S T A T E O F M I C H I G A N

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of **SEMCO ENERGY GAS COMPANY** for approval of a special natural gas transportation contract with The Detroit Edison Company.	)))))	Case No. U-12081

At the September 28, 1999 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John G. Strand, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

OPINION AND ORDER

On August 16, 1999, SEMCO Energy Gas Company (SEMCO) filed an application for approval of a special transportation agreement with The Detroit Edison Company (Detroit Edison) for the delivery of natural gas.

In its application, SEMCO states that it has entered into an agreement with Great Lakes Gas Transmission Limited Partnership (Great Lakes) to purchase Great Lakes' existing China Pipeline, which interconnects with Great Lakes' interstate transmission line and extends approximately 1.6 miles to a point of interconnection with a meter station immediately adjacent to a location (within Detroit Edison's Belle River Generating Site) where Detroit Edison has three gas-fired 72 megawatt generating units. SEMCO has filed an application with this Commission (in Case No. U-12079) for authority to operate the China Pipeline. Furthermore, SEMCO has entered into a Gas Transportation Agreement (the agreement) with Detroit Edison to transport natural gas through the China Pipeline.

The agreement is for a term of 20 years from the commencement of service, which is on the date Great Lakes receives authorization from the Federal Energy Regulatory Commission to abandon and transfer the China Pipeline to SEMCO and SEMCO receives all appropriate approvals from this Commission, whichever is later. The rates are fixed for the first ten years of the agreement at $30,000 per month and 10¢ per dekatherm metered (not to exceed $30,000 per month, irrespective of volumes transported for the final ten years of the agreement). SEMCO states that it possesses the system and administrative resources necessary to provide the transportation service required under the agreement. SEMCO also represents that none of the terms or conditions of service under the agreement will cause SEMCO to change the general operations of its natural gas systems as those systems are currently utilized by other customers.

SEMCO states that it is not seeking ratemaking treatment with this request, but reserves the right to seek, in the future, appropriate ratemaking treatment, which may include a request to recover the revenue effect of providing service at the rates set forth in the agreement. SEMCO further states that it understands, based upon general principles that the Commission has set forth in its July 16, 1999 order in Case No. U-11998 and its October 25, 1995 order in Case No. U-10961 that, in making such a request, it would (1) bear the burden of demonstrating either that the contract terms and prices are justified on the basis of cost of service or that it is more beneficial to non-participating customers for SEMCO to serve Detroit Edison under the agreement; (2) be required to account for the agreement as a separate rate class in future cost-of-service studies; and (3) be required to report the revenue and volumes associated with the agreement separately in its annual report to the Commission.

After review of the application and the agreement, the Commission finds that the agreement is reasonable and in the public interest.[1] Because the agreement does not increase any customer's rates nor increase the cost of service, the Commission may approve the agreement without providing notice or an opportunity for a hearing, pursuant to MCL 460.6a(1); MSA 22.13(6a)(1).

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; MSA 22.21 et seq.; 1929 PA 9, as amended, MCL 483.101 et seq.; MSA 22.1311 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; MSA 22.1 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; MSA 22.13(1) et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; MSA 3.560(101) et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACS, R 460.17 101 et seq.

b. The contract should be approved as reasonable and in the public interest.

c. Ex parte approval is appropriate.

d. The natural gas to be transported through the China Pipeline pursuant to the agreement is to be received by SEMCO and ultimately consumed in Michigan, and the Commission is exercising its jurisdiction over such service and facilities.

THEREFORE, IT IS ORDERED that the special contract between SEMCO Energy Gas Company and The Detroit Edison Company is approved.

---

[1]In reaching this conclusion, the Commission does not express a view on the extent to which the price established in this contract would be appropriate for any other transportation customer or in any other circumstance. The Commission concludes only that the contract, taken as a whole, should be approved.

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; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ John G. Strand
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of September 28, 1999.

/s/ Dorothy Wideman
Its Executive Secretary

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; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

By its action of September 28, 1999.

Its Executive Secretary

P R O O F   O F   S E R V I C E

STATE OF MICHIGAN)
)
County of Ingham)

Case No. U-12081

Marcia Hoskins, being duly sworn, deposes and says that on September 29, 1999, A.D. she served a copy of the attached order, by mailing copies thereof by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service list.

Marcia Hoskins

Subscribed and sworn to before me
this 29th day of September 1999.

Sharron Higgins Allen

Notary Public, Ingham County, Michigan
My Commission expires August 16, 2000

SERVICE LIST FOR DOCKET # U - 12081- CASE #
DATE OF PREPARATION: 09/24/1999

MR. WILLIAM JOHNSON
SEMCO ENERGY GAS COMPANY
2915 LAPEER RD.
P.O. BOX 5004
PORT HURON MI 48061 5004

MR. RONALD BLOOMBERG
LOOMIS, EWERT, PARSLEY, DAVIS
& GOTTING, P.C.
232 SOUTH CAPITOL AVENUE
SUITE 1000
LANSING MI 48933