

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 accounting approval of depreciation rates. |) | Case No. U-21294 |
| <hr/> |) | |

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 September 30, 2022, SEMCO Energy Gas Company (SEMCO) filed an application, with supporting testimony and exhibits, seeking accounting approval of proposed depreciation rates.

A prehearing conference was held on November 9, 2022, before Administrative Law Judge Jonathan F. Thoits. SEMCO and the Commission Staff participated in the proceeding.

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.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. SEMCO Energy Gas Company is authorized to implement the new depreciation rates set forth in Attachment 1 to the settlement agreement effective on the date new general service rates approved in its next general rate case become effective.

C. No later than September 30, 2028, SEMCO Energy Gas Company shall file a new depreciation case with an updated depreciation study using year-end data from December 31, 2027.

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

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SETTLEMENT AGREEMENT

As provided in Section 78 of the Administrative Procedures Act of 1969 (“APA”) 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”) and the Michigan Public Service Commission Staff (“Staff”) have resolved through settlement discussions the contested issues regarding this proceeding and hereby agree as follows:

1. On September 30, 2022, SEMCO Gas filed its application, and supporting direct testimony and exhibits, with the Michigan Public Service Commission (“MPSC” or the “Commission”) seeking accounting approval of proposed depreciation rates.
2. On October 7, 2022, the Commission’s Executive Secretary issued a 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, as well as to all intervenors in Case No. U-18452. Further SEMCO Gas was directed to publish the Notice of Hearing in daily newspapers of general circulation throughout its service area.
3. On November 9, 2022, a prehearing conference was held. Administrative Law Judge (“ALJ”) Jonathan Thoits presided over the proceeding. SEMCO Gas electronically

submitted the requisite Affidavit of Mailing and Affidavit of Publication prior to the conference. SEMCO Gas and Staff appeared at the hearing. There were no intervenors.

4. Following Staff's review and discovery, the parties engaged in settlement discussions and such discussions have led to the agreements incorporated in this settlement agreement.

5. By this settlement agreement, the parties agree as follows:

a. Based on Staff's review of SEMCO Gas's filing and supporting documentation, the parties have agreed to new depreciation rates as shown on Attachment 1 hereto. These rates reflect a \$150,684 upward adjustment to depreciation expense for SEMCO Gas when compared to its current depreciation rates. The parties agree that these new depreciation rates are to be approved and effective at the time new general service rates are approved and made effective through the Company's next general rate case.

b. The parties also agree that SEMCO Gas will file a new depreciation case and an updated depreciation study using year-end data of December 31, 2027. The case will be filed no later than September 30, 2028.

6. Except as otherwise provided herein, the parties agree that any order approving this settlement agreement shall not establish precedent for future proceedings and shall not be used as such. 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 MRE 408. If the Commission approves this settlement agreement without modification, neither the parties to the settlement 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; provided however, such references may be made to enforce or implement the provisions of this settlement agreement and the order approving it.

7. 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 only. By way of this settlement agreement, the parties reserve the right to raise issues in future SEMCO Gas depreciation cases which could lead to changes in SEMCO Gas's depreciation rates on a prospective basis, and the parties agree and understand that this settlement agreement does not limit any party's right to take new and/or different positions on similar issues in other administrative proceedings or appeals not related to this case.

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, shall not constitute any part of the record in this proceeding or be used.

9. The parties agree that this settlement agreement is reasonable, in the public interest, and will aid in the expeditious conclusion of these proceedings.

10. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies to the issues in this proceeding if the Commission approves this settlement agreement without modification.

SEMCO ENERGY GAS COMPANY

Sherri Wellman

Digitally signed by: Sherri Wellman
DN: CN = Sherri Wellman email =
wellmans@millercanfield.com C = AD O = Miller
Canfield
Date: 2023.02.06 15:43:36 -05'00'

Dated: February 6, 2023

By: _____

Its Attorney

Sherri A. Wellman (P38989)

Miller, Canfield, Paddock & Stone, P.L.C.

One Michigan Avenue, Suite 900

Lansing, MI 48933

MICHIGAN PUBLIC SERVICE COMMISSION STAFF



Dated: February 6, 2023

By: _____

Its Attorney

Heather M.S. Durian (P67587)

Assistant Attorney General

Public Service Division

7109 W. Saginaw Hwy., 3rd Floor

Lansing MI 48917

39853223.5/129584.00122

SEMCO
COMPARISON OF CURRENT VS PROPOSED DEPRECIATION
ACCURAL RATES
AT DECEMBER 31, 2021
INCLUDING RESERVE REALLOCATION

| FERC Account | Account Description | Plant Balance 12/31/2021 \$ | Current Accrual Rate % | Current Annual Accrual Rates \$ | SEMCO Proposed Accrual Rate % | Settlement Proposed Accrual Rate % | Settlement Annual Accrual Proposed Rates \$ | Settlement Annual Accrual Difference \$ |
|----------------------------|-----------------------------|--------------------------------------|---------------------------------|---|---|--|--|---|
| <u>Underground Storage</u> | | | | | | | | |
| 35100 | S&I | 2,030,299.88 | 2.19% | 44,430.48 | | | | |
| 35110 | Wells S&I | 217,135.51 | 1.44% | 3,132.97 | | | | |
| 35120 | Comp Stn S&I | 306,576.48 | 1.90% | 5,830.72 | | | | |
| 35130 | M&R Stn S&I | 42,973.21 | 1.73% | 744.63 | | | | |
| 35140 | Salt Cavern S&I | 78,539.10 | 2.39% | 1,879.87 | | | | |
| 35100 Combined | Structures and Improvements | 2,675,524.18 | | 56,018.66 | 2.05% | 2.05% | 54,789.56 | (1,229) |
| 35200 | Wells | 8,912,337.97 | 1.47% | 130,827.11 | 1.36% | 1.36% | 121,287.20 | (9,540) |
| 35210 | Leaseholds and Rights | 1,375,353.96 | 0.51% | 7,044.16 | 0.09% | 0.09% | 1,248.39 | (5,796) |
| 35300 | Lines | 2,165,387.69 | 0.29% | 6,247.60 | 1.70% | 1.70% | 36,880.92 | 30,633 |
| 35400 | Comp Stn Equip | 9,606,546.92 | 3.03% | 291,076.39 | 3.04% | 3.04% | 291,754.41 | 678 |
| 35500 | M&R Equip | 2,657,555.58 | 1.79% | 47,667.69 | 1.51% | 1.51% | 40,175.38 | (7,492) |
| | | 27,392,706.30 | 1.97% | 538,881.61 | 1.99% | 1.99% | 546,135.86 | 7,254 |
| <u>Transmission</u> | | | | | | | | |
| 36520 | Land Rights | 5,066,785.25 | 1.08% | 54,681.36 | 1.16% | 1.16% | 58,844.92 | 4,164 |
| 36600 Combined | Structures and Improvements | 5,379,007.08 | | 143,134.76 | 2.07% | 2.07% | 111,522.77 | (31,612) |
| 36600 | Structures and Improvements | 2,479,211.14 | 2.66% | 66,000.19 | | | | |
| 36610 | Other Structures | 2,899,795.94 | 2.66% | 77,134.57 | | | | |
| 36700 | Mains | 162,679,187.03 | 1.78% | 2,901,706.60 | 1.78% | 1.78% | 2,902,726.97 | 1,020 |
| 36800 | Comp Stn Equip | 0.00 | 0.00% | 0.00 | 0.00% | 0.00% | 0.00 | 0 |
| 36900 | M&R Equip | 18,537,039.95 | 2.82% | 523,524.65 | 1.46% | 1.46% | 269,875.91 | (253,649) |
| 37000 | Communication Equip | 429,501.72 | 0.00% | 0.00 | 5.36% | 5.36% | 23,028.25 | 23,028 |
| 37100 | Other Equip | 0.00 | 0.00% | 0.00 | 3.33% | 3.33% | 0.00 | 0 |
| | Subtotal Transmission | 192,091,521.03 | 1.89% | 3,623,047.37 | 1.75% | 1.75% | 3,365,998.83 | (257,049) |
| <u>Distribution</u> | | | | | | | | |
| 37420 | Land Rights | 4,149,122.10 | 1.34% | 55,485.98 | 1.35% | 1.35% | 55,881.81 | 396 |
| 37500 | S&I | 4,919,046.47 | 2.35% | 115,514.80 | 2.47% | 2.47% | 121,523.74 | 6,009 |
| 37621 | Mains - Steel | 82,845,111.41 | 1.95% | 1,618,194.15 | 2.25% | 2.25% | 1,864,148.50 | 245,954 |
| 37641 | Mains - Plastic | 286,125,694.90 | 2.31% | 6,621,701.76 | 2.35% | 2.35% | 6,727,561.05 | 105,859 |
| 37800 | M&R Equip | 17,761,609.51 | 3.93% | 698,013.98 | 3.55% | 3.55% | 630,557.79 | (67,456) |
| 37900 | M&R Equip (City Gate) | 10,672,780.30 | 3.82% | 407,629.29 | 3.56% | 3.56% | 379,296.37 | (28,333) |
| 38021 | Services - Steel | 5,237,020.51 | 4.15% | 217,362.64 | 4.64% | 4.62% | 242,088.71 | 24,726 |
| 38041 | Services - Plastic | 248,926,404.51 | 2.83% | 7,046,249.64 | 3.02% | 3.01% | 7,504,661.94 | 458,412 |
| 38100 | Meters | 39,907,887.84 | 3.04% | 1,214,935.81 | 3.50% | 3.50% | 1,395,011.59 | 180,076 |
| 38110 | ERTS | 20,645,818.13 | 6.30% | 1,300,779.05 | 6.40% | 5.67% | 1,170,304.93 | (130,474) |


PROOF OF SERVICE

STATE OF MICHIGAN)

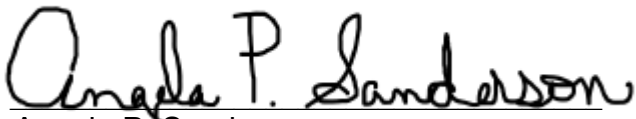
Case No. U-21294

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-21294

| Name | On Behalf of | Email Address |
|-----------------------------------|--------------------------|----------------------------------|
| Heather M.S. Durian | MPSC Staff | durianh@michigan.gov |
| Jonathan Thoits | ALJs - MPSC | thoitsj@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 |