
 for approval of a gas cost recovery plan )  
 and factors for the period of April )  
 2003 through March 2004 and )  
 related relief. )  
 \_\_\_\_\_ )

Case No. U-13622  
 [e-file]

**JOINT MOTION TO THE COMMISSION FOR A TEMPORARY ORDER**  
**APPROVING A GCR FACTOR**  
**AND FOR IMMEDIATE CONSIDERATION**

SEMCO Energy Gas Company ("SEMCO Gas") a division of SEMCO Energy, Inc., and the Michigan Public Service Commission Staff ("Staff") (collectively referred to as "Joint Movants"), pursuant to MCL 460.6h(8), jointly present this motion to the Michigan Public Service Commission ("Commission") for a temporary order approving a GCR factor for SEMCO Gas that is different than the factor requested by SEMCO Gas in its original application in this case.

1. SEMCO Gas is a public utility engaged in the transportation, distribution, and sale of natural gas in various service areas throughout the State of Michigan.
2. On December 23, 2002, SEMCO Gas filed an application with the Commission in the above captioned case seeking approval of a gas cost recovery ("GCR") plan for the 12-month period April 2003-March 2004 (the "2003-2004 GCR Year") and authorization of GCR factors for the 2003-2004 GCR Year. The Company filed testimony and exhibits in support of its positions concurrently with its application.

3. The initial prehearing conference in this case was held February 11, 2003, before Administrative Law Judge Barbara A. Stump. The parties to the case are SEMCO Gas, the Staff, the Attorney General Michael A. Cox, Residential Ratepayer Consortium and Michigan Technological University.

4. On March 14, 2003, SEMCO Gas filed supplemental testimony and revised exhibits to reflect changes in market conditions that occurred after the original filing was made.

5. In its original filing, SEMCO Gas requested approval of a gas cost recovery factor of \$5.1805<sup>1</sup> per Mcf, subject to a Gas Cost Recovery Factors Adjustment Mechanism, which could result in an increase above \$5.1805 per Mcf.

6. Circumstances have changed since the original filing of SEMCO Gas's 2003-2004 GCR Plan. Subsequent to SEMCO Gas's original filing, the price of gas on the New York Mercantile Exchange ("NYMEX") has increased significantly and unexpectedly above the levels that existed at the time of the original filing.

7. Joint Movants request that the Commission issue a Temporary Order that authorizes SEMCO Gas to incorporate into its rates a GCR factor of \$6.035 per Mcf for the month of April 2003 through March 2004.

8. Delaying recovery of increases in gas costs would economically burden SEMCO Gas's customers by moving these additional costs, plus interest at SEMCO Gas's short term debt rate, until later in the 2003-2004 year, perhaps into the winter heating season.

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<sup>1</sup> The GCR Factor as proposed in its original filing is composed of a Balancing Charge of \$0.2500 per Mcf, a Capacity Demand Cost of \$0.2802 per Mcf and a Commodity Gas Cost of \$4.6503 per Mcf.

9. The magnitude of an underrecovery, and related interest costs, can be reduced if the Commission issues a Temporary Order authorizing SEMCO Gas to implement GCR factors for the months of April 2003 through March 2004 as set forth in paragraph 7.

10. Joint Movants state that good cause exists to grant this motion and request that the Commission issue a Temporary Order authorizing SEMCO Gas to implement a GCR factor of \$6.035 per Mcf for the month of April 2003 through March 2004.

11. Joint Movants agree that entering a Temporary Order will not constitute a final resolution of the review of SEMCO Gas's GCR Plan for the 2003-2004 GCR Plan year and that issuing a Temporary Order will not preclude parties from raising any issues in this proceeding that they could have raised in the absence of a Temporary Order.

12. Joint Movants represent that due to significant changes in fact it is in the public interest for the Commission to grant immediate consideration and prompt approval of this Joint Motion To The Commission For Temporary Order Approving A GCR Factor. Further, prompt approval is necessary so that the approval will be effective prior to the April 2003 billing cycle. Joint Movants request the Commission approve this Joint Motion at its March 26, 2003 meeting. The Joint Movants expressly waive the full and complete hearing contemplated by MCL 460.6h(8) with respect to the matters raised in this Joint Motion and request the Commission to act promptly to grant the requested relief, subject to any further orders that may be issued in this case. The Staff certifies that the requested action is reasonable and in the public interest.

13. SEMCO Gas agrees that during the 2003-2004 GCR year, if it believes that its underrecovery status has been sufficiently mitigated, it will prospectively lower its GCR factor at its first reasonable opportunity to do so.

14. For the convenience of the Commission, the Joint Movants have attached as Exhibit 1, a proposed form of order, which is acceptable to the Joint Movants.

WHEREFORE, the Joint Movants hereto respectfully request the Commission grant this Joint Motion to the Commission for a Temporary Order Approving a GCR Factor and for Immediate Consideration.

SEMCO ENERGY GAS COMPANY

Dated: 3/20/03

By: Sherrill A. Wellman

One of its Attorneys  
Harvey J. Messing  
Ronald W. Bloomberg  
Sherrill A. Wellman  
Attorneys for SEMCO Energy Gas Company

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Dated: 3/20/03

By: Kristin M. Smith

Kristin M. Smith  
Assistant Attorney General for the Staff