

SEMCO ENERGY GAS COMPANY

CASE NO. U-20677

2020 CODE OF CONDUCT COMPLIANCE REPORT

VALUE-ADDED PROGRAMS AND SERVICES

MCL 460.10ee(6)(c)

Maintain separate books and records for the program or service and provide an annual report to the commission showing how all of the utility's costs associated with the unregulated value-added program or service were allocated to the unregulated program or service. The annual report shall show to what extent the utility's rates were affected by the allocations. The utility may include this report as part of a request for rate relief.

Response: See Attachment A for program cost allocations. SEMCO ENERGY Gas Company's (SEMCO Gas, or the Company) 2020 rates were established in a December 6, 2019 order in Case No. U-20479. At that time, 100% of Value-Added Programs and Services (VAPS) revenue for the test year was included to offset rates.

MCL 460.10ee(15)

A utility that offers value-added programs or services under this section shall file an annual report with the commission that provides:

A. List of its offered value-added programs and services;

Response: SEMCO Gas does not operate any VAPS through an affiliate. However, SEMCO Gas does hold a contract with a third party, HomeServe USA (HomeServe), to offer a home warranty VAPS. No changes to the program's product or service offering was made during 2020. The program's description is below:

SEMCO Gas partners with HomeServe, a leading third-party home repair service plan provider, to cover customer owned natural gas lines, HVAC systems and other home items not typically covered by homeowners insurance. This is a voluntary program that allows customers to elect from a menu of optional service plans.

HomeServe USA offers the following products that are available to SEMCO Gas residential customers:

- Gas Line Coverage
- Interior Electrical Line Coverage
- Exterior Electrical Line Coverage
- Water Heater Repair Coverage
- Water Heater Repair/Replace Coverage
- Heating System Coverage
- Cooling System Coverage
- Heating/Cooling System Coverage
- Water Service Line Coverage
- Sewer/Septic Line Coverage

B. The estimated market share occupied by each value-added program and service offered by the utility;

Response: SEMCO Gas does not track market share, SEMCO Gas uses a third party, HomeServe, to administer the program.

C. A detailed accounting of how the costs for the value-added programs and services were apportioned between the utility and the value-added programs and services; and

Response: See Attachment A for the allocation of costs.

D. The utility shall certify to the commission that it is complying with the requirements of this section. The commission may conduct an audit of the books and records of the utility and the value-added programs and services to ensure compliance with this section.

Response: Please refer to Attachment D, the affidavit signed by Mark A. Moses, Vice President, Chief Financial Officer and Treasurer stating that SEMCO ENERGY Gas Company will comply with the requirements for value-added programs and services.

Code of Conduct Administrative Rules R 460.10101 – R 460.10113

Rule 12 (1) Utilities shall file the code of conduct annual report information required under section 1022(6) (c) and (15), 2016 PA 341, MCL 460.10ee, no later than April 30 of each year in the docket in which the utility filed its notification for a new program or service, or in a new docket for an existing program or service.

R 460.10112 Reporting

Rule 12 (1)

(a) Designation of a corporate officer of the utility who will oversee compliance with these rules and be available to serve as the commission's primary contact regarding compliance.

Response: Mark A. Moses, Vice President, Chief Financial Officer and Treasurer

(b) An organizational chart of the parent or holding company showing all regulated entities and affiliates and a description of all programs and services provided between the regulated entity and its affiliates.

Response: See Attachment B for organizational charts.

(c) An overview of the report year, including a detailed accounting of how costs were apportioned between the utility and the value-added program or service, expectations for the following year, and any 5-year projections available for each value-added program and service.

Response: While SEMCO Gas provides limited administrative support for the home warranty program, the vast majority of program costs are incurred and paid for directly by HomeServe. Administrative support typically consists of limited call center sales, administrative review of marketing pieces developed by HomeServe, and costs associated with including program

charges on the utility bill. See Attachment A for a detailed look at the reporting year accounting and Attachment C for our 5-year projections.

(d) A table illustrating the customer count, revenue, and expense of each value-added program and service.

Response:

Customer Count:	29,774
Products Sold:	60,630
Home Serve Revenue:	\$ 796,783
Home Serve Expenses:	\$ 63,890
Total	\$ 732,893

(e) A balance sheet, where available, and income statement for each value-added program and service offered by an affiliate or other entity within the corporate structure, including revenues, less direct and indirect expenses broken out separately. Direct and indirect revenues and expenses shall be separated by category and then aggregated at the direct and indirect levels, and the report shall include gross income, amounts flowed back to ratepayers to reduce rates, and net income. Each category of indirect cost should be accompanied by formulas / calculations / allocations showing how they have been derived.

Response: SEMCO Gas uses a third party, HomeServe, to administer the program and therefore does not have access to that third party's balance sheet and income statement. SEMCO Gas does not maintain a separate balance sheet and income statement for its VAPS.

(f) General ledger and trial balance for each value-added program and service shall be provided to the commission staff separately on a USB thumb drive or other appropriate technological device with formulas intact.

Response: SEMCO Gas uses a third party, HomeServe, to administer the program and therefore does not have access to that third party's general ledger and trial balance. SEMCO Gas does maintain a business unit within its general ledger to track its VAPS revenue and related costs and will provide the activity in that business unit in a standard system report.. As such, the report will not contain formulas. It will be shared through an encrypted email as a confidential document.

(g) The number and type of complaints received in the prior calendar year regarding code of conduct issues from customers, alternative electric suppliers, or any other person or entity, and a summary of the resolution of any complaint that occurred during the calendar year.

Response: SEMCO Gas did not receive any code of conduct complaints.

(h) The number of times during the prior calendar year that customer information was provided to an affiliate or competing provider of an unregulated value-added program or service, the identity of the affiliate or competing provider, and a description of the information shared.

Response: SEMCO Gas utilizes a third party, HomeServe, to offer a home warranty VAPS. By request, a file is provided to HomeServe monthly containing limited customer information. During 2020, SEMCO Gas received two requests from competing providers, the same file provided to HomeServe was provided to the competitors containing limited customer information.

- (i) A description of the nature of each transaction with an affiliate or other entity within the corporate structure and of the basis for the cost allocation and pricing established in each transaction.**

Response: There are no VAPS related transactions between affiliates as SEMCO Gas utilizes a third party, HomeServe, to administer the program.

- (j) Reports of internal audits conducted by the utility regarding transactions between the utility and its affiliates, or transactions between the utility and other entities within the corporate structure offering value-added programs or services.**

Response: SEMCO Gas uses a third party to administer the program. SEMCO Gas does not perform any internal audits specific to VAPS. The Company is unaware of any audits conducted by its third party contractor, HomeServe.

- (2) The annual report shall be signed by the designated corporate officer or a person responsible for each value-added program and service attesting to the accuracy of the information in the annual report and certifying that there is no cross-subsidization between regulated and non-regulated utility programs and services.**

Response: Please see Attachment D.

- (3) Copies of federal income tax returns for utilities, affiliates, and, where applicable, other entities within the corporate structure who offer a value-added program or service, shall be available to the commission for inspection and review.**

Response: SEMCO Energy, Inc. (SEI) is included in the consolidated U.S. federal income tax return of AltaGas Services (U.S.) Inc. (ASUS). SEI will make available, for review at SEMCO Gas facilities, copies of ASUS' federal income tax returns for commission inspection upon request.

ATTACHMENT A

Income Statement

Revenues	
Revenue Sharing from HomeService (74500)	737,377
HomeServe Reimbursements (74510)	59,406
	796,783
Expenses	
Direct	
Marketing Expenses (74520)	15,365
Incentives (74530)	24,295
Indirect	
Supervision (75100)	1,086
Records & Collections (75300)	14,106
Billing/Postage (74520)	2,960
Travel	-
Employee Benefits	6,079
	63,890
	732,893

Account Description	Account Number	General Ledger Balance
MPSC Home Service		
GE SHARP Rev-Customer	2108.74500	\$ (737,376.73)
GE SHARP Rev--GE	2108.74510	\$ (59,405.54)
GE SHARP Exp- Billing/postage	2108.74520	\$ 2,959.56
GE SHARP Exp-Mktg Exp	2108.74520	\$ 15,365.21
GE SHARP Exp-Incentives	2108.74530	\$ 24,295.00
CSS-Supervision	2108.75100	\$ 1,085.51
CSS-Records & Collect	2108.75300	\$ 14,105.50
Emp Benefits Interco(DR)	2108.76230	\$ 6,078.69
MPSC Home Service		(732,892.80)

AltaGas Ltd. and Subsidiaries

Listing of All Legal Entities Owned Directly/Indirectly > 50% as of March 31, 2021

Entity Name

0686138 B.C. Ltd.
9332871 Canada Inc.
Alaska Pipeline Company
Alaska Storage Holding Company, LLC
AltaGas Blythe Operations Inc.
AltaGas Brush Energy Inc.
AltaGas DCLNG General Partner Inc.
AltaGas DCLNG Lease Limited Partnership
AltaGas DCLNG Project Management Limited Partnership
AltaGas Extraction and Transmission Limited Partnership
AltaGas Finance Ltd.
AltaGas General Partner Inc.
AltaGas Holdings #4 Inc.
AltaGas Holdings #5 Inc.
AltaGas Holdings Inc.
AltaGas LPG General Partner Inc.
AltaGas LPG Limited Partnership
AltaGas Ltd.
AltaGas Marketing (U.S.) Inc.
AltaGas Natural Gas Storage Ltd.
AltaGas NEBC Processing General Partner Inc.
AltaGas NEBC Processing Limited Partnership
AltaGas Northwest Processing Limited Partnership
AltaGas Pacific Partnership
AltaGas Pipeline Partnership
AltaGas Pomona Energy Inc.
AltaGas Power Holdings (U.S.) Inc.
AltaGas Processing Partnership
AltaGas Ridley Island LPG Operations Inc.
AltaGas Ripon Operations Inc.
AltaGas Services (U.S.) Inc.
AltaGas Sonoran Energy Inc.
AltaGas Utility Holdings (U.S.) Inc.
Alton Natural Gas Storage Inc.
Alton Natural Gas Storage L.P.
Blythe Energy Inc.
Cook Inlet Natural Gas Storage Alaska, LLC
Enerchem International Inc.
Express Tankers Inc.
Goleta Energy Storage, LLC
Hampshire Gas Company
Harmattan Gas Processing Limited Partnership
Harquahala Flats, LLC
Hotflame Gas, Inc.
IXL Propane Inc.
Lake Livingstong Propane LLC

AltaGas Ltd. and Subsidiaries
Listing of All Legal Entities Owned Directly/Indirectly > 50% as of March 31, 2021

Entity Name

Marketing AltaGas (Quebec) Ltee/
AltaGas Marketing (Quebec) Ltd.
Millard Trucking Ltd.
Mountain View Property Management Inc.
NORSTAR Pipeline Company, Inc.
Petrogas Energy Corp.
Petrogas Energy Services Ltd.
Petrogas Holdings Inc.
Petrogas Holdings Partnership
Petrogas, Inc.
Petrogas Logistics Corp
Petrogas Lux S.A.R.L.
Petrogas Pacific LLC
Petrogas Pipelines GP Ltd.
Petrogas Pipelines Limited Partnership
Petrogas Re S.A.
Petrogas Terminals Corp.
Petrogas Terminals LLC
Petrogas Transportation LLC
Petrogas West LLC
Palo Verde LandCo Inc.
Ridley Island LPG Export GP Inc.
Ridley Island LPG Export Limited Partnership
Seaside Management Inc.
SEMCO Energy Ventures, Inc.
SEMCO Energy, Inc.
SEMCO Gas Storage Company
Semco Holding Corporation
SEMCO Pipeline Company
SEMCO-CINGSA Storage Company
South 49 Properties LLC
Taylor Processing Inc.
Village View CHP, LLC
Washington Gas Light Company
Washington Gas Resources Corp.
WGL Energy Services, Inc.
WGL Energy Systems, Inc.
WGL Holdings, Inc.
WGL Midstream CP LLC
WGL Midstream Inc.
WGL Midstream MP LLC
WGL Midstream MVP LLC
WGL Midstream SGG LLC
WGSW, Inc.
Wrangler 1 LLC
Wrangler SPE LLC

AltaGas Ltd. and Subsidiaries
Listing of All Legal Entities Owned Directly/Indirectly > 50% as of March 31, 2021

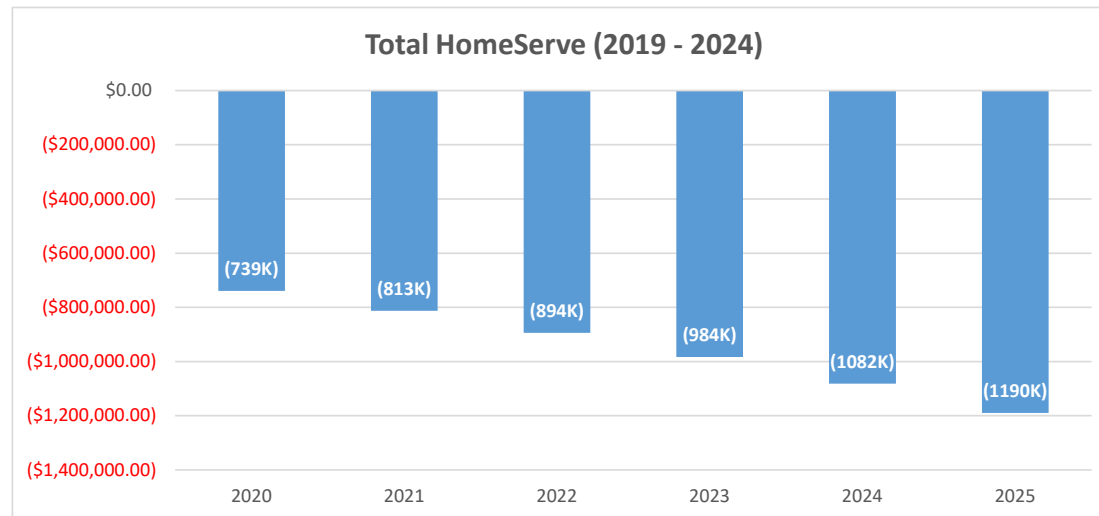
Entity Name

Changes since YE

None

SEMCO ENERGY Gas Company
 MPSC VAPS - HomeServe 5 Year Projection

Object Account	Description	2020	Projection				
			2021	2022	2023	2024	2025
74500	GE SHARP Rev-Customer	(\$737,376.73)	(\$811,114.40)	(\$892,225.84)	(\$981,448.42)	(\$1,079,593.26)	(\$1,187,552.59)
74510	GE SHARP Rev-GE	(\$59,405.54)	(\$65,346.09)	(\$71,880.70)	(\$79,068.77)	(\$86,975.65)	(\$95,673.22)
74520	GE SHARP Exp-Mktg Exp	\$15,365.21	\$16,901.73	\$18,591.90	\$20,451.09	\$22,496.20	\$24,745.82
74520	Paper/Postage Fees	\$2,959.56	\$3,255.52	\$3,581.07	\$3,939.18	\$4,333.10	\$4,766.41
74530	GE SHARP Exp-Incentives	\$24,295.00	\$26,724.50	\$29,396.95	\$32,336.65	\$35,570.32	\$39,127.35
75100	CSS-Supervision	\$1,085.51	\$1,194.06	\$1,313.47	\$1,444.82	\$1,589.30	\$1,748.23
75300	CSS-Records & Collect	\$14,105.50	\$15,516.05	\$17,067.66	\$18,774.43	\$20,651.87	\$22,717.06
	Total	(\$738,971.49)	(\$812,868.63)	(\$894,155.49)	(\$983,571.02)	(\$1,081,928.12)	(\$1,190,120.94)



STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)
to open a docket to implement the provisions of)
Section 10ee of 2016 PA 341.)
_____)

Case No. U-18326

Affidavit of Compliance

Mark Moses states as follows:

1. I am the Vice President, Chief Financial Officer and Treasurer for SEMCO Energy, Inc. I am attesting on behalf of SEMCO ENERGY Gas Company (SEMCO Gas), a division of SEMCO Energy, Inc.
2. I have read and am familiar with the Michigan Public Service Commission requirements for value-added programs as set forth in MCL § 460.10ee.
3. I confirm that the information provided in the 2020 Code of Conduct Compliance Report to be true, complete and accurate.
4. I certify that there has been no cross-subsidization between the regulated and non-regulated programs and services offered by SEMCO Gas.



Mark A. Moses

Proper notarization was not possible due to the COVID-19 pandemic underway at the time of this filing.