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,** a division of SEMCO Energy, Inc., for ex parte approval of revisions to its gas transportation tariff.	)))))	Case No. U-12760

At the December 20, 2000 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

ORDER APPROVING APPLICATION

On December 14, 2000, SEMCO Energy Gas Company (SEMCO Gas), a division of SEMCO Energy, Inc., filed an application requesting approval of a revision to the imbalance penalty provision set forth on Sheet No. F-22.00 of its gas transportation tariff.

The purpose of the imbalance penalty is to discourage unauthorized use of sales supply gas by SEMCO Gas's transportation customers. According to SEMCO Gas, significant increases in the cost of gas in the marketplace and increased market volatility have created a situation in which the penalty's current provisions may be inadequate to discourage such unauthorized use. SEMCO Gas further states that the potential harm arising from unauthorized gas usage is particularly significant during the rapidly approaching winter heating season.

SEMCO Gas goes on to state that it seeks authority to revise the current imbalance penalty of $10.00 per dekatherm by adding a charge that will be equal to the highest price reported for Michigan Consolidated Gas Company, Consumers Energy Company, and Chicago-area local distribution companies during the applicable periods as reported by Gas Daily. SEMCO Gas attached to its application a tariff sheet incorporating the proposed revisions.

The Commission has reviewed SEMCO Gas's application and finds that the proposed tariff revision is reasonable and in the public interest, and should be approved. Transportation customers that secure their own gas supply must manage that supply to meet their overall needs. Moreover, it is in the public interest to discourage gas transportation customers and their suppliers from making unauthorized use of system supply gas. Specifically, the failure of gas transportation customers to meet their daily delivery requirements could adversely affect system reliability and result in a situation in which SEMCO Gas is unable to provide continuous service to all customers on its system. Furthermore, the failure of transportation customers to meet their daily delivery requirements could also result in SEMCO Gas being forced to purchase higher priced gas on the spot market to replace system supply gas used by transportation customers.

The revised tariff provision is consistent with tariff provisions recently approved for Consumers Energy Company in Case No. U-12729. Moreover, increasing market prices, the rising volatility of those prices, and the onset of the winter heating season support prompt action on SEMCO Gas's application.

The imbalance penalty is imposed on a customer only if, for a given day, gas taken by that customer exceeds the tolerance level established in SEMCO Gas's transportation tariff. This charge is intended solely to deter customers from violating other tariff requirements and, as a result, customers operating in compliance with those tariff requirements will never pay the charge.

Thus, granting the relief sought in SEMCO Gas's application will not increase the cost of service to SEMCO Gas's customers. Therefore, the Commission may approve the tariff amendment without providing notice or an opportunity for hearing, pursuant to MCL 460.6a; MSA 22.13(6a).

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; MSA 22.21 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 460.17101 et seq.

b. It is in the public interest to deter unauthorized use of system supply gas by transportation customers.

c. SEMCO Gas's proposed amendment to the imbalance penalty in its gas transportation tariff, as set forth in Exhibit A attached to this order, is reasonable and in the public interest, and should be approved.

d. Ex parte approval is appropriate.

THEREFORE, IT IS ORDERED that:

A. SEMCO Energy Gas Company is authorized to amend its imbalance penalty, found on Sheet No. F-22.00 of its gas transportation tariff, as set forth in this order.

B. The tariff language set forth on Exhibit A shall take effect on the date following issuance of this order.

C. SEMCO Energy Gas Company shall file, within 30 days, a tariff sheet essentially the same as that attached to this order as Exhibit A.

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 December 20, 2000.

/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 December 20, 2000.

Its Executive Secretary

In the matter of the application of **SEMCO ENERGY GAS COMPANY,** a division of SEMCO Energy, Inc., for ex parte approval of revisions to its gas transportation tariff.	)))))	Case No. U-12760

Suggested Minute:

> "Adopt and issue order dated December 20, 2000 authorizing SEMCO Energy Gas Company to amend its gas transportation tariffs, as set forth in the order."