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OF COUNSEL

SUE ANN GEIERSBACH
OF COUNSEL-SPECIAL PROJECTS

October 9, 2000

Barbara A. Stump
Administrative Law Judge
6545 Mercantile Way, Suite 14
Lansing, MI 48911

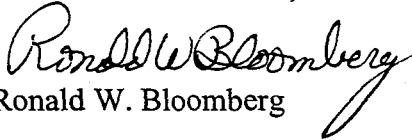
Re: SEMCO Energy Inc., MPSC Case No. U-12512 Act 69 Tuscola County

Dear Judge Stump:

Enclosed is an originally executed Settlement Agreement which has been signed by all parties and a Proposed Order. Enclosed also on disk is the Proposed Order in WordPerfect. These documents have also been electronically filed. Enclosed also is a Proof of Service reflecting serve of same upon the parties. If you have any questions regarding this matter, please call me.

Very truly yours,

LOOMIS, EWERT, PARSLEY,
DAVIS & GOTTING, P.C.


Ronald W. Bloomberg

RWB:blp
enclosure

cc w/encl: Larry Watterworth
Raymond McQuillan
John Alger

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
SEMCO ENERGY GAS COMPANY)
for a certificate of public convenience)
and necessity to construct facilities in and)
render gas service in Akron, Columbia, Elmwood)
and Almer Townships, Tuscola County, Michigan)
_____)

Case No. U-12512

SETTLEMENT AGREEMENT

On June 30, 2000, SEMCO Energy Gas Company, a division of SEMCO Energy, Inc. ("SEMCO") filed an application requesting a Certificate of Public Convenience and Necessity pursuant to MCL 460.501 et seq.; MSA 22.141 et seq. ("Act 69") to construct facilities in and render natural gas service in Akron, Columbia, Elmwood and Almer Townships, Tuscola County, Michigan.

Pursuant to due notice, a prehearing conference was held before Administrative Law Judge Barbara A. Stump on September 7, 2000. At the prehearing conference, the Commission Staff ("Staff") entered its appearance. SEMCO presented an Affidavit of Mailing that a copy of the Notice of Hearing was mailed on August 22, 2000 to all cities, incorporated villages, townships, and counties within the affected area of gas service, as well as all utilities rendering gas service in the townships. Consumers Energy Company ("Consumers") filed a petition to intervene; said petition was granted. No other utility or municipality appeared or intervened in the proceedings.

At and after the prehearing conference, the parties discussed and resolved all contested issues in this case and, as a result, have agreed to resolve their differences by virtue of this Settlement Agreement ("Agreement"). This Agreement identifies the rights and obligations of SEMCO

MPSC Case No. U-12512
Settlement Agreement

concerning the provisions of natural gas service in Akron, Columbia, Elmwood and Almer Townships, Tuscola County, Michigan and is in accordance with Section 78 of the Administrative Procedures Act of 1969, MCL 24.278; MSA 3.560(178) and Rule 333 of the Commission's Rules of Practice and Procedure, R 460.17333.

WHEREFORE, the parties agree as follows:

1. SEMCO has obtained the requisite franchises to provide local natural gas service throughout Akron, Columbia, Elmwood and Almer Townships, Tuscola County.

2. The requested certificate of public convenience and necessity for Akron, Columbia, Elmwood and Almer Townships, Tuscola County is in the public interest and should be granted. To the extent that service to this area is not already included in the description of territory served in its rate book, SEMCO shall file within thirty (30) days of a Commission order approving this settlement agreement revised rate book pages that include the new area served.

3. SEMCO can serve new customers in areas of Akron, Columbia, Elmwood and Almer Townships, Tuscola County where it has a franchise and in a manner that does not create an undue safety concern. All facilities will be constructed, maintained and operated in a manner which satisfies the requirements of the Michigan Gas Safety Code and applicable Commission rules. Additionally, newly constructed gas mains or service lines will not cross another natural gas utility's mains or service lines or parallel another natural gas utility's mains or service lines within a street or right-of-way.

4. Prior to commencement of construction of any extension of main within a Township section occupied by any utility, the utility shall provide 30 days' prior written notice of same to the Michigan Public Service Commission Competitive Service Section Staff and the other utility, which

notice shall identify the location of the proposed extension and include a copy of the utility's Customer Attachment Program worksheet, if applicable, for the extension. For purposes of this provision, the notice shall be addressed to:

For SEMCO Gas to:

Manager of Residential Marketing
SEMCO Energy Gas Co.
405 Water Street
Port Huron, MI 48060

For Consumers Energy to:

Mr. Thomas J. Begin
Director of Strategic Growth
Consumers Energy Company
2400 Weiss St.
Saginaw, Michigan 48602

Any party can change the name of the person upon whom notice will be served by providing written notice thereof to the other parties. If both Staff and the other utility agree, construction may commence prior to the end of the 30-day period.

Within the 30-day period, the other utility or Staff may protest all of or part of a proposed extension. The basis for the protest must be that the extension: (i) will create an undue safety concern; (ii) is not pursuant to the utility's CAP or Main Extension Program, if applicable; and/or (iii) is otherwise contrary to the public interest.

The protest must be in writing and provided to all parties to this Settlement Agreement within the 30-day period. It must specifically identify each portion of the proposed construction being protested and the reason for the protest. If a protest is not resolved within 30 days of receipt or initiation by the Staff, a complaint may be filed with the Commission. If no complaint is filed within

the 30-day period, the protest will be considered resolved. Construction of any protested portion shall not commence while a protest and/or complaint is pending.

The noticing utility must complete the extension no later than December 31 of the year in which the notice of commencement of construction was provided or a protest or complaint was resolved, whichever is later. If not completed within the period, either utility may serve notice of proposed construction with regard to the unfinished area.

5. This Settlement Agreement is intended for final disposition of the issues in this proceeding and the parties hereto join in respectfully requesting the Commission to grant prompt approval of same. It is the opinion of the signatories hereto that this Settlement Agreement will be in the public interest, aid the expeditious conclusion of this case and minimize the time and expense which would otherwise have to be devoted to this matter by the Commission and the parties.

6. Each signator hereto agrees not to appeal, challenge or contest the certificate approved by the Commission in this case if it is the result of a Commission order accepting and approving this Settlement Agreement without modification. If the Commission does not accept this Settlement Agreement without modification, this Settlement Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

7. Section 81 of the Administrative Procedures Act of 1969 is waived by the signatories hereto, if this Settlement Agreement is approved by the Commission without modification.

(Rest of page intentionally left blank)

8. The Commission Staff certifies that this Settlement Agreement is reasonable and in the public interest.

Dated: October 4, 2000

By: L G Watterworth
COMMISSION STAFF
Larry G. Watterworth (P28440)
Assistant Attorney General
6545 Mercantile Way, Suite 15
Lansing, Michigan 48911
Telephone: (517) 241-6680

Dated: October __, 2000

By: Raymond E. McQuillan
CONSUMERS ENERGY COMPANY
Raymond E. McQuillan (P24100)
212 W Michigan Ave
Jackson, Michigan 49201
(517) 788-0677

Dated: October 3, 2000

By: Ronald W. Bloomberg
SEMCO ENERGY GAS COMPANY
Ronald W. Bloomberg (P30011)
Loomis, Ewert, Parsley, Davis & Gotting, P.C.
232 South Capitol Avenue, Suite 1000
Lansing, Michigan 48933
(517) 482-2400

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
SEMCO ENERGY GAS COMPANY)
for a certificate of public convenience)
and necessity to construct facilities in and)
render gas service in Akron, Columbia, Elmwood)
and Almer Townships, Tuscola County, Michigan)
_____)

Case No. U-12512

At the _____, 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 SETTLEMENT AGREEMENT

On June 30, 2000, SEMCO Energy Gas Company, a division of SEMCO Energy, Inc. ("SEMCO") filed an application requesting a Certificate of Public Convenience and Necessity pursuant to MCL 460.501 et seq.; MSA 22.141 et seq. ("Act 69") to construct facilities in and render natural gas service in Akron, Columbia, Elmwood and Almer Townships, Tuscola County, Michigan.

Pursuant to due notice, a prehearing conference was held on September 7, 2000, before Administrative Law Judge Barbara A. Stump. SEMCO, Intervenor Consumers Energy Company ("Consumers"), and the Commission Staff (Staff) participated in the proceedings. No other parties appeared or sought to intervene.

Subsequently, the parties submitted a Settlement Agreement resolving all issues in this case.

According to the terms of the Settlement Agreement, attached as Exhibit A, the parties agree: (1) that SEMCO was granted currently effective franchises to provide natural gas service in Akron, Columbia, Elmwood and Almer Townships, Tuscola County; and (2) that the Settlement Agreement provides a procedure for future extensions of gas service within the Townships which is reasonable and in the public interest; and (3) that a Certificate of Public Convenience and Necessity should be granted to SEMCO to provide such natural gas service in Akron, Columbia, Elmwood and Almer Townships, Tuscola County.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1929 PA 69, as amended, MCL 460.501 et seq.; MSA 22.141 et seq.; 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, 1992 AACCS, R 460.17101 et seq.

b. The Settlement Agreement is reasonable and in the public interest and should be approved.

THEREFORE, IT IS ORDERED that:

A. The Settlement Agreement, attached as Exhibit A, is approved.

B. SEMCO Energy Inc. is granted a certificate of public convenience and necessity to construct facilities and provide natural gas service in Akron, Columbia, Elmwood and Almer Townships, Tuscola County consistent with the provisions of the Settlement Agreement.

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

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
SEMCO ENERGY GAS COMPANY)
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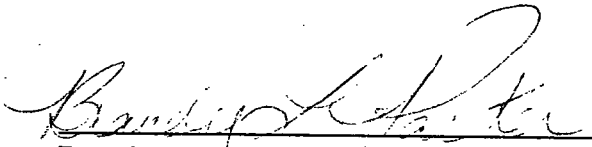
PROOF OF SERVICE

Brandy L. Parker, employed at Loomis, Ewert, Parsley, Davis & Gotting, P.C., being duly sworn, affirms that on this 9th day of October 2000, she served a copy of a Settlement Agreement in the above referenced matter upon the following persons:

Raymond E. McQuillan
Consumers Power
212 W Michigan Ave
Jackson , MI 49201

Larry G. Watterworth
Assistant Attorney General
6545 Mercantile Way, Suite 15
Lansing, MI 48911

via first class.



Brandy L. Parker

Subscribed and sworn to before me on this 9th day of October, 2000.


Kelly Ray Fitzgerald, Notary Public
Eaton County, Michigan
My Commission expires: 11/19/2004
Acting in Ingham County