

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 reconciliation of the gas costs and revenues for)
its Upper Peninsula West (2) operational district for)
the 17-month period ended May 31, 2006.)
_____)

Case No. U-14260-R

At the March 21, 2007 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 November 15, 2005, SEMCO Energy Gas Company (SEMCO) filed an application, with supporting testimony and exhibits, seeking reconciliation of its gas cost recovery (GCR) revenues and expenses for its Upper Peninsula West (2) operational district for the period from January 2005 through March 2005. Pursuant to Commission orders issued in Case Nos. U-14260, U-14392, and U-14726, the reconciliation period was extended to a 17-month period, from January 1, 2005 to May 31, 2006. On August 30, 2006, SEMCO filed its amended application which addressed the entire 17-month GCR reconciliation period.

Pursuant to due notice, a prehearing conference was held on October 19, 2006, before Administrative Law Judge Mark E. Cummins. SEMCO and the Commission Staff participated in the proceedings.

Subsequently, the parties submitted a settlement agreement resolving all issues in this case. According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that during the 17-month GCR period ended May 31, 2006, SEMCO overrecovered a net total of \$66,742 from its gas customers in its Upper Peninsula West (2) operational district. The parties agree that SEMCO should be authorized to refund in the billing month of March 2007 the total net over-recovery of \$66,742, including interest of \$6,805, calculated from June 2006 through the mid-point of the refund month, by implementing a one-time credit to its Upper Peninsula West (2) customers who took service in December 2006, based on each customer's billed usage during December 2006.

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, attached as Exhibit A, 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. SEMCO Energy Gas Company shall refund in the first billing month following issuance of this order, the total net overrecovery of \$66,742, plus additional interest through the mid-point of the refund month, by implementing a one-time credit to its Upper Peninsula West (2) customers who took service in December 2006, based on each customer's billed usage during that month.

After completion of the refund, SEMCO Energy Gas Company shall file a detailed refund report in this docket.

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 March 21, 2007.

/s/ Mary Jo Kunkle
Its Executive Secretary

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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 March 21, 2007.

Its Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of SEMCO ENERGY GAS COMPANY for reconciliation of the gas costs and revenues for its Upper Peninsula West (2) operational) district for the 17-month-period ending) <u>May 31, 2006.</u>)	Case No. U-14260-R
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SETTLEMENT AGREEMENT

Pursuant to MCL 24.278 and Rule 333 of the Rules of Practice and Procedure before the Michigan Public Service Commission (“MPSC” or “Commission”), SEMCO Energy Gas Company (“SEMCO Gas” or the “Company”) and the MPSC Staff (“Staff”) agree as follows:

1. On November 15, 2005, SEMCO Gas filed its Application in Case No. U-14260-R, requesting authority to reconcile the gas cost recovery (“GCR”) costs and revenues for the period of January 2005 through March 2005 for its Upper Peninsula West (2) operational district. The Application was filed in accordance with the requirements of the February 24, 2005 Opinion and Order issued in Case No. U-14392 (“February 24 Order”), in which the Commission, among other things, granted authority for SEMCO Gas to provide service in the former Peninsula Gas Company (“Pen Gas”) service area. Specifically, the February 24 Order (1) modified the GCR plan period for the former Pen Gas service territory (now known as SEMCO Gas’s Upper Peninsula West (2) operational district) from a calendar year of January – December to a 12-month period of April – March, and as such, extended the final GCR plan period for the former Pen Gas service area from January 1, 2005 to March 31, 2006 and (2) provided for the reconciliation of the period of January 1, 2005 through March 31, 2005 and directed that the

Application be held in abeyance until SEMCO Gas made all filings necessary within Case No. U-14260-R to reconcile the months of April 2005 - March 2006.

2. On May 25, 2006, the Commission issued its Order Approving Settlement Agreement in Case No. U-14726, wherein it, among other things, approved the Company's request to merge the former Pen Gas GCR clause into the GCR clause of SEMCO Gas and to implement the Company's current M.P.S.C. Division distribution and customer charges in its Upper Peninsula West (2) operational district. The Commission also ordered that, in the Company's final GCR reconciliation for the former Pen Gas service area (Case No. U-14260-R), SEMCO Gas should include any months beyond March 2006 consistent with the first billing cycle of the billing month following the date of the Order. Thus, the final GCR reconciliation for the former Pen Gas service area was extended to May 31, 2006 –thereby resulting in a 17-month period of January 2005 – May 2006.

3. On August 30, 2006, SEMCO Gas filed its Amended Application in Case No. U-14260-R along with supporting testimony and exhibits requesting Commission approval to reconcile the GCR costs and revenues for its Upper Peninsula West (2) operational district for the 17-month period of January 2005 - May 2006.

4. On September 20, 2006, the Commission's Executive Secretary issued the Commission's Notice of Hearing directing SEMCO Gas to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships and counties in its service area. SEMCO Gas was also directed to publish the Notice of Hearing in daily newspapers of general circulation throughout its service area. Complying with the directives, SEMCO Gas electronically filed its proof of mailing and affidavits of publication on October 13, 2006.

5. At the October 15, 2006 prehearing conference, Administrative Law Judge Mark E. Cummins presided and SEMCO Gas and Staff participated. No parties intervened.

6. On November 20, 2006, SEMCO Gas filed its Revised Amended Application and revised testimony and exhibits in this matter to reflect a revision in the calculation of the reconciled amount for the 17-month period.

7. Subsequent to the prehearing conference and these filings, the parties have engaged in negotiations which have lead to the agreements incorporated in this Settlement Agreement.

8. By this Settlement Agreement SEMCO Gas and Staff agree that during the 17-month GCR period ended May 31, 2006, SEMCO Gas overrecovered a net total of \$66,742 from its Upper Peninsula West (2) operational district gas customers, which is inclusive of the roll-in of the net amount of \$646,295 that was underrecovered by Pen Gas in the previous GCR reconciliation in Case No. U-13901-R. Interest calculated for the 17-month period ended May 31, 2006 of negative \$5,097 is also included in the net total.

9. The parties also agree that:

a. SEMCO Gas should be authorized to refund in the billing month of March 2007 the total overrecovery of \$66,742, including interest of \$6,805 for the period June 1st 2006 through mid March 2007 by implementing a one-time credit to its Upper Peninsula West (2) customers who took service in December 2006.

b. The amount of the credit for each Upper Peninsula West (2) customer shall be determined by multiplying the total amount of the overrecovery including interest by each customer's respective fraction of the total GCR billed usage during the month of December 2006.

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

11. 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.

12. 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.

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

