

3. On June 8, 2001, ABATE filed written comments advocating that SEMCO

Gas's tariffed transportation customers share in the Kansas Ad Valorem Tax Refund. The AG did not file any comments

4. Subsequent to ABATE's June 8th filing, SEMCO Gas, Staff and ABATE have engaged in settlement discussions and agree that the principal amount of \$713,175 of the Kansas Ad Valorem Tax, including interest calculated through the mid-point of the September 2001 billing month of \$234,231, shall be distributed among SEMCO Gas's residential, GS-1, GS-2, GS-3 and transportation customers based on their location within the Company's service territory, as set forth in Exhibit A attached hereto.

5. It is the opinion of all signatories that this settlement agreement will aid the expeditious conclusion of this case.

6. This settlement agreement is intended for a final disposition of this matter, and the parties join in respectfully requesting that the Commission grant prompt approval. Each signatory agrees not to appeal, challenge or contest the Commission's order accepting and approving this settlement agreement without modification. In the event the Commission issues an order which does not approve this settlement agreement in its entirety, without modification, the agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.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. The settlement agreement and all offers of settlement and discussions are privileged and shall not be used in any manner, nor be admissible, for any other purposes in connection with this proceeding or any other proceeding except so as to prove the contents herein.

8. All signatories agree to waive Section 81 of the APA, as amended MCL 24.281, as it applied to the issues in this proceeding.

9. Finally, the signatories agree that this Settlement Agreement may be signed in counterpart.

Dated: August 7, 2001

SEMCO ENERGY GAS COMPANY

By: *Sherri A. Wellman*
One of its Attorneys
Harvey J. Messing (P23309)
Sherri A. Wellman (P38989)
LOOMIS, EWERT, PARSLEY,
DAVIS & GOTTING, P.C.
232 S. Capitol Avenue, Suite 1000
Lansing, MI 48933

MICHIGAN PUBLIC SERVICE
COMMISSION STAFF

Dated: _____, 2001

By: _____
Michael Kidd
Director of Gas Division
6545 Mercantile Way, Suite 7
Lansing, MI 48911

ASSOCIATION OF BUSINESS
ADVOCATING TARIFF EQUITY

Dated: _____, 2001

By: *Leland R. Rosier by Hon. Parker*
One of its Attorneys
Robert A. W. Strong (P27724)
Leland R. Rosier (P33827)
CLARK HILL PLC
255 S. Old Woodward Avenue
3rd Floor
Birmingham, Michigan 48009

9. Finally, the signatories agree that this Settlement Agreement may be signed in counterpart.

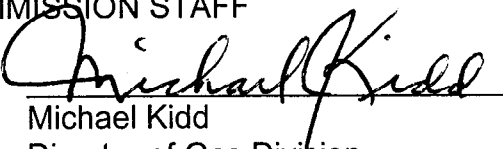
SEMCO ENERGY GAS COMPANY

Dated: _____, 2001

By: _____
One of its Attorneys
Harvey J. Messing (P23309)
Sherri A. Wellman (P38989)
LOOMIS, EWERT, PARSLEY,
DAVIS & GOTTING, P.C.
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MICHIGAN PUBLIC SERVICE
COMMISSION STAFF

Dated: 8-6, 2001

By: 
Michael Kidd
Director of Gas Division
6545 Mercantile Way, Suite 7
Lansing, MI 48911

ASSOCIATION OF BUSINESS
ADVOCATING TARIFF EQUITY

Dated: _____, 2001

By: _____
One of its Attorneys
Robert A. W. Strong (P27724)
Leland R. Rosier (P33827)
CLARK HILL PLC
255 S. Old Woodward Avenue
3rd Floor
Birmingham, Michigan 48009

EXHIBIT A

Calculation of Interest on Refunds
Distribution in Billing Month of September 2001

[illegible]

SEMCO ENERGY GAS COMPANY

Calculation of Interest on Refunds
Distribution in Billing Month of September 2001

Line	Distribution Period (1)	Description (2)	Residential (3)	General Service (GS - 1) (4)	General Service (GS - 2) (5)	General Service (GS - 3) (6)	Transportation (7)	Total (8)
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MICHIGAN GAS COMPANY ONLY

1	(04/00 - 03/01)	Billed MCF	10,511,112	2,037,236	2,381,041	3,611,261	9,239,677	27,780,327
2		Principal \$	\$ 190,303	\$ 36,884	\$ 43,109	\$ 65,382	\$ 167,284	\$ 502,962
3		Interest \$	\$ 59,180	\$ 11,470	\$ 13,406	\$ 20,332	\$ 52,021	\$ 156,408
4		TOTAL REFUNDS	\$ 249,483	\$ 48,354	\$ 56,514	\$ 85,714	\$ 219,305	\$ 659,371
5		PRINCIPAL FACTOR	0.018105	0.018105	0.018105	0.018105	0.018105	
6		INTEREST FACTOR	0.005630	0.005630	0.005630	0.005630	0.005630	
7		TOTAL REFUND FACTOR	0.023735	0.023735	0.023735	0.023735	0.023735	

S. E. MICHIGAN GAS COMPANY ONLY

8	(04/00 - 03/01)	Billed MCF	12,537,418	2,075,268	1,523,576	3,190,443	4,350,672	23,677,376
9		Principal \$	\$ 111,310	\$ 18,425	\$ 13,527	\$ 28,325	\$ 38,626	\$ 210,213
10		Interest \$	\$ 41,208	\$ 6,821	\$ 5,008	\$ 10,486	\$ 14,300	\$ 77,823
11		TOTAL REFUNDS	\$ 152,518	\$ 25,246	\$ 18,534	\$ 38,812	\$ 52,926	\$ 288,036
12		PRINCIPAL FACTOR	0.008878	0.008878	0.008878	0.008878	0.008878	
13		INTEREST FACTOR	0.003287	0.003287	0.003287	0.003287	0.003287	
14		TOTAL REFUND FACTOR	0.012165	0.012165	0.012165	0.012165	0.012165	

SEMCO ENERGY GAS COMPANY
Refund Period Sales - Mcf / Dth

MICHIGAN GAS COMPANY ONLY

LINE	Billed Sales	April 2000	May 2000	June 2000	July 2000	August 2000	September 2000	October 2000	November 2000	December 2000	January 2001	February 2001	March 2001	TOTAL
1	RESIDENTIAL	964,711	583,400	338,214	215,334	188,946	221,095	430,323	682,267	1,690,431	2,017,548	1,639,395	1,539,449	10,511,112
2	GENERAL SERVICE GS-1	182,438	106,497	50,491	36,544	33,406	36,794	70,283	116,119	334,182	413,395	334,196	322,892	2,037,236
3	GENERAL SERVICE GS-2	225,595	137,356	75,855	54,302	51,121	54,586	91,550	150,140	366,190	445,067	367,856	361,424	2,381,041
4	GENERAL SERVICE GS-3	314,878	207,649	117,227	94,247	85,291	173,112	183,939	252,204	526,181	605,801	536,452	514,281	3,611,261
5	TOTAL ALL RATE SCHEDULES	1,687,622	1,034,902	581,787	400,427	358,764	485,587	776,095	1,200,730	2,916,984	3,481,811	2,877,899	2,738,046	18,540,650
6	TRANSPORTATION Volumes (Dth)	857,426	734,791	639,022	535,040	634,556	673,345	721,553	799,215	1,011,492	898,359	837,316	897,562	9,239,677
7	TOTAL THROUGHPUT	2,545,048	1,769,693	1,220,809	935,467	993,320	1,158,932	1,497,648	1,999,945	3,928,476	4,380,170	3,715,215	3,635,608	27,780,327

S. E. MICHIGAN GAS COMPANY ONLY

8	RESIDENTIAL	1,155,490	757,567	367,922	254,428	235,315	256,013	488,585	763,916	1,801,885	2,563,229	2,027,572	1,865,495	12,537,418
9	GENERAL SERVICE GS-1	169,046	111,663	29,161	42,463	38,172	33,178	59,776	112,847	296,980	421,819	369,334	390,828	2,075,268
10	GENERAL SERVICE GS-2	141,669	94,058	45,061	35,446	33,307	33,855	57,831	105,801	230,207	296,476	236,050	213,815	1,523,576
11	GENERAL SERVICE GS-3	182,378	108,432	190,966	102,566	93,652	298,628	230,848	254,385	465,939	512,691	412,084	337,877	3,190,443
12	TOTAL ALL RATE SCHEDULES	1,648,583	1,071,720	633,110	434,903	400,446	621,674	837,040	1,236,949	2,795,011	3,794,215	3,045,040	2,808,015	19,326,704
13	TRANSPORTATION Volumes (Dth)	431,101	325,300	267,691	178,239	203,363	208,617	325,305	417,794	559,729	545,962	466,655	420,916	4,350,672
14	TOTAL THROUGHPUT	2,079,684	1,397,020	900,801	613,142	603,809	830,291	1,162,345	1,654,743	3,354,740	4,340,177	3,511,695	3,228,931	23,677,376

SEMCO ENERGY GAS Co. COMBINED

15	RESIDENTIAL	2,120,201	1,340,967	706,136	469,762	424,261	477,108	918,908	1,446,183	3,492,316	4,580,777	3,666,967	3,404,944	23,048,530
16	GENERAL SERVICE GS-1	351,484	218,160	79,652	79,007	71,578	69,972	130,059	228,966	631,162	835,214	703,530	713,720	4,112,504
17	GENERAL SERVICE GS-2	367,264	231,414	120,916	89,748	84,428	88,441	149,381	255,941	596,397	741,543	603,906	575,239	3,904,618
18	GENERAL SERVICE GS-3	497,256	316,081	308,193	196,813	178,943	471,740	414,787	506,589	992,120	1,118,492	948,536	852,158	6,801,708
19	TOTAL ALL RATE SCHEDULES	3,336,205	2,106,622	1,214,897	835,330	759,210	1,107,261	1,613,135	2,437,679	5,711,995	7,276,026	5,922,939	5,546,061	37,867,360

SEMCO ENERGY GAS COMPANY

Kansas Ad Valorem Tax Refunds

Received From Northern Natural Gas Company

Refund No.	Refund Amount	Date Received	Interest Rate	No. Of Days	Interest Through 09/15/01	Total
1	\$ 323,467.25	02/06/98	10.75%	1,318	\$ 125,562.90	\$ 449,030.15
2	48,196.86	04/13/98	10.75%	1,252	17,772.10	65,968.96
3	15,006.07	08/18/98	10.75%	1,125	4,972.05	19,978.12
4	3,595.89	04/19/99	10.75%	881	933.03	4,528.92
5	112,696.06	02/12/01	10.75%	216	7,169.32	119,865.38
Total	<u>\$ 502,962.13</u>				<u>\$ 156,409.40</u>	<u>\$ 659,371.53</u>

Received From Panhandle Eastern Pipeline Company

Refund No.	Refund Amount	Date Received	Interest Rate	No. Of Days	Interest Through 09/15/01	Total
1	\$ 210,212.56	04/08/98	10.75%	1,257	\$ 77,823.28	\$ 288,035.84