

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
SEMCO ENERGY GAS COMPANY)	
for authority to extend/amend its Main Replacement)	Case No. U-21624
Program and Infrastructure Reliability Improvement)	
Program and approval of new related surcharges.)	
_____)	

At the September 26, 2024 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Katherine L. Peretick, Commissioner
Hon. Alessandra R. Carreon, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On April 1, 2024, SEMCO Energy Gas Company (SEMCO Gas), a division of SEMCO Energy, Inc., filed an application, with supporting testimony and exhibits, requesting authority to extend, expand, and amend its current Main Replacement Program (MRP) and its Infrastructure Reliability Improvement Program (IRIP) and to implement new MRP and IRIP surcharges to recover the capital costs associated with MRP and IRIP.

A prehearing conference was held on May 29, 2024, before Administrative Law Judge Katherine E. Talbot. SEMCO Gas 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's Main Replacement Program is extended through 2027 pursuant to the terms set forth in the settlement agreement, and the new surcharges set forth in Attachments 1 and 3 to the settlement agreement shall become effective January 1, 2025.

C. SEMCO Energy Gas Company's Infrastructure Reliability Improvement Program is extended through 2027 to address two new projects pursuant to the terms set forth in the settlement agreement, and the new surcharges set forth in Attachments 2 and 3 to the settlement agreement shall become effective January 1, 2025.

D. SEMCO Energy Gas Company shall file, within 30 days of the date of the effective date of the new surcharges approved by this order, tariff sheets substantially similar to Attachment 3 of the settlement agreement as attached to this order. After the tariff sheets have been reviewed and accepted by the Commission Staff for inclusion in the company's tariff book, SEMCO Energy Gas Company shall promptly file the final tariff sheets in this docket.

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 LARA-MPSC-Edockets@michigan.gov and to the Michigan Department of Attorney General-Public Service Division at sheacl@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

Katherine L. Peretick, Commissioner

Alessandra R. Carreon, Commissioner

By its action of September 26, 2024.

Lisa Felice, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
SEMCO ENERGY GAS COMPANY)	Case No. U-21624
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<hr/>)	

SETTLEMENT AGREEMENT

Pursuant to MCL 24.278 and Rule 431 of the Michigan Administrative Hearing System’s Administrative Hearing Rules, R 792.10431, SEMCO Energy Gas Company, a division of SEMCO Energy, Inc. (“SEMCO Gas” or the “Company”) and the Michigan Public Service Commission Staff (“Staff”) hereby stipulate and agree as follows:

1. On April 1, 2024, SEMCO Gas filed with the Michigan Public Service Commission (“MPSC” or the “Commission”) its Application along with the supporting testimony and exhibits of Dustin A. Youngs, Mark L. VanderHeuvel, and Jennifer L. Dennis requesting authority to extend, expand, and amend its current Main Replacement Program (“MRP”) and its Infrastructure Reliability Improvement Program (“IRIP”) and to implement new MRP and IRIP surcharges to recover the capital costs associated with MRP and IRIP.

2. On April 29, 2024, the Commission’s Executive Secretary issued the Notice of Hearing in this case and directed SEMCO Gas to mail and publish the Notice of Hearing by May 15, 2024. On May 16, 2024, SEMCO Gas electronically filed its affidavit of mailing and proofs of publication of the Notice of Hearing, reflecting compliance with the Executive Secretary’s directives.

3. On May 29, 2024, Administrative Law Judge (“ALJ”) Katherine E. Talbot conducted the prehearing conference in this case. SEMCO Gas and the Staff participated. There were no intervenors.

4. Staff made audit inquiries and conducted a review of the Company’s application.

5. Subsequently, the parties engaged in discussions and reached agreement on all of the contested issues in this case. It is the opinion of the signatories hereto that this settlement agreement is reasonable, prudent, in the public interest, will aid in the expeditious conclusion of this proceeding, and will minimize expenses for the Commission and the parties.

6. By this settlement agreement, the signatories stipulate that:

- a. The proceedings in this case were conducted as a contested case.
- b. The requested approvals sought in SEMCO Gas’s April 1, 2024 application and direct case filing in this proceeding are reasonable, prudent, and should be granted.
- c. Specifically, as regarding SEMCO Gas’s MRP it is agreed:
 - i) SEMCO Gas shall continue the MRP by increasing the number of miles of main replaced annually from 26 miles to 31 miles.
 - ii) In addition to the currently approved MRP qualifying materials, SEMCO Gas will expand the same by including pre-1983 vintage plastic and pre-1960 coated steel pipe.
 - iii) SEMCO Gas will extend the MRP through 2027.
 - iv) SEMCO Gas will implement new MRP surcharges as set forth in Attachment 1 and as set forth in the tariff sheet in Attachment 3, page 1, hereto effective January 1, 2025 through December 31, 2027, which are reflective of a change in allocators as supported in

Witness Dennis's filed direct testimony. Up until January 1, 2025, SEMCO Gas will continue to implement the MRP surcharges approved in Case No. U-20479.

- d. Specifically, as regarding SEMCO Gas's IRIP it is agreed:
 - i) SEMCO Gas will extend the IRIP through 2027.
 - ii) SEMCO gas will add two new projects to the IRIP, identified as the Harris Compression Station Replacement and the Thumb Reinforcement Project and described in Witness VanderHeuvel's filed direct testimony, pp 9 -11.
 - iii) SEMCO Gas will implement new IRIP surcharges as set forth in Attachment 2 and as set forth in the tariff sheets in Attachment 3, pages 2 and 3 hereto effective January 1, 2025, through December 31, 2027, which are reflective of a change in allocators as supported in Witness Dennis's filed direct testimony. Up until January 1, 2025, SEMCO Gas will continue to implement the IRIP surcharges approved in Case No. U-20479.
- e. In connection with recording regulatory liabilities for annual underspent amounts associated with the MRP and IRIP, SEMCO Gas will zero out the regulatory liabilities account as of January 2024, and record any net revenue requirement for any under or over-spent amounts beginning January 2025, for 2024, and annually thereafter, as a new regulatory asset or liability to be incorporated into base rates in SEMCO Gas's next general rate case.

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 modifications, neither parties to this settlement agreement nor the Commission shall use, reference, cite, discuss, or rely upon it for any reason or purpose other than to enforce the settlement agreement and order in the case the settlement agreement and order was entered.

8. 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, or adopt, any provision of the settlement constitutes failure to comply with, or adopt, 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.

9. 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.

SEMCO ENERGY GAS COMPANY

Dated: August 23, 2024

By: Sherri A. Wellman
Its Attorney
Sherri A. Wellman (P38989)
MILLER, CANFIELD, PADDOCK and STONE, P.L.C.
One Michigan Avenue, Suite 900
Lansing, MI 48933
(517) 483-4954

Digitally signed by: Sherri A. Wellman
DN: CN = Sherri A. Wellman email =
wellmans@millercanfield.com C = US O = Miller Canfield
Date: 2024.08.23 10:30:01 -04'00'

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Heather M.S. Durian



2024.08.26 08:49:02

-04'00'

Dated: August 23, 2024

By:

Its Attorney

Heather M.S. Durian (P67587)

Assistant Attorney General

Michigan Public Service Commission

7109 W. Saginaw Hwy., 3rd Floor

Lansing MI 48917

(517) 284-8140

Michigan Public Service Commission
SEMCO Energy Gas Company
MRP Surcharge Rates

Attachment 1
Case No. U-21624

Line No.	Per Meter Surcharge/Month	2025	2026	2027
1	Residential	\$ 1.34	\$ 1.70	\$ 2.06
2	GS-1	\$ 2.21	\$ 2.81	\$ 3.40
3	GS-2	\$ 8.06	\$ 10.22	\$ 12.38
4	GS-3	\$ 43.78	\$ 55.54	\$ 67.29
5	TR-1	\$ 125.22	\$ 158.86	\$ 192.47
6	TR-2	\$ 635.72	\$ 806.52	\$ 977.18
7	TR-3 ¹	\$ 3,123.76	\$ 3,963.04	\$ 4,801.64

¹ includes special contract customers

Michigan Public Service Commission
SEMCO Energy Gas Company
IRIP Surcharge Rates

Attachment 2
Case No. U-21624

Line No.	Per Meter Surcharge/Month	2025	2026	2027
1	Residential	\$ 1.08	\$ 1.56	\$ 1.98
2	GS-1	\$ 2.73	\$ 3.92	\$ 4.99
3	GS-2	\$ 14.47	\$ 20.82	\$ 26.50
4	GS-3	\$ 88.15	\$ 126.79	\$ 161.38
5	TR-1	\$ 191.32	\$ 275.18	\$ 350.25
6	TR-2	\$ 981.61	\$ 1,411.86	\$ 1,797.03
7	TR-3 ¹	\$ 4,832.73	\$ 6,950.96	\$ 8,847.24

¹ includes special contract customers

M.P.S.C. No. 1 – Gas
SEMCO Energy Gas Company
(MRP/IRIP case U-21624)

Revised Sheet No. C-37.00
Cancels Revised Sheet No. C-37.00

Continued From Sheet No. C-36.00

RIDER MRP

MAIN REPLACEMENT PROGRAM RIDER

APPLICABILITY

Applicable to all customers receiving service under the Company's sales and transportation rate schedules and Special Contract Customers.

MAIN REPLACEMENT PROGRAM (MRP)

This MRP Rider as approved by the MPSC recovers the cost of the MRP not included in SEMCO's base rates. These projects included pipeline replacements and related costs. By having this surcharge in place, SEMCO recovers over time the costs associated with these replacement projects, which should reduce the frequency of expensive general rate cases in the future.

All customers receiving service under Rate Schedules Residential, GS-1, GS-2, GS-3, TR-1, TR-2, TR-3 and Special Contract shall be assessed a monthly charge in addition to the Customer Charge component of their applicable rate which will enable the Company to begin and complete their MRP.

The company can bill this surcharge to all of its customers monthly. The program will be reviewed annually, in order to reflect the impact on the Company's revenue requirements of net plant additions as offset by the operation and maintenance expense reductions during the most recent twelve months ended December 31 of each calendar year. This Rider surcharge will become effective with the first billing cycle of **January 2025**, and reflects the allocation of the required revenue increase needed based upon the allocation factor and the number of customers per rate group as defined and approved in the Company's last rate proceeding.

The Rider MRP charge will be implemented on a bill rendered basis beginning in **January 2025** and will continue as approved in **U-21624** until new rates are established in a future contested case addressing the MRP. The charge for the specific Rate Schedule is:

Rate Class	2025 per Customer meter charge	2026 per Customer meter charge	2027 Per Customer meter charge
Residential	\$1.34	\$1.70	\$2.06
GS-1	\$2.21	\$2.81	\$3.40
GS-2	\$8.06	\$10.22	\$12.38
GS-3	\$43.78	\$55.54	\$67.29
TR-1	\$125.22	\$158.86	\$192.47
TR-2	\$635.72	\$806.52	\$977.18
TR-3	\$3,123.76	\$3,963.04	\$4,801.64

Rider MRP surcharges will continue until the earlier of either: (i) base rates are established in a future contested case addressing the MRP through self-implementation or Commission Order, or (ii) December 31, **2027**.

Issued xxxxx
Mark Simone
President
Port Huron, MI

Effective for service rendered on and after
January 1, 2025. Issued under authority of the
Michigan Public Service Commission dated
xxxxx in Case No. U-21624

M.P.S.C. No. 1 – Gas
SEMCO Energy Gas Company
(MRP/IRIP case U-21624)

Revised Sheet No. D-2.01
Cancels Revised Sheet No. D-2.01

Continued from Sheet No. D-2.00

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 2025** and will continue as approved in **U-21624** until new rates are established in a future contested case addressing the IRIP.

Infrastructure Reliability Improvement Program (Surcharge)

Rate Class	2025 Per Customer Meter Charge	2026 Per Customer Meter Charge	2027 Per Customer Meter Charge
Residential	\$1.08 per Month	\$1.56 per Month	\$1.98 per Month
GS-1	\$2.73 per Month	\$3.92 per Month	\$4.99 per Month
GS-2	\$14.47 per Month	\$20.82 per Month	\$26.50 per Month
GS-3	\$88.15 per Month	\$126.79 per Month	\$161.38 per Month

Continued on Sheet No. D-3.00

Issued xxxxx
Mark Simone
President
Port Huron, MI

Effective for service rendered on and after
January 1, 2025. Issued under authority of the
Michigan Public Service Commission dated
xxxxx in Case No. U-21624

M.P.S.C. No. 1 – Gas
SEMCO Energy Gas Company
(MRP/IRIP case U-21624)

Revised Sheet No. E-23.00
Cancels Revised Sheet No. E-23.00

Continued From Sheet E-22.00

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-21328
TR-2	\$0.0001 per Dth	\$0.8563 per Dth	\$0.8564 per Dth	U-21328
TR-3	\$0.0001 per Dth	\$0.4669 per Dth	\$0.4670 per Dth	U-21328

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 2025** as approved in **U-21624** until new rates are established in a future contested case addressing the IRIP. **Special Contract customers will be billed in the transportation rate class most appropriate to their volumetric throughput.**

Rate Class	2025 Per Customer Meter Charge	2026 Per Customer Meter Charge	2027 Per Customer Meter Charge
TR-1	\$191.32 per Month	\$275.18 per Month	\$350.25 per Month
TR-2	\$981.61 per Month	\$1,411.86 per Month	\$1,797.03 per Month
TR-3	\$4,832.73 per Month	\$6,950.96 per Month	\$8,847.24 per Month

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

Issued xxxxxx
Mark Simone
President
Port Huron

Effective for bills rendered
on and after January 1, 2025. Issued under
authority of the Michigan Public Service
Commission dated xxx in case U-21624.


PROOF OF SERVICE

STATE OF MICHIGAN)

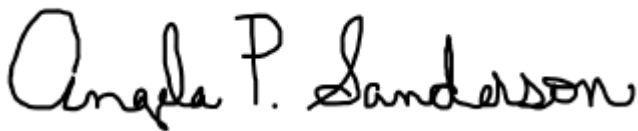
Case No. U-21624

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on September 26, 2024 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 26th day of September 2024.



Angela P. Sanderson
Notary Public, Shiawassee County, Michigan
As acting in Eaton County
My Commission Expires: May 21, 2030

Service List for Case: U-21624

Name	On Behalf Of	Email Address
Heather M.S. Durian	MPSC Staff	durianh@michigan.gov
Jacob Martus	MPSC Staff	martusj2@michigan.gov
Katherine E. Talbot	ALJs - MPSC	talbotk@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