

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 its gas cost recovery plan)	
(Case No. U-20822) for the 12 months ended)	Case No. U-20823
March 31, 2022.)	
_____)	

At the March 24, 2023 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 June 30, 2022, SEMCO Energy Gas Company (SEMCO) filed an application, with supporting testimony and exhibits, seeking approval to reconcile its gas cost recovery revenues and expenses for the 12-month period ended March 31, 2022.

A prehearing conference was held on August 10, 2022, before Administrative Law Judge Jonathan F. Thoits (ALJ). At the prehearing conference, the ALJ the acknowledged the Michigan Department of Attorney General’s notice of intervention. SEMCO and the Commission Staff also participated in the proceeding. Subsequently, the parties filed 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.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement attached as Exhibit A is approved.
- B. SEMCO Energy Gas Company's gas cost recovery reconciliation for the 12-month period ended March 31, 2022, is approved, as set forth in the settlement agreement.
- C. SEMCO Energy Gas Company is authorized to roll the overrecovery of \$2,955,014 into its 2022-2023 beginning gas cost recovery reconciliation balance.
- D. SEMCO Energy Gas Company is authorized to roll the overrecovery of \$2,869 into its 2022-2023 beginning gas customer choice balancing/demand cost reconciliation balance.

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. 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 and to the Michigan Department of Attorney General - Public Service Division at 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

Daniel C. Scripps, Chair

Tremaine L. Phillips, Commissioner

Katherine L. Peretick, Commissioner

By its action of March 24, 2023.

Lisa Felice, 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 cost recovery)	Case No. U-20823
plan for the 12-month period ending)	
<u>March 31, 2022.</u>)	

SETTLEMENT AGREEMENT

Pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended MCL 24.278, and Rule 431 of the Michigan Administrative Hearing System’s Administrative Hearing Rules, R 792.10431, SEMCO Energy Gas Company (“SEMCO Gas” or the “Company”), the Michigan Public Service Commission Staff (“Staff”), and Attorney General Dana Nessel (“AG”) agree as follows:

1. On June 30, 2022, SEMCO Gas filed its application along with supporting testimony and exhibits with the Michigan Public Service Commission (“MPSC” or the “Commission”) requesting approval of its Gas Cost Recovery (“GCR”) reconciliation for the 12-month period ending March 31, 2022. The application also reflected the reconciliation of the Balancing and Demand (“B&D”) costs and revenues for the 12-month period ending March 31, 2022.
2. On July 11, 2022, the Commission issued its Notice of Hearing scheduling a prehearing conference for August 10, 2022, and in accordance with the Commission’s Notice of Hearing, the Company provided notice throughout its service territory. The proof of mailing and affidavits of publication were electronically filed with the Commission on July 27, 2022.

3. On August 10, 2022, Administrative Law Judge (“ALJ”) Jonathan Thoits presided over the prehearing conference and the Company and Staff participated. The AG was granted intervenor status.

4. On August 11, 2022 and December 5 and 15, 2022, SEMCO filed revised testimony and exhibits of certain witnesses to address the effects of the approved settlement agreement in Case No. U-20552 and make corrections.

5. On December 19, 2022, Staff and the AG filed direct testimony and exhibits.

6. Staff performed its due diligence by thoroughly reviewing the Company’s filings, including the testimony and exhibits of the Company’s witnesses, all discovery responses, and completing a review of the entire record. The result of that review and the settlement discussions is this executed settlement agreement.

7. The parties engaged in settlement discussions, and as a result, the parties have reached agreement on the following issues:

- (a) During the GCR period ending March 31, 2022, the Company’s gas costs were reasonably and prudently incurred and SEMCO Gas experienced a net over-recovery of \$2,955,014, including interest. This net over-recovery includes the roll-in of the prior year’s GCR over-recovery reconciliation balance authorized in Case No. U-20552, plus interest. This amount also reflects (i) interest on the outstanding balance of the AMA optimization credit as of May 12, 2021, calculated at the short-term interest rate for the period of May 12 – May 26, totaling \$4,398; and (ii) recovery of the AMA over-credit balance of \$241,761 plus interest.
- (b) During the GCR period ending March 31, 2022, SEMCO Gas experienced an over-recovery in B&D costs of \$ 2,869. This over-recovery includes the roll-in of the prior year’s B&D cost over-recovery reconciliation balance authorized in Case No. U-20552, plus interest.

- (c) SEMCO Gas should be authorized to roll-in the net over-recovery of \$2,955,014 into its 2022-2023 beginning GCR reconciliation balance.
- (d) SEMCO Gas should be authorized to roll-in the over-recovery of \$ 2,869 into its 2022-2023 beginning GCC B&D cost reconciliation balance.
- (e) To provide the Company with an incentive to continue to optimize gas supply through the 3rd party AMA with BP, and in recognition of Staff's concerns regarding the accounting of the AMA optimization credit as reached by the parties in the settlement agreement in Case No. U-20552, the parties now agree that SEMCO Gas will account for the AMA credits as follows: The AMA credits will not be accounted for in "Purchased and Produced" but will be reflected in a separate line below the Cost of Gas Sold line in the GCR over/under recovery calculation in Exhibit A-1. It is also understood that any month in which the Company's average recovery balance is over recovered, any interest associated with AMA optimization credit activity with the Company's AMA administrator should be reversed and will be returned to the Company as an AMA interest adjustment, assessed at a rate adjustment equal to the Company's authorized rate of return on common equity.
- (f) In the event the Company receives an AMA optimization credit in excess of \$1 million, the Company may initiate an *ex parte* case to expeditiously refund the optimization credit. In its petition to the Commission the Company will seek to make any credit issued to begin with the first billing cycle following the order and that if the full credit is not distributed to customers within 90 days (3 complete billing cycles) following the Commission's order in that *ex parte* case, interest equal to the ROE for any credit balance remaining after that period will be assessed.
- (g) No later than December 31, 2023, SEMCO Gas will make a one-time Shareholder funded contribution of \$5,000 to The Heat and Warmth Fund ("THAW") to be used

by THAW exclusively for meeting the gas needs of SEMCO Gas's residential sales customers. Within 30 days of making the contribution, SEMCO Gas will report the contribution in this docket.

8. The parties further agree that approval of this settlement agreement by the Commission would be reasonable and prudent, would be in the public interest, and will aid in the expeditious conclusion of all contested issues in this case.

9. This settlement agreement has been made for the sole express purpose of reaching a compromise among the several positions of the parties, and the parties join in respectfully requesting that the Commission grant prompt approval.

10. All offers of settlement and discussions relating to this settlement agreement are, and shall be considered, privileged under MRE 408 and shall not be used in any manner, or be admissible for any other purpose in connection with this proceeding or any other proceeding or matter except to enforce the terms of this settlement. This settlement agreement does not constitute a precedent in any other case or proceeding except as necessary to carry out its terms.

11. 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.

12. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969, MCL 24.281, as it applies to the issues resolved by this agreement providing the Commission approves this settlement agreement without modification.

SEMCO ENERGY GAS COMPANY

Dated: February 14, 2023

Sherri Wellman

Digitally signed by: Sherri Wellman
DN: CN = Sherri Wellman email =
wellmans@millercanfield.com C = AD O =
Miller Canfield
Date: 2023.02.14 16:10:45 -05'00'

By: _____

Its Attorney

Sherri A. Wellman (P38989)

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

One Michigan Avenue, Suite 900

Lansing, MI 48933

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Dated: February 14, 2023

By: _____



One of Its Attorneys

Daniel E. Sonneveldt (P58222)

Monica M. Stephens (P73782)

Assistant Attorneys General

7109 West Saginaw Hwy, 3rd Floor

Lansing, MI 48917

ATTORNEY GENERAL DANA NESSEL

Dated: February 14, 2023

By: _____

Michael E.

Moody

Digitally signed by
Michael E. Moody
Date: 2023.02.24 09:12:02
-05'00'

Her Attorney

Michael E. Moody (P51985)

Assistant Attorney General

Special Litigation Division

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Lansing, MI 48909

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PROOF OF SERVICE

STATE OF MICHIGAN)

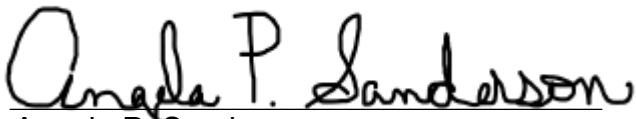
Case No. U-20823

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on March 24, 2023 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 24th day of March 2023.



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

Service List for Case: U-20823

Name	On Behalf of	Email Address
Daniel E. Sonneveldt	MPSC Staff	sonneveldtd@michigan.gov
Jonathan Thoits	ALJs - MPSC	thoitsj@michigan.gov
Michael E. Moody	Department of Attorney General	moodym2@michigan.gov
Monica M. Stephens	MPSC Staff	stephensm11@michigan.gov
SEMCO Energy Gas Company (1 of 2)	SEMCO Energy Gas Company	jennifer.dennis@semcoenergy.com
SEMCO Energy Gas Company (2 of 2)	SEMCO Energy Gas Company	vanessa.gostiaux@semcoenergy.com
Sherri A. Wellman	SEMCO Energy Gas Company	wellmans@millercanfield.com