

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

\* \* \* \* \*

In the matter of the application of	)	
<b>SEMCO ENERGY GAS COMPANY</b> to	)	
update the facility improvement demand	)	Case No. U-21169
surcharge.	)	
_____	)	

At the May 26, 2022 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair  
Hon. Tremaine L. Phillips, Commissioner  
Hon. Katherine L. Peretick, Commissioner

**ORDER APPROVING SETTLEMENT AGREEMENT**

On November 22, 2021, SEMCO Energy Gas Company (SEMCO) filed an application, with supporting testimony and exhibits, seeking authority to update its facility improvement demand surcharge consistent with the settlement agreements approved in Case Nos. U-20479 and U-20822. On February 9, 2022, SEMCO filed supplemental testimony and revised exhibits.

On January 26, 2022, Administrative Law Judge Christopher S. Saunders conducted a prehearing conference, at which the interventions of the Michigan Department of Attorney General and the Association of Businesses Advocating Tariff Equity (ABATE) were granted. SEMCO and the Commission Staff (Staff) also participated in the proceeding.

On March 18, 2022, the Staff and ABATE filed testimony and exhibits. On April 18, 2022, SEMCO filed rebuttal testimony and exhibits. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

The Commission has reviewed the settlement agreement and finds that the public interest is adequately represented by the parties who entered into the settlement agreement. The Commission further finds that the settlement agreement is in the public interest, represents a fair and reasonable resolution of the proceeding, and should be approved.<sup>1</sup>

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Within 30 days of this order, SEMCO Energy Gas Company shall file a tariff sheet substantially similar to that attached as Attachment 2 to the settlement agreement.

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

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<sup>1</sup> Considering the settlement agreement as a whole, the Commission recognizes the reference to Case No. U-20882 in Paragraph 7 of the settlement agreement to be an inadvertent typographical error and that this settlement agreement is rather intended by the parties to be the final disposition of the instant case (Case No. U-21169).

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. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at [mpscedockets@michigan.gov](mailto:mpscedockets@michigan.gov) and to the Michigan Department of the Attorney General – Public Service Division at [pungpl@michigan.gov](mailto:pungpl@michigan.gov). In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General – Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

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Daniel C. Scripps, Chair

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Tremaine L. Phillips, Commissioner

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Katherine L. Peretick, Commissioner

By its action of May 26, 2022.

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Lisa Felice, Executive Secretary

**STATE OF MICHIGAN**  
**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

\* \* \* \*

In the matter of the application of	)	
<b>SEMCO ENERGY GAS COMPANY</b> to	)	
update the Facility Improvement Demand	)	Case No. U-21169
surcharge.	)	
_____	)	

**SETTLEMENT AGREEMENT**

Pursuant to MCL 24.278 and Rule 431 of the Michigan Administrative Hearing System’s Administrative Rules, R 792.10431, SEMCO Energy Gas Company (“SEMCO Gas” or the “Company”), the Attorney General (“AG”), Association of Businesses Advocating Tariff Equity (“ABATE”) and the Michigan Public Service Commission Staff (“Staff”) agree as follows:

1. On November 22, 2021, the Company filed with the Michigan Public Service Commission (“Commission”) its application, along with the testimony and exhibits of its witness Vanessa Gostiaux, seeking authority to update its Facility Improvement Demand surcharge consistent with the settlement agreement approved by the Michigan Public Service Commission (“MSPC” or the “Commission”) in Case No. U-20822. On February 9, 2022, SEMCO Gas filed the supplemental testimony of Witness Gostiaux and revised exhibits.

2. On January 4, 2022, the Commission’s Executive Secretary issued the Notice of Hearing in this proceeding directing the Company to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships, and counties in its service areas and to intervenors in Case Nos. U-20479. Further, the Company was directed to publish the Notice of Hearing in daily

newspapers of general circulation throughout its service areas. On January 13, 2022, the Company electronically filed the requisite proofs of mailing and publication.

3. On January 26, 2022, Administrative Law Judge (“ALJ”) Christopher Saunders conducted the prehearing conference. The Company and Staff attended the prehearing conference, and the interventions of AG and ABATE were granted. Staff and ABATE filed their respective witness testimonies on March 18, 2022, and the Company filed its rebuttal testimony on April 18, 2022.

4. Subsequently, the parties participated in settlement discussions and agree as follows:

- a. Based on a 3-year average for transportation usage (recognizing Graphic Packaging, Inc.’s discontinuation of SEMCO Gas transportation service) and including subsidiary accounts under a principal transportation account, as calculated in Attachment 1 hereto, the FID surcharge effective with the first billing month after the issuance of a Commission order approving this settlement agreement shall be \$0.0748/Dth through March 31, 2023. Thereafter, SEMCO Gas shall implement annual updates to the FID surcharge as follows: (i) \$0.0358/Dth effective April 1, 2023 through March 31, 2024, (ii) \$0.0339/Dth effective April 1, 2024 through March 31, 2025; and (iii) \$0.0104/Dth effective April 1, 2025, through March 31, 2027. The tariff sheet reflecting the FID surcharge(s) is attached hereto as Attachment 2.
- b. The allocated cost factors between sales and transportation customers will be reviewed in SEMCO Gas’s next general rate case filed pursuant to MCL 460.6a.

- c. SEMCO Gas agrees to address any proposed new third-party pipeline interconnection projects, related costs to transportation customers, and changes to the FID surcharge in proceedings separate from its Gas Cost Recovery (“GCR”) cases. These filings will be made on or around the same time the Company files its GCR cases.

5. All the parties are of the opinion that this Settlement Agreement is reasonable, in the public interest, and will aid in the expeditious conclusion of this case.

6. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are considered privileged under Michigan Rules of Evidence, Rule 408. If the Commission approves this Settlement Agreement without modification, neither the parties to the Settlement Agreement nor the Commission shall make any reference to, or use this Settlement Agreement or the order approving it, as a reason, authority, rationale or example for taking any action or position or making any subsequent decision in any other case or proceeding, however, such references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.

7. The parties further agree that any order approving this Settlement Agreement shall not establish precedent for future proceedings. This Settlement Agreement is based on the facts and circumstances of this case and is intended as the final disposition of Case No. U-20882. If the Commission approves this Settlement Agreement, without modification, the undersigned parties agree not to appeal, challenge or otherwise contest the Commission order approving this Settlement Agreement.

8. This Settlement Agreement is not severable. Each provision of this Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply

with any provision of this Settlement Agreement constitutes failure to comply with the entire settlement agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of this Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn. It shall not constitute any part of the record in this proceeding or be used for any other purpose and shall not operate to prejudice the pre-negotiation position of any party.

9. All signatories agree to waive § 81 of the Administrative Procedures Act of 1969, as amended, MCL 24.281, as it applies to the issues in this proceeding, if the Commission approves this Settlement Agreement without modification.

MICHIGAN GAS UTILITIES CORPORATION

**Sherri Wellman**

Digitally signed by: Sherri Wellman  
DN: CN = Sherri Wellman email =  
wellmans@millercanfield.com C = AD O = Miller  
Canfield  
Date: 2022.05.05 11:10:13 -04'00'

Dated: May 5, 2022

By: \_\_\_\_\_  
Its Attorney  
Sherri A. Wellman (P38989)  
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One Michigan Avenue, Suite 900  
Lansing, MI 48933  
(517) 487-2070

MICHIGAN PUBLIC SERVICE COMMISSION STAFF




**Amit T. Singh**  
2022.05.06  
11:48:27 -04'00'

Dated: May 5, 2022

By: \_\_\_\_\_  
One of Its Attorneys  
Amit T. Singh (P75492)  
Monica M. Stephens (P73782)  
Assistant Attorneys General  
Public Service Division  
7109 W. Saginaw Hwy., 3rd Floor  
Lansing MI 48917  
(517) 284-8140

ATTORNEY GENERAL DANA NESSEL

Dated: May 5, 2022


By: **Michael E. Moody**  Digitally signed by Michael E. Moody  
Date: 2022.05.06 14:11:18 -04'00'

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Its Attorney  
Michael E. Moody (P51985)  
Assistant Attorney General  
Special Litigation Division  
Sixth Floor Williams Bldg.  
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P.O. Box 30755  
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ASSOCIATION OF BUSINESSES ADVOCATING TARIFF EQUITY

Dated: May 5, 2022

By: **Stephen A. Campbell**  Digitally signed by: Stephen A. Campbell  
DN: CN = Stephen A. Campbell email = scampbell@clarkhill.com C = US O = Clark Hill PLC  
Date: 2022.05.06 14:20:48 -04'00'

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One of Its Attorneys  
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Michael Pattwell (P72419)  
CLARK HILL, PLC  
212 E. Cesar E. Chavez Avenue  
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**ATTACHMENT 1**  
**TO SETTLEMENT AGREEMENT**

**MPSC Case No. U-21169**

**SEMCO Energy Gas Company**  
**Revised Facility Improvement Demand Surcharge Rate Calculation**  
**(April-March recovery period)**

**Case No:**  
**Exhibit A-1**  
**Page 1 of 2**

Line No.	Description	2022-2023 FID Rate	2023-2024 FID Rate	2024-2025 FID Rate	2025-2026 FID Rate	2026-2027 FID Rate
1	NNG - M-35, Marquette 1, Hwy 95	\$2,673,596	\$0	\$0	\$0	\$0
2	GLGTC - Allenton Interconnection	\$848,000	\$848,000	\$848,000	\$848,000	\$848,000
3	VPL - Cassopolis Interconnection	\$762,303	\$762,303	\$695,226	\$0	\$0
4	GLGTC - Arnold Rd Interconnection	\$1,300,000	\$1,300,000	\$1,213,062		
6	Total FID Cost	\$5,583,899	\$2,910,303	\$2,756,288	\$848,000	\$848,000
7	EUT Allocation Factor	26.0%	26.0%	26.0%	26.0%	26.0%
8	EUT Allocated Annual FID Cost	\$1,452,085	\$756,820	\$716,769	\$220,521	\$220,521
9	2022 April-May Adjustment	(\$98,075)				
10	April- March EUT Sales Forecast, Dth	18,091,673	21,146,521	21,146,521	21,146,521	21,146,521
11	<b>FID Surcharge Rate, \$/Dth</b>	\$0.0748	\$0.0358	\$0.0339	\$0.0104	\$0.0104

**ATTACHMENT 2**  
**TO SETTLEMENT AGREEMENT**

**MPSC Case No. U-21169**

Rate Class	>2,500 Per Dth	Transportation Charge	Billed Transportation Charge 2	MPSC Order Number
TR-1	\$0.0001 per Dth	\$1.0334 per Dth	\$1.0335 per Dth	U-20873
TR-2	\$0.0001 per Dth	\$0.8563 per Dth	\$0.8564 per Dth	U-20873
TR-3	\$0.0001 per Dth	\$0.4669 per Dth	\$0.4670 per Dth	U-20873

## 2. Facility Improvement Demand Surcharge

All gas Transported for rates under classes TR-1, TR-2, TR-3, or by special contract, including subsidiary accounts under a principle transportation account, are subject to the Facility Improvement Demand Surcharge as indicated.

Billing years: April 1-March 31	Rate Per Dth
2022-2023	\$0.0748
2023-2024	\$0.0358
2024-2025	\$0.0339
2025-2026	\$0.0104
2026-2027	\$0.0104

## G. Infrastructure Reliability Improvement Program ("IRIP")

The IRIP program consists of projects that will specifically target and mitigate system vulnerabilities reducing the potential impact to customers of an unexpected weather event or isolated damage impeding supply. The customer surcharges identified below will be in effect beginning January 2022 as approved in U-20479 until new rates are established in a future contested case addressing the IRIP.

Rate Class	Amount	MPSC Order Number
TR-1	\$69.44 per Month	U-20479
TR-2	\$350.79 per Month	U-20479
TR-3	\$1,753.19 per Month	U-20479

## E9. OFF-SYSTEM TRANSPORTATION SERVICE - (OSTS)

### A. Availability

1. This Rate Schedule is available to all entities (hereinafter referred to as "OSTS Shipper") desiring to Transport gas through the Company's utility pipeline system to an Off-System location, when:
  - a. OSTS Shipper and Company have executed an Off-System Transportation Service Agreement for service under this Rate Schedule indicating, among other terms and conditions, the specific Point of Receipt where OSTS Shipper shall cause gas to enter the Company's utility pipeline system and the specific Point of Delivery where the OSTS Shipper will cause gas to exit the Company's utility pipeline system; and

Continued on Sheet E-24.00


# PROOF OF SERVICE

STATE OF MICHIGAN )

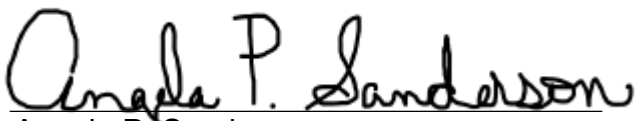
Case No. U-21169

County of Ingham )

Brianna Brown being duly sworn, deposes and says that on May 26, 2022 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).

  
Brianna Brown

Subscribed and sworn to before me  
this 26<sup>th</sup> day of May 2022.



Angela P. Sanderson  
Notary Public, Shiawassee County, Michigan  
As acting in Eaton County  
My Commission Expires: May 21, 2024

**Service List for Case: U-21169**

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Name	Email Address
Amit T. Singh	singha9@michigan.gov
Christopher Saunders	saundersc4@michigan.gov
Michael E. Moody	moodym2@michigan.gov
Michael J. Pattwell	mpattwell@clarkhill.com
Monica M. Stephens	stephensm11@michigan.gov
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