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PROJECTS

April 12, 2001

Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan 48911

Re: SEMCO Energy Gas Company
MPSC Case No. U-12889 (e-file)

Dear Ms. Wideman:

Enclosed for filing are an original and four copies of Application. Also enclosed is an original Proof of Service. An electronic version of this Application is also being filed in accordance with the Commission's electronic filing requirements.

Very truly yours,

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


Sherri A. Wellman

SAW/kkf
Enclosure

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the application of	)	
SEMCO ENERGY GAS COMPANY	)	
a division of SEMCO Energy, Inc., for	)	Case No. U-12889
ex parte approval of a refund of the Kansas	)	
Ad Valorem Tax Refund dollars.	)	
_____	)	

APPLICATION

SEMCO Energy Gas Company ("SEMCO Gas" or the "Company"), a division of SEMCO Energy, Inc., respectfully requests that the Michigan Public Service Commission ("Commission" or "MPSC") approve a refund of a portion of the escrowed Kansas Ad Valorem Tax Refund dollars as proposed below, and in support thereof, SEMCO Gas represents as follows:

1. SEMCO Gas is a division of SEMCO Energy, Inc., with its principal offices located at 405 Water Street, Port Huron, Michigan, and is a public utility engaged in the purchase, sale, transmission and transportation of natural gas to the public in its various service areas in the state of Michigan.

2. SEMCO Gas's retail natural gas sales business and its retail gas transportation business are subject to the jurisdiction of the Commission.

3. In connection with SEMCO Gas's reconciliation of gas costs and revenues for the twelve month period ending March 1998, Case Nos. U-11215-R and U-11265-R, the Company proposed that a \$323,467 refund received from Northern Natural on February 6, 1998, in connection with an ad valorem property tax imposed by the state of Kansas

("Kansas Ad Valorem Tax Refund"), be placed in an interest-bearing escrow account. SEMCO Gas made this proposal because the Kansas Ad Valorem Tax Refund was the subject of challenge before the Federal Energy Regulatory Commission and the courts, and it was uncertain as to whether the Company would be required to return the Refund. The Kansas Ad Valorem Refund relates to gas prices charged for the period of October 3, 1983, through June 28, 1988. In a Settlement Agreement, the parties agreed that SEMCO Gas would hold the Kansas Ad Valorem Tax Refund in an interest-bearing escrow account until such time as the dispute relating to the Refund is finally resolved, and that upon final resolution of the dispute, SEMCO Gas will notify the Staff, the Attorney General, and the Association of Business Advocating Tariff Equity of the resolution and, if appropriate, file an application with the Commission for distribution of the Kansas Ad Valorem Tax Refund. On December 21, 1998 the Commission approved the Settlement Agreement.

4. A resolution of the dispute regarding the Kansas Ad Valorem Tax Refund as it pertains to Northern Natural was reached in December 2000, and SEMCO Gas received its final refund from Northern Natural in February 2001.

5. Pursuant to the Commission's September 11, 1998 Order Approving Application issued in Case No. U-11776, SEMCO Gas's GCR clause has been suspended through the end of the March 2002 billing cycle; therefore, there is no longer a GCR process available through which to process the Kansas Ad Valorem Tax Refund. Sheet No. B-57.0 of the Company's approved tariff book states that refunds applicable to the period prior to suspension will be addressed in separate proceedings before the Commission:

"This Rule is suspended for the period covering the April 1999 Billing Cycle

through the March 2002 Billing Cycle. During the suspension period, pipeline or other supplier refunds or charges shall be reflected as adjustments to the Cost of Gas Sold in the month received, unless the refunds or charges are applicable to periods prior to the April 1999 Billing Cycle, and pursuant to Michigan Public Service Commission Staff review, become an issue in a separate proceeding before the Commission. The Company will comply with Commission orders regarding the allocation of pipeline refunds or charges included in separate proceedings and any other refunds or charges.”

6. Specifically, SEMCO Gas requests that:

a. One hundred percent of the principal amount of the Kansas Ad Valorem Tax Refund, plus interest, be distributed to the Company's current gas retail customers via a credit to their bills. The appropriate amount to be distributed to customers is the principal amount of \$502,962 plus interest calculated at 10.75% from the date of receipt of the refund by SEMCO Gas through mid-point of the proposed refund month of July, 2001.

b. To the extent SEMCO Gas receives any further refunds of amounts which relate to claims regarding Kansas Ad Valorem Tax Refund, the disposition of such refunds will be consistent with paragraph 6a herein.

7. Ex parte approval of this Application is appropriate because such approval will not increase the cost of service to any existing customer.

WHEREFORE, SEMCO Energy Gas Company requests the Michigan Public Service Commission to issue an ex parte order:

A. Approving this Application and authorizing the SEMCO Energy Gas Company to refund the Kansas Ad Valorem Tax Refund in the manner proposed herein, and

B. Granting such other and further relief as may be lawful and equitable.

Respectfully submitted,

SEMCO Energy Gas Company,
a division of SEMCO Energy, Inc.

Dated: April 12, 2001

By: _____

Sherri A. Wellman

One of its Attorneys

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Sherri A. Wellman (P38989)
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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

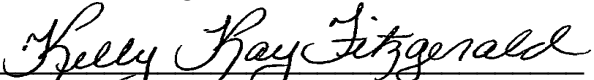
In the matter of the application of)
SEMCO ENERGY GAS COMPANY)
a division of SEMCO Energy, Inc., for)
ex parte approval of a refund of the Kansas)
Ad Valorem Tax Refund dollars.)
_____)

Case No. U-12889

PROOF OF SERVICE

STATE OF MICHIGAN)
) SS
COUNTY OF INGHAM)

Kelly Kay Fitzgerald, being duly sworn, deposes and says that she is employed in the law offices of Loomis, Ewert, Parsley, Davis & Gotting, P.C. and that on the 12th day of April, 2001, she served a copy of **APPLICATION** upon the persons on the attached service list via e-mail and by enclosing same in a sealed envelope with first-class postage fully prepaid, addressed to them at the addresses set forth and by depositing the envelopes and contents in the United States government mail.



Kelly Kay Fitzgerald

Subscribed and sworn to before me
this 12th day of April, 2001.



Edith Loomis
Notary Public
Ingham County, Michigan
My Commission Expires December 5, 2002

**SEMCO ENERGY GAS COMPANY
MPSC CASE NO. U-12889**

SERVICE LIST

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