



SEMCOENERGY

GAS COMPANY

## **Overview of Important Transportation Service Tariff Revisions**

**May 2020**

# SEMCO Safety Moment



When doing projects around your house, digging without knowing where underground utility lines are buried can be very risky. When underground lines are damaged, vital services and everyday conveniences can become disconnected, not only to your home but to entire neighborhoods and, sometimes, whole subdivisions.

Don't risk harming yourself, your family or your neighbors. When planning an excavation project, **simply dial 811, 248-370-6400, or 800-482-7171** at least 72 hours (three working days) before you plan to start your work.

Source: MISS DIG System, Inc.

# Presentation Overview

- Rollout of SEMCO's new gas nomination and billing system
- Transportation Service Tariff Topics
  - Implementation
  - Communication Charge Cancellation
  - Balancing Recovery Charge
  - Daily Cash-Out Charge
  - Pooling
  - SEMCO Contacts
- Questions and Open Discussion



# Billing and Nomination System Replacement

- SEMCO will rollout a new gas nomination and billing system for administration of transportation services
  - Current system
    - NaturalNoms (ABB application)
    - Outdated Operating System
  - Replacement System
    - Open Access Technologies Inc. (OATI) webPipeline
    - System User Training – July 2020
    - Sept 1, 2020 – System Rollout Date



# New Transportation Service Tariff

- Target Rollout Date – **Sept 1, 2020**
  - Will happen together with rollout of new gas nomination and billing system (OATI webPipeline)
- Required Activities Prior to Rollout
  - All existing agreements must be replaced with new agreements that will align with new tariff
    - TR Customers (Shippers)
      - Execution of new transportation service agreements
      - Managed by SEMCO's Marketing group
      - August 1, 2020 target completion date
    - Pooling Agents
      - Execution of new Pooling Agreements
      - Execution of Web Access Agreements
      - Managed by Gas Supply
      - New Agreements to be distributed during 1<sup>st</sup> week of June
      - July 1, 2020 target completion date



# Communication Charges

- **Alternative (cellular) Communication Charge**
  - \$35.00 monthly fee cancelled effective January 2020
    - Monthly recurring cellular communication costs now recovered via SEMCO's Remote Metering Charge
  - SEMCO currently converting all Shipper meters from analog to cellular communications – 2022 target completion date
- **Remote Monitoring Equipment**
  - SEMCO may allow installation of equipment for remote monitoring of a Shipper's gas consumption
    - Many different types of devices available for remote monitoring
    - **SEMCO must review proposed monitoring devices for compatibility purposes**
  - Warning! For safety reasons, unauthorized access or tampering with SEMCO's metering facilities is forbidden and may result in termination of transportation service
    - **Remote monitoring equipment must be installed by or under direct supervision of SEMCO personnel**
  - \$2,100 fee for each instance of installation, repair, or re-installation



# Revised Balancing Recovery Charge

## Purpose

- To recover the Company's allocated pipeline and storage demand costs associated with daily balancing of supply and demand on SEMCO's system for transportation service Shippers
- Daily balancing demand costs include:
  - No-notice services
  - Certain off-system storage used for no-notice
  - Certain interstate pipeline capacity associated with storage used for no-notice

## Former Balancing Recovery Charges

- Daily charge
  - Firm Balancing Charge (FBT) - \$0.0344/Dth
  - Interruptible Balancing Charge (IBT) - \$0.1000/Dth
  - Excess Balancing Charge (EBT)
    - Positive Imbalance - \$0.4691/Dth
    - Negative Imbalance - \$1.0000/Dth
    - Imbalance penalties - \$10.00 + index price
- Billed to Pooling Agents
- Unnecessarily complex

## New Balancing Recovery Charge

- Effective September 1<sup>st</sup>
- Monthly charge
- Balancing Recovery Rate - \$0.0344/Dth
- Will be applied to Shipper's total monthly consumption of gas
- Billed directly to each Shipper
  - No longer billed to Pooling Agents
- Simple

# Revised Cash-Out Charge

## Purpose

- Incentivizes close monitoring of supply and demand for Pools
- Eliminates gas imbalances carried from month to month and day to day

## Former Cash-Out Charge

- Pool Imbalances cashed-out monthly
- Imbalances up to 5% rolled over to next month
- Monthly positive/negative imbalances >5% are cashed-out using index price tiers

## New Cash-Out Charge

- Effective September 1<sup>st</sup>
- Pool Imbalances will be cashed-out daily
  - Positive daily imbalances will be purchased by SEMCO from the Pools
  - Negative daily imbalances will be purchased by the Pools from SEMCO
- Daily cash-out charges will be netted on a monthly basis and billed directly to Pooling Agents

# Cash-Out Charge Definitions

## Nominated Quantity

- The quantity of gas requested to be scheduled for a Pool, including GIK (fuel), at a SEMCO Point of Receipt

## Confirmed Quantity

- The Pool's scheduled quantity of gas at a SEMCO Point of Receipt less GIK (fuel)

## Daily Balancing Tolerance (DBT)

- Maximum daily balancing tolerance shall be 10% of a Pool's Confirmed Quantity of gas.
- Authorized Imbalance is when the Pool's Consumed Quantity of gas  $\leq$  DBT
- Unauthorized Imbalance is when the Pool's Consumed Quantity of gas  $>$  DBT

## Daily Balancing Restriction (DBR)

- When SEMCO restricts the DBT percent to a level necessary to accommodate daily imbalances when the Company's balancing abilities are restricted or impaired.

## Daily Imbalance

- The difference between a Pool's Confirmed Quantity of gas and the Pool's Consumed Quantity of gas on any gas day.
- **Negative Imbalance** - When a Pool's Consumed Quantity of gas is  $>$  its Confirmed Quantity of gas
  - **Authorized Negative Imbalance** – The portion of a Pool's daily negative imbalance  $\leq$  to the effective DBT %
  - **Unauthorized Negative Imbalance** - The portion of a Pool's daily negative imbalance  $>$  the effective DBT %
- **Positive Imbalance** – When a Pool's Consumed Quantity of gas  $<$  its Confirmed Quantity of gas
  - **Authorized Positive Imbalance** - The portion of a Pool's daily positive imbalance  $\leq$  to the effective DBT %
  - **Unauthorized Positive Imbalance** - The portion of a Pool's daily positive imbalance  $>$  the effective DBT %



# Cash-Out Charge Detail

## Positive Imbalance Charges

- Occur when SEMCO purchases daily positive Imbalances from Pools
- Positive imbalance charges can be authorized or unauthorized
  - Authorized Positive Imbalance Rate (Whether or not DBR is declared)
    - Priced at the lesser of SEMCO's currently effective Commodity GCR rate or the Daily Index Price
  - Unauthorized Positive Imbalance Rate (whether or not a DBR is declared)
    - Priced at the lesser of SEMCO's currently effective commodity GCR rate or 80% of the Daily Index Price



# Cash-Out Charge Detail

## Negative Imbalance Charges

- Occur when Pools purchase daily Negative Imbalances from SEMCO
- Negative imbalance charges can be authorized or unauthorized
  - Authorized Negative Imbalance Rate (Whether or not DBR is Declared)
    - Priced at greater of SEMCO's currently effective Commodity GCR rate or the Daily Index Price
  - Unauthorized Negative Imbalance Rate (when negative DBR is not declared)
    - Priced at greater of SEMCO's currently effective commodity GCR rate or the Daily Index Price + \$1.00
  - Unauthorized Negative Imbalance Rate (when negative DBR is declared)
    - Priced at greater of SEMCO's currently effective commodity GCR rate the Daily Index Price + \$10.00



# Transportation Service Cash-Out Grid

## Normal Daily Balancing

Negative Imbalance DBT = 10%  
Positive Imbalance DBT = 10%

## Negative DBR Declared

Negative Imbalance DBT = 5%  
Positive Imbalance DBT = 10%

## Positive DBR Declared

Negative Imbalance DBT = 10%  
Positive Imbalance DBT = 5%

Negative Imbalance	Positive Imbalance
SEMCO Sells Gas at Unauthorized Negative Imbalance Cash-Out Rate	SEMCO Buys Gas at Unauthorized Positive Imbalance Cash-Out Rate
<b>10% Daily Balancing Tolerance</b>	
SEMCO Sells Gas at Authorized Negative Imbalance Cash-Out Rate	SEMCO Buys Gas at Authorized Positive Imbalance Cash-Out Rate

Negative Imbalance	Positive Imbalance
SEMCO Sells Gas at Unauthorized Negative Imbalance Cash-Out Rate	SEMCO Buys Gas at Unauthorized Positive Imbalance Cash-Out Rate
<b>10% Pos DBT</b>	
<b>5% Neg DBT</b>	SEMCO Buys Gas at Authorized Positive Imbalance Cash-Out Rate
SEMCO Sells Gas at Authorized Negative Imbalance Cash-Out Rate	

Negative Imbalance	Positive Imbalance
SEMCO Sells Gas at Unauthorized Negative Imbalance Cash-Out Rate	SEMCO Buys Gas at Unauthorized Positive Imbalance Cash-Out Rate
<b>10% Neg DBT</b>	
SEMCO Sells Gas at Authorized Negative Imbalance Cash-Out Rate	<b>5% Pos DBT</b>
	SEMCO Buys Gas at Authorized Positive Imbalance Cash-Out Rate

# Cash-Out Examples

	Example 1	Example 2	Example 3	Example 4	Example 5
<b>Description</b>					
<b>Nominated Qty</b>	5,000	5,000	5,000	5,000	5,000
<b>Confirmed Qty</b>	4,983	4,983	4,983	4,983	4,983
<b>Consumed Qty</b>	4,583	5,383	4,383	5,583	5,583
<b>Imbalance, Dth</b>	400	-400	600	-600	-600
<b>Imbalance, %</b>	8.0%	-8.0%	12.0%	-12.0%	-12.0%
<b>DBR?</b>	N	N	N	N	Y
<b>DBT Level - Positive</b>	+10%	+10%	+10%	+10%	+10%
<b>DBT Level - Negative</b>	-10%	-10%	-10%	-10%	-8%
<b>DTE Index</b>	2.4250	2.4250	2.4250	2.4250	2.4250
<b>Consumers Index</b>	2.4310	2.4310	2.4310	2.4310	2.4310
<b>Daily Index Price</b>	2.4280	2.4280	2.4280	2.4280	2.4280
<b>Index + \$1.00</b>	3.4280	3.4280	3.4280	3.4280	3.4280
<b>Index + \$10.00</b>	12.4280	12.4280	12.4280	12.4280	12.4280
<b>80% of Index</b>	1.9424	1.9424	1.9424	1.9424	1.9424
<b>SEMCO GCR Factor</b>	2.8200	2.8200	2.8200	2.8200	2.8200
<b>Authorized Pos Imb - Qty</b>	400	0	498	0	0
<b>Authorized Pos Imb - Cost</b>	(\$971.20)	\$0.00	(\$1,209.14)	\$0.00	\$0.00
<b>Applicable Price</b>	Lesser of SEMCO's effective Commodity GCR rate or the Daily Index Price				
<b>Unauthorized Pos Imb - Qty</b>	0	0	102	0	0
<b>Unauthorized Pos Imb - Cost</b>	\$0.00	\$0.00	(\$198.12)	\$0.00	\$0.00
<b>Applicable Price</b>	Lesser of SEMCO's effective commodity GCR rate or 80% of the Daily Index Price				
<b>Authorized Neg Imb - Qty</b>	0	-400	0	-498	-399
<b>Authorized Neg Imb - Cost</b>	\$0.00	\$1,128.00	\$0.00	\$1,404.36	\$1,125.18
<b>Applicable Price</b>	Greater of SEMCO's currently effective Commodity GCR rate or the Daily Index Price				
<b>Unauthorized Neg Imb - Qty</b>	0	0	0	-102	-201
<b>Unauthorized Neg Imb - Cost</b>	\$0.00	\$0.00	\$0.00	\$349.66	\$2,498.03
<b>Applicable Price - DBR = No</b>	Greater of SEMCO's currently effective commodity GCR rate or the Daily Index Price + \$1.00				
<b>Applicable Price - DBR = Yes</b>	Greater of SEMCO's currently effective commodity GCR rate or the Daily Index Price + \$10.00				
<b>Total Cash-Out Cost</b>	(\$971.20)	\$1,128.00	(\$1,407.27)	\$1,754.02	\$3,623.21

# Pooling – Key Provisions

- Purpose - to combine the consumption of a common group of shippers for the purpose netting imbalances on a daily basis
- Pools may consist of not less than two Shippers
- Pools must be comprised of Shippers who share a common Operational District and a common upstream pipeline transporter
- Shipper's Point of Receipt must physically serve the Company's pipeline system to which the Shipper's Point of Delivery is physically connected
- Individual Pools may have multiple suppliers so long as those suppliers deliver gas to the Pool's common upstream pipeline transporter



# Pooling – Key Notification Requirements

- **Creation of new Pools:**
  - Thirty (30) days prior to the first day of the month in which the new Pool becomes active
- **Shippers switching Pools or Shippers becoming a new member of a Pool:**
  - Fifteen (15) days prior to the first day of the month in which Shipper's Pool membership will become active
    - In situations of bankruptcy of a Shipper, the Company may waive the 15 day notice requirement. Waiver is subject to SEMCO's verification of reported bankruptcy
    - If waiver is granted, Pooling Agent must provide SEMCO seven (7) days' notice to remove Shipper from Pool
- **Shippers who desire to leave a Pool and become an individual Shipper:**
  - Fifteen (15) days prior to the first day of the month in which Shipper's status will become active
- **New Shippers**
  - Sixty (60) days prior the first day of the effective transportation service date.
    - Allows SEMCO sufficient time to install specialized metering equipment
    - Includes Shippers migrating to a TR service class from a GS service class



# Customer Service Contacts

- Marketing - Tim Lubbers (810) 887-4208
  - [Tim.Lubbers@semcoenergy.com](mailto:Tim.Lubbers@semcoenergy.com)
- Nominations - Gail Koss (810) 887-4192
  - [Gail.Koss@semcoenergy.com](mailto:Gail.Koss@semcoenergy.com)
- Billing - Melissa Deeg (810) 887-2031
  - [Melissa.Deeg@semcoenergy.com](mailto:Melissa.Deeg@semcoenergy.com)
- Pooling Agreements - Tam Spencer (810) 887-4140
  - [Tam.Spencer@semcoenergy.com](mailto:Tam.Spencer@semcoenergy.com)
- OATI System Questions - Charles Lawry-Martinez (810) 887-2026
  - [Charles.Lawry-Martinez@semcoenergy.com](mailto:Charles.Lawry-Martinez@semcoenergy.com)



# Comments and Questions



**SEMCOENERGY**

GAS COMPANY 17