

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
PENINSULAR GAS COMPANY for a reconciliation)
of its gas cost recovery revenues and expenses for)
the 12-month period ended December 31, 2004.)
_____)

Case No. U-13901-R

At the September 20, 2005 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. J. Peter Lark, Chairman
Hon. Laura Chappelle, Commissioner
Hon. Monica Martinez, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On March 31, 2005, Peninsular Gas Company (Peninsular) filed an application, with supporting testimony and exhibits, seeking reconciliation of its gas cost recovery (GCR) revenues and expenses for the 12-month period ended December 31, 2004. Pursuant to due notice, a prehearing conference was held on May 10, 2005, before Administrative Law Judge Daniel E. Nickerson, Jr. Peninsular and the Commission Staff participated in the proceedings.

On June 1, 2005, Peninsular closed the sale of its natural gas assets to SEMCO Energy, Inc., d/b/a SEMCO Energy Gas Company (SEMCO Gas), and on June 3, 2005, SEMCO Gas filed a notice of substitution, pursuant to the Commission's directive in its February 24, 2005 order in Case No. U-14392.

Subsequently, the parties submitted a settlement agreement resolving all issues in this case. According to the settlement agreement, attached as Exhibit A, Peninsular underrecovered

a net total of \$646,295, inclusive of the underrecovered amount from the prior GCR reconciliation in Case No. U-13551-R, interest, and supplier refunds during its 2004 GCR plan year. The settlement agreement provides that the net underrecovered amount will be rolled into SEMCO Gas's current 2005 GCR costs.

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 settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. The underrecovery of \$646,295 shall be rolled into the current 2005 gas cost recovery costs for SEMCO Energy, Inc., d/b/a SEMCO Energy Gas Company.

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

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ J. Peter Lark
Chairman

(S E A L)

/s/ Laura Chappelle
Commissioner

/s/ Monica Martinez
Commissioner

By its action of September 20, 2005.

/s/ Mary Jo Kunkle
Its Executive Secretary

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

By its action of September 20, 2005.

Its Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of **PENINSULAR GAS**)
COMPANY's Gas Cost Reconciliation) Case No. U-13901-R
proceeding for the 12-month period)
ended December 31, 2004.)

SETTLEMENT AGREEMENT

As provided in § 78 of the Administrative Procedures Act of 1969 ("APA"), MCL 24.278, and the Rules of Practice and Procedure Before the Commission, 2000 AC, R 460.17333, Peninsular Gas Company ("Peninsular Gas" or the "Company")¹ and the Michigan Public Service Commission Staff ("Staff") have reached an agreement and hereby stipulate as follows:

1. Pursuant to § 6h(12) of 1982 PA 304 ("Act 304"), as amended, MCL 460.6h(12), Peninsular Gas filed with the Michigan Public Service Commission ("Commission") on March 31, 2005, an Application, supporting testimony, and exhibits seeking to reconcile its gas revenues and costs for the 12-month period ended December 31, 2004.

2. On April 14, 2005, the Commission's Executive Secretary issued a Notice of Hearing directing Peninsular Gas to mail a copy of the Notice to all cities, incorporated villages, townships and counties in its service area and directing

¹ The Michigan Public Service Commission directed in its February 24, 2005 Opinion and Order issued in Case No. U-14392 that upon closing of the sale of the natural gas assets of Peninsular Gas to SEMCO Energy Inc., d/b/a SEMCO Energy Gas Company ("SEMCO Gas"), SEMCO Gas shall be substituted for Peninsular Gas in all pending proceedings before the Commission in which Peninsular Gas is a party. The sale of Peninsular Gas's

Peninsular Gas to publish the Notice in daily newspapers of general circulation throughout its service area by April 26, 2005.

3. Peninsular Gas complied with the Executive Secretary's directives and submitted the requisite Affidavit of Mailing and Proof of Publication during the prehearing conference held before Administrative Law Judge Daniel E. Nickerson, Jr. on May 10, 2005. Both the Company and Staff participated in the prehearing conference. No persons sought to intervene at the May 10 prehearing conference.

4. Subsequent to the prehearing conference, the parties engaged in settlement discussions which have lead to the agreements incorporated in this Settlement Agreement.

5. By this Settlement Agreement, the Company and Staff agree that during the 12-month GCR period ended December 31, 2004, the Company underrecovered a net total of \$646,295.00 from its gas customers which is inclusive of the roll-in of the net underrecovered amount of \$640,826.47 from the previous GCR reconciliation in Case No. U-13551-R. Interest calculated in the amount of (\$28,661.00) is also included in the net total. Finally the net underrecovered amount reflects that the Company received supplier refunds totaling \$2,128.37. In accordance, with the standard roll-in refund procedures, the parties propose that the net underrecovered amount of \$646,295.00 will be rolled into the current 2005 GCR costs for SEMCO Gas's M.P.S.C. Division Upper Peninsula West (2).

6. This Settlement Agreement has been made for the sole express purpose of reaching compromise among the positions of the signatory parties without prejudice

natural gas assets to SEMCO Gas was closed on June 1, 2005, at 12:01 am. On June 3, 2005, SEMCO Gas filed "Notice of Substitution" in this proceeding.

to their rights to take new and/or different positions in other proceedings. All offers of settlement and discussions relating to this Settlement Agreement shall be considered privileged as provided in MRE 408. If the Commission approves this Settlement Agreement without modification, neither the parties to this Settlement Agreement nor the Commission shall use it as a reason, authority, rationale or example for taking any action or position or making any subsequent decision in any other cases or proceeding; provided, however, such reference or use may be made to enforce the Settlement Agreement and Order.

7. The parties understand and agree that no specific finding of fact, conclusion of law, or other precedent is or will be established by this Settlement Agreement. If the MPSC approves this Settlement Agreement without modification, the parties agree to support this Settlement Agreement before the MPSC or elsewhere, but support of the agreement shall not require any party to appear or intervene in any proceeding in which that party is not otherwise involved.

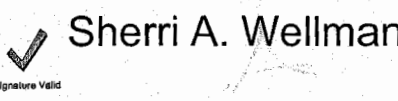
8. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969, MCL 24.281, as it applies to this proceeding, if the Commission approves this Settlement Agreement without modification.

9. This Settlement Agreement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of the Settlement Agreement. Failure to comply with any provision of the Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of the Settlement

Agreement, the Settlement Agreement shall be withdrawn and shall not constitute any part of the record of this proceeding or be used for any other purpose.


10. Each party agrees not to appeal or otherwise contest any Commission order accepting and approving this Settlement Agreement without modification.

SEMCO ENERGY GAS COMPANY
Substituting for
PENINSULAR GAS COMPANY


Sherri A. Wellman

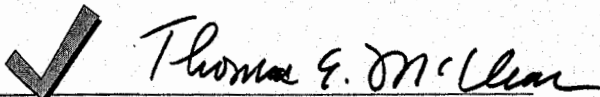
Digitally signed by
Sherri A. Wellman
DN: cn=Sherri A.
Wellman, o=Loomis
Law Firm, c=US
Date: 2005.08.01
10:16:46 -05'00'

Dated: August 1, 2005

By:  Signature Valid

One of Its Attorneys
Harvey J. Messing (P 23309)
Sherri A. Wellman (P 38989)
Loomis, Ewert, Parsley, Davis & Gotting, P.C.
232 S. Capitol Avenue, Suite 1000
Lansing, MI 48933
(517) 482-2400

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

By: 

Thomas McClear (P 25585)
Assistant Attorney General
Public Service Division
6545 Mercantile Way, Suite 15
Lansing, MI 48911
(517) 334-7668