

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-15130-R
and expenses for the 9-month period ended)
March 31, 2008 for its Battle Creek Division.)
_____)

At the March 5, 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.*, requesting authority to reconcile its gas cost recovery (GCR) revenues and expenses for its Battle Creek Division for the 9-month period ended March 31, 2008.

A prehearing conference was held on September 11, 2008, before Administrative Law Judge Sharon L. Feldman. SEMCO 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 9-month GCR period ended March 31, 2008, SEMCO overrecovered a net total of \$173,102 from its Battle Creek Division gas customers. The parties further agree that the standard

roll-in refund procedures apply to SEMCO's Battle Creek Division, and that the \$173,102 net overrecovery should be rolled into SEMCO's current 2008-2009 GCR plan for its Battle Creek Division pursuant to the Commission-approved refund procedures. The parties also agree that SEMCO will file a workpaper identifying and explaining all necessary adjustments made to the company's storage assets in all future reconciliation proceedings concerning its Battle Creek Division.

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, pursuant to the Commission's standard refund procedures, to roll into its Battle Creek Division 2008-2009 gas cost recovery plan the net overrecovery of \$173,102 from the gas cost recovery reconciliation for the 9-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

Monica Martinez, Commissioner

Steven A. Transeth, Commissioner

By its action of March 5, 2009.

Mary Jo Kunkle, Executive Secretary

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In the matter of the application of)	
SEMCO ENERGY GAS COMPANY)	
for a reconciliation of the gas cost recovery)	Case No. U-15130-R
plan for the 9-month period ending)	
<u>March 31, 2008 for its Battle Creek Division.</u>)	

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”), and the MPSC Staff (“Staff”) 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 during the 9-month Gas Cost Recovery (“GCR”) plan year ending March 31, 2008 for its Battle Creek Division.

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 Battle Creek 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. There were no intervenors.

5. The parties have engaged in negotiations which have led to the agreements incorporated in this Settlement Agreement.

6. By this Settlement Agreement, SEMCO Gas and Staff 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 9-month period ending March 31, 2008 in its Battle Creek Division, were reasonably and prudently incurred.

b. During the 9-month GCR period ended March 31, 2008, SEMCO Gas overrecovered a net total of \$173,102 from its Battle Creek gas customers. Interest calculated in the amount of (\$22,830) is included in the net total. The parties agree that the standard roll-in refund procedures apply to SEMCO Gas, Battle Creek Division, and the parties propose that SEMCO Gas roll-in the total overrecovery of \$173,102 into its current Battle Creek Division 2008-09 GCR plan.

c. The Company agrees to provide in all future Battle Creek Division GCR reconciliation filings a workpaper that will identify all necessary adjustments made

to the Company's storage assets and explain the reason for the adjustments in order to align testimony and exhibits to show the resulting Total Working Capacity.

7. 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.

8. The parties agree that this Settlement Agreement is reasonable and will aid in the expeditious conclusion of this case. The parties also 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

