

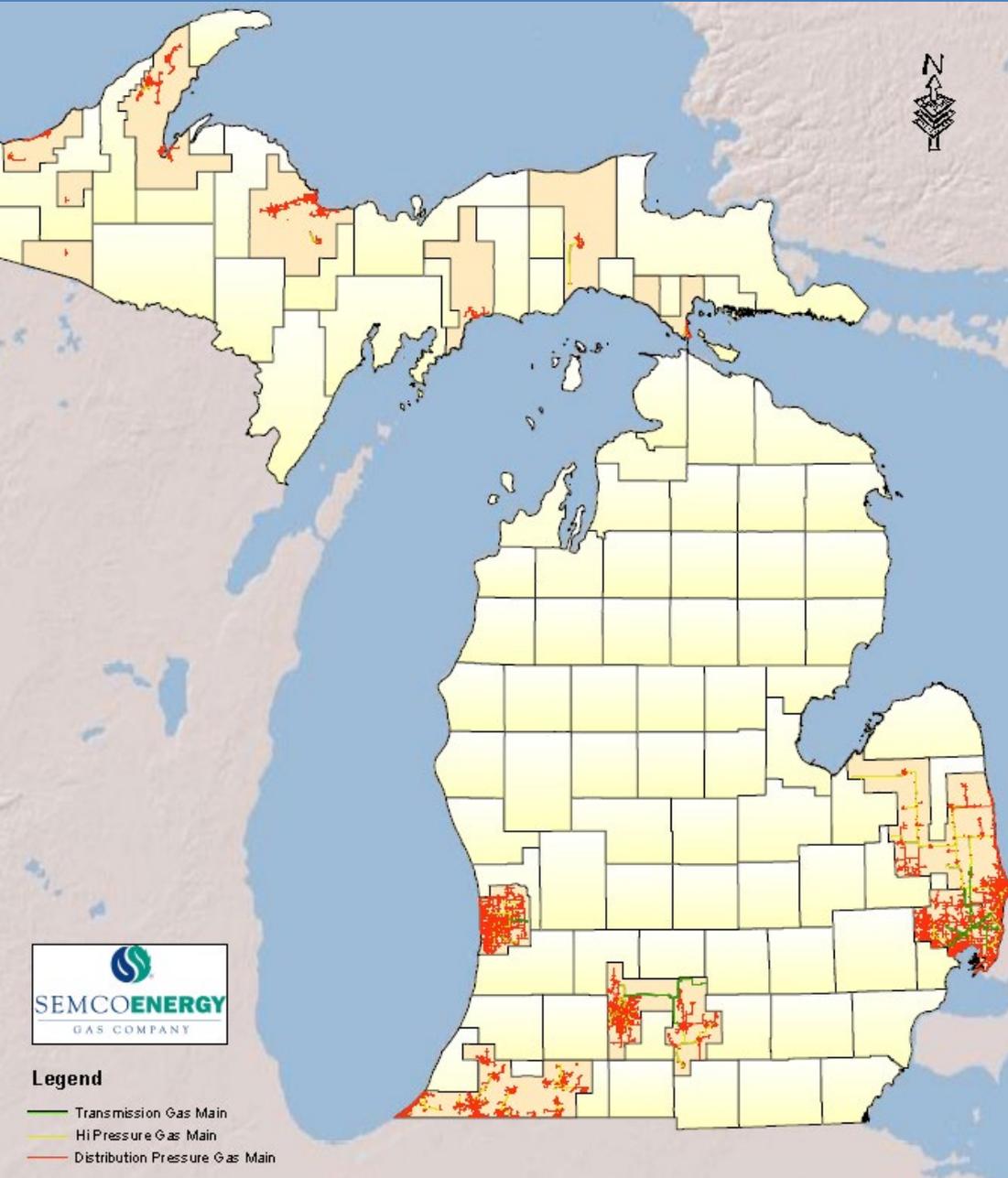


SEMCOENERGY

GAS COMPANY

September, 2019

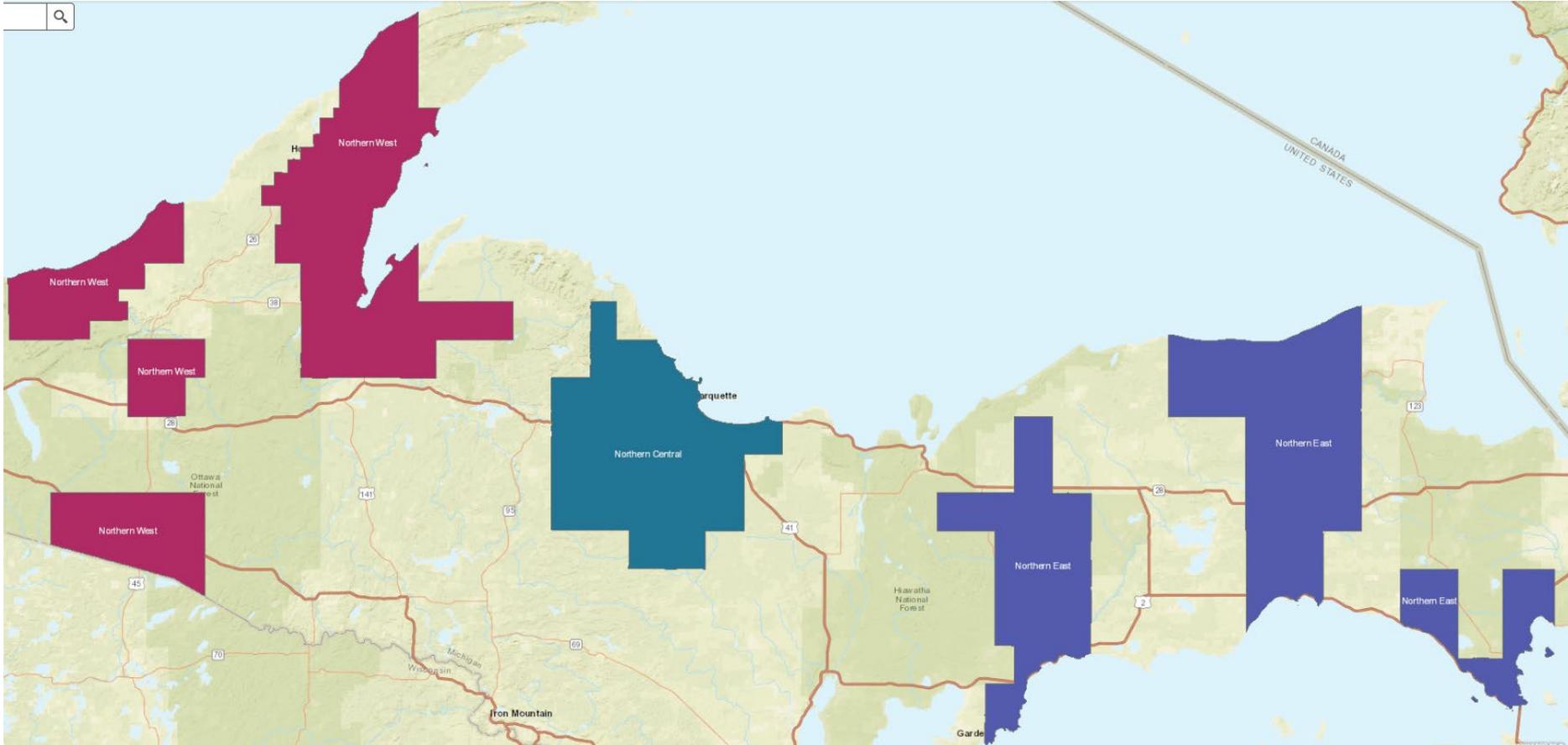
SEMCO Energy Gas Company



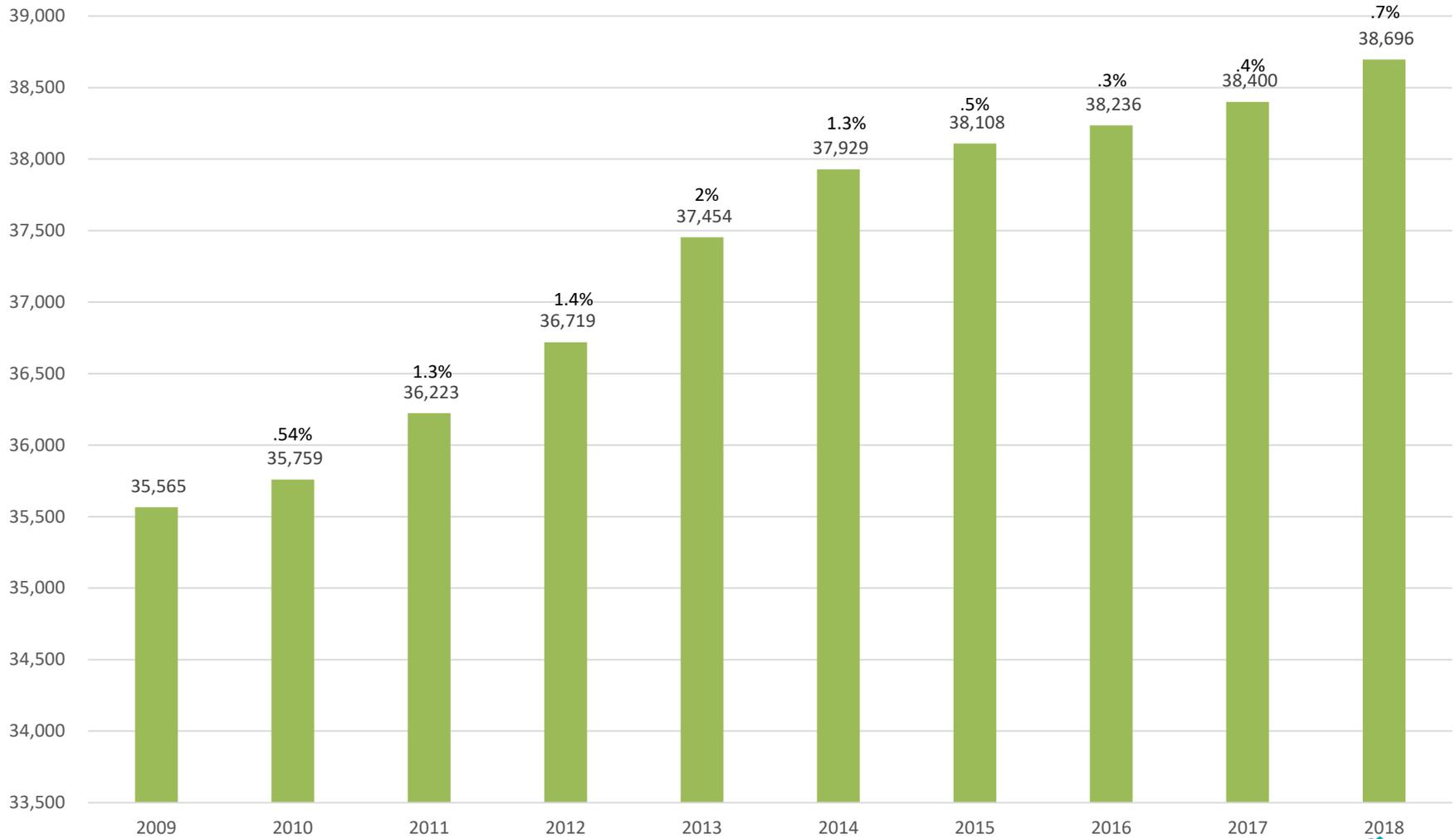
- Natural gas utility serving approximately 300,000 customers throughout Michigan
- 150 miles of transmission line
- 6,000 miles of distribution main



SEMCO's UP Footprint



UP Customer Growth



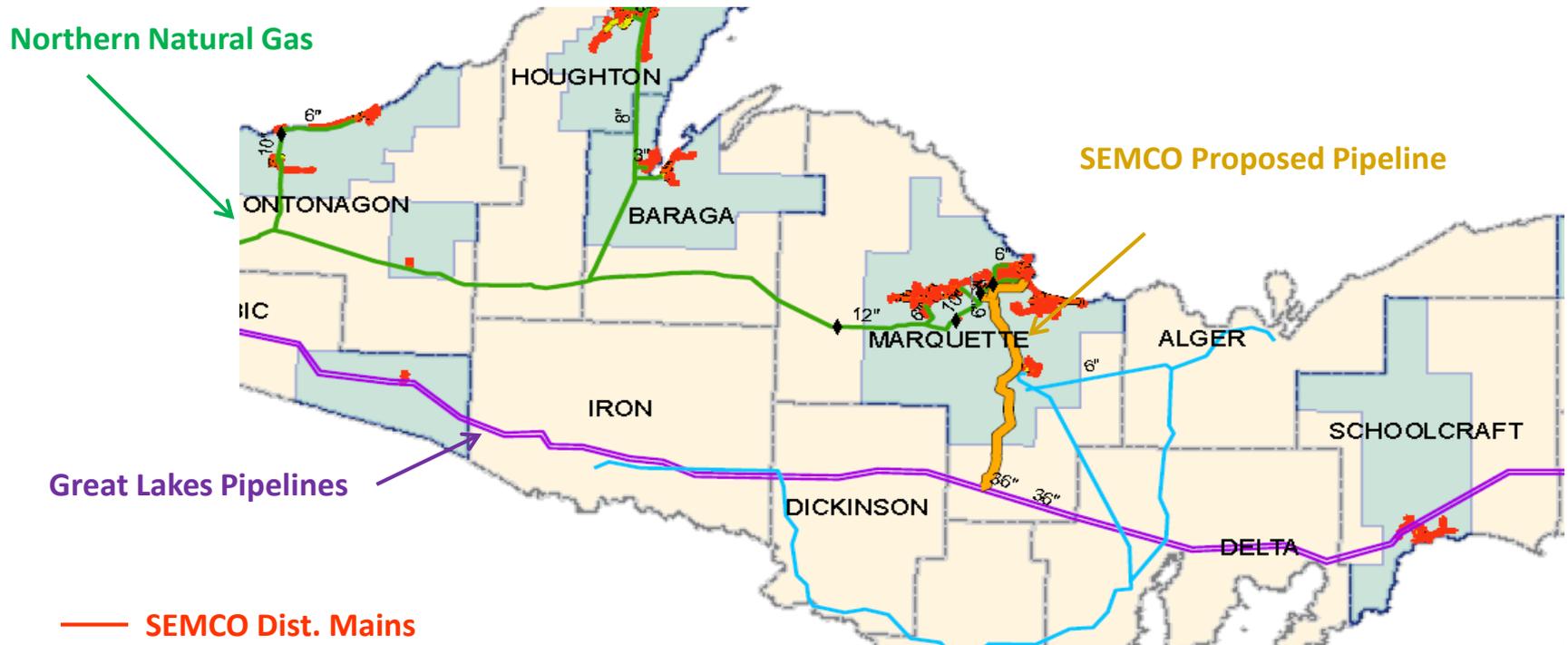
SEMCO's Risk Modeling Process

- SEMCO's ongoing risk model includes a service disruption component
- SEMCO continually reviews its system to limit potential
- When areas of concern are identified SEMCO analyzes its system to mitigate those concerns
 - Looping the gas system
 - Back feeding the gas system
 - Providing alternative supply sources
- This process occurs across SEMCO's system and the MCP is a large example of a project identified by this process

Marquette Connector

- 42-mile pipeline linking the existing NNG pipeline with the Great Lakes Gas Transmission system also running through the U.P.
 - Provides much needed additional source of natural gas to reliably meet the area's energy demands
 - Provides the increased capacity the region needs to grow

Marquette Connector Pipeline



- SEMCO Dist. Mains
- Northern Natural Gas
- TransCanada's Great Lakes Pipelines

What would SEMCO do in an critical natural gas situation

- On SEMCO's system
 - In the UP, SEMCO's system is a collection of City Gate Stations off of two interstate Pipelines
 - If the disruption occurs on SEMCO's system behind one of those City Gate Stations, the impact can be minimized
- MCP provides a direct connection to the Marquette area in addition to NNG
- On Northern Natural Gas (NNG)
 - With MCP in operation later this year, SEMCO will be able to "back feed" NNG's system to limit service disruption to many SEMCO customers across the UP
- On Great Lakes Gas transmission (GLGT) Pipeline
 - GLGT includes two parallel pipelines
 - In many, but not all cases, SEMCO is connected to both pipelines reducing risk

- Customer Attachment Program
 - Tool to evaluate customer expansion opportunities
 - Ensures that customers added to the system pay for themselves
- MPSC approved
- Tool that is used by most natural gas utilities to expand service

CAP Model

CAP Program Worksheet - MPSC SEMCO ENERGY Gas Company

DATE:MM-DD-YY

REP:

CAP #

MAP #

Project:

RE:

TWP/CITY:

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Total Potential Customers

| | Number of Customers | Annual Avg Mcf / Dth | Mcf | Monthly Customer Charge | Distribution Charge Per Mcf - Dth | O & M Cost/Cust | Engineering Sign Off | Operations Sign Off |
|------------------------------|---------------------|----------------------|-----|-------------------------|-----------------------------------|-----------------|----------------------|---------------------|
| Residential | 1 | 89 | Mcf | \$11.50 | \$1.7342 | \$74 | | |
| GS-1 (< 642 Mcf) | 0 | 275 | Mcf | \$11.50 | \$1.8203 | \$119 | | |
| GS-2 (642-2835 Mcf) | 0 | 1,075 | Mcf | \$35.00 | \$1.3932 | \$455 | | |
| GS-3 (2,835-16,000 Mcf) | 0 | 3,335 | Mcf | \$105.00 | \$1.0985 | \$1,507 | | |
| TR-1 (16,000 - 53,642 Dth) | 0 | 50,000 | Dth | \$350.00 | \$0.8318 Avg Wt/Sm | \$4,890 | | |
| TR-2 (53,642 - 350000 Dth) | 0 | 64,000 | Dth | \$1,590.00 | \$0.5529 Avg Wt/Sm | \$16,937 | | |
| TR-3 (> 350,000 Dth) | 0 | 300,000 | Dth | \$7,290.00 | \$0.3281 Avg Wt/Sm | \$70,418 | | |

of New Connects per Year

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---------------------------------|---|---|---|---|---|---|---|---|---|----|
| Residential | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GS-1 (< 500 Mcf / Dth) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GS-2 (500-2,500 Mcf / Dth) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GS-3 (2,500-16,000 Mcf / Dth) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TR-1 (16,000 - 50,000 Dth) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TR-2 (50,000 - 250,000 Dth) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TR-3 (> 250,000 Dth) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Cost of Main & Reg Estimate

| | \$ / Ft | Costs | | SEMCO | Depreciation Summary |
|-----------------------------|----------|-------|------|--------|----------------------------|
| Main | \$ 17.70 | 1 | \$18 | 10.01% | 10.01% Main 2.29% |
| Other - Unusual Costs | Specific | | \$0 | 7.22% | 7.22% Service 2.85% |
| Total Project Cost of Mains | | | \$18 | 2.53% | 2.53% Meter 2.48% |
| | | | | 21.00% | 21.00% Weighted Ave. 2.49% |

Cost of Average Service

| | \$ / Ft | Feet | Costs | Meter/Reg Costs | App/Hook up fee | Last Revision Date: |
|------------------------------|----------|------|-------|-----------------|-----------------|---------------------|
| Service Line - All Footage | \$ 14.27 | 1 | 14.27 | \$333.00 | (\$250.00) | tj 3/20/19 |
| Total Avg Feet | | 1 | | | | |
| Cost of Average Service Line | | | \$97 | | | |

NPV of Cost of Service (Must be = to 0)

3,933

Click for NPV=

Print all Page

TOTAL CIAC

\$0.00

Per Customer Flat Monthly Surcharge

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |





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Questions



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