

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 a)	
reconciliation of its gas cost recovery revenues)	Case No. U-15043-R
and expenses for the 12-month period ended)	
March 31, 2008.)	
_____)	

At the July 1, 2009 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On June 27, 2008, SEMCO Energy Gas Company (SEMCO) filed an application, with supporting testimony and exhibits, under 1982 PA 304, MCL 460.6h *et seq.* SEMCO requested Commission authority to reconcile its gas cost recovery (GCR) revenues and expenses for the 12-month period ended March 31, 2008, for its M.P.S.C. Division.

A prehearing conference was held on September 11, 2008, before Administrative Law Judge Sharon L. Feldman. SEMCO, Attorney General Michael A. Cox, the Residential Ratepayer Consortium, and the Commission Staff participated in the proceedings.

Subsequently, the parties submitted a settlement agreement resolving all issues in the case. According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that during the 12-month GCR period ended March 31, 2008, SEMCO underrecovered a net total of

\$107,214 from its M.P.S.C. Division gas customers. The parties agree that, in accordance with standard roll-in refund procedures, SEMCO shall roll into its 2008-09 GCR plan costs the total underrecovery of \$107,214, subject to reconciliation.

The Commission finds that 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 is authorized to roll into its 2008-2009 gas cost recovery plan costs the net underrecovery of \$107,214 from the gas cost recovery reconciliation for the 12-month period ended March 31, 2008.

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, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Orjiakor N. Isiogu, Chairman

By its action of July 1, 2009.

Monica Martinez, Commissioner

Mary Jo Kunkle, Executive Secretary

Steven A. Transeth, Commissioner

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 cost recovery) Case No. U-15043-R
plan for the 12-month period ending)
March 31, 2008 for its M.P.S.C. Division.)

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 the “Commission”), SEMCO Energy Gas Company, a division of SEMCO Energy, Inc., (“SEMCO Gas” or the “Company”), the MPSC Staff (“Staff”), Attorney General Michael A. Cox (“Attorney General”), and the Residential Ratepayer Consortium (“RRC”) agree as follows:

1. On June 27, 2008, SEMCO Gas filed its Application along with supporting testimony and exhibits with the Commission requesting approval of the reconciliation of its revenues with amounts expensed and included in the cost of gas sold by the Company in its M.P.S.C. Division during the 12-month Gas Cost Recovery (“GCR”) plan year ending March 31, 2008.
2. On August 13, 2008, the Commission issued its Notice of Hearing scheduling a prehearing conference for September 11, 2008, before the Honorable Sharon L. Feldman.
3. In accordance with the Commission’s Notice of Hearing, SEMCO Gas provided notice throughout its M.P.S.C. Division service territory. SEMCO Gas’s proof of mailing and affidavits of publication were electronically filed on September 10, 2008.

4. At the September 11, 2008 prehearing conference, the Company and Staff participated in the conference, and the AG and RRC were granted intervenor status.

5. On February 17, 2009, the AG, RRC and Staff each filed their direct cases in this matter. Subsequently, Staff filed its notice of withdrawal of its testimony.

6. On March 17, 2009, SEMCO Gas filed its rebuttal case to the direct cases of the AG and RRC.

7. Subsequent to the filing of SEMCO Gas's rebutted case, the parties engaged in further discovery and then negotiations which have led to the agreements incorporated in this Settlement Agreement.

8. By this Settlement Agreement SEMCO Gas, Staff, the AG and RRC agree that:

a. Proceedings in this GCR reconciliation were conducted in accordance with Act 304. The expenditures charged by SEMCO Gas for the cost of gas supply during the 12-month period ending March 31, 2008 in its M.P.S.C. Division, were reasonably and prudently incurred.

b. During the 12-month GCR period ended March 31, 2008, SEMCO Gas underrecovered a net total of \$107,214 from its M.P.S.C. Division gas customers. Interest calculated in the amount of \$251,041 is included in the net total. In accordance with the standard roll-in refund procedures, the parties propose that SEMCO Gas roll-in the total underrecovery of \$107,214 into its 2008-09 GCR plan costs subject to reconciliation for its M.P.S.C. Division.

9. The parties agree that this settlement agreement is reasonable, prudent and will aid in the expeditions conclusion of this case.

10. This Settlement Agreement has been made for the sole express purpose of reaching compromise among the positions of the signatory parties. 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 in this proceeding or be used for any other purpose. Each party agrees not to appeal or otherwise contest any Commission order accepting and approving this Settlement Agreement without modification.

Respectfully submitted,

SEMCO ENERGY GAS COMPANY

Dated: May 22, 2009

By: _____

One of its Attorneys

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MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Dated: May 22, 2009

By: _____
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RESIDENTIAL RATEPAYER CONSORTIUM

Dated: May 22, 2009

By: _____
Its Attorney
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ATTORNEY GENERAL MICHAEL A. COX

Dated: May 22, 2009

By: _____
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